

editors themselves employ distinctly fighting metaphors to characterize fundamentalism, and fully half of this very thick book focuses on fundamentalist political agitation, far less on its spiritual character. Moreover, even as portrayed by the sympathetic analysts here, these fundamentalists rage. They are typically angry and furious, not depressed, resigned, or withdrawn. Yet if this description is commonplace, its explanation is not.

Fundamentalisms Observed should not be expected to answer every question about its subject. Four substantial and presumably equally massive volumes are to

follow. These will assess the motivations of the leaders and the temperament of the followers, the roles women play, and the consequences of fundamentalisms for public policy. These five volumes should finally erase the suspicion that academics and intellectuals still harbor toward fundamentalism. Certainly no one will laugh while lugging them home from the library.

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Planning Without War

DISMANTLING THE COLD WAR ECONOMY. By Ann Markusen and Joel Yudken. *Basic*. 314 pp. \$25

America's post-World War II manufacturing dominance has succumbed to intense competition from around the globe. As consumers both abroad and at home shift to products made outside the United States, evidence mounts that the U.S. economy is failing the competitive test. America is losing manufacturing jobs, and its overall standard of living is falling. The 1992 presidential election may well turn on this lamentable state of affairs.

To be sure, many factors lie behind America's competitiveness problem, including failures by management and labor in the private sector and a lagging educational system in the public sector. But *Dismantling the Cold War Economy* concentrates on one particular failure, that of the U.S. government. Washington has let the industrial system that helped the West win the Cold War collapse, and so far it has failed to replace it. I use the word "system" in order to avoid the loaded phrase *industrial policy*, a term used overseas (and in America among Democrats in the early 1980s) to denote any government's plan for its national industrial future.

Such a plan—without any label at all—was quickly created in Washington after World War II, when a hostile Soviet Union threatened our future. In 1946, under Secretary James Forrestal and Admiral Howard Bowen, the navy—with the army and the air force quickly following suit—spent millions on defense research contracts that nourished new industries and helped establish U.S. manufacturing superiority. Defense Department research and development (R&D) spending soon mounted into the billions of dollars. A strategy for winning the Cold War had the side benefit of propelling the domestic economy ahead—at least through the early 1970s.

Ann Markusen and Joel Yudken, both specialists in industrial development at Rutgers University, take as their subject the cluster of industries nourished by this Cold War strategy. They call that sector the "ACE complex," meaning defense-related industries mainly in aerospace, communications, and electronics. More precisely, their topic is defense contractors—a set of firms, their employees, and surrounding communities—who after 40 years of success now face a questionable future.

When the Soviet Union unexpectedly dissolved and the Cold War ended, the U.S. government's demand for weapons—the

core of the ACE complex's business—began to shrink. Yet even when defense spending was at its peak, during the Reagan administration, it was evident that decades of reliance upon government contracts had weakened the competitiveness of the ACE complex, whose civilian product lines now faced revived Asian and European competition. What was to be done?

As far as civilian products go, pure free-market logic dictated that the ACE-complex companies be left to deal with the bracing winds of competition on their own. This was indeed the position of the Reagan administration. In the early 1980s, as defense-related industries in computers, semiconductors, and machine tools lost business to Japanese and European competitors, the Reagan administration complacently stood by, content to accept the market's verdict. But both Pentagon planners and the Democrat-led Congress opposed this approach, arguing that defense contractors could not stay on the technological cutting edge without remaining competitive in the civilian marketplace, where the impulse toward innovation is strongest. To ensure that the ACE complex retain its technological excellence, Congress in 1984 eased antitrust laws and allowed competing ACE firms to form consortia, such as Sematech in the semiconductor industry, which then received R&D support from the federal government.

Throughout George Bush's presidency, military planners and members of Congress have urged a reluctant White House to do more. The Departments of Defense and Commerce (as well as private groups such as the Aerospace Industry Association) drew up lists of "critical technologies"—ranging from semiconductors to artificial intelligence and robotics—whose sustenance was deemed vital to American interests. Previously, defense spending in these industries had been dictated by Pentagon specialists. Now the government enjoined these industries to develop "dual-use technologies," to produce military and civilian goods simultaneously.

