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Industrial Restructuring: Public Policies for Investment in Advanced Industrial Society

By EDWARD J. BLAKELY and PHILIP SHAPIRA

ABSTRACT: The American economy is undergoing a fundamental process of industrial restructuring. The manufacturing sector is being reorganized and deindustrialized, the location of capital investment is changing, labor markets are becoming increasingly polarized, and new job-displacing technologies are rapidly being introduced. Although this restructuring process maintains profitability for large corporations, it imposes heavy costs on workers and their communities and adversely affects the nation's long-term economic and social stability. As a consequence of restructuring, concern about job retention and creation is higher now than it has been since the 1930s. However, the authors argue, the current policy responses of liberal, industrial policy advocates and conservative less-government proponents are inadequate because they subordinate the needs of workers and their communities in order to restore the conditions of capital accumulation. The authors outline an alternative strategy based on a new national framework for investment, greater community involvement, and increased worker control and certainty over their own livelihoods.

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IN the two decades immediately after World War II, the United States experienced a long wave of economic growth. The role of the war itself, the stimulus of public infrastructure investment, and the global dominance of American political power were key factors in this growth. There were, of course, millions of Americans in disadvantaged groups and lagging geographical areas who did not benefit from the job expansion and economic growth of the 1950s and 1960s. But these were seen as residual problems—the direct or indirect result of such factors as the locational disadvantages of rural or inner-city areas, lack of skills, or discrimination in employment. While government programs and redistributional policies might be necessary to tackle these specific problems, there was a broad assumption that the private sector would continue to expand, thus providing sufficient employment in the aggregate. The prevailing view was that macroeconomic policy could be fine-tuned to ensure that the nation experienced consistent overall increases in output and employment.

In the 1970s these assumptions ran into trouble. First, it became clear that the policies to help the disadvantaged gain from overall economic growth were ineffective. Second, ever-deeper economic downturns and rising unemployment cast doubts on the very capacity of the private economy and traditional macroeconomic policies to ensure continued growth.

By the early 1980s America was in its most severe economic crisis since the 1930s. Problems of structural unemployment and inadequate incomes—once thought to be the residual difficulties of a few groups or areas—are today experienced by massive numbers of workers across all regions of the country and virtually every sector of the economy. Measured unemployment—now 8 percent—is more than double the 1969 rate of 3.5 percent, real earnings in 1982 dollars were down to 93.3 percent of 1977 levels, and poverty—especially among female-headed households—has noticeably increased. The average annual growth rate in real gross national product (GNP) was 2.7 percent between 1974 and 1981, compared with 4.1 percent from 1960 to 1973.[1] Basic industry is being restructured, with dramatic increases in plant shutdowns not just in the so-called rustbelt of the Northeast and Midwest, but in the sunbelt too.[2] And there is increasing concern about whether or not American industries can match the technology and commitment to productive investment of companies based overseas, especially in Europe and Japan.[3]

THE DETERMINANTS OF CHANGE

Without doubt, the incidence of plant closures, job loss, and poverty has been sharply aggravated by the recessionary macroeconomic policies that have been applied to the American economy since 1980. As and when aggregate demand in the economy increases, some of the workers who have lost their jobs in recent years may be recalled. In early 1984 such recalls to employment did begin. However, beneath these short-

1. *Economic Report of the President* (Washington, DC: Government Printing Office, 1982).

2. Barry Bluestone and Bennett Harrison, *The Deindustrialization of America* (New York: Basic Books, 1982).

3. Ira C. Magaziner and Robert B. Reich, *Minding America's Business* (New York: Harcourt Brace Jovanovich, 1982).

term ups and downs in the economic cycle, a more fundamental process of industrial restructuring is occurring. The U.S. economy is suffering from a long-term slowdown in output and productivity growth; the manufacturing sector is being reorganized and deindustrialized; the labor market has become increasingly polarized; and new technology threatens further job loss both in goods production and service-performing activities.

