

ECONOMICS, LABOR, & BUSINESS

the job market in 1983, versus only 4,640 in 1960.

Liberal arts graduates, who can be hired for 30–40 percent less than MBAs and yet can be more easily trained because they have “less expansive egos,” now look more attractive to corporate recruiters.

Fraker does not predict that many MBAs will wind up selling apples on street corners. For one thing, fewer students are now applying to business schools. Yet, as time goes on, she sees only the best graduates of the best schools—Harvard, Yale, Stanford, Wharton—being picked for the corporate fast track while other MBAs will have to get to the top by first becoming masters of the shop floor.

Optimism About U.S. Industry

“The Myth of U.S. Deindustrialization”
by Robert Z. Lawrence, in *Challenge*
(Nov.-Dec. 1983), 80 Business Park Dr.,
Armonk, N.Y. 10504.

Across the United States, dozens of steel mills, auto plants, and “smokestack” factories of all kinds have closed. Yet despite widespread fears that America is “deindustrializing,” contends Lawrence, a Brookings Institution economist, U.S. manufacturers are actually outperforming most of their competitors in Western Europe.

Employment in the U.S. manufacturing sector fell by a stunning 10.4 percent between 1979 and 1982, but temporary recession and an overvalued dollar accounted for most of the drop. Longer-term trends are far more favorable, Lawrence says. Industrial employment, output, and investment all rose during the “stagflation” years between 1973 and 1980. American industry increased its outlays for new plant and equipment and research and development (R & D) at a faster clip than it did during the 1960s. An example: The number of scientists and engineers on industry payrolls grew by 1.6 percent annually between 1960 and 1973, but by 3.2 percent in 1973–80.

Factory employment grew by only .3 percent annually in the United States between 1973 and 1980, but that beat Japan, West Germany, France, and Britain. U.S. factory output expanded by 1.8 percent a year, exceeded only by Japan’s 2.9 percent. In R & D investment, U.S. growth rates were about the same as those in Japan and Western Europe, and its rate of capital formation kept pace with Europe’s. During the booming 1960s, the United States lagged behind in both categories.

Overall, Lawrence suggests that the Western Europeans are in the deepest trouble. Europe really *is* “deindustrializing,” he says, and has not been able to make up for the loss of jobs in declining industries such as textiles, furniture, and steel with gains in other areas. The U.S. economy appears to be the most flexible, shifting employment to high-growth industries—plastics, electrical machinery, industrial chemicals—even more rapidly than Japan’s.

That does not signal clear sailing ahead. But Lawrence says that policymakers ought to worry more about the slow growth of labor and capital productivity, which persists despite heavy business investment and R & D spending, and less about the woes of a few highly visible industries.