

Reply

Reindustrialization through Coordination or Chaos?

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Jose Ortega y Gasset once said that “to define is to exclude and deny.”¹ The authors of the preceding article² (hereinafter referred to collectively as Miller) attempt to discredit American-style industrial policy by mischaracterizing it. Miller does this through a series of historical and contemporary examples which in reality are easily criticized attempts at centralized planning³ and which bear little relation to the industrial policy strategies proposed for the 1980’s. These inapt examples lead Miller to dismiss industrial policy on the ground that it would lead to politicized, collectivist action against the public good.⁴ They also compel him to favor reliance on the market, which Miller asserts “is the best coordinator of business, labor, and consumer decisions—especially in a complex industrial economy.”⁵ Perhaps the most serious defect in Miller’s discussion, however, is its failure to address three important realities that must be considered when evaluating the desirability of implementing an industrial policy: (1) government’s inevitable involvement in microeconomic policy-making, (2) the nature of international economic competition, and (3) the difficulties that attend the present transition of the American economy from a manufacturing to a service and information economy.

Section I of this Reply presents a more accurate picture of what American proponents of industrial policy envision, and shows that the historical examples relied on by Miller fail to establish the undesirability of such a policy. Section II describes the need for a coherent industrial policy. It

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1. J. ORTEGA Y GASSET, *THE MODERN THEME* 99 (J. Cleugh trans. 1933).

2. Miller, Walton, Kovacic & Rabkin, *Industrial Policy: Reindustrialization through Competition or Coordinated Action?*, 2 *YALE J. ON REG.* 1 (1984) [hereinafter cited as Miller].

3. See Miller, *supra* note 2, at 10–11 (discussion of the War Industries Board) and 14–20 (discussion of the National Recovery Administration).

4. See Miller, *supra* note 2, at 3, 28–31, 34–37.

5. *Id.* at 3, 37.

also responds to Miller's fear of the coordination which such a policy would entail. Finally, Section III advances specific proposals for implementing an industrial policy in the United States.

I. Miller's Erroneous View of Industrial Policy

A. *A Definition of Industrial Policy*

Miller has obviously misunderstood the major proposals for a U.S. industrial policy. This misunderstanding may result in part from a failure to recognize the staggering number of microeconomic policy decisions which the federal government inevitably makes every year. For example, government agencies such as the Small Business Administration, the Export-Import Bank, and institutions within the Departments of Commerce and Agriculture annually dispense billions of dollars in loans and loan guarantees to a large number of industries.⁶ Similarly, government agencies continually promulgate regulations that have a profound impact on the patterns of investment in, and the competitiveness of specific economic sectors. Unfortunately, rather than recognizing industrial policy as a means of coordinating these numerous microeconomic policy decisions, Miller views it as a monolithic system which, through central planning and with the cooperation of business and labor, would allocate resources and control prices, wages, and output.⁷ Consequently, Miller believes that industrial policy "might impose unacceptable political and moral costs upon the nation's democratic processes."⁸

In my view, industrial policy is not such a monolith. Rather, it is a process of better organizing the microeconomic policy-making already being conducted by the federal government. It is not a blueprint imposed by government on the private sector, but a process of making microeconomic policies in a more sound way, with more involvement by the private sector. For example, the major industrial policy legislation introduced in Congress⁹ by John LaFalce (D-N.Y.) and Stan Lundine (D-N.Y.) would create a Council on Industrial Competitiveness designed to aid the President in making microeconomic decisions.¹⁰ The Council would not be empowered to plan the economy or to foster the types of anti-competitive

6. The U.S. Government made \$32.2 billion in new loan disbursements in fiscal year 1983. At the end of the fiscal year 1983, the U.S. Government had \$227.4 billion in direct loans outstanding and an additional \$387.0 billion in outstanding guaranteed loans. BUREAU OF THE CENSUS, U.S. DEPARTMENT OF COMMERCE, STATISTICAL ABSTRACT OF THE UNITED STATES: 1984, at 405 (104th ed. 1983) [hereinafter cited as STATISTICAL ABSTRACT OF THE UNITED STATES: 1984].

7. See Miller, *supra* note 2, at 35-37.

8. *Id.* at 37.