While many factors have influenced these developments, we believe the central driving force is a systematic business strategy to maintain short-term profits and work-place control. This strategy has not only hurt workers and their communities, but has also adversely affected the nation's long-term economic stability and performance. American business has become increasingly concentrated and centralized, which has exacerbated unproductive administrative and supervisory costs, encouraged hierarchical and inflexible production methods, promoted shortsighted management decisions, and decreased workers' job satisfaction and motivation.[4] Government has aided this process through tax laws encouraging "paper entrepreneurship"—the making of profits not from production but from buying and selling subsidiaries, asset stripping, write-offs, and real estate speculation.[5] In many cases, these centralized corporations have set high-profit hurdles for subsidiaries and plants, then either closed those units when the high target rates were not attained or used them as cash cows to engage in wasteful mergers and acquisitions elsewhere. And corporations have used advances in technology and communications to reorganize or relocate jobs to take advantage of lower-wage, less-organized labor, irrespective of the human and social costs incurred.[6]

The result of these corporate strategies has been extremely rapid capital mobility and the virtual deindustrialization of a number of key manufacturing sectors and regions within the United States. Production now occurs on a global scale, with overseas units tied into production and consumption in America through transnational corporations.[7] Meanwhile, within the United States there have been substantial interregional shifts in the location of production—between the frostbelt and sunbelt and between metropolitan and rural areas.[8] These capital shifts have particularly affected the nation's core industrial areas.

Parallel with rapid capital mobility has come increased polarization, segmentation, and inequity in labor markets throughout the country. A large proportion of new employment created in recent years has been in low-wage, low-skill jobs, especially in service industries and in certain sectors of manufacturing—including electronics. Against this, industries that have been heavily

4. See Samuel Bowles, David M. Gordon, and Thomas E. Weisskopf, *Beyond the Wasteland* (Garden City, NY: Doubleday, 1983).

5. Robert B. Reich, *The Next American Frontier* (New York: New York Times Books, 1983).

6. Bluestone and Harrison, *Deindustrialization of America*.

7. See Frank Moulaert and Patricia Wilson Salinas, eds., *Regional Analysis and the New Division of Labor* (Boston, MA: Kluwer-Nijhoff Publishing, 1983).

8. David C. Perry and Alfred J. Watkins, *The Rise of the Sunbelt Cities* (Beverly Hills, CA: Sage Publications, 1977).

hit by plant shutdowns and restructuring have often provided reasonably well-paying, stable, and accessible jobs—as in steel, automobiles, and shipbuilding. The emerging labor market is thus increasingly polarized and segmented, with increases in low-paid, low-skill work, increases in highly credentialed professional and technical jobs, and a dearth of middle-range blue-collar occupations.[9] Further losses of traditional manufacturing jobs can be expected through automation—one estimate suggests that robots will replace up to 50,000 auto workers in the next six years. New office technologies are also likely to affect adversely many clerical and financial jobs.[10]

THE INADEQUACY OF CURRENT POLICY APPROACHES

As a result of industrial restructuring, large numbers of workers will never return to their former jobs. Millions of other workers will find that the jobs they are able to obtain have been quite radically changed, with adverse implications for working conditions, wages, job satisfaction, and career mobility. Many people will be unable to find any stable work at all, especially in the nation's older industrial areas. Those experiencing economic dislocation or restructuring will invariably face heavy personal costs, including income loss, family stress, adverse physical and mental health, and diminished career and life opportunities. Substantial costs will also be imposed on government, through lost taxes; increased unemployment; welfare, medical, and jobs program expenditures; and higher rates of social pathology.[11]

Of course, the picture is not entirely dismal. Even the regions that currently are most depressed will see some new jobs, while additional financial, service, and technology-based jobs will increase throughout much of the nation. Nonetheless, the present and foreseeable restructuring of employment is deep enough and the likely economic, social, and political costs high enough to push job stabilization and creation to the top of the American political agenda. Not since the Great Depression has there been so much concern about the lack of good jobs, and a growing policy debate has developed over the causes of the problem and the role government can or should play.

