

**From the holdings of the Department of Special Collections , Princeton University Library,
Princeton, NJ**

These documents are either in the public domain, or can only be used for educational and research purposes (Fair use) as per U.S. Copyright law (text below). By accessing this file, all users agree that their use falls in the public domain or within fair use as defined by the copyright law. We do not charge any permission or usage fees for the publication of images of material in our collections, including those provided by Princeton University Library, via our website, catalog, or directly from staff. For more information regarding copyright, credit, and citation please review the information on the Copyright, Credit and Citation Guidelines page of our website.

<https://library.princeton.edu/special-collections/policies/copyright-credit-and-citation-guidelines>. If you have any questions, including how to order higher-quality images from the collection, contact Special Collections Public Services via our Ask Us! Form. <https://library.princeton.edu/special-collections/ask-us>

Doctoral Dissertations, 2011-2026

History of Science

2024

Fighting for Capitalism's Cutting Edge: The Post-Industrial Campaign For American Competitiveness

Marino, Julia Elizabeth

Princeton, NJ : Princeton University

<http://arks.princeton.edu/ark:/88435/dsp017p88ck893>

U.S. Copyright law: The copyright law of the United States (Title 17, §108, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Under certain conditions specified in the law, libraries and archives are authorized to furnish a photocopy or other reproduction. One of these specified conditions is that the photocopy or reproduction is not to be used for any purpose other than private study, scholarship, or research. If a user makes a request for, or later uses, a photocopy or reproduction for purposes in excess of fair use that user may be liable for copyright infringement. This institution reserves the right to refuse to accept a copying order if, in its judgment, fulfillment of the order would involve a violation of copyright law. <https://www.copyright.gov/title17/title17.pdf>

FIGHTING FOR CAPITALISM'S CUTTING EDGE: THE POST-INDUSTRIAL CAMPAIGN FOR
AMERICAN COMPETITIVENESS

Julia Elizabeth Marino

A DISSERTATION

PRESENTED TO THE FACULTY

OF PRINCETON UNIVERSITY

IN CANDIDACY FOR THE DEGREE

OF DOCTOR OF PHILOSOPHY

RECOMMENDED FOR ACCEPTANCE BY

THE PROGRAM IN THE HISTORY OF SCIENCE

Adviser: Michael Gordin

March 2024

© Copyright by Julia E. Marino, 2024. All rights reserved.

Abstract

“Fighting for Capitalism’s Cutting Edge” argues that during the 1980s, amid concerns over waning competitiveness vis à vis Japan, there existed a real and viable alternative to the prevailing economic paradigms—Cold War Keynesianism, Reaganomics, and the emerging so-called neoliberal agenda. Central to this alternative was strategic federal investment in burgeoning sectors of the economy, intended to fortify the United States’ international standing in the impending technology-centric economic era. Although the Democrats were particularly influential in advocating such investments, Republicans also supported positive government investment in the name of competitiveness whenever the president’s approval numbers dwindled and his strategists felt it necessary to respond to business lobbyists advocating industrial policy.

Within certain business lobbying organizations like the Council on Competitiveness, the appeal to maintain U.S. competitiveness bridged business and labor interests – and traditional and emergent industrial sectors – over the necessity of positive government investment. The focus on competitiveness during the 1980s catalyzed policy shifts that laid the groundwork for the economic developments of the 1990s and realigned the locus of economic power in the United States towards the “sunrise” champions of the often-invoked “New Economy.”

