AMERICAN COMPETITIVENESS: THE MORAL DIMENSION

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At first glance, America’s loss of competitiveness seems a simple matter. The litany is all too familiar: We are doing less well economically than we used to; we are falling behind Germany and Japan and quite a few other countries; we are unable to pay for our worldwide military and other commitments (the so-called “Paul Kennedy thesis”). Single-cause explanations are readily offered: The deficit of the federal government is too high; we do not save enough, and hence costs of capital in the United States are higher than in Japan; our schools produce an inferior labor force; and so on.

Actually, the situation is much more complex. By several measures we are doing quite well indeed, as recent books by Joseph Nye and Henry Nau have stressed. By many criteria, we are much better off than Americans were a generation ago. There is little doubt that our children will have a significantly higher standard of living than we had (something few in the postcommunist world and in Third World countries can be sure of). Desert Storm has shown that we can keep up a very impressive military might, using a relatively small proportion of the GNP. (Defense expenditures accounted for 5.7 percent of the GNP in 1989 as compared with 7.8 percent in 1970). Our universities are a mecca for the rest of

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THE MORAL DIMENSION

...the world. True, some other countries are moving forward faster by several measures, but they started from a much lower point. Anyhow, it seems unreasonable to expect that we can, or should, aspire to maintain the unique powerful status we had at the end of World War II, when Germany and Japan had destroyed much of the other industrial nations (from the UK and France to the USSR) and we destroyed them, leaving us the only major economic power in the world. We deliberately (and, it seems, wisely) saw to it that the others got back on their feet.

And yet our inner sense tells us, correctly, that something is amiss. Before going any further, a more precise characterization of the issues at hand is needed. In narrow economic terms one matter that concerns us, as it ought, is the slowing of the GNP growth rate. During the Kennedy administration, the American economy grew more than 6 percent a year without overheating, with inflation around the one point mark. In the eighties, the rate of inflation hovered around the 4 percent mark, and the annual growth rate around 3 percent. These days our economy seems like an old locomotive: if it runs faster than about 2.5 percent of GNP growth the economy overheats, the Federal Reserve uses recessionary brakes to cool it off by slowing it down. Low growth rates mean that we have relatively few new resources for all the additional goals we wish to advance, which makes us feel boxed in. When we see other nations, whose growth rate (and hence flow of new resources) is much higher, we feel inadequate and inferior. We feel we have more than a touch of the British disease, another country whose income growth slows, especially when the economy actually falls) and become an international pygmy. There is no assurance that such a fate will elude us.

More than matters of economy and national psyche are at stake. The underlying issues have strong social/moral elements that, in my judgement, both help explain the competitive challenge and point to part of the needed response.

ECONOMICS AS MORALITY IN DISGUISE

n large segments of our society, putting matters in outright moral terms is currently not fashionable. And, the trump of relativism is too powerful. Most times, when someone makes a moral point, the ready response is “Well, that is in line with your set of beliefs, but according to some others ...” Putting matters in economic terms lends them an aura of scientific neutrality and objectivity. Hence, instead of testifying before Congress, editorializing, and sermonizing...
that it is morally indecent for us to consume the fruits of the hard labor of our forefathers and mothers which resulted in a rich economy, and leave little to our offspring, while saddling them with worldwide debts and a polluted, deteriorating environment short on many necessities from reliable sources of energy to drinkable water, we prefer to discuss the economic “dangers” of accumulating federal deficits, trade deficits, and low savings rates. And instead of arguing that it is unfair to collect a day’s pay without putting in a day’s work, we prefer to discuss lower productivity growth rates. Actually, the technical economic points are open to debate. For example, Japan has and is doing quite well economically despite rather high deficits, (e.g., in 1980, Japan’s deficit accounted for 6 percent of their GNP; whereas in 1989, ours was 3 percent). In any case, these technicalities do not answer the moral questions. Do we wish, even if it is economically feasible and not hazardous, to consume ever more and produce less, eat up our heritage, and impoverish our children? I believe the answer is a resounding no, which is the moral imperative for the needed socioeconomic reforms.