Unfortunately, while there is intense interest in the restructuring problem, we believe that much of the current policy debate is misconstrued. The debate tends to be polarized between "industrial policy" advocates who want increased government intervention to deal with industrial transition and "less-government" proponents who believe the problem—to the extent there is one—is manageable with a decreased public role. However, both sets of approaches share a common bias: they both are primarily concerned with restoring the conditions for capital accumulation; the needs of labor and community are subordinated. In our view, this is inadequate. Policy responses to restructuring should start first with the

9. Bob Kuttner, "The Declining Middle," *Atlantic Monthly*, 252(1):60-72 (July 1983).

10. Donald Kennedy, Charles Craypo, and Mary Lehman, eds., *Labor and Technology* (University Park: Pennsylvania State University, Department of Labor Studies, 1982).

11. Jeanne Prial Gordus, Paul Jarley, and Louis A. Ferman, *Plant Closings and Economic Dislocation* (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 1981).

needs of the nation's workers and communities—the human and social resources that have to be at the center of any truly effective and equitable economic development strategy.

The industrial policy approach

Over the last few years, the idea that the United States needs an industrial policy has gained significant support, particularly among liberals, many academics, and parts of the business community. These groups accept that the United States has considerable industrial and employment problems, but they believe that traditional Keynesian demand-management policies are now insufficient. Instead, they advocate interventionist national industrial and investment policies to deal with industrial transition and encourage high-growth, sunrise companies in advanced technology fields like electronics or biotechnology. Interestingly, there is support within the business community itself for government action to speed industrial restructuring. *Business Week*, for example, has proposed a new era of tripartite, business-labor-government cooperation to develop industrial policies that will preserve resources for production—in part, by moderating wage demands—and encourage investment in new industries through training and tax incentives.[12]

Although the proponents of this form of industrial policy endorse public action of one kind or another to promote growing sectors, they are split on the position government should take toward older, so-called sunset industries like basic steel and automobile production. One view is that public policy errs in trying to maintain old-line sectors. Reich argues that

> preservation strategies often seem preferable to massive unemployment and the destruction of communities. The irony is that these very strategies retard future economic growth by encumbering the movement of resources towards more productive uses.[13]

Indeed, Reich proposes to accelerate the decline of uncompetitive industries and transfer capital and human resources to growing, high-technology sectors. Public employment and training programs would then help workers and communities adjust to the new technology employment.

A contrasting industrial policy view, however, advocates specific intervention in mature sectors. For instance, investment banker Felix Rohatyn proposes a new federal Reconstruction Finance Corporation—modeled on the old RFC of the 1930s—to help older industries and regions.[14] Learning the lessons of previous bail-outs such as Chrysler and Lockheed—seen as successful, but too ad hoc and political—the new RFC would be a permanent and systematic mechanism for dealing with industrial restructuring. The new RFC would invest in troubled firms and sectors, but it would return firms to the regular private capital markets after those companies had been restructured. Rohatyn makes clear that RFC investments would almost always involve concessions by

12. "The Reindustrialization of America," *Business Week*, special issue, pp. 56-142 (30 June 1980).

13. Robert B. Reich, "Take the Money and Run," *New Republic*, 15 Nov. 1982, pp. 28-30.

14. Felix Rohatyn, "The Coming Emergency and What Can Be Done About It," *New York Review of Books*, pp. 20-26 (Dec. 1980); see also Alfred Watkins, "Felix Rohatyn's Biggest Deal," *Working Papers*, pp. 44-52 (Sept.-Oct. 1981).

labor, including wage cuts, employment reorganization, and work-rule revisions.

