

D51. "America as Number One," The Washington Post, Book World (July 7, 1985) (Ezra Vogel, Comeback, Case by Case: Building the Resurgence of American Business).

EZRA VOGEL, previously the author of *Japan As Number One*, forcefully argues in his new book, *Comeback*, that the trust Americans put in fiscal and monetary policies is misplaced. Asserting that structural corrections to shore up the American economy are also needed, he calls for a coalition of government, business and labor to foster a national competitiveness strategy. Failing this, Vogel says, America will continue to fall behind Japan.

Vogel may be half-right; macroeconomic- policy cures may well have been oversold. However, it will take years for their failure to become evident. Moreover, if deficits decline as a proportion of gross national product, if interest rates continue to fall, if the dollar drifts lower, one cannot rule out higher U.S. economic growth and a significant improvement in our ability to compete overseas.

He is at best half-right, though, because even if what ails us requires more than macro policies, it does not follow that we can organize our efforts as efficiently as the Japanese. Vogel's national competitiveness strategy is a significant improvement over its widely touted predecessor, national industrial policy. He wisely disdains the creation of a national development bank and favors the provision of stimuli to certain industries and federal support for research and development, using such familiar tools as tax incentives, guaranteed loans, and tax-exempt bonds. But, he says, above all we must learn to work together -- as the Japanese do so well.

He advances his thesis by examining four instances in which Japan solved economic problems by evolving a consensus between government, management and labor or farmers. He then shows four instances in which Americans similarly cooperated, with equally magnificent results: the NASA moon voyages; export promotion of farm products; the financing of private housing; and the construction of North Carolina's Research Triangle.

The American case studies he cites raise serious questions. NASA endeavors (in the period studied by Vogel) were fully financed by the government. Does this mean that an American reindustrialization drive will have to be paid for by Washington? At what price? Modernizing the nation's industrial infrastructure alone is estimated to cost \$55 billion a year. Could one achieve a comparable level of cooperation if private corporations had to use their own funds? Did Public Law 480, which since 1956 has extended long- term credits to developing nations, really contribute significantly to our farm exports? Does it follow that the more we aid the Third World the more competitive we shall become? And can whatever worked in the Research Triangle in North Carolina be applied as a national policy? Finally, did the various subsidies actually help the housing industry or did they actually shift investment from productive assets to real estate speculation? Moreover, Vogel largely ignores the objections that have already been made to the various schemes for a national industrial policy.

ONE CORE PROBLEM concerns the American political system. At one point Vogel mentions that in the United States the declining industries have more political clout than the rising ones. Leaving aside the question whether one can foretell the winners from the losers (textiles used to be a loser but is becoming a winner -- or is it?), the question has to be asked: where is the political base for a national competitiveness strategy? Who will support it against the vested interests to be offended? Implicit in books such as Vogel's is the notion that the public at large, alarmed by the dire consequences prophesied in them will bring conflicting special interests together under government tutelage. But such public mobilization

is rare. And, the recently demonstrated ability of special interests to retain their tax advantages despite whopping federal budgetary deficits makes one wonder what would cause them to become public-minded, Japan-style.

Vogel has no taste for identifying new political forces or new political combinations. The apolitical nature of his argument is illustrated by the following quote. Vogel writes that American trade policy is formed in response "to pressures from various American sectoral groups," a well taken point. He then goes on to suggest that "trade policy could give more weight to the significance of the areas protected or opened for the long-range competitiveness of American industry." But what force will neutralize the sectoral groups? He does not say.

In fact, Japanese society, as Vogel acknowledges, is quite different from ours. As an island people the Japanese have a keen sense of vulnerability and form a homogeneous, nationalistic society. Hence they find it much easier to act in unison than the more self-assured, individualistic, heterogeneous Americans. It will take more than a book for Americans to see that we too are a threatened community and must relearn the secret of balancing self-interest with public interest, a task yet to make the priority list of any recent prescription for educational reforms. However, without such political and societal underpinnings, the new arrangement Vogel suggests -- a national competitiveness council, a national economic cooperative council, and an office of trade -- seem superficial. The same holds for his other recommendations such as "there must be broad bipartisan support" and to require "injured industries" "to submit a plan to remain internationally competitive."

One of two developments are required: A more purely American model of re-industrialization, one that feeds the special interests and can be advanced despite a largely apathetic public preoccupied with "making it" the old-fashioned way. Or, we must change American society itself and educate Americans to be more public-minded, a subject of two recent books, *Habits of the Heart* by Robert N. Bellah et. al and *The Reconstruction of Patriotism* by Morris Janowitz. Without one of these developments, Vogel's reasonable recommendations seem political and sociological naivete.