Table of Contents

Abstract	3
Acknowledgements	4
Table of Figures.....	4
Introduction	5
Part I	26
Chapter 1: Competitiveness & Consensus: The Democratic Challenge to Reaganomics, 1981-1983	30
I. Crafting Competitiveness: The Synergy Between Policy Entrepreneurs and State Governors	33
II. Revving Up Competitiveness: The UAW, The Big Three, and Michigan Policymakers Embrace High-Tech Investment.....	41
III. Rebranding the Party: Democrats and the Competitiveness Agenda, 1981-1982	48
IV. Adapting to Democratic “New Ideas”: The Reagan Response, 1982-1983	52
V. “Atarizing Reagan:” Growing Democratic Strength After the 1982 Midterms.....	58
Conclusion	65
Chapter 2: The Democrats’ Dilemma and the PCIC’s Accord: The Industrial Policy Divide & The Business-Labor Competitiveness Consensus, 1983-1984	66
I. Blueprints for Competitiveness: Union Influence on the Democratic Industrial Policy Agenda, Summer & Fall of 1983	68
II. The Industrial Policy Debate: Business Leaders Challenge the Democratic Consensus, Summer & Fall of 1983.....	70
III. The Reagan Rebound: Undermining the Democratic Vision of Industrial Policy in the Leadup to ’84.....	77
IV. Synergy in Strategy: The Presidential Commission’s Business-Labor Consensus on Competitiveness	84
Conclusion	92
Part II.....	95
Chapter 3: Competitiveness Reclaimed: The Strategic Alliance Between the Democrats and Young’s Council, 1985-1986	97
I. Rallying the Democratic Ranks: The Pivot Back to Competitiveness after Mondale’s Loss	99
II. The Competitive States of America: Governors & The Symbolic Power of Regional Economic Development	107
III. Convergence Around Competitiveness: Business, Labor, and Democrats Unite Around Young’s Council (1986).....	112
IV. The Reagan Response: The Road to the 1987 Competitiveness Initiative	122
Conclusion	125
Chapter 4: “Competitive Confusion” in the Omnibus Trade Bill: Policy Negotiation & Policy Impacts, 1987-1988.....	128
I. Competitiveness in the Political Limelight: Cross-Party Convergence in January 1987	130
II. Defining the “Competitive Challenge”: Deliberations & Agenda-Setting in the COC, March 1987	135
III. The Council at the Capitol: COC Clout Over the Congressional Competitiveness Agenda Amidst Partisan Debate, Spring & Summer 1987	141
IV. From Black Monday to Blackboards: Education & Training Take Center Stage in Competitiveness Policymaking, Fall 1987	148
V. A Bill in the Balance: The Drive for Competitiveness Legislation, Spring & Summer 1988.....	157
VI. The Result of the “Three-Year Lobbying Effort:” The Outcomes of the Omnibus Trade Bill.....	166
Conclusion	168
Part III	170
Chapter 5: The Zenith and Decline of the Competitiveness Coalition, 1988-1989.....	172

I. Competitiveness as Campaign Currency: The COC's Strategy in 1988	174
II. The Dukakis-Bush Presidential Race	178
III. The COC & The Bush Administration	187
IV. The COC Faces Growing Resistance from Industrial Unions	191
Conclusion	193
Chapter 6: From the Cold War to the 'Market War': Bipartisan Consensus Around Industrial Policy, 1989-1992	195
I. The Evolution of Critical Technologies (1970s-1988).....	197
II. The Critical Technologies Movement (Spring 1989 – Fall 1990)	204
III. Young Faces Criticism & Resigns as COC Chair (Fall 1990).....	209
IV. Fisher Takes the Helm of the COC.....	213
V. Competitiveness & The 1992 Clinton-Gore Campaign	223
Conclusion	228
Conclusion	231

Acknowledgements

I began this project on competitiveness five years ago, and the process of research and writing has been a true joy. I could not have done it without the guidance and support of my advisors, friends, and family.

First and foremost, I would like to thank my adviser, Michael Gordin. It is difficult to put into words how enormous an impact Michael has had on my development as both a writer and a thinker. He has been an outstanding mentor and guide to the profession. His incisive, meticulous comments on dozens of chapter drafts have inspired me, challenged me, and made me realize the type of professor I hope to become someday.

My first reader Julian Zelizer's incisive, thorough feedback has been instrumental, encouraging me to sharpen my arguments and situate my project in its broader historical context. He has deepened my appreciation and understanding of American history, and I am grateful for his advice and mentorship.

Keith Wailoo's comments have also been invaluable, shaping the project in crucial ways. Looking back, I am grateful for his guidance in applying for a CHW research grant which allowed me to travel to twelve archives during my first-year summer. That research laid the foundation for this dissertation, and it proved especially valuable after the pandemic prevented travel for a time.

Thank you to Professors Joe McCartin and Nelson Lichtenstein for their willingness to serve as my external readers. I am grateful in advance for their taking the time to read my work.

A number of professors in the History Department have guided me on this project. I first began this project in a seminar with Erika Milam, whose support as Director of Graduate Studies has been invaluable. In other courses with Kevin Kruse, Peter Wirzbicki, Sheldon Garon, Margot Canaday, and Susan Lindee of UPenn, I wrote papers that became sections of this project. Their guidance and comments were foundational to the project in my early years at Princeton.

The History of Science Seminar at Princeton stands as one of my most rewarding experiences in graduate school. Professor Angela Creager first introduced me to this vibrant community in 2016 when I was a prospective student, which further sparked my interest in pursuing a PhD in the History of Science. I am grateful for her insights on my second-year paper. I am thankful to have had the opportunity to circulate my paper at the Program Seminar several times. My heartfelt thanks go to the community as a whole. Thanks especially to my commentators over the years, including Pallavi Podapati, Beth Fricker, Vince Femia, Midori Kawaue, and Francesca de Rosa.