9. Industrial Competitiveness Act, H.R. 4360, 98th Cong., 2d Sess. (1984).

10. H.R. REP. NO. 697, 98th Cong., 2d Sess., pt. 1, 3-6 (1984).

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industrial practices suggested by Miller. The Council would instead assist in the coordination of the government's microeconomic decision-making, just as the Council of Economic Advisers currently assists in the formulation of the government's macroeconomic policy.¹¹

Contrary to Miller's assertion, moreover, the coordination of government's microeconomic policy decisions need not subject business to greater government intervention. In many industries such coordination may lead government to prescribe deregulation. The Carter Administration, which was more receptive to industrial policy than is Miller, deregulated the airline,¹² trucking,¹³ and railroad¹⁴ industries and began deregulating the banking¹⁵ and telecommunications industries.¹⁶ Japan, which has perhaps the most successful industrial policy, has employed deregulation as one component of its policy.¹⁷ In some industries, such as our high-tech industries, government might decide to reduce trade barriers and provide permanent research and development tax credits but take no other action. Clearly, implementing an American industrial policy does not require the sacrifice of competition.

B. *Miller's Misleading Examples*

Miller reveals his misunderstanding of industrial policy through his discussion of the historical and contemporary examples which he believes are relevant to the current debate: the associationalist movement of the 1920's,¹⁸ the National Recovery Administration of the 1930's,¹⁹ the vari-

11. The Council of Economic Advisers established in the Executive Office by the Employment Act of 1946, Pub. L. No. 304, 60 Stat. 24, 15 U.S.C. 1023 (1942):

analyzes the national economy and its various segments; advises the President on economic developments; appraises the economic programs and policies of the Federal Government; recommends to the President policies for economic growth and stability; and assists in the preparation of the economic reports of the President to Congress.

OFFICE OF THE FEDERAL REGISTER, GSA, THE UNITED STATES GOVERNMENT MANUAL 1983/84, at 84 (1983) [hereinafter cited as U.S. GOVT. MANUAL].

12. See, e.g., Airline Deregulation Act of 1978, Pub. L. No. 95-504, 92 Stat. 1705 (codified as amended in scattered sections of 49 U.S.C.) (partially deregulating airlines).

13. See, e.g., Motor Carrier Act of 1980, Pub. L. No. 96-296, 94 Stat. 793 (codified as amended in scattered sections of 49 U.S.C.) (partially deregulating trucking).

14. See, e.g., Staggers Rail Act of 1980, Pub. L. No. 94-448, 94 Stat. 1895 (codified as amended in scattered sections of 49 U.S.C.) (partially deregulating railroads).

15. See, e.g., Depository Institutions and Monetary Control Act of 1980, Pub. L. No. 96-221, 94 Stat. 132 (codified as amended in scattered sections of 49 U.S.C.).

16. See, e.g., Telecommunications Competition and Deregulation Act of 1979, S. 622, 96th Cong., 1st Sess., 125 CONG. REC. 4628-37. Although not enacted, this bill prepared the way for later deregulatory legislation.

17. See generally, Japan Economic Institute of America, Japan's Industrial Policies 27-28 (Apr. 1984) (discussing antitrust exemptions and permissible cooperative industry behavior).

18. See Miller, *supra* note 2, at 11-14.

19. *Id.* at 14-20.

ous French post-war economic plans,²⁰ and Japan's experience with industrial policy under the direction of the Ministry of International Trade and Industry.²¹ None of these examples provides adequate support for Miller's assertion that implementing an industrial policy in the United States is undesirable. Indeed, only the Japanese example provides any insight into the real issue, that is, whether the United States could benefit from better coordination of its microeconomic decision-making.

