Piore notes that high wages are no longer managers' principal objection to unions. Indeed, many are willing to pay even more to avoid unionization and the attendant rigid job categories.

American labor unions, Piore believes, must adapt to survive. Otherwise, corporations seeking to expand and revitalize their mass production operations will be forced to relocate their plants overseas. And if, as seems more likely, small domestic markets become critical, flexibility on the shop floor will still be essential.

Explaining Budget Battles

"The Budget as New Social Contract" by Aaron Wildavsky, in *Journal of Contemporary Studies* (Spring 1982), Transaction Periodicals Consortium, Dept. 541, Rutgers University, New Brunswick, N.J. 08903.

Fashioning the federal budget may seem like an arcane technical process. But budgeting, writes Berkeley political scientist Wildavsky, reflects the underlying social order: "When we experience basic changes in budgeting . . . we know that society is not what it was or will be."

From the founding of the Republic to the 1960s, Wildavsky contends, three major groups in American society joined in an evolving consensus favoring small, balanced budgets and a low level of public debt. "Social hierarchs," such as Alexander Hamilton, favored a strong central government; "market men" sought government aid for "internal improvements"—canals, roads, harbors—and Jeffersonian republicans feared big government would perpetuate inequality. Generous internal improvements gave the first two groups some of what they wanted, and the size of government (and the budget) was kept down to satisfy the Jeffersonians. The balance was "not only between revenue and expenditure, but between social orders."

After the Civil War, quickly liquidating the public debt no longer seemed crucial. Abraham Lincoln had averred that citizens "cannot be much oppressed by a debt which they owe themselves." In fact, because of a five percent annual economic growth rate, federal outlays shrank relative to the economy between 1870 and 1902. But by 1920, deficits were appearing frequently. The progressives' goal of spending wisely took priority over balancing budgets.

The Budget Act of 1921, which gave President Harding budgetary authority through a new Bureau of the Budget, "ushered out the era of small government in the United States." Within 11 years, federal spending had risen nearly 40 percent, to 7.3 percent of GNP. And the acceptance of Keynesian economics and the welfare state after the Great Depression shaped a completely new consensus.

By the 1960s, the permanently unbalanced budget, with spending adjusted to insure full employment, was firmly established. The egalitarian heirs of Jefferson were now convinced that government redistribution of income was necessary to achieve equality; Hamilton's

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ideological descendants saw a need to buy off restive minorities and preserve social peace; market men got greater subsidies for business.

Today's budget battles reflect the struggle to forge a new social compact. Wildavsky believes the new consensus will call for budget balance. The question: Will it be balanced at a high level of taxes and spending, as in the European social democracies, or at a lower level, as the market men demand?

America's Lag

"Technology, Enterprise, and American Economic Growth" by Jordan D. Lewis, in *Science* (Mar. 5, 1982), 1515 Massachusetts Ave. N.W., Washington, D.C. 20005.

America's vaunted technological and economic superiority may be in jeopardy, thanks to shortsighted corporate leadership, excessive labor-management strife, and an overgrowth of litigation. These surface defects, says Lewis, a Senior Fellow at the Wharton School of Business, suggest underlying U.S. character flaws: too much conflict, too little trust.

The United States leads in corporate R & D as a percentage of industrial output, at 1.91 percent; the West German figure is 1.64 percent; Japan's is 1.29 percent. But partly in response to high inflation, the Americans concentrate on products for the immediate future, while leading foreign companies look decades ahead. The executives of Japan's consumer electronics firms envisioned selling video recorders 15 years before they could market them.

Similar shortsightedness plagues U.S. investment strategies. For example, the stockholders' thirst for profit forces General Motors to seek pay-back on investment within five years. Technological improvements are thus confined to tinkering with old auto plants. GM uses its factories for 39 years; its Japanese competitors build new ones every 14 years.

Even more harmful is the adversarial approach in American labor-management relations. A 1981 General Accounting Office survey found that daily productivity in 20 comparable Wyoming coal mines ranged from 58 to 242 tons of coal per worker. Why? Bosses of the more productive mines encouraged worker involvement in decision-making. IBM and Kodak have proved that Japan has no monopoly on "open" businesses. But why are there so few in the United States?

U.S. regulatory agencies and corporations prefer to litigate rather than cooperate—with predictable results. Ordered to reduce coke oven pollution, U.S. steel firms often cut plant efficiency to comply. Their Japanese competitors, given technical guidance by government regulators, increase efficiency by using waste heat from emissions to power their plants.

It is not in the cards for a heterogeneous America, founded on individual rights and distrustful of authority, to become "another Japan," says Lewis. But increased cooperation, American-style, is a must.