The Democratic Congressional Subcommittee on Economic Stabilization has adopted much of Rohatyn's approach in its proposal for a new Bank for Industrial Competitiveness (BIC) to aid older industries—as well as high technology. The subcommittee expects the BIC "to bring to the process of revitalization finance the kind of tough-minded negotiation and conditionality which the International Monetary Fund is intended to apply in international lending."[15] Meanwhile the AFL-CIO Industrial Union Department has called for a national reindustrialization board which, while not explicitly demanding labor concessions, still would embody the idea that corporate planning by top business, government, and labor leaders is the best way to deal with economic restructuring.

Unfortunately, both the sunrise and the sunset industrial policy approaches have troubling problems. On the one hand, the jobs generated in growing high-technology and service sectors are not comparable with the jobs being lost in traditional industry. These growing sectors offer a far greater proportion of low-wage jobs with restricted opportunities for upward mobility, and—without major policy changes—are unlikely to develop in the places where most of the jobless are. It is also doubtful whether, in absolute terms, there will be enough high-tech jobs to replace the huge number of basic industrial jobs that are disappearing, even if blue-collar workers had access to these new jobs.[16] Moreover, as demonstrated by the loss of nearly 3000 jobs when Atari moved its production facilities from California to Hong Kong in 1983, high-technology jobs are not immune from corporate displacement.[17]

On the other hand, industrial policy proposals to restructure basic industry through a new RFC or BIC have several defects, too. Public capital will be used to restore private profits, mainly in large firms. But it is not clear, particularly if investment is made in labor-saving, capital-intensive technology, that many new jobs would be created. Indeed, the Chrysler experience—often quoted as a success—demonstrates very well that jobs and communities are not necessarily the primary concern of industrial policy advocates. After federal intervention to save the company, the work force was drastically reduced, with minority workers bearing a disproportionate share of the job loss. Fifteen plants were closed, 12 of which were in Detroit—despite loans and grants from the city and the state of Michigan; wages and benefits were substantially cut, job-displacing new technologies were rapidly introduced, and the value of Chrysler

15. U.S., House of Representatives, Committee on Banking, Finance, and Urban Affairs, Subcommittee on Economic Stabilization, *Forging An Industrial Competitiveness Strategy* (Washington, DC: Government Printing Office, 1983).

16. See Richard W. Riche, Daniel E. Hecker, and John U. Burgan, "High Technology Today and Tomorrow: A Small Slice of the Employment Pie," *Monthly Labor Review*, pp. 50-58 (Nov. 1983); "America Rushes to High Tech for Growth," *Business Week*, 28 Mar. 1983, pp. 84-89.

17. Tim Shorrock, "Atari Moves to Asia," *Multinational Monitor*, p. 11 (Apr. 1983), describes how jobs in California's electronics industry are being relocated overseas.

stock went from a few dollars to over thirty dollars.[18]

Finally, the current proposals for federal industrial restructuring are basically corporatist and undemocratic. Decisions made by an elite group of bankers, industrialists, government officials, and labor leaders are designed to force workers to accept concessions by skirting the political process. This represents a restructuring of capital to aid capital rather than help workers and communities. The intention of this is simply to restore profitability; the nature of production is not changed, private profits will still guide what is to be made, and the pressing needs for better public goods and services within most American communities will not be satisfied.

The no-problem/less-government perspective

A second response to America's changing economy has been the argument that because industrial restructuring is not a major problem in the United States, specific industrial intervention is unnecessary. Indeed, advocates of this view often state that the most helpful policy would be generally to decrease government's role in the economy. These arguments are popular with conservative politicians and business leaders. But support has also come from the unexpected quarter of the generally liberal Brookings Institution, where Robert Lawrence argues that deindustrialization is a myth. In his view, the overall increase in manufacturing employment during the 1970s shows that there has been no deindustrialization in absolute terms and that the aggregate levels of investment and productivity in America are satisfactory. Lawrence believes the real problem is simply a lack of demand and an overvalued dollar, which different macroeconomic policies could correct.[19]

The Republican administration's analysis of the nation's industrial and employment problems adds the argument that misdirected government intervention has resulted in overregulation, higher taxes on both businesses and individuals, and reduced incentives to invest and produce.[20] In this traditional conservative perspective, public interference with industrial change—for example, to stop plant closures—is naturally seen as short-sighted, costly, and doomed to failure. It is believed that efforts to stem capital mobility will impair private property rights, endanger new job creation, and ultimately cause greater job loss.[21] An industrial policy thus is not only unnecessary, but will probably worsen the situation through costly subsidies and protection for declining industries, while government is unlikely to be successful in picking high-technology winners.