Miller's first example of coordinated microeconomic policy-making is Hoover's associationalism, which Miller asserts was spawned by government leaders' experience with the War Industries Board of World War I.²² It is obvious from Miller's own description, however, that associationalism did not involve government intervention in the economy, but rather was a policy of government acquiescence to the attempts of large corporations to limit competition through industry-sponsored codes which restricted output, undercut antitrust enforcement, and fixed prices.²³ The adverse consequences of associationalism described by Miller do not undermine the desirability of industrial policy. Rather, the associationalist experience illustrates what happens when the government abrogates its public responsibilities and permits unbridled private sector activity. A hallmark of the Reagan Administration is its hands-off attitude toward private sector regulation, consumer protection, and antitrust enforcement.²⁴ Hence, the Reagan Administration's policies arguably bear as much resemblance to Hoover's associationalism as any of the proposals for a coordinated industrial policy.

Two of Miller's examples, the National Recovery Administration and the French economic plans, involved a level of government control over wages, prices, and resources that no serious proponent of American industrial policy envisions today. Whatever the merits of these examples, they are not relevant to the debate over industrial policy proposals such as those now before Congress.²⁵ Moreover, these examples of government intervention were not the obvious disasters Miller portrays them to be. Miller concludes that the NRA "substantially impeded recovery from the Depression."²⁶ The basis for this conclusion is obscure, however, since the NRA was initiated in 1933, four years after the onset of the Depression,

20. *Id.* at 23-25.

21. *Id.* at 21-23.

22. *Id.* at 11.

23. *Id.* at 11-14.

24. See generally G. EADS & M. FIX, RELIEF OR REFORM?: REAGAN'S REGULATORY DILEMMA (1984).

25. See *supra* note 9.

26. See Miller, *supra* note 2, at 18.

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and lasted only two years before being declared unconstitutional.²⁷ There is no evidence that the NRA's demise accelerated the end of the Depression or that its brief tenure perpetuated it. Similarly, one cannot ascribe France's economic difficulties to its industrial policy programs. The French economy has performed poorly both with and without such programs.²⁸ Rather than reflecting a failure of industrial policy, current French economic woes reflect poor macroeconomic policy-making by the Mitterand government, which created more inflation than growth by following a "go-it-alone" stimulative policy at a time when other industrial nations were retrenching.

Although most of Miller's case histories are inapposite, he does discuss one genuine example of a modern industrial policy: Japan's Ministry of International Trade and Industry ("MITI").²⁹ Unfortunately, though, he draws misleading inferences from the Japanese experience. Based on the decline in employment experienced by the Japanese shipbuilding industry since 1977,³⁰ Miller concludes that "the once-touted examples of successful Japanese planning have come on hard times."³¹ The decline, however, reflects the operation of the very marketplace that Miller extols, not the failure of industrial policy. It resulted from the Japanese shipbuilding industry's loss of sales to countries with lower labor costs, such as Korea, and from the substantial decline in the demand for oil tankers resulting from lower worldwide demand for oil.

Rather than causing the decline of Japan's shipbuilding industry, MITI's policies mitigated the adverse effects of that decline by permitting the industry to stabilize employment and return to profitability.³² In addition, Japan's Depressed Industries Law³³ provided for the retraining of thousands of displaced workers who might otherwise have had difficulty finding new jobs. Contrary to Miller's assertions, developments in the Japanese shipbuilding industry do not undermine the desirability of industrial policy. Rather, they illustrate how industrial policy can be used not only to encourage an expanding sector of the economy, but also to streamline a contracting sector and make it competitive again.

In summary, it is disingenuous to cite Herbert Hoover's associationalism and Franklin Roosevelt's NRA as "dismal failures"³⁴ of our country's own experiments with tripartite cooperation. Similarly, one cannot label

27. See *Schechter Poultry Corp. v. United States*, 295 U.S. 495 (1935).

28. See *N.Y. Times*, Apr. 17, 1983, § 1, pt. 1, at 18, col. 3.

29. See Miller, *supra* note 2, at 21-23.

30. *Id.* at 22.

31. *Id.*

32. See *ECONOMIST*, Nov. 5, 1983, at 69.

33. Structurally Depressed Industries Law (1978) (revised and extended, June 1983).

34. Miller, *supra* note 2, at 10.

French or Japanese cooperative policies as failures without considering other factors that may be responsible for economic downturns in those countries. By using irrelevant and distorted examples, Miller has criticized a policy that no responsible American proponent of industrial policy would support. He thus has failed to support his claim that an American industrial policy is unnecessary and undesirable. As the following discussion shows, moreover, Miller has ignored several compelling reasons for implementing such a policy.