The Modern America Workshop at Princeton has been another vibrant community of which I have been grateful to have been a part. The incisive feedback I received there, especially on my dissertation introduction in early October 2023, was instrumental in refining my dissertation. I am grateful especially to Sally Yi for serving as my commentator.

Thank you to the administrators of the Princeton History Department – Lee Horinko Reed, Kristy Novak, Jennifer Loessy, and Judy Hanson. Their support over the years has been invaluable, and I am grateful.

At Dartmouth, the support and mentorship from my advisors Annelise Orleck, Bethany Moreton, and Richard Kremer were crucial in sparking my love for History. It was in Professor Annelise Orleck's class on Political History – and four of her courses after that – that I decided to become a historian. Thank you to Bethany Moreton for her encouragement and guidance on my senior thesis. Professor Richard Kremer was instrumental in my development as a writer and

as a person, and I still remember the lessons he taught me in our weekly meetings. Professor Carl Thum's mentorship, wisdom, and friendship has endured beyond my years at Dartmouth.

My gratitude extends to the archivists and librarians at various libraries, whose assistance has been invaluable. The ideas presented in this dissertation have been significantly refined thanks to feedback received at various conferences and workshops. I am appreciative of input I received at the Society for the History of Technology, the Policy History Conference, the Labor and Working Class History Association, the Yale Law & Industrial Policy Conference, the Prize Fellowship in the Social Sciences, and the Princeton State Planning and Private Entrepreneurship Conference.

I am grateful to the Princeton Department of History, the Center for Health and Wellbeing at Princeton, the Princeton Prize Fellowship in the Social Sciences, and the Center for the Study of Congress for their generous support which has been indispensable in the completion of this project. Much of the material in Chapter 6 has been published in *Historical Studies in the Natural Sciences*, and I thank the editors for allowing me to distribute that similar material in my dissertation. I also would like to thank the referees from *HSNS* for their helpful comments.

To my close-knit group of college friends: Jin Shin, Shannon Carman, Cassidy McDermott, Erin McConnell, Ellen Xu, and Carrie Ann Davison, I feel lucky for your friendship and support. I can't wait for our next reunion in Princeton in January! Thank you to Jess Tong, whose calls from Australia are always a bright spot in my week. Palmer Smith, Alex Minsk and Marylynne Sitko, I feel grateful for your friendship, visits, phone calls, and laughs over all of these years. Thank you to Palmer, Jess, Alex, and Marylynne for the feedback on parts of my dissertation in these final days of writing.

I count myself lucky to have found such great friends at Princeton. I would like to thank Liane Hewitt, Emily Miller, Nicole-Ann Lobo, Anin Luo, Robert Yee, Jack Guenther, Haris Durrani, Jonathan Baldoza, Robin Franklin, Danna Hargett, Adri Dropulic, Sally Yi, Tina Wei, Johanna Rozakis-Siu, Adhitya Dhanapal, and Keely Smith. Casey Eilbert, over the last four years as roommates, you have made me laugh every day and have made me a better person. Thank you to Casey, Keely, Robert, Liane, and Anin who provided invaluable feedback on my dissertation's final draft chapters.

The older I get, the luckier I feel to be part of a huge extended family. To all my aunts, uncles, and cousins – I am grateful for your support. Three years ago, I was particularly lucky when my cousin Sofia joined me at Princeton in graduate school. Ben, I am grateful for your unwavering support and care. Jack, thank you for being a great brother and friend. Mom and Dad, I feel blessed to have had your unconditional love and support, and I dedicate this dissertation to you.

