REINDUSTRIALIZATION OR QUALITY OF LIFE
America Must Choose
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Years of excessive consumption and insufficient investment in our economic foundations have undermined America's productive capacity. If we are to rebuild our underlying infrastructure and capital goods sectors, a decade of public and private belt tightening is required.

Can't we have both social progress and economic progress? 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?

My thesis is that, for both economic and social-psychic reasons, choose we must. The choice to be made is which effort—quality of life or reindustrialization—will be given priority over the next 10 to 15 years.

American society has been underdeveloping for at least a decade. Years of overconsumption and underinvestment in the nationwide economic machine have weakened our productive capacity. If America is to sustain a high standard of living and set aside the resources needed for national security, a decade of shoring up its productive capacity—of reindustrialization—is required.

Historically, industrialization was achieved in two main stages: first, infrastructure was developed, then a capital goods sector evolved. During the first stage, nationwide transportation systems were built, providing more efficient movement of goods along canals and railroads; cheap power was gained through the mining of coal and sinking of the first oil wells; technological innovations such as the steam engine were advanced; modern communication systems such as the telegraph evolved; financial institutions such as national currency, banks and stock exchanges were introduced; and finally, through the rise of vocational education and acculturation of immigrants, a skilled labor force emerged.

Next, the capital goods sector evolved. Heavy duty machinery and plants such as steel mills were built. The tools for mass-producing consumer goods were now in place.

In America, these stages were well advanced by the late 1920s, but the Depression and World War II delayed development of the affluent society until the late '40s. Then came the generation of mass production of autos, TVs, appliances and homes. This era of mass consumption involved not only hardware, but also mass post-secondary education, higher health standards, mass involvement in culture and an explosion of social services.

During this period, however, insufficient resources were reinvested in the underlying infrastructure and capital goods sectors. In that sense, consumption was excessive. A decade of public and private belt tightening is needed if obsolescent elements are to be replaced and others adapted to the current environment. Otherwise, slow economic growth, declining productivity and inflationary pressures will continue to strain the economy.

Adapting to Current Needs
In determining what needs shoring up, we must consider the changing world. We cannot simply retrace the industrialization of the 19th century, but must adapt to the last decades of the 20th century and beyond. The two new factors that must be reckoned with are: national security and energy considerations.

Faced with rising costs of all energy resources, the potential exhaustion of oil and dependence on oil imports, it is essential that we adapt our infrastructure and capital goods to become more energy-efficient and to use fuels other than oil. We must generate the capacity needed to replace or modify machinery that is otherwise not obsolescent. I call our failure to do this "the adaptation lag" since we have been talking for years, but doing relatively little on this front.

The second consideration—national security, particularly renewed Soviet expansionism—requires that more resources be dedicated to deterring Soviet incursions, not just direct attacks, but also attempts to grab Middle East oil. This means some assets and personnel must be allocated to work that does not increase productive capacity. It also means taking steps such as building more of our own ships and digging 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, if both our basic industrial base and our knowledge sector must grow in a decade of reindustrialization, what will grow less? There is only one possible answer: public and private consumption.

there are two radically different versions of industrial policy. One calls for reviving a few selected industries such as autos, railroads and steel, and the other calls for reviving all industries, from shoes to ball bearings, from broilers to boxcars. I will not go 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; and rich in 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. We need...