

## Layoff effects

*The Disposable American: Layoffs and Their Consequences.* By Louis Uchitelle. New York, Alfred A. Knopf, 2006. 283 pp., \$25.95/hardback.

In his book *The Disposable American*, Louis Uchitelle takes a narrative approach in conveying the problems of mass layoffs in America. Analyzing these problems and providing economic solutions would normally make a dry and boring read, but Uchitelle provides sympathetic case studies of lives ruined by seemingly senseless layoffs. Between the personal case studies lies well-documented evidence of real economic problems and criticisms of our free-market society.

Uchitelle shows how managers and employees handle layoffs. For example, the CEO of Stanley Works from 1966 to 1988 was a part of his employees' community but had to leave his home and site of Stanley Works due to feelings of guilt and shame he felt about trying to keep his company competitive through layoffs. This civic-minded manager is contrasted with subsequent CEOs who unapologetically laid off workers and moved their plants to areas with lower wages and rents. Uchitelle sees the effects of these layoffs firsthand as he repeatedly interviews those laid off by Stanley Works and United Airlines. As Uchitelle spends more time with these former employees, the degradation of the psyche of those once able-bodied, hard-working, intelligent workers becomes more apparent. He shows how these workers struggle to reenter the workforce and how the system subsequently fails them.

Uchitelle blames politicians, government agencies, corporations, the free-market economy, and the detached, uncommunicative American public. State and city governments are criticized for spending their money unwisely, luring big companies such as United to their area with tax breaks and incentives. United created a state-

of-the-art facility in Indianapolis (in part, thanks to the city's and Indiana's \$320 million contribution) where highly skilled mechanics repaired and maintained aircraft; but, less than 10 years later, United decided to relocate the shop, reducing wage costs. Uchitelle implies that there is a serious cost to American "know how"—and even plane safety—in jettisoning this hi-tech operation with its skilled workforce.

Uchitelle's narrative approach allows him to demonstrate how important a career is to a person's psychological and social well-being, as well as to the person's feelings of acceptance as a valued member of a community. A section on well-paid professional workers forced into early retirement on pensions that provide a reasonable standard of living underscores his point. The workplace is the community in which most of us live. If its environment is hostile to our well-being, we all lose, even if money is not an issue. Uchitelle's criticisms, combined with the depressing stories of the laid-off, may conjure sympathy from the reader and even excite him or her to fight this problem that is affecting so many of our fellow Americans, but what do we do about it?

An entire chapter is devoted to solutions to the mass-layoff epidemic, but unfortunately these are less inspiring than the case studies. Uchitelle does, however, suggest more progressive tax rates to enable the government to spend more on job creation, especially jobs developing new technologies. He also calls for better statistical information, even to the point of mandating reports from industry on terminated jobs.

BLS is chastised for being apathetic towards the layoff problem. Surprisingly, Uchitelle does not mention, nor does he even seem to be aware of, what the Bureau developed in response to the arising problems of measuring layoffs—surveys and programs such as the contingent worker supplement to the Current Popula-

tion Survey, the Mass Layoff Statistics program, and the Job Openings and Labor Turnover Survey (JOLTS). He argues that there are not enough white-collar jobs to accommodate the unemployed even if all were appropriately educated and skilled, thus criticizing job-training programs for raising expectations that cannot be realized.

*The Disposable American* presents the problems with layoffs in a riveting, objective manner, but does not provide very many answers. The book targets, however, a constituency that will be moved to discover new solutions.

—Solidelle Fortier Wasser  
and Michael T. Wolf

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## "The Long Tail"

*The Long Tail: Why the Future of Business Is Selling Less of More*, Chris Anderson, New York, N.Y., Hyperion, 2006. 256 pp., \$24.95 hardback.