Table of Figures

Figure 1.1: Display Ad of Consensus Statement in <i>The Washington Post</i>	28
Figure 1.2: <i>Inside Arkansas</i> Magazine	38
Figure 1.3: Council on California Competitiveness Report	39
Figure 1.4: Figures Demonstrating U.S. Competitiveness Versus That of Foreign Competitors	55
Figure 2.1: Agenda of First PCIC Meeting	86
Figure 2.2: Strategy Study Group, Strategy Wheels	89
Figure 2.3: Strategy Study Group, U.S. Competitive Profile	90
Figure 2.4: Strategy Study Group, Hierarchy of Goals	91
Figure 2.5: Strategy Study Group, Roles of Government, Management, and Labor	91
Figure 2.6: Trade Deficit Chart in PCIC Final Report	94
Figure 3.1: New Jersey as “Invention State”	110
Figure 3.2: COC Budget.....	116
Figure 3.3: Council on Competitiveness Organizational Chart.....	119
Figure 3.4: Vice President HW Bush Meets with COC (December 1986)	123
Figure 4.1: Magazine’s Matrix	137
Figure 4.2: The Pyramid of Competitiveness, “1988 Competitiveness Index”	160
Figure 4.3: Standard of Living Index, “1988 Competitiveness Index”	161
Figure 4.4: “Bolstering Defense Industrial Competitiveness,” DOD Report.....	164
Figure 5.1: Presidential Candidate Project	175
Figure 5.2: “How Competitive is America?” Report	185
Figure 5.3: COC Survey to Members for “How Competitive is America?” Report.....	186
Figure 6.1: US Trade Position in High-Technology, 1980-1987	203
Figure 6.2: Trade Deficits by Industry	203
Figure 6.3: November 1989 COC Meeting Agenda.....	205
Figure 6.4: The President’s Council on Competitiveness, Report on Massachusetts and Michigan	210
Figure 6.5: Cover of “Gaining New Ground” Report	215
Figure 6.6: Decision-making Matrix Behind Critical Technologies List.....	216
Figure 6.7: Comparison of US & Foreign Non-Defense R&D Expenditures	218
Figure Conc.1: GoogleNgram of Relative Frequency of Competitiveness and Globalization in English-Language Sources	232
Figure Conc.2: Cover of “Competition Policy: Unlocking the National Information Infrastructure”	241
Figure Conc.3: “The Keys to Unlocking Competition,” “Competition Policy” Report	242
Figure Conc.4: Trends in Federal R&D	243

Introduction
Fighting for Capitalism's Cutting Edge: The Post-Industrial Campaign for American Competitiveness

In the lead-up to the 1982 midterms, Hewlett Packard CEO John Young observed that the Democrats had pivoted their “main issue” to “high-technology competitiveness in the world’s market.”¹ After the Democrats’ decisive victories in ’82, Young urged Ronald Reagan that “in light of the Democratic efforts to snare the high-technology issue as their own,” there was “all the more reason to think about co-opting it for the Reagan administration.”² Distinct from some of his Silicon Valley peers, Young did not have an engineering background but rather an MBA degree.³ Recruited by Hewlett Packard in the 1970s to increase corporate efficiency, Young pioneered the use of management consultants to enhance the company’s productivity. By 1982, Young sought to extend these principles of corporate competitiveness to the U.S. government, endorsing a national strategy for high-tech investment.

Taking John Young’s counsel to heart, Reagan issued an executive order establishing a Presidential Commission on Industrial Competitiveness (PCIC) in the summer of 1983.⁴ He appointed Young as the commission’s chair, assembling a diverse group of thirty leaders from business and labor to guide the PCIC. This executive order coincided with a politically challenging time for Reagan, who was grappling with an economic recession in 1981–1982, high unemployment, and a burgeoning peace movement, which cast public scrutiny over his ballooning military budget. Despite his initial backing for the PCIC, Reagan’s reelection in 1984

¹ John Young to Ed Harper, 2 November 1982, Ronald Reagan Presidential Library (RRL), WHORM SC, Folder: 105820-105899.

² John Young to Ed Harper, 16 December 1982, RRL, WHORM SC, Folder: 103000-105819.

³ Louis Hyman describes how John Young pioneered the strategic use of business consultants, emphasized efficiency, and reduced HP’s corporate costs in *Temp: The Real Story of What Happened to Your Salary, Benefits, and Job Security* (New York: Penguin Books, 2018), 223.

⁴ Proposed Executive Order Entitled President’s Commission on Industrial Competitiveness, 26 August 1983, RRL, WHORM FG397 - President’s Commission on Industrial Competitiveness, Folder: 147016.

shifted the political winds: amidst a resurgent, booming economy and a landslide victory in forty-nine out of fifty states, Reagan dismissed the PCIC's proposals in January 1985, denouncing them as unnecessary meddling in the free market and asserting no need for concern about economic decline. Frustrated with the president's dismissal of his report, Young then sought allies to perpetuate the PCIC agenda and largely succeeded: by 1988, every major presidential candidate—Republican and Democrat alike—professed that competitiveness would be the overarching goal of their administration and called for investments in the technology-centric economy of the future.⁵

After the PCIC's dismissal by Reagan in 1985, Alexander Trowbridge, head of the National Association of Manufacturers (NAM), traveled to Young's HP headquarters in Palo Alto, suggesting the formation of a new Council on Competitiveness (COC). "You are the leader," Trowbridge said, "When everybody talks about competitiveness, they talk about you."⁶ Trowbridge, an oil industry magnate and former Commerce Secretary under President Johnson, was at that time steering a divided NAM, with its constituents at odds over issues like trade and tax policy. However, competitiveness was a unifying theme, with Trowbridge envisioning a coherent cause for business lobbyists operating in its name. Young, also seeing the strategic advantage in a new lobbying coalition, agreed to Trowbridge's plan. The fledgling COC utilized a nonprofit shell NAM had set up with the IRS, and Trowbridge committed \$75,000 to launch the initiative. The COC soon garnered leadership from across one hundred fifty companies. Its Executive Committee came to include Young, Ruben Mettler (head of TRW Inc. and the Business Roundtable), Paul Gray (President of MIT), and Howard Samuel (head of the AFL-CIO Industrial Union Division). Together, under the banner of maintaining competitiveness with

⁵ David Broder, "The Issue for '88," *Washington Post*, 3 February 1988.

