

ECONOMICS, LABOR & BUSINESS

sales of American products, especially those that are not subsidized, will decline. The result: no net gain in either exports or jobs.

But such arguments may not carry much political weight, Murray predicts. Even Congressmen who once opposed export subsidies as handouts for Big Business are now more than eager to expand the Ex-Im Bank's powers.

Do We Need An Industrial Czar?

"Can Creeping Socialism Cure Creaking Capitalism?" by Robert M. Kaus, in *Harper's* (Feb. 1983), P.O. Box 2620, Boulder, Colo. 80321.

To critics of President Reagan's brand of free-market economics, proposals for a European-style national "industrial policy" have a growing appeal.

Most industrial policy advocates, writes Kaus, a *Harper's* editor, are either "preservationists" or "accelerationists." The first group, led by New York investment banker Felix Rohatyn, worries most about the urban decline and mass layoffs caused by factory closings in the Midwest and Northeast. Rohatyn favors resurrecting the Depression-era Reconstruction Finance Corporation (RFC) to revive troubled basic industries—steel, rubber, machine tools. Armed with billions of dollars in loan authority and the power to offer tax incentives, environmental waivers, and trade protection, a new RFC would be able to "knock heads," forcing unions, management, banks, and suppliers to work together.

"Accelerationist" Lester Thurow, an MIT economist, wants a new RFC, too. But under his scheme, the federal agency would direct an "orderly retreat" from declining industries, choosing only the strongest firms as survivors. Its chief mission: subsidizing "sunrise" sectors, such as semiconductors, biogenetics, and fiber optics. Also on the agenda of Thurow and his allies is more federal funding for basic research and job training.

Kaus believes Thurow's "accelerationism" is the slightly better alternative. Reviving "sunset" industries would mean diverting capital from up-and-coming enterprises, thus blocking economic progress. But he warns that all such industrial policy proposals are flawed.

With its political backers unable to agree on which sectors to finance, a new RFC could wind up trying to "help" *all* businesses—the equivalent of national economic planning. And why, Kaus asks, would RFC policy-makers be better at picking future winners and losers than would private investors, who have their own money at stake?

Ironically, he notes, most champions of an industrial policy are skeptical of elected officials' ability to direct a remedial effort. Fearing pork-barrel politics, they favor naming an independent "industrial czar."

If this economic remedy requires a "benevolent dictatorship," Kaus suggests, "maybe we should cure our sick government," before asking "the government to cure our sick industry."