

ership and bending to every breeze of foreign exchanges, and where crucial foreign policy decisions are vetoed by allies in Europe, Japan, and the Middle East, how can anyone expect routine faithfulness to, much less willingness to risk life and fortune for, the

fatherland? What is extraordinary is not that there are so many traitors and spies in contemporary America but that there are so few. Whatever the problems of their era, the failure to discern enemies is one weakness that Henry VIII and his children did not

have, and in their determined efforts to eradicate their foes and to consolidate their own rule, they addressed the fundamental threats to their regime far more forthrightly than the would-be rulers of our own age of treachery have dealt with theirs.

U.S. — Staying in Business *by William R. Hawkins*

"He that fails in his endeavors after wealth and power will not long retain either honesty or courage."

—Samuel Johnson

Manufacturing Matters: The Myth of the Post-Industrial Economy by Stephen S. Cohen and John Zysman, New York: Basic Books; \$19.95.

Not all change is progress. This simple statement is one of the dividing lines between right and left. An element of common sense to the conservative, it is denounced as timidity or a lame defense of vested interests by liberals and radicals. F.A. Hayek in his essay "Why I Am Not a Conservative" stated that "the liberal position is based on courage and confidence, on a preparedness to let change run its course even if we cannot predict where it will lead." Hayek is a moderate liberal whose optimism about change is made bearable only by an apparent assumption that people adhere to basically conservative modes of behavior. More radical thinkers — Rousseau, Godwin, Marx, Marcuse — have urged change with different expectations about where it would lead. Certainly the changes over the last 30 years provide plenty of examples of decay and disaster. History only reinforces the conservative position that a commitment to "change" without thought of consequences is irrational.

In the social, political, or military spheres, those on the right easily agree that many recent changes have been for

the worse. The aim of conservative public policy is to control events in the best interest of the United States, i.e., to foster changes that are beneficial while working to retard or reverse changes that are harmful. Only in the economic sphere do conservatives abandon common sense in favor of an unfounded liberal optimism: economics, alone among the activities of mankind, has an "invisible hand" that guarantees progress. Indeed, to listen to some exponents it would be easy to think that market outcomes were the result of divine intervention rather than the strat-

egies of businessmen and governments pursuing gain.

Yet, as anyone in business knows, competition produces both winners and losers. The failure of individual firms can be devastating to those directly involved, as well as entire communities. But within a closed society this may only be a ripple, with the expansion of the victors making up for the collapse of the losers. However, on a global scale, things are different. Nations, not just firms, compete for wealth and power. The stakes are much higher. Summing costs and benefits across national boundaries is not valid. There are still fundamental differences between the loss of market share by GM to Ford or the shift of jobs from Ohio to Georgia, and the loss of market share to Nissan or a shift of jobs to Brazil. There is no consolation in being told that the de-



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cline in your own country has made the "world" a better place. There is no such entity as the "world"—only other nation-states that have gained at your expense.

Manufacturing Matters is an attempt by two Berkeley University of California economists to shake America out of the complacency of the "invisible hand" approach to international trade. Manufacturing is the central front in the global trade war and technology is:

revolutionizing production . . .
creating a fundamental
economic transition that puts
the position of every nation in
the international hierarchy of
wealth and power, including the
United States, up for grabs.

By value-added, manufacturing directly generates 24 percent of GNP. Cohen and Zysman, citing the 1983 *Report of the President on the Trade Agreements Program*, then add 25 percent of GNP for services "tightly linked" to manufacturing. Thus, manufacturing represents about half (49 percent) of GNP. It is this linkage that forms the core of the authors' argument. "Industrial chains" link a number of manufacturing and service sectors. Telecommunications is one example among the many cited.

Will American companies
dominate international trade in
communications if they are not
leaders in computers,
semiconductors, telephone
switching equipment, launchers,
satellites and fiber optics?

No, and our rivals understand this. Foreign industrial policies target key links in the chain, hoping to capture a few strategic pieces so the rest of the industrial chain can be pulled under their control.

It is often argued that the shift from an industrial economy to a service economy is a natural evolution and thereby a sign of progress. Cohen and Zysman note that while all advanced nations are making this shift, it is important to distinguish between types of services. Engineering, software design, social work, and fast-food are all services, but they are not of equal value to an economy, nor do they produce the same income to those employed in

them. "Lose manufacturing and you will lose—not develop—high-wage service jobs."