⁶ Max Holland, "Mr. Young Goes to Washington," *Across the Board*, January 1995.

foreign competitors, a diverse mix of leaders came together — a short-term, yet powerful, alignment of old and new corporate and labor voices.

The Council on Competitiveness was not a lone actor but a component part and organizing voice behind a broader coalition that underscored fostering government investment to maintain competitiveness. The term competitiveness itself had numerous definitions, as this dissertation will emphasize; what made the idea politically powerful was the fact that many diverse interests could latch onto the concept, molding it to their political agendas. These lobbying efforts were critical in the enactment of landmark legislation like the 1988 Omnibus Trade and Competitiveness Act.⁷ Because the bill served so many diverse interests, Big Business and Big Labor, Democrats and Republicans all supported its passage.⁸ Nine-hundred-pages in length, the Act's provisions—from protectionist measures for certain industries to free trade for others, from R&D subsidies to tax breaks—were all framed as components of a broader competitiveness strategy of sector-specific investments.

The prominence of the Council on Competitiveness increased when President George H.W. Bush unveiled a Cabinet-level Council on Competitiveness in his 1989 State of the Union address;⁹ however, Young's Council's overtures to both parties proved short-lived as the Bush administration unfolded. Hamstrung by Bush's Council of Economic Advisors who saw Young's proposals as undue government intervention, John Young eventually stepped down from the

⁷ "One for the History Books," *The Sun*, 2 May 1988.

⁸ There has been limited sustained historical attention to the Omnibus Trade Bill. However, it was significant both in its scope – setting the tone for future such omnibus bills, increasingly common in an age of congressional gridlock – and in its policy implications, which were vast. For more information about the Omnibus Trade Bill and its implications, see Douglas Irwin, *Clashing Over Commerce: A History of US Trade Policy* (Chicago: University of Chicago Press, 2017).

⁹ President George H.W. Bush, "Address on Administration Goals Before a Joint Session of Congress," 9 February 1989. Members of the Bush presidential Council on Competitiveness included Vice President Dan Quayle, Attorney General William Barr, Chairman of the Council of Economic Advisors Michael Boskin, and Director of the Office of Management and Budget Richard Darman, among others.

private Council, citing frustration with the administration's policies.¹⁰ Redirecting his political strategy, Young shifted his support to the Clinton-Gore campaign in '92 and became a key advisor, earning the moniker "the executive with Clinton's ear."¹¹ In this capacity, Young facilitated crucial meetings between Silicon Valley magnates and Clinton, ushering in a shift in their political allegiances to the Democratic Party.

This dissertation argues that during the 1980s, amid concerns over waning competitiveness, there existed a real and viable alternative to the prevailing economic paradigms—Cold War Keynesianism, Reaganomics, and the emerging neoliberal agenda. Central to this alternative was strategic federal investment in burgeoning sectors of the economy, intended to fortify the United States' international standing in the impending technology-centric economic era. Although the Democrats were particularly influential in advocating such investments, Republicans also supported positive government investment in the name of competitiveness whenever the president's approval numbers dwindled (in 1983-84, 1987-88, and 1991-1992) and his strategists advised it necessary to placate business lobbyists advocating industrial policy.

This appeal to maintain U.S. competitiveness bridged business and labor interests, and united traditional and emergent industrial sectors, over the necessity of positive government investments. Thus, the 1980s witnessed both the formation of alliances – and an ongoing power struggle – between the entrenched so-called "smokestack" industries of the Cold War era (auto, steel, textiles, and so on), with their unionized workers, and the nascent "sunrise" economic interests that would come to prominence in the late twentieth century. "Sunrise" interests (like

¹⁰ "From the Chairman," *Challenges: Magazine of the Council on Competitiveness* III, no. 12, November 1990, WRL (WRL), Al Shanker Papers, Box 72, Folder 33.