However, there are major deficiencies in these no-problem/less-government arguments. First, there really is a significant restructuring problem. While aggregate manufacturing employment rose by only about 130,000 jobs between 1973 and 1980, this incorporates grow-

18. Jane Slaughter and Bill Parker, "Black Workers, Detroit Lose Out in Chrysler Restructuring," *Labor Notes*, no. 49, pp. 8-9 (24 Feb. 1983).

19. Robert Z. Lawrence, "The Myth of U.S. Deindustrialization," *Challenge*, 26(5):12-21 (Nov.-Dec. 1983).

20. See *Economic Report of the President*.

21. Richard B. McKenzie, "The Case for Plant Closures," *Policy Review*, 15:119-33 (1981).

ing numbers of administrative and supervisory employees. The number of production workers actually fell during this period by some 620,000—a 4.2 percent drop.[22] In many individual sectors, like steel, automobiles, and electrical equipment, the percentage drop in production workers was far greater. The decline of these important basic sectors is not compensated for by the growth of high-technology or service jobs. Besides the wage disparities between growing and declining sectors, there are substantial geographical inequities in employment change. Furthermore, since 1980 both restructuring and the introduction of job-displacing new technology have intensified, which suggests that the employment scenario for the rest of this decade will present even more difficulties than in the 1970s.

Second, there is little evidence that American business suffers from too much government. The Western European economies and Japan have been comparatively successful, although they have more explicit public intervention and administrative guidance than the United States. Indeed, the complex arrangement of federal subsidies, tax supports, and research assistance to both military and civilian industries in the United States is a de facto—although not very good—form of public industrial intervention. Thus the problem in the United States is not that there is too much government, but that government is not doing the right things.

Third, despite the Reagan administration's argument that corporate investment has been hurt by overtaxation, the burden of taxation carried by business—measured as a proportion of all federal and state tax receipts—has, in fact, been decreasing over the last two decades. During the same time period, the level of fixed investment in business has been stable: it was 11 percent of GNP in the 1970s, compared with around 10 percent during the fast-growth years of the early 1960s. Thus, while the level of business investment in the United States has been below its main international competitors, this cannot be attributed to high corporate taxation.

Finally, we need to note that although the aggregate level of investment has not been greatly affected by diminishing business taxation, there have been important changes in the composition of investment. In recent years, while investment in communications and high-technology equipment has grown rapidly, spending on new factories and heavy machinery has declined. At the same time, investment in commercial structures—office buildings, retail stores, fast-food restaurants—has grown. Hence, there is a real problem in where investment is being placed in the economy—a point Lawrence overlooks as he expresses satisfaction with overall rates of investment spending.

In short, further tax concessions are unlikely to have major impacts on employment generation. Few business investment decisions of long-term consequence result from short-term tax advantages or similar incentives. Instead, new tax breaks tend to foster new rounds of unproductive paper speculation in tax shelters, lease-back arrangements, spin-offs, and acquisitions.

At the same time, it is also apparent that while increasing aggregate demand and devaluing the dollar are both impor-

22. U.S., Department of Labor, Bureau of Labor Statistics, *Employment and Earnings* (Washington, DC: Department of Labor, 1939-78 and annual supps.).

tant, such macroeconomic policies are no longer sufficient to ensure full employment. The reality of the advanced industrial economy is that job displacement will not abate. Investments in new technology will continue to dislocate workers, and large corporations will continue to relocate and reorganize jobs. Moreover, international competition will continue to present problems for the United States since cheap labor and/or deep export subsidies in other countries will continue to outweigh changes in the value of the dollar.