Our social/moral condition, as I see it, is best seen in historical context. For three generations (roughly from the 1820s to 1920s), the United States’ first and foremost domestic dedication was to build up the means of production. In this age of industrialization, our GNP doubled every generation as we saved much and consumed relatively little. We also paid rather little heed to social needs, as we allowed industrialization to take priority over attending to most other social/moral concerns. (Child labor, robber barons, and shooting strikers were some of the indications). The Depression shifted our col-
lective attention to some social needs, and World War II distracted us from domestic priorities. Only after World War II did we shift from raw to mature capitalism, partially attend to some social ills, launch the affluent, high consumption society, as we assumed we had all the productive capacity a nation could wish to have and more. (We tend to forget now that in the midfifties, our main concern was with finding uses for our affluence and the danger we feared then was that as soon as consumers’ needs are sated, the economy—with endless supply—will lack growth in demand; just about the opposite of our present predicament). The fact and sense of affluence fed into the explosion of entitlements and widespread in-
dulgence, the counterculture and ego centeredness of the sixties and seventies. Why work hard or save, why not consume all we can if we have found the secret of an unbounded cornucopia? In this affluent society, all restraints were questioned, authorities from medicine and sci-

The family. A parenting deficit has resulted as mothers are leaving to work outside the household. There has been a reverse flow, into the household, of babysitters, housekeepers, some grandparents, and undocumented workers. Parents come home exhausted, still facing household chores; consequently, children are often neglected, not so much in their custodial care (someone often, although by no means always, is present to ensure they won’t run in the streets, set the place on fire, etc) as in their character formation and moral upbringing.

Traditionalists hope that women will eventually give up gainful employment and return to their role of homemakers and mothers. This seems to me unjust, as women and men have the same basic rights; nor is it likely to happen. Nor is it satisfactory to exempt fathers from parental responsibilities. Only a change in the total moral climate of the society, which is on its way, will help reduce the parenting deficit. Both parents will need to work less outside the household and dedicate more time to educating their young children. They will have to recognize that parenting of the young is vital; increasing one’s purchasing power is not. Moreover, both the economy and the social order will benefit if the character formation of future generations is more successfully advanced.
Schools. Because at best parents will be slow to return to their duties at home, it must be expected that many children will continue to appear on the doorsteps of our schools, socially and morally underdeveloped. As we have more influence over what happens in schools than in families, we shall have to rely heavily on this second line of defense to ensure character formation of the young as a necessary precondition for their ability to acquire knowledge, learn skills, and become reliable employees and decent members of society.

The new Secretary of Education, Lamar Alexander, in his “revolutionary” educational reform plan, follows the suggestions of several educational commissions that recommend that American youngsters be given more math, science, and foreign languages, among other subjects. And to ensure that they are picking up the additional material, national tests are urged. These, together with increased parental choice (which allows parents to move their children—and taxpayers’ funds—from one school to another), are to push schools to “shape up”. The problem is that you cannot load, let alone increase the load on, a vessel until it is formed.

Plans to reform our schools overlook the fact that about half of our youngsters grow up in families that are not viable from an educational viewpoint. Frequent divorces, a bewildering rotation of boyfriends, and parents who come home from work exhausted both physically and mentally, have left many homes with a tremendous parenting deficit. Instead of providing a stable home environment and the kind of close, loving supervision character formation requires, many childcare facilities, grandparents, and baby-sitters simply ensure that children stay out of harm’s way.

As a result, personality traits essential for the acquisition of skills like math, English, and other vocational subjects are often lacking. Children come to school without self-discipline and they cannot defer gratification. Nor can they concentrate or mobilize themselves to the tasks at hand.

Many studies find students deficient in math or English skills. This does not concern such advanced matters as whether students can craft a powerful essay or analyze a calculus problem. At issue is the ability to do arithmetic and write clear memos.

Close examination of what is required points in one direction: the elementary knowledge involved can be taught quickly because it entails rather simple rules. The “rest” is a matter of self-discipline, adhering to the rules without jumping to conclusions.

Character formation has traditionally been viewed as a family matter, while the various commissions studying our nation’s educational needs see schools as their purview. Also, deficiencies in areas like reading comprehension are more readily measured and less controversial than character defects, like the inability to delay gratification or concentrate on tasks. Mainstream psychology also has been highly cognitive in its outlook. Since the 1960s, it has tended to deal with skills rather than personalities. Still, studies support the thesis that one needs to prepare students so they can acquire skills and specific knowledge.

The best data regarding character formation was collected by James Coleman and his colleagues at the University of Chicago. The data show that children who study well also have well-developed characters. Youngsters doing well in high-performance schools have two main
attributes: They do quite a bit of homework, and they relate positively to their schools. Homework is the giveaway clue; those who can do a great deal of it, largely unsupervised, have acquired self-discipline. And students need to respect their teacher and see their assignments as spend relatively little time developing their child’s character, the schools must step in. Schools ought to start earlier, say at age four, and be open longer during the day and into the summer to make up for some of the lost parenting.

Above all, schools must learn to exam-

Many Americans, not all and not equally, but large segments of society in varying degrees, engaged in a combined moral and economic permissiveness.

meaningful, to sustain positive commitments to education.