¹¹ Daniel Southerland, "The Executive With Clinton's Ear," *Washington Post*, 20 October 1992; Max Holland, "Mr. Young Goes to Washington," *Across the Board* 32, no. 1 (January 1995): 14.

their “smokestack” counterparts) were a common actor’s category and included the financial sector, growing multinational corporations, and the entities later known as “Big Tech.” The focus on competitiveness during the 1980s catalyzed policy shifts that laid the groundwork for the economic developments of the 1990s and realigned the locus of economic power in the United States towards the “sunrise” champions of the oft-invoked “New Economy.”¹² In particular, high-tech companies (like Hewlett Packard) reaped particular rewards from the policy transformations wrought in the name of competitiveness in the 1980s.

The competitiveness mobilization had its roots in the late 1970s when American business lobbyists started to express concern about the so-called Japanese “economic miracle,” whereby various Japanese industries—from electronics to automobiles to steel—were purportedly soaring ahead in competitiveness vis à vis their American counterparts.¹³ Amidst a decade marked by significant deregulation and the dismantling of many New Deal provisions, certain business lobbyists argued that the pendulum had swung too far towards fiscal austerity: to counter Japan’s advancements, these lobbyists advocated for increased government investment. At the Harvard Conference on Competitiveness in April 1980, prominent business lobbyists, including representatives from the Business Roundtable (BRT) and the National Association of Manufacturers (NAM), crafted this new lobbying agenda, focusing on the necessity of government-led “reindustrialization.” Confronting declining productivity and growth rates, a network of industrial leaders—from established, heavily unionized sectors to burgeoning technology firms—converged on this shared competitiveness objective in the lead-up to the 1980

¹² For an early journalistic account of the often predicted “New Economy,” see: Charles Alexander, “The New Economy,” *Time*, 30 May 1983.

¹³ For insights into the American consciousness and anxiety over decline in the 1970s, see for example: Natasha Zaretsky, *No Direction Home: The American Family and the Fear of National Decline, 1968-1980* (Chapel Hill: UNC Press, 2007).

election. Their central concern was securing government investment to prepare for the anticipated technology-driven economy of the future.

In the wake of Ronald Reagan's 1980 electoral triumph, the Democratic Party consolidated around a new policy emphasis on competitiveness as a countermeasure to Reaganomics. Political strategist Morton Kondracke expressed concern that the party "desperately needs new ideas;"¹⁴ while economist John Kenneth Galbraith observed the Democrats' evolution towards an "intellectual synthesis" focused on "sustaining international competitiveness."¹⁵ In the early years of Reagan's presidency, in light of public discontent with high unemployment and a severe recession, the Democrats identified an opportunity to challenge his economic policies. The party cited instances of Democratic-led states transitioning from traditional "smokestack" industries to burgeoning "sunrise" industries, touting them as victories of proactive government investment. State-level examples, particularly the "Massachusetts Miracle," were promoted as blueprints for national economic strategy. Prominent young Democratic figures, including Senator Paul Tsongas from Massachusetts, Governor Michael Dukakis of Massachusetts, Senator Gary Hart of Colorado, and Governor Bill Clinton of Arkansas, highlighted industrial policy and job training programs in their states as positive preparations for a technologically advanced economic future. Thus, the concept of leveraging government investment to drive competitiveness emerged as a Democratic rebuttal to the Republican mantra of limited government and fiscal conservatism.

¹⁴ Leslie Wayne, "Designing a New Economics for the Atari Democrats," *NYT*, 26 September 1982. Kondracke served as the executive editor of the *New Republic* (1977 – 1985).

¹⁵ John K. Galbraith, "A Comparison of Economic Policies and Doctrines in Major Industrial Countries," *U.S. International Economic Policy in the 1980's: Selected Essays for the Congressional Joint Economic Committee* (Washington, D.C.: Government Printing Office, 1982).

Industrial unions from the “smokestack” industries were key to building a consensus on the necessity of government investment for competitive advantage. In the early 1980s, they championed policies to counteract Japanese industry’s ascendancy, aiming to amplify and resonate with nationalist sentiments in states like Michigan, where Japanese competition was causing job losses. The United Auto Workers (UAW), for example, allied with the Big Three U.S. automakers and led the campaign for Domestic Content legislation. This proposed law mandated a quota of U.S.-made parts in domestically sold cars. Their lobbying strategy, devised with business consultant Ira Magaziner, reframed the legislation not as a “special interest” plea but rather as central to national competitiveness. This approach allowed the unions to deflect Reagan-era criticisms of narrow interest lobbying and harmonized with the Democrats’ 1980s competitiveness agenda.