II. The Need for an Industrial Policy

Since the assimilation of John Maynard Keynes' economic theories into the government's economic thinking, and particularly since the creation of the Council of Economic Advisers in 1946,³⁵ all our Presidents have recognized that macroeconomic policy must be coordinated to achieve national goals. The annual budget process within the Executive Branch, organized by the Office of Management and Budget, represents one effort to coordinate fiscal policy; that process institutionalizes government's efforts to set tax and spending levels to improve the performance of the economy.

I firmly believe that a well-managed fiscal and monetary policy can solve most of our economic ills. I am also convinced, however, that it cannot solve all of them. First, U.S. fiscal policy cannot coordinate the microeconomic functions of government to eliminate the contradictory and irrational effects of many government programs. Second, it cannot by itself reverse the ballooning American trade deficit which results, in part, from trade restrictions imposed by other countries. Finally, U.S. fiscal policy cannot restructure America's declining basic industries and retrain the workers in those industries. As this section demonstrates, an industrial policy can effectively address these three challenges facing the U.S. economy.

A. *Coordinating Government's Microeconomic Decisions*

Miller views the primary issue in the debate over industrial policy as whether the government should "try more actively to guide and coordinate the decisions of business and labor, or should . . . rely primarily on decentralized competitive forces."³⁶ In reality, however, the debate is not over what level of government intervention is proper, but rather over how government can maximize the effectiveness of whatever intervention occurs. We must choose between a coordinated program for government in-

35. See *supra* note 11.

36. Miller, *supra* note 2, at 2.

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tervention, which systematically takes into account all the diverse effects of such intervention, and a continuation of the current system of uncoordinated programs with its often contradictory effects. A number of common microeconomic decisions—particularly those relating to import relief—illustrate the need for a coordinated program.

Currently, no institutional mechanisms exist for coordinating microeconomic policy decisions. Government economic intervention accordingly is an amalgam of independent and often conflicting programs, resting upon no apparent unifying principles and affecting different industrial sectors in ways unrelated to national goals. For example, the effective tax rate on different industries varies widely, but not in accordance with any professed policy of treating certain industries more favorably.³⁷ Similarly, the federal government supports almost half the research and development undertaken in the United States,³⁸ but this research follows no clear priorities.³⁹ One need not favor increased government involvement in the economy to support improved coordination of the involvement which already occurs.

The deleterious consequences of this lack of coordination are most apparent in the U.S. “system” for deciding when and how to provide relief to industries adversely affected by import competition. The United States International Trade Commission⁴⁰ and, ultimately, the President are continually faced with petitions for trade relief.⁴¹ Our trade laws, together with economic and political imperatives, assure that every president will grant some of these petitions and impose trade restraints on the “free market.” Given the absence of a coherent industrial policy with established criteria for evaluating such claims, however, immediate political considerations often dictate the response to each petition. Moreover, the remedies granted are rarely, if ever, designed to assure that further relief will not be required at a later date.⁴²

One excursion into *ad hoc* industrial policy-making, involving trade re-

37. See JOINT COMM. ON TAXATION, 98TH CONG., 1ST SESS., STUDY OF 1982 EFFECTIVE TAX RATES OF SELECTED LARGE U.S. CORPORATIONS 5-8 (Comm. Print 1983).

38. See STATISTICAL ABSTRACT OF THE UNITED STATES: 1984, *supra* note 6, at 592-93 (10th ed. 1983).

39. See Address by Senator Paul E. Tsongas, Research & Development: The Impact and Challenge, 5-7, before the American Academy for the Advancement of Science (June 23, 1982).

40. This independent agency furnishes studies, reports and recommendations involving international trade and tariffs to the President, the Congress, and other governmental agencies. It conducts a variety of investigations, public hearings and research projects pertaining to U.S. international policies. U.S. GOV'T MANUAL, *supra* note 11, at 631-41.

41. Upon petition by an industry representative, the Commission conducts investigations to determine whether an article is being imported in such increased quantities as to be a substantial threat to the domestic industry. If the Commission finds such a threat, the President has discretion to provide import relief. Trade Act of 1974, §§ 201-203, 19 USC §§ 2251-2253 (1982).