This activity amounts, in effect, to a minimalist industrial policy for the ACE complex. It is an industrial policy that even Republicans can live with. In fact, the main difference between George Bush and Bill Clinton on this issue seems to be that the president will not admit that his administration has been pushed by the Pentagon into this new strategy, while the Democratic nominee is openly enthusiastic about it.

Markusen and Yudken agree that the old plan that worked for so long now needs reform, and they too would like to see the ACE complex survive. Their book is about how to convert that industrial base, or substantial parts of it, to nonmilitary uses. Only one thing is certain, however: Conversion will not be easy.

Decades on the Defense Department's payroll have erected what the authors call a "wall of separation" between these firms and the civilian economy. Markusen and Yudken describe how the military-industrial complex built the ACE "gunbelt" in the first place. They reveal the political decisions that scattered defense production facilities mainly throughout 10 southern and western states, away from the established manufacturing centers. Over the years these firms and their suppliers became accustomed to a single customer with deep pockets—and to the military's highest-tech specifications. Markusen and Yudken thus depict a cluster of firms gradually rendered unfit for today's competitive struggle.

To revitalize the American economy, the authors suggest, the ACE industries must be assisted in a conversion to "green" industries—environmental protection, waste disposal, alternative energy. The framework of a federal plan is necessary because conversion to nonmilitary products is otherwise too difficult. The Pentagon's Office of Economic Adjustment offers grants for conversion, and some communities have assisted in converting defense-related plants. To date, however, the overall record reveals a series of disappointments and a climate of "fear, confusion and bumbling." In the authors' view,

America's efforts resemble the struggles the Soviets faced in transforming their economy. In Boston, for example, Quincy Shipyards (owned by General Dynamics) tried for four years to change from military to commercial shipbuilding. But, dreaming of a return of defense contracts, management was lukewarm toward the conversion, while labor and the state government never could agree upon an "alternate-use plan." The result was that in 1986 Quincy Shipyards simply went under.

What has been lacking so far, Markusen and Yudken say, is a "coordinated and highly visible . . . adjustment strategy." The industrial policy to boost the new green industries, they argue, will have to be as comprehensive as the one that created the ACE complex in the first place. As it did with the original ACE industries, the government will initially have to provide R&D spending, favorable regulations, a market for the goods, capital subsidies, and even bailouts.

Markusen and Yudken thus stake out the left edge of a range of industrial policy options. Readers will have to decide if they like the ideology behind it. The strategy of allowing Pentagon planners to direct the economy at least assumed that technological spillovers would find their way to civilian consumers, who remained (in theory) in the driver's seat. Recent reforms attempt to do more than encourage accidental spillovers: They intend to ensure them by involving the private sector. Yet consumer satisfaction cannot be the criterion for America's new industrial system, Markusen and Yudken say: Japanese products already satisfy American consumers all too well.

Bombers, pensions, and video games now seem the choices of, respectively, the Pentagon, Congress, and individual consumers. Markusen and Yudken would obviously challenge these priorities and redirect the American economy toward a greater investment in "public goods"—

that is, in a sound environment, health care, and community stability. Under the system proposed by the authors, instead of a small, secretive set of uniformed Pentagon executives ordering up the products and aiming the R&D, federal, state, and local governments, as well as regional task forces, would consult with labor, business, and communities. The ACE complex would be reoriented from military to civilian public goods, producing waste-management facilities and solar generators instead of submarines and missile-aiming systems.

Have Markusen and Yudken ignored the lessons of the very history they are writing? In the old ACE complex, government-sponsored industries became inefficient and uncompetitive, but under Markusen and Yudken's new system, government-sponsored industry would, miraculously, become the source of economic vitality and jobs. Their answer to this puzzling contradiction has to be coaxed from their text, but I assume it goes something like this: The Cold War industrial policy worked fine for a time, and if it eventually made its firms sick, that was not because work for the government and government goals is corrupting in itself. What was corrupting was working for admirals and generals. By contrast, work in collaboration with, and for goals set by, a broader public coalition would be quite a different matter.

Well, yes, maybe—but what Markusen and Yudken are proposing certainly is not free-market capitalism. Indeed, in the various strategies from Bush's to Clinton's to those proposed here, free-market capitalism is the strangely absent element. Ronald Reagan does seem a long time ago.

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