At particular moments, competitiveness became a bipartisan appeal, seemingly drawing Republicans into a shared vision with Democrats and unions. In truth, Reagan’s 1983 Presidential Commission on Industrial Competitiveness and his 1987 Competitiveness Initiative were explicit, strategic efforts to co-opt the powerful political mantra from his Democratic opponents. Moreover, these years of White House competitiveness policy-making coincided with times when Reagan was coming under fierce criticism: public anxiety amidst economic downturn in these years, ongoing protest of high defense budgets, and the scandal of the Iran-Contra Affair (1987) led Reagan to embrace competitiveness in order to leverage voter support.

At times when Republican and Democratic politicians aligned on the theme of competitiveness, substantial policy transformations resulted, particularly in federal technology investment and various policy measures to purportedly increase workforce competitiveness. We might view the 1980s – in particular, the Omnibus Trade and Competitiveness Act (1988) and its

enactment – as a grand experiment in industrial policy. Despite outwardly rejecting the notion of industrial policy, the Reagan administration actively invested in sectors such as semiconductors, high-performance computing, and advanced manufacturing. Such government industrial targeting measures went unmatched until the advent of “Bidenomics” in the 2020s. In the 1980s and today, Republican support of Democrat-led industrial policy – like the 2022 CHIPS Act – often conveniently dovetails with their party’s defense and national security priorities.

It is important to emphasize the deliberate terminology which policymakers deployed in the 1980s: both Democrats and Republicans used “competitiveness” as a euphemism to make industrial policy more politically palatable. In contemporary discourse, “strategic government investment” and “industrial policy” are often used interchangeably. However, the landscape was different in the 1980s: the phrase “industrial policy” became politically toxic following Reagan’s characterization of it as undue government interference, akin to Soviet planning, during his 1984 presidential campaign against Senator Walter Mondale (MN). In the late 1980s and early 1990s, Republicans and Democrats actively supported and legislated industrial policy measures; yet their rhetoric avoided overt acknowledgement of “industrial policy” after 1984.

At the crux of the competitiveness campaign was not just the focus on technological investment but also the fostering of a workforce equipped for an imminent tech-focused economy.¹⁶ An emphasis on education and training, noncontroversial and optimistic in outlook, further increased the political palatability of the competitiveness issue. The national conversation cited Japan’s educational and training systems as benchmarks, highlighting a perceived

¹⁶ Progressives have come to critique the focus on education reform among policymakers as a distraction from the more pressing structural issues such as widening economic inequality. As economist Lawrence Mishel, a distinguished fellow at the Economic Policy Institute, explains, “Education is the answer. But, what’s the question? What’s the cure for any adverse economic condition?” “The modern obsession with schools,” Mishel writes, “is a misdiagnosis of deeper economic problems.” Lawrence Mishel, “Schools as Scapegoats,” *The American Prospect*, 24 September 2007.

American “skills gap.” However, this increased rhetorical attention to human capital did not translate into significant government spending, unlike with investments in technology sectors. Instead, the 1980s saw a proliferation of metrics to evaluate the competencies of American students and workers against global standards. This momentum and focus on horse race metrics continued throughout the 1990s, culminating in the 2002 No Child Left Behind Act.

Meanwhile, policy areas critical to business interests, but not fitting neatly into the competitiveness narrative, evolved more quietly and less noticeably. Contentious issues like relaxing antitrust laws, financial deregulation, bolstering intellectual property rights, outsourcing, and cutting corporate taxes, crucial to the rise of globalization, progressed with less consensus and also, less public scrutiny. In essence, the collective emphasis on competitiveness amounted to a political distraction of sorts: it directed public discourse towards measurable and internationally benchmarked metrics, while diverting public and media attention from more contentious and complex issues.

Ultimately, the concept of competitiveness was both focused (anchored in nationalism and quantifiable metrics) and flexible (susceptible to molding by various interests). In an era when the American public sought a renewed sense of national purpose, competitiveness offered a politically potent vision; meanwhile, comparative metrics about U.S. versus Japanese strength were also central to the political appeal here.¹⁷ To chart transformations that this policy movement engendered, we must simultaneously pay attention to both the policy and discourse

¹⁷ Metrics such as the trade deficit, R&D levels per capita, and engineers per capita are illustrative of international comparisons and quantitative measurements which Democrats deployed to gauge competitiveness. This approach, however, had several problems. As Earl Kinmonth pointed out, U.S. policymakers often grappled with insufficient data, particularly with variables like “number of engineers per capita,” which relied on inadequately recorded information and were transnationally incomparable due to linguistic differences. For example, the Japanese term for engineer had a broader connotation than its English counterpart, rendering such comparisons useless. See Earl Kinmonth, “Japanese Engineers and American Mythmakers,” *Pacific Affairs* 64 (Autumn 1991).

around competitiveness.¹⁸ Rhetoric shaped policy; in turn, policy changes molded the public's understanding of what it meant to compete.¹⁹ The Council on Competitiveness' archives, along with those of policymakers, labor leaders, and academics, furnish an empirical lens to explore this evolution of late 20th-century political economy as a dynamic and context-specific process.