42. See Eizenstat, *A Quid Pro Quo for Steel*, N.Y. Times, Sept. 18, 1984, at A27, col. 1.

relief to the steel industry, illustrates the failure of government to maximize the public benefits of intervention in a particular sector of the economy. In 1980, a Presidential Steel Task Force submitted a relief program for the steel industry to President Carter.⁴³ The program called for implementation of a trigger pricing mechanism for import relief, extension of anti-pollution deadlines,⁴⁴ and institution of faster depreciation writeoffs for equipment.⁴⁵ While the steel industry was pleased with the program that eventually was adopted, the public did not get enough in return. The industry made no commitments to reduce excess capacity or modernize plants, and labor made no concessions on work rules or wages. Indeed, none was requested. The only concession obtained from the steel companies was a vague, eleventh-hour promise to reinvest the additional cash attributable to the relief program in modernizing plant and equipment.⁴⁶ As shown by U.S. Steel's subsequent purchase of Marathon Oil Company,⁴⁷ this promise was not enough. The lesson from this example is clear: Although government has no right to direct the pattern of U.S. Steel's investments, U.S. Steel should not be allowed to use federal relief for a purpose unrelated to that for which the relief was granted. Because no effective mechanism for coordinating microeconomic policy was in place, the effort to rescue the steel industry amounted to no more than an open-ended handout.

Although the steel incident occurred during the Carter Administration, each administration inevitably will grant some of the many requests for import relief it receives. The Reagan Administration, which professes a commitment to the free market, has established tariffs or quotas in the automobile,⁴⁸ textile,⁴⁹ specialty steel,⁵⁰ and motorcycle industries,⁵¹ all without any coordinated policy or clearly defined objectives. In addition,

43. See Address by Senator Paul E. Tsongas, "Research & Development: The Impact and Challenge" 5-7, before the American Academy for the Advancement of Science (June 23, 1982).

44. *Id.*

45. *Id.*

46. See Eizenstat, *supra* note 47.

47. See N.Y. Times, Jan. 7, 1982, at A1, col. 5.

48. See Rowan, *Detroit: Hooked on Protection*, Wash. Post Nat'l Weekly Ed., Nov. 21, 1983, at 5, col. 1.

49. Exec Order No. 12475, *reprinted in* 1984 U.S. CODE CONG. & AD. NEWS B60.

50. Presidential Proclamation of Temporary Duty Increases and Quantitative Limitations on the Importation Into the United States of Certain Stainless Steel and Alloy Tool Steel, 1983 U.S. CODE CONG. & AD. NEWS A80 (July 19, 1983).

51. Message from the President of the United States Transmitting Notice of his Decision to Impose Incremental Tariffs on the Importation of Heavyweight Motorcycles, Pursuant to Section 203 of the Trade Act of 1974, H.R. Doc. No. 37, 98th Cong. 1st Sess., *reprinted in* 1983 U.S. CODE CONG. & AD. NEWS A49.

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the Administration currently plans to negotiate bilateral restraints to reduce steel imports from 25% to 18.5% of the U.S. market.⁵²

These practices demonstrate the need for an industrial policy, one which could provide clear criteria for awarding relief and guidance on designing that relief to ensure proper responses to the problems facing the affected industries. Government could, for example, condition relief on concessions from management and labor. Such concessions might include reducing outmoded capacity, trimming labor costs, and revising outmoded work practices. Those instances in which direct government assistance worked best during the Carter Administration—Chrysler Corporation and New York City—involved preconditioning the aid on the recipients' making concessions that would make the federal aid worthwhile. In short, careful coordination based on established policy objectives would allow government to get "the biggest bang for the buck," both in granting trade relief and in making other microeconomic policy decisions.