High-wage service jobs are tied to manufacturing by high technology. "Most high-tech products are producer goods, not consumer goods." Lasers, robots, computers, bioengineering, and machine tools are all linked to improved methods of production. "America must control the production of those high-tech products it invents" for two reasons. First, "production is where the lion's share of value-added is realized. It is where the 'rent on innovation' is captured." The profits come from using the technology, not in developing it. Without an industrial base, R&D becomes too expensive to sustain. Also,

unless R&D is tightly tied to
the manufacturing of the
product—and to the permanent
process of innovation in
production now required for
competitiveness in
manufacturing—R&D will fall
behind the cutting edge of
incremental innovation.

In short, "you cannot control what you cannot produce." Manufacturing, the best service jobs, and technological progress are an integral whole. The aim of policy should be "not a transition from an industrial economy to a service economy, but from one kind of industrial economy to another." If postindustrial means nonindustrial, then a postindustrial America will be an "impoverished" America.

Cohen and Zysman neatly demolish the notion of separate economic stages. Those who argue that the transition from industry to services is like that of the earlier shift from agriculture to industry make a fundamental error if they conclude that industry can be abandoned. America did not abandon agriculture when it became an industrial power. Instead, agricultural production continued to expand at a rapid pace. The sectors reinforced each other, as mechanization increased farm productivity. The strength of the American economy has been its ability to build on success without giving up strategic sectors that would make it vulnerable in the future.

More than just money and jobs are at stake. Military power depends on industrial capacity and technological

innovation. "An erosion of our competitive position in a critical set of industrial chains would constitute a massive reduction in our strategic independence and diplomatic options."

Diverse, robust and leading-edge U.S. producers in [semiconductors, computers, telecommunications, robotics, machine tools] and other industrial chains are more critical to U.S. national security at the current time than to most other nations . . . whatever the ups and downs of military spending, our basic security posture is built on the assumption that America will maintain, round after hurried round, a permanent lead in a rather broad range of advanced industrial technologies.

The economies of scale in manufacturing and the high cost of R&D make a large commercial industrial sector a necessity. It lowers the cost of producing military equipment because much of the fixed cost of production and research are underwritten by the commercial side of the enterprise. Private American firms must be able to maintain, under normal peacetime conditions, the productive capacity and R&D programs needed in an emergency. Otherwise, the government will have to structure its own reserve capacity at enormous public expense, or the nation will become dependent on uncertain foreign supplies. Both are high-risk, high-cost alternatives to the protection of a large and ongoing commercial industrial base.

American productivity has lagged behind Japan's, West Germany's, and other rivals'. Cohen and Zysman urge greater investment in R&D and reindustrialization. Industry must "automate not immigrate." This will require greater capital formation because advanced industrial systems are capital-intensive. The authors make the usual plea for a tax system that encourages savings and discourages consumer debt. The raiding of the capital pool to fund government deficit spending must also end. Instead, the government must contribute more to R&D and be prepared to subsidize private industry in key areas.

This represents a turnabout from

current policies which have raised the cost of capital to business, increased taxes on industry, and promoted labor-intensive growth with stagnant productivity. It is ironic that American competitiveness has declined under a supposedly pro-business administration. Yet, the "supply-side" failure to live up to its billing stemmed from too narrow a focus on individual tax rates, a factor with weak and indirect links to savings and business investment.

The unprecedented string of large trade deficits that has plagued the U.S. economy since 1982 must end. These deficits have slowed economic growth and converted the U.S. into the world's largest debtor. Neither cheap labor nor cheap dollars will end the deficits. Trade policy must be part of industrial policy as it is among our rivals, who "accept that industrial promotion and the direct support of private interests is a legitimate function of government." While the U.S. talks of "free" or "fair" trade rules, leaving the market to determine results, foreign governments "are increasingly negotiating directly about trade outcomes," seeking control of production and markets. The U.S. must realize what is at stake and develop strategies to protect its national economic interests.

The U.S. must become what Cohen and Zysman call a "developmental state" aiming at "the upgrading of the nation's position in the international economic hierarchy." Policies "to shape the national production structure and the pattern of comparative advantage to assist the evolution of wages and production" are well-known and have been used successfully for centuries. Japan did not invent mercantilism, only applied it, while we slept in a liberal dream world. Cohen and Zysman do not go into the details of specific policies. Each strategic sector will require its own policy mix. Their purpose is not to urge a particular strategy but to prod economic policymakers into starting to think in strategic terms. It's a message that deserves wide attention.