Several other studies reach similar conclusions. But the strongest evidence is found in the success of all-encompassing programs like the Conservation Corps, and some of the drug treatment programs. These programs take youngsters who often are disoriented, lacking in motivation and skills, and develop their psychic stamina and their ability to mobilize and make commitments. Then the acquisition of specific skills becomes relatively easy.

How may one enhance the much-neglected development of a child’s character? It is important to start early. Companies would be serving their long-term interests by offering their employees (mothers and fathers) more leave in the first two years of the child’s life. Parents ought to be advised that a premature emphasis on cognitive achievement and neglect of human development is self-defeating. One presupposes the other.

Recognizing that a transformation in child-care policy is unlikely, and that many parents probably will continue to

Last but not least, teaching in high schools since World War II has been specialized, which means that at every sound of the bell, every forty-five minutes or so, the student body gets reshuffled among the various classrooms. As a result, it is difficult for bonds to form between teachers and groups of students, and peer bonds tend not to be classroom-
based, as one does not stay together with the same group of students from one class to another. Because such bonding is important for teachers to be able to educate in the deeper sense of the term, above and beyond the transmission of skills, schools should be rearranged so that one teacher will teach three subjects (best classes with high normative content, such as civics and history, maybe literature) to the same group of students, and this teacher will be the real home-room teacher, responsible for fostering educational orientations and character formation in his or her students.

Beyond being a prerequisite for good study habits, self-discipline is essential in making an employee show up for work regularly, be responsible for the quality of his production and take initiative. It is the basis of the work ethic. And, it is an essential attribute for being a good member of any community, tolerant of others and mindful of civic duties.

Community. We have come a long way from the Kennedy challenge, “Don't ask what your country can do for you, but ...” to the age of “Give me.” We find that a majority of Americans wish to slash the big bad government, but demand that its various services be increased. Cutting the deficits is on the lips of all, but few support higher taxes. The moral/economic tone of the times has been captured by a naive participant, who shot out during an audience participation TV show about the S&L mess: “The tax payers should not have to pay for this; the government should!” In Washington, interest groups, most representing trade groups, industry, labor unions, and banks, in short-term economic interest, push the government to grant their members subsidies, tax exemptions, noncompetitive con-
tracts, and loan guarantees, which reflect our recent propensity to take freely from the common till, but only very grudgingly refill it. A new communitarian spirit of responsibility to the common good will have to grow (there are some early signs), to ensure that the essential societal balance between taking and contributing will be restored.

NATIONAL ECONOMIC POLICY (NOT "INDUSTRIAL")

Once the basic moral/social commitments and institutions are refurbished along the lines discussed, the underpinning will be readied to attend to the more specific, technical economic needs. Here there are two main opposing schools of thought that capture much of the public and policymakers' attention while our economic salvation may actually lie in a middle course.

On the one side are the free marketers. Clutching in their hand Adam Smith's Wealth of Nations, they firmly believe, as we all know all too well, that if only the market would be left to its own devices, if regulation, taxes, limitation on international trade, and other government interventions were only removed, individual self-interest would propel the economy to ever higher levels of accomplishment. Purists even oppose pressuring other countries to match our free trade policy (if their governments wish to subsidize their products, we would be the beneficiaries ... so the argument goes), influencing the level of interest rates (by actions of the Federal Reserve), or trying to stabilize international exchange rates. In the eighties and early nineties we have moved in the direction of these policies,
but our competitive problems and other economic ones have hardly receded.

On the other hand, there are those who favor industrial policy, usually those who also favor a big role for government in other matters. They point to Japan, especially to its Ministry of Trade and Indus-

try to suggest that we too need a government agency (the Department of Commerce is mentioned as a suitable candidate) that will determine which of our industries are obsolete (steel?) and which are the stars of the future (High Tech?). Then the winners should be showered with easy credit, tax exemptions, and other governmental assistance, while the losers will be allowed to die on the vine. Critics point out that it is nearly impossible to tell the future winners from losers (the American textile industry once written off is now doing relatively well). They point out that our political system that is largely driven by special interest groups will end up channeling funds to industries that have most clout (often the old established ones) rather than to the most promising ones (often the new, less powerful ones), and that the government intervention entailed is the source of the problem, not a solution.

The third policy approach, which I spelled out in my book *An Immodest Agenda*, suggests that we ought to rely on the government to set the context for economic redevelopment but not intervene in the specifics. For instance, we should set tax and credit policies that favor research and development, our engine of innovation, but avoid the system we have in basic research whereby hundreds of com-

In the end, no public economic policy will work, and the market by itself will not return us to a level of economic activity that can sustain our competitiveness, unless we get our moral/social house in order.