

## Institutional studies

# Taking a stab at economic development

by Vin Berg

The quiet but growing debate over how to salvage U.S. industrial and military capability—at least adequately to meet growing Soviet power in both spheres—suddenly moved out of the closed-door meetings of elite Anglo-American circles and into public view at the end of June. *Business Week* magazine, published by the McGraw-Hill econometric services unit, devoted its entire June 30 edition to the issue, “Reindustrialization of America.”

Shortly thereafter, *Scientific American*, the world’s largest circulation science magazine, announced that it will turn over its entire September issue to the single topic: “Economic Development.”

Otherwise, these two leading indications that policy-makers are embroiled in debate do not have much in common.

According to the implications of the *Business Week*/McGraw-Hill offering, the U.S. economy’s road to reindustrialization is to be defined solely in terms of “competition for international markets.”

By contrast, *Scientific American*’s forthcoming feature will focus on international agreements required to develop the market represented by Third World need for American technology and that of other industrialized nations. The American economy will be touched upon from the standpoint of a U.N.-model “New International Economic Order,” the decided focus.

Both program outlines have peculiar twists. For instance, *Business Week* seems to strongly favor eliminating America’s traditional basic industries—auto, steel, etc.—from “reindustrialization.” By the same token, *Scientific American* defines one of the goals of its technology-transfer proposals to be eventual “zero population growth”—and even holds up Communist China’s program as a Third World model. Experts—and, for that matter, the Communist Chinese—view high-technology development and zero population growth as mutually exclusive programs.

### ***Business Week*: ‘competitiveness’**

Large parts of the U.S. economy are too inefficient to compete in world markets, the editors of *Business*

*Week* state at the outset. The cause of the problem is that leading categories of old, “traditional” basic industries are obsolete, and therefore non-competitive in world markets that feature the participation of the more modern and productive Japanese and West German vendors. This is largely the result of a failure in industrial innovation, and a related lag in R&D spending.

This, however, does not mean that America’s “antique lemons” like auto and steel should be put through a process of modernization and innovation, says *Business Week*. The criterion for reindustrializing should be which industries can be made competitive. Industries and product lines must be carefully selected for encouragement; others should be designated as incurably obsolete, and allowed to vanish.

A new “social contract” must be achieved, and take precedence over the aspirations of the poor, minorities, and environmentalists; it must be accompanied by government tax, budget, and credit policies tailored to encourage those competitive industries in which “information takes the place of goods,” such as “microelectronics.” Energy resources must be similarly tailored, emphasizing coal, solar, and other renewable forms.

### ***Scientific American*: ‘technology-transfer’**

The editors of *Scientific American* begin their argument by theorizing: The population explosion and poverty in the developing nations are not caused by fertility rates, but by the lack of “scientific industrial revolution.” By the same token, however, Malthusian desires for zero growth or at least stabilized population growth are feasible, and “scientific industrial revolution” is the means to achieve that goal.

To that end, “Group of 77” (nonaligned nations) demands for a “new international economic order” as defined in the United Nations Organization should be accepted. U.N. models of economic and population growth, according to *Scientific American*, show that high-technology Third World development could stabilize the population of the world at 8 to 12 billion by the year 2000; any such “predictable population” can enjoy the elimination of want through existing technology.

The industrialized nations should undertake the systematic transfer of scientific-industrial technology to the poor nations, focusing on the world’s 10 major underdeveloped river valleys, exemplified by the Indus, Ganges, and Brahmaputra. These must be brought under cultivation by 20th-century technologies.

“Despite controversy,” there is no substitute for nuclear energy in the Third World development programs, says *Scientific American*. It alone can provide the magnitude of energy needed by the poor nations “in the form of fertilizers, pesticides, and mechanization in agriculture, in mineral resources extraction, and in industry, transport, and communication.”