AN ALTERNATIVE POLICY APPROACH

If current approaches to reindustrialization and reinvestment are flawed, what are the alternatives? We believe there is a need for a different approach—one that explicitly emphasizes the needs and interests of the nation's workers and communities. There is now an ever widening gap between the global power and mobility of corporate capital and the need for stability and community in the United States. We need to narrow this gap, not by uprooting or subordinating workers and communities, but by implementing an alternative economic strategy that will create a new context for reinvestment in the United States, curb wasteful and nonproductive corporate strategies, provide good jobs and raise standards of living more equally shared, produce goods for social needs as well as profits, increase worker and community involvement in decisions affecting them, and take a longer-term view about the kind of society we wish to foster.

Developing and implementing the policies necessary to achieve these ends presents a tremendous challenge, as much political as economic. Considerations of space make it impossible to discuss adequately all the complexities involved here. But, to stimulate debate, the balance of this article outlines a number of specific measures that should form the basis of an alternative policy approach to industrial restructuring. Three overall themes guide our proposals:

1. National policies are needed to increase social control over economic change and investment. Macroeconomic policy, whether monetarist or Keynesian, is no longer sufficient in and of itself. An alternative economic framework is necessary to directly promote investment, increase industrial democracy and corporate accountability, and provide for full employment. This framework needs to be built on social equity and human development, not just private profitability.

2. Communities need a greater role in their local economies to promote stability and quality of life. The positive values of community in American life should not be sacrificed to rapid mobility of capital, nor to corporate—and government—decision making that ignores the community costs of investment and disinvestment.

3. Workers should have increased control and certainty over their livelihoods. Individuals and their families should not have to bear the tremendous costs they are now facing in terms of lost income, personal stress, family disruption, lack of health protection, loss of pension rights, and lack of stability in employment or comprehensive planning for alternative employment.

A new national framework for reinvestment

The long-term future of industry and industrial communities in the United States needs to be based on a new framework for national industrial investment. An essential preliminary step is to change the federal tax code to eliminate the loopholes that provide incentives to close plants, move production overseas, and participate in wasteful conglomerate acquisitions. Similarly, new powers to review the industrial implications of mergers and takeovers should be introduced. U.S. Steel's decision to buy Marathon Oil, rather than reinvest in steel, is one example of the need for such measures.

However, while increased powers to regulate the direction the economy takes are certainly necessary, the central element of our alternative framework involves not top-down planning, but a new thrust to give workers and communities the capacity to know about, participate in, and bargain over investment and disinvestment decisions that will affect them. There is already a strong right-to-know tradition in the United States, through legislation on environmental hazards, the Community Reinvestment Act in banking, and freedom of information in government. We believe that this tradition should be extended fundamentally into the work place.

To establish work-place rights to know, major corporations should be required to provide ongoing information to their work forces on their corporate strategies, product and regional investment plans, overseas subsidiaries, and future employment plans. Corporations would be required to provide this information not only to increase accountability to those they employ, but also to allow real consultation and bargaining over investment strategy. As a matter of national policy, major firms would be required to develop mutually agreed procedures to consult with and involve their work force during planning and decision making. These procedures would vary according to circumstances—particularly if the firm is unionized—but could include joint labor-management boards, plant-level councils, or worker-directors.

As part of this program of increased information provision, advance notice and an economic displacement statement should be required of all firms considering major shutdowns. The displacement statement, which broadly follows the precedent of already existing environmental impact reports, would describe the rationale for closure, alternatives considered, the earnings and investment record at that facility, and the socioeconomic impact of closure. Implementation of this approach would provide American workers and communities with protections that exist in European economies. Workers and communities could use the notice period and displacement statement to investigate a closure, negotiate to keep it open, or explore the viability of community or worker ownership. To encourage compliance, firms failing to provide notice or the displacement report would lose any tax benefits associated with the shutdown and would be required to repay all public subsidies and tax allowances enjoyed while the plant was open.

