

AMERICA MUST CHOOSE

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By Amitai Etzioni

The nation has reached a fork in the road. We must decide which need gets priority—revitalizing our productive base, which will require belt tightening, or continuing along the path of a consumption society, eating further into our economic foundation. We cannot have both in equal measure. So states the scholar who first alerted the country to the need for “reindustrialization,” in this exclusive article for *Enterprise*.

Can't we have both social progress and economic progress? I have often been asked that question when discussing the conflict in contemporary America between those who seek a quality-of-life society and those who favor rededication to economic growth. Can't America develop new energy sources, increase productivity, keep consumer products flowing and use this country's growing wealth to purchase an environment, a workplace and consumer products that are healthier and safer? Can't America both keep its economy growing and enhance harmony with others, with itself and with nature? My thesis is that, for both economic and social-psychic reasons, choose we

must. The choice to be made concerns which effort—quality of life or reindustrialization—will be given (or allowed to gain) first priority over the next 10 to 15 years.

The case for reindustrialization is that for the past decade the American society has been underdeveloping. Decades of overconsumption and of underinvestment in the nationwide economic machine have weakened America's productive capacity. If America is to continue to be able to sustain a high standard of living and set aside the resources needed for national security, this requires a decade
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or so of shoring up its productive capacity—of reindustrialization.

Historically, industrialization was achieved in two main stages. First, an infrastructure was developed, in which nationwide transportation systems were developed to provide for more efficient transportation of goods (in the United States, canals and railroads), cheap power was gained (mining of coal and sinking of the first oil wells), technological innovations were advanced (steam engine), modern communication systems evolved (telegraph), financial institutions introduced (national currency, banks, stock exchanges) and labor force prepared (rise of vocational education, acculturation of immigrants).

Next, it was the turn of the capital goods sector, the building of heavy duty machinery and plants (e.g., steel mills). These are not consumer goods but the tools to be used to mass-produce them.

In American history, these stages were well-advanced by the late 1920s, but the depression and World War II delayed the full introduction of the affluent society until the late '40s. Then came the generation of mass production of autos, TVs, appliances, residential homes, and higher standards of health, mass postsecondary education, mass involvement in culture and explosion of

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social services. It's not all hardware or “objects,” it should be pointed out.

However, in the period of mass consumption, not enough was plowed back into the underlying sectors, the infrastructure and capital goods sectors. In that sense, consumption was “excessive.” A decade of public and private belt tightening is needed if the obsolescent elements are to be replaced and others adapted to the current environment. Otherwise, the slow economic growth, decline in productivity, inflationary pressures and the other well-known signs of a strained economy will persist.

Reindustrialization In a New World

In determining specifically what needs shoring up, one must take into account the changing world. We cannot simply retrace the industrialization of the 19th century; we must adapt to the last decades of the 20th century and beyond. The factors that

stand out here are energy (the potential exhaustion of oil, the rise in costs of all energy resources and the dependence which imports generate) and national security (renewed Soviet expansionism).

The first suggests that we must adapt our infrastructure and capital goods to be more energy-efficient and to use fuels other than oil—i.e., generate the capital needed to often replace or modify machinery that is otherwise not obsolescent. (Since we have been talking for seven years but doing relatively little on this front, I refer to this as the adaptation lag.)

The second criterion suggests that we need to dedicate more resources to be able to deter Soviet incursions, not just in the form of a direct attack, but also any attempt to grab Middle East oil. This requires allotting some assets and personnel to work which do not increase our productive capacity, and heeds other considerations of sheer economic logic, e.g., we must build more of our own ships and dig more coal, even if this is not where our “comparative advantage” lies.

Industrial Policy

The reindustrialization thesis has been confused with the notion of “industrial policy,” which maintains that we should promote some industries with public assistance while demoting others. To further confuse matters, there are two radically different versions of industrial policy. One calls for reviewing a *few*



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selected industries (autos, railroads, steel) and using, say, a \$5 billion revolving fund to help these industries overcome their obsolescence and be competitive again. A quite different version calls for a set of national committees to review and guide most, if not all, industries from shoes to ball bearings, from broilers to boxcars. Without going here into the question of how effective such national planning is in other nations, and whether it is possible to transplant such a tool from one society to another, let me simply note that in contemporary America—politically growing more conservative and responsive to business, its labor unions, consumer groups and liberals weakened, rich in anti-big-government sentiments—it would be easier to walk on water than to form and implement national planning of the economy.

Fortunately, reindustrialization does *not* require national planning. All it takes is to favor two sectors—infrastructure and capital goods—by broad-stroke economic incentives such as accelerated depreciation, tax incentives for higher savings and investments, more encompassing write-offs of research and development expenditures, as well as some loan guarantees and other support for those who enhance energy efficiency and convert from the use of oil to other energy sources. Such a macro-approach *can well be* supplemented by micro-industrial policy (helping a few select industries) *without* national planning.

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Post- or Reindustrialization?

What is going to happen to the post-industrial notion, that we shall move ever deeper into a tertiary sector (service) society, especially knowledge work, while cutting back on primary and secondary economic sectors? And, that we shall let the developing nations—rich in blue collars—make steel, textiles and autos, while we focus on high-technology stuff?

As I see it, we *do* need a stronger R & D and knowledge sector because it is where our “comparative advantage” might be, and to provide for an innovative capacity, especially for new energy sources, and tools which are more energy-efficient. However, we should not abandon blue-collar

industries because immigrants from Mexico, Cuba, Asia (and our own less prepared segments of the population) often cannot find jobs other than blue-collar ones; because national security requires we maintain—indeed advance—some of these industries (e.g., coal mining—to reduce our dependence on oil-exporters) *and* because we must shore up our productive base, from railroad tracks to synthetic fuel plants, from slurries to shipyards.

If both our basic industrial base *and* our knowledge sector have to grow in a decade of reindustrialization, which will grow less? There is only one possible answer, although no one likes to give or hear it: public *and* private consumption. For a decade or so, we shall have to tighten our belts or we will continue to eat into the economic foundation of our high standard of living, the economic basis of our social benefits and of our security. Most Americans, I believe, presented with a realistic program of reindustrialization, will be willing to make the needed sacrifices to secure their economic, social and national future. ■