Despite such compelling arguments for this type of industrial policy, Miller dismisses as politically infeasible the suggestion that government coordinate its microeconomic policy decisions. He argues that the American system of government, which encourages interest groups to lobby for government action in their interests, will prevent formation of a consensus about which actions should be taken.⁵³ In addition, Miller argues that coordinating microeconomic policy decisions would lead to an undesirable concentration of government decision-making power.⁵⁴

Certainly, formulation of industrial policies will be subjected to the influence of parties seeking to further their own interests. But that is true of the microeconomic and fiscal policies government already makes. America is a democracy; industrial policy decisions, like other government decisions, cannot be made in isolation by a few wise men and women. Nevertheless, I see no reason why attempting to coordinate the inevitable government decisions on microeconomic matters would further politicize the decision-making process. On the contrary, coordination would likely help government identify situations in which an interest group has been able to exercise excessive control over a particular facet of government microeconomic decision-making. Similarly, industrial policy would not require granting the government greater control over microeconomic policy. It would merely allow government to coordinate the decisions it is already empowered to make. Obviously, eliciting input from labor and management will not insure that government decisions receive universal support.

52. See N.Y. Times, Sept. 20, 1984, at D1, col. 3.

53. See Miller, *supra* note 2, at 30-31.

54. See *id.* at 35-36.

Nevertheless, an industrial policy process can, at a minimum, provide the government with insight into the needs of business and labor and with a forum in which business and labor can be called on to make meaningful concessions.

B. *Enhancing Trade*

America also needs a sound industrial policy to enhance U.S. trade. American firms face foreign competitors who benefit from coherent industrial policies implemented on their behalf by their governments.⁵⁵ The idealized world of free international markets described by Adam Smith and relied on by Miller just does not exist. To make U.S. firms competitive, therefore, the government must respond to the trade programs of foreign governments with equal care and interest. American business needs carefully integrated federal programs to help open foreign markets, reduce artificial trade barriers, provide export financing, and assure that U.S. firms are able to compete to their full capacities. The current patchwork of programs is not sufficient.

C. *Mitigating Transitional Problems*

Problems of economic transition illustrate a third reason for implementing an industrial policy in the United States. The former U.S. industrial heartland cannot manage the difficult transition from a manufacturing economy to a service and information economy without consistent and coherent government support. Traditional market forces are inadequate to retrain the new class of structurally unemployed Americans for new jobs. Implementing a comprehensive set of training and relocation programs to aid these workers, however, is hardly the sort of "coordinated action" which Miller so fears and abhors.⁵⁶ To the contrary, such a program ultimately would strengthen the independence of the private sector by enhancing the productivity and competitiveness of American workers. The Japanese experience with job training programs shows the truth of this assertion.

In summary, the United States needs an industrial policy to coordinate and synthesize the microeconomic decisions which government already makes. Such coordination will, in turn, help enhance international competition and ameliorate the transitional problems of the changing U.S. economy. As shown below, moreover, improved coordination of government

55. Weil, *U.S. Industrial Policy: A Process in Need of a Federal Industrial Coordination Board*, 14 L. & INDUS. POL. INT'L BUS. 981, 993-1004 (1983).

56. See Miller, *supra* note 2, at 37.

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microeconomic programs can be achieved without, as Miller fears, impeding competition and restricting freedom.

III. PROPOSAL

Effective coordination of government programs requires the free and efficient exchange of information and opinions between business, labor, and government. Without such an exchange, government will have a difficult time ascertaining the needs of particular industries and determining how these needs can be met in a way that will maximize public benefits. Unfortunately, no forum exists in the United States to facilitate cooperation or the exchange of information between business, government, and labor. In America, labor and management generally meet only over the collective bargaining table, as adversaries.⁵⁷ Only one regular forum exists in which top labor and business leaders can discuss their differences free of such belligerence: an informal group organized by former Labor Secretary John Dunlop.⁵⁸ The deliberations of this group, however, are not open to government.⁵⁹

To help government coordinate its microeconomic programs to serve the public better, I favor the creation of a "Council on Industrial Competitiveness." This Council could aid administrations in promoting management-labor-government cooperation, reducing confrontation, and determining the amount and types of information necessary to formulate sound microeconomic policies. The Council could, for example, help the President evaluate petitions for trade relief; it also could help labor and management agree to changes on wages, work rules, managerial policy, and capacity which could make industries seeking governmental assistance more competitive. The Council would be a resource, similar to the Council of Economic Advisers,⁶⁰ upon which the President could draw when making decisions with microeconomic ramifications. To maximize the information flowing to the government, the Council would be composed of representatives from business, government, labor, and the general public. It would work closely with the White House domestic policy staff and the Office of Management and Budget to see that microeconomic decisions are better coordinated and synthesized. In short, the Council would be an ad-

57. By contrast, it is no accident that Japan's industrial surge coincided with a move away from the labor-management confrontations of the 1950's, or that West Germany's post-war economic miracle was built in part upon worker co-determination.