Our belief in the need for workers, through their organizations, to be involved directly in decisions affecting them also guides our approach to new public reinvestment instruments. Although we have criticized the proposals of current industrial policy advocates, we do accept the need for mechanisms to promote, consistently and on a long-term basis, reinvestment in industrial plants and enterprises. But we differ on two key points: first, there has to be worker involvement; and second, narrowly defined private profitability is an insufficient criterion for national investment decision making.

In our framework, a national industrial reinvestment board or corporation would be established to invest in large firms and basic sectors, accompanied by state-level industrial development boards to make investments in medium-sized regional enterprises. Where either national or state investments are to be made, development agreements would be entered into, with the participating firms specifying investment and employment plans. These agreements would be negotiated among the corporation, the work force, and the reinvestment agency. Additionally, national and state reinvestment agencies would be empowered to develop permanent equity positions in the firms and sectors they involve themselves in, rather than returning them to the stock market. In this way, social control over key elements of the economy—such as steel or rail transportation—would be strengthened. Reinvestment agencies would be empowered to make public balance-sheet calculations of overall costs—including lost tax revenues, unemployment costs, and community disruption—when making investments.

In growing sectors, particularly high technology, our approach also differs somewhat from many current industrial policy proposals. While growth of high technology may mean massive individual returns for a few entrepreneurs and venture capitalists, too often the result is a poor job, a lost job, or a new weapon system. But other outcomes are possible. We believe that the truly innovative role for public policy with regard to high technology is to generate new, more socially useful directions for the industry. Initiatives along these lines are already occurring in Europe, inspired by the pioneering alternative corporate plan developed by Britain's Lucas Aerospace workers. In the United States, we would propose that federal and state reinvestment programs, combined with research and educational resources, be applied to develop new, advanced technological products that will directly improve working and living conditions and create employment. Human-centered machine tools, new transportation, health, and energy technologies, and broad-based community communications systems are among the many possibilities.

Finally, policies need to be developed for the orderly growth of international trade and finance. From an international perspective, the current economic policies of the United States—particularly high interest rates and an enforced recessionary regime—have adversely affected many other countries and intensified international trade friction. In addition, U.S. corporations have relocated operations to exploit cheap labor in Third World countries, while their lack of basic investment and innovation in home production has placed many American-manufactured goods at an international disadvantage. Narrow protectionist policies within the United States are quite inadequate to deal with these issues, and they unfairly put the blame on foreign countries and workers. At the same time, adherence to outmoded conceptions of free trade in an era of multinational domination is equally unsatisfactory.

There is, instead, a need for policies that can promote balanced trade—increased exports and imports—on a bilateral basis and provide genuine economic development assistance, rather than support continued Third World exploitation. One possible measure is to require U.S. companies to create one domestic job for every job they create through overseas investment. Another step would be to end U.S. support for authoritarian regimes that ban trade union organization.[23]

An increased role for communities in investment and employment

A proposal we have already discussed—the requirement for firms to provide advance notice of plant shutdowns and prepare an economic displacement statement—would significantly assist local communities in averting or responding to disinvestment decisions. In addition, use of federally subsidized tax incentives and revenue bonds to finance the movement of jobs between different communities should be ended. Instead, communities should be encouraged to pursue local development agreements to improve conditions of employment equality, wages and benefits, and stability where firms receive public financial assistance. A step in this direction has already been taken by the city of Vacaville, California, which now requires firms receiving redevelopment funding to file local affirmative action plans, give up to one year's notice of closure, and agree to bargain with workers and the city over disinvestment decisions.