Historiography

This dissertation contributes to the expanding scholarship on American politico-economic shifts during the late 20th century. Historians have written a great deal about the transition from the pre-1980s "New Deal order" to the 1990s order, which goes by several monikers.²⁰ Some have characterized the post-New Deal period as an age of *polarization*. Others have analyzed the 1990s in terms of policy consensus known as *neoliberalism* – which by Kim Phillips-Fein's definition, refers to "the triumph of free market policies, the accompanying denigration of collective action and public institutions, and a social order that has become ever more harshly unequal and savage as a result."²¹ This dissertation explores the period in between: the "competitiveness era" of the 1980s was a conduit from the New Deal era to the 1990s. This section will assess the existing historiography, elucidating this dissertation's contributions to

¹⁸ Peter Galison argues that scholars can scrutinize both the disunity in conceptions about science and simultaneously analyze the emergence of "trading zones" that contribute to scientific change. Groups, which operate from the "disunified traditions of experimenting, theorizing, and instrument building" build a common language to trade ideas, where "social, material, and intellectual mortar" binds them together. Peter Galison, *Image and Logic: A Material Culture of Microphysics* (University of Chicago Press, 1997), 803.

Similarly, I consider competitiveness appeals as representing a gamut of ever-changing "languages, practices, purposes, and forms of argumentation." I also dissect how various proponents of competitiveness established "local trading zones" at various times, synchronizing their message and lobbying, thereby instilling political change and policy reform. Peter Galison, Introduction in *The Disunity of Science* (Palo Alto: Stanford UP, 1996), 14.

¹⁹ Another branch of scholarship investigates the dynamic relationship between discourse and policymaking by studying Cold War appeals to "freedom" and "free markets." Scholars explore how business lobbyists amplified these concepts' resonance through PR campaigns, crafted associated mythologies, and subsequently shaped significant policy reform. See, for example, Lawrence Glickman, *Free Enterprise* (New Haven: Yale UP, 2019).

²⁰ On the transition between New Deal and neoliberal paradigms, see: Steve Fraser and Gary Gerstle, *The Rise and Fall of the New Deal Order, 1930-1980* (Princeton University Press, 1990).

²¹ Though still prevalent in scholarly discussions, the term neoliberalism has become increasingly fraught. For an overview of the debate, see Kim Phillips-Fein, "The History of Neoliberalism," in *Shaped by the State* (Chicago: University of Chicago Press, 2018).

understanding the actors who reshaped 1980s politics. It then discusses in more detail the prevailing historical narratives on late-twentieth-century political and economic changes — specifically the rise of political polarization and the neoliberal consensus — highlighting this dissertation’s distinct perspectives.

In the 1980s, I argue there was an alternative to Reaganomics which existed, and this was not a leftist turn but a strategy of investment to uplift the U.S. economy’s global stance, echoing 19th-century initiatives.²² Although I agree with scholars who emphasize the lack of uniformity and complexity in these three periods, by the 1990s, certain transformations were discernible.²³ These included the emergence of new economic powers, the increasing disappearance of certain industries, the waning of labor influence, and significant evolutions in policy stances of both major political parties from their 1970s counterparts.

In the 1980s, the business lobbying landscape underwent a transformation with a focus on competitiveness as a central theme. This dissertation delves into the complexities of the lobbying community during this period, tracking realignments and new partnerships, paving the way for the political economy of the 1990s. Contrary to the view that “smokestack” industries’ influence waned following their deregulatory lobbying successes of the 1970s, I argue that these groups maintained their sway in policymaking.²⁴ Figures like Alexander Trowbridge of the NAM navigated internal disputes over trade and fiscal policy by rallying his constituents around competitiveness as a unifying force. This era thus witnessed the formation of strategic alliances

²² Brian Balogh, *A Government Out of Sight: The Mystery of National Authority in Nineteenth Century America* (Cambridge: Cambridge UP, 2007).

²³ See for example: *Shaped by the State: Toward a New Political History of the Twentieth Century*, ed. Brent Cebul, Lily Geismer, and Mason B. Williams (Chicago: University of Chicago Press, 2019); *Beyond the New Deal Order: US Politics From the Great Depression to the Great Recession*, ed. Gary Gerstle, Nelson Lichtenstein, and Alice O’Connor (Philadelphia: University of Pennsylvania Press, 2019).

²⁴ Benjamin Waterhouse and Mark Mizruchi argue that business lobbyists’ power waned considerably in the 1980s. Benjamin Waterhouse