58. *The Industrial Competition Act: Hearings on H.R. 4360 before the Subcomm. on Commerce, Transportation, and Tourism of the House Comm. on Energy and Commerce, 98th Cong., 2nd Sess. 15 (1984)* (testimony of Stuart Eizenstat).

59. *Id.*

60. See *supra* note 11.

visory group to the President, not a decision-making body with power to direct the allocation of resources.

To aid the Council, I also favor the creation of a new "Bureau of Industrial Analysis" within the Department of Commerce. The Bureau could provide the Council with expertise in industry-by-industry analysis comparable to that now provided by the Bureau of Labor Statistics for macroeconomic policy-making.⁶¹ Wise policies can only be fashioned on sound information. No agency, however, regularly gathers and publishes the information needed to formulate sound microeconomic policy.

In setting its agenda, the Council might concentrate first on economic problems that are particularly amenable to resolution through government action. For example, the Council might help the President evaluate a number of initiatives designed to help American industries compete with foreign companies. Such initiatives might include implementing reciprocity legislation⁶² when necessary to open foreign markets, encouraging private sector research and development by changing the antitrust laws to allow coordinated industry efforts⁶³ and by offering favorable tax treatment of research and development expenses, and strengthening the Export-Import Bank⁶⁴ to make financing arrangements for the purchase of American goods more competitive with those for foreign products. The Council also could propose or review initiatives for easing the burden of the inevitable restructuring which is occurring in our declining industries. One such initiative might involve shifting government resources away from assistance programs, such as trade adjustment assistance, and focusing them instead on retraining workers who have lost their jobs through industrial transition and foreign competition.

In summary, this Council would provide a mechanism for coordinating government decisions with microeconomic ramifications. Contrary to

61. See U.S. GOVT. MANUAL, *supra* note 11, at 379.

62. Legislation already passed authorizes retaliation against restrictive foreign trade practices when necessary to open foreign markets. See Tariff Treatment Act of 1984, Pub. L. No. 98-573 (1984).

63. A bill to modify the application of the antitrust laws with respect to joint R&D programs has been introduced into the House of Representatives by Cong. Lipinski. H.R. 5830, 98th Cong. 2d Sess., 130 CONG. REC. 5677 (1984).

64. The Export-Import Bank of the United States ("Eximbank"), an independent agency: facilitates and aids in financing exports of U.S. Goods and services. Eximbank has implemented a variety of programs to meet the needs of the U.S. exporting community, according to the size of the transaction. These programs take the form of loans or the issuance of guarantees and insurance, so that exporters and private banks can extend appropriate financing without taking undue risks. Eximbank's direct lending program is limited to larger sales of U.S. products and services around the world. The guarantees, insurance, and discount programs have been designed to assist exporters in smaller sales of products and services.

U.S. GOVT. MANUAL, *supra* note 11, at 486-88.

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Miller's assertions, however, it is politically feasible and would not entail any additional centralization of government power.

Conclusion

Miller's article misses its mark because it fails to address the real issue posed by the debate over American industrial policy: Can better coordination enhance the effectiveness of government microeconomic policy-making? Instead of addressing this issue directly, Miller criticizes irrelevant or inaccurate models of centralized planning and argues that it is politically infeasible or undesirable to coordinate the microeconomic policy decisions that inevitably will be made. The true choice is not, as Miller argues, between competition or coordination in the economy, but rather between coordination and chaos in government's response to microeconomic problems. In my view, the answer is obvious. As evidenced here, the microeconomic decisions of government can be coordinated to provide effective responses to problems in the U.S. economy. This coordination, moreover, can be achieved without producing the kind of collectivist, anti-competitive results which Miller fears.