A further means of increasing community involvement in employment is through a job-generating program of investment in public goods production and services, including transportation, energy, housing, health, and development. While policies of direct intervention to reindustrialize basic industry and promote new growth sectors will retain and create jobs, the continued development of new technology is likely to diminish the aggregate job-generating capacity of manufacturing industry in the United States. At the same time there are continuing needs in America's communities for improvements in the quality of basic public goods and services. But we are not advocating a temporary job creation or countercyclical public works programs. Rather, we envisage a permanent and sustained investment in public goods and services, targeted to those areas hardest hit by industrial restructuring. To some extent, this massive investment in public goods and services would be self-sustaining, in view of the alternative—continued lost tax revenues and unemployment costs. Additional funding, however, could be obtained from a shifting of resources wasted through military expenditure into more useful and peaceful products.

Policies for individual protection and development

Because economic development needs to start from and be built around people, investment policies for human resource development are particularly important. First, we need to give immediate protection and relief to workers

23. See Lance Compa, "Fair Trade, Free Trade, Full Trade," *The Nation*, 5 Nov. 1983, pp. 429-31.

affected by restructuring. Advance notice and severance pay must be introduced as basic human rights. In addition, new national policies need to be implemented to protect health benefits and pensions and to provide improved unemployment and social service benefits. Individuals and their families should not be crippled through job loss.

Second, workers should have vastly increased access to educational resources through a more comprehensive employment and training system. We propose the establishment of a human resources trust fund, financed by employer contributions and general tax revenues. This trust fund would be permanent, replacing the temporary and ineffective Job Training Partnership Act. Through the trust fund, workers on the job could build up credits via years of service that would allow paid time off or leave to utilize increased opportunities for maintaining and improving their education and skills. This measure would also have the beneficial effect of reducing aggregate work hours—essential in the age of new technology. Workers who become permanently displaced would be eligible for stipends to support themselves and their families while undergoing retraining. It is important to note that retraining would occur in conjunction with alternative investment strategies—not in place of them as in conservative/liberal proposals—so that there would be jobs within the community for which workers could be retrained.

THE CHALLENGE OF ECONOMIC ALTERNATIVES

We have not attempted to examine all the details and implications of our specific policy proposals, nor have we tried to be exhaustive. Many further elements are needed to form a comprehensive alternative economic strategy. But we have tried to show that there is a strong need for increased attention to the issue of industrial restructuring, that current policy proposals from both liberals and conservatives are inadequate, and that innovative and bold alternative policies are now necessary to meet the needs of America's people and its communities. Corporate reindustrialization is not the answer, nor is high technology, while a policy of decreased attention would compound the waste and inequity induced by current economic and industrial restructuring. Instead, human resources and social needs have to be the building blocks for future industrial policies. Workers and communities are resources too valuable and important to be discarded.

There is little that should alarm in the approach we have advanced in this article. America has a long and rich history of deep and far-reaching public interventions that have fundamentally changed the nation's economic and social course. The Louisiana Purchase is one example; the development of the West, the promotion of the railroads, and the foundation of the land-grant universities are others. Public investment in infrastructure, community services, or new research programs is well established, and precedents exist for public development banking and extensive rights to information and participation. We even have an implicit—although not beneficial—set of national industrial planning policies through the current system of corporate tax breaks, import quotas, and support for military production.

Thus, few of the mechanisms we propose are new. What is different, however, is the type of problem to be addressed and the new role for government, workers, and communities. Two roads are open to us at this juncture of history. One road leads to a society increasingly subjected to rapid capital mobility, wasted human resources, widening social inequalities, destructive technologies, unmet community needs, and heightened social tension. This is an avenue already paved and open.

The second road leads in an alternative direction: a reemphasis on the value of labor and community, full employment and more equitable working and living conditions, controls over corporate investment decisions, production for social needs as well as profits, the beneficial application of new ideas and techniques, and more democratic work environments. We strongly believe in the second direction, although much work needs to be done to build the path. The fundamental reorientation of policies needed to achieve this alternative strategy is unlikely to occur easily or quickly. But it is the direction the nation, its workers, and its communities need resolutely to pursue.

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&
Philip Shapira

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