The authors do not deal much with the issue of "protectionism." But they do repeatedly cite the advantages Japanese and European industries have gained by having secure domestic markets that serve as a base for achieving economies of scale and reducing the risk of new investment. And it is hard

to imagine a way to end the trade deficits without curtailing imports.

Historically, such a policy approach has been favored by conservative/nationalist regimes, including American administrations until quite recently. No

nation can remain a Great Power if its economic core is controlled by foreigners or if its powers of production lag behind its rivals'. The loss of America's economic independence and industrial supremacy is a change for the worse.

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"By their fruits, so shall ye know them."

—Jesus of Nazareth

Mies van der Rohe: A Critical Biography by Franz Schulze, Chicago: University of Chicago Press.

The year 1986 marked the 100th anniversary of the birth of Ludwig Mies, the man who, under the name of Mies van der Rohe, did the most to shape modern American architecture. Of the numerous books that marked

this occasion, perhaps the most important is the biography by Franz Schulze, a scholar and critic of contemporary architecture. Thorough, honest, gracefully written, richly illustrated, and well designed, it invites a reevaluation of Mies's work as the most catastrophic failure of art in the 20th century.

suited Mies well, for he was drawn to where the spirit of the times was manifesting itself most powerfully — i.e., to where "the action" was. In the 1920's, the action was certainly among the radicals.

From 1918 to 1927, Mies worked mainly on theoretical projects which attracted attention at exhibitions. In 1926, he built the first of his works in the modern, geometric style: a monument to Karl Liebknecht and Rosa Luxemburg. Photographs indicate that the monument was visually compelling, if one ignores the huge steel hammer and sickle at its side. Mies does not appear to have been a Communist or committed to any cause other than himself and his work; rather, he would work for nearly anyone who gave him artistic latitude. It is noteworthy that his first modernist design to be built is more a sculpture than a building.

In 1927, Mies was named artistic director of the *Weissenhofseidlung*, a model housing project near Stuttgart. Mies solicited work from many radical young architects; their designs meshed so well that they seemed to embody an "international style" — by which name this school is best known. In 1929, Mies built his most highly praised work, the German Pavilion for the Barcelona World's Fair. The "Barcelona Pavilion" stood only for six months and was used only once, but it is still named one of the greatest of all modern buildings.

In 1929 Mies was named the head of the Bauhaus, which he oversaw for the last four years of its life. Under his leadership, the Bauhaus turned away from hurdy-gurdy experimentation to teaching Mies's ideas on architecture and design. He also took a firm stand

against student radicalism, at one point expelling the entire student body. In 1933, he closed the Bauhaus rather than submit to the control of the National Socialists.

In 1938, Mies became the head of the department of architecture at the Illinois Institute of Technology. Before he came to Chicago, much of his work was "paper architecture"; of buildings he had only a handful, mostly private homes. Chicago offered Mies the chance to build large for the first time. His first major commission was to design the entire IIT campus; there, he built the first of the glass and steel "boxes" with which his name is associated. From this point to his death in 1969, Mies designed the buildings for which he is best known: 860-880 Lake Shore Drive, the Seagram Building, the Farnsworth House, the Toronto-Dominion Centre, and many others. Despite the number and the variety of his commissions, however, his work became marked by sameness. As Schulze notes, Mies evolved two basic designs that he used over and over: the "prismatic tower and the pavilion of unitary space." Mies's inclination to the *sachlich*, the unadorned and functional, moved him to an impersonal work that, oddly, was quite expressive.

Ludwig Mies was born in Aachen. His father, Michael, was a stone carver. Mies himself described how once, when his brother suggested a shortcut in stone-carving, Michael said, "Do you know the finial at the top of the spire in Cologne? Well, you can't crawl up there and get a good look at it, but it is carved as if you could. It was made for God."

Mies attended the local cathedral school, then the *Gewebeschule*, where he learned the building trade. His schooling ended at age 15, when he found a job as a draftsman in a local stucco factory. When he was 19, Mies obtained a position as a draftsman in a Berlin architect's office.

In those days, it was possible to become an architect by working in an architect's office instead of going to school. Mies aspired to become more than a draftsman; within a year of moving to Berlin, he went to work for Bruno Paul, the leader of a group of radical young architects who insisted on simplicity and geometric form, or *Sachlichkeit* ("reality," "impartiality").



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