In *The Long Tail: Why the Future of Business Is Selling Less of More*, Chris Anderson points out that traditional economic and business models of supply and demand have changed dramatically due to the recent widespread use of the Internet. The "economics of scarcity" has evolved into an "economics of abundance:" where in the past producers and consumers were constrained by costs associated with marketing and buying products and services in traditional "brick and mortar" stores, they now have taken advantage of cheaper solutions and virtually unlimited choices via the Internet. This phenomenon is revealed by what's called the Long Tail, or in statistical terms, a data distribution in which the tail end of a curve is very long relative to the head. That is, it suggests that the market for items

that are not “hits” (that is, the most popular items) will always be larger than the market for those that are.

Anderson explains how three economic forces have combined to create the Long Tail effect. First, the Internet removed preexisting “barriers to entry” into markets and spurred tremendous growth in both the production and distribution of some merchandise due to its near zero cost nature relative to traditional production and distribution processes. For example, production of CDs or movies previously involved specialized skills, machinery, and tools, but now the tools of production have been “democratized” so that seemingly anyone with a PC and the appropriate software can create similar merchandise at greatly reduced cost. In conjunction with this, a “democratization of the tools of distribution” has evolved as a second economic force. Broadband technologies allow increased market penetration, where producers are able to distribute some goods to an expanded market without the need of expensive trucks, trains, or planes. The result of these two forces expands the tail end of the distribution curve outward and upward by increasing the number of items for sale and the ability to access them. Consumers must be able to differentiate among the multitude of items now available to “turn the massive expansion of choice” in the tail into “an economic and cultural force.” As a third economic force, the emergence of the “search engine filter,” “blogs,” and online customer rankings or reviews, has greatly reduced the costs to consumers to differentiate and subsequently select

among the multitude of items now available for consumption. Anderson says this encourages the consumer to search farther “outside than you already know, thus driving demand further down into the niches” and subsequently flattening the typical demand curve.

One benefit of the introduction of search filters, customer reviews, and blogs is the expanded range in quality of items available along the tail of the demand curve, a range unattainable in traditional brick and mortar stores due to the cost of occupancy. Consequently, consumers can find exactly what they want, and often of superior quality, by exploring the options available in the tail, heretofore unavailable in traditional markets.

To explain the concept, Anderson mentions that traditional brick and mortar businesses, like Wal-Mart and Blockbuster, incur economic costs to store products and are constrained by finite shelf capacity. Therefore, they focus only on selling the most popular products, or those that will generate the most sales revenue, by selling these products many times over. In contrast, online retailers, such as eBay and Netflix, that market similar products neither face such costs nor supply constraints and subsequently benefit from the increased revenue gained from selling small quantities of such “non-hits” that hitherto never made it to the store aisles. Anderson exemplifies this point by testing the generally accepted rule known to traditional marketers as the “80/20 rule” using sales data from Ecast, an online retailer of music. The “80/20 rule” states that 80 percent of a company’s sales would be reflected in the

head portion of the demand curve for that particular item. He was stunned to learn that 98 percent of the items available for sale on ECast actually sell within 3 months. This contrasts with only half of all the available books at a typical book superstore or half of all available CDs at a typical retailer, such as Wal-Mart, over the same period. Furthermore, as ECast added more and more titles to expand inventory and potential demand along the tail end of the curve, it continued to sell more and more titles thus increasing revenue.

Anderson concludes that due to these economic forces, “On the infinite aisle, anything is possible.” The once hard and fast 80/20 rule has been observed to equate to a much larger percentage of sales when considering all available products. The Long Tail effect pervades many industries, where Anderson illustrates the concept in retail goods (eBay), durables (KitchenAid), and advertising (Google). Businesses capitalize on the increased demand by increasing their revenue due to the low costs of production. While the most popular items still have a place in their “store front,” the range of alternative possibilities (available at even higher quality) has emerged. He humbly acknowledges, however, that he has just modeled this phenomenon, whereas companies such as these have been implementing and realizing profits from it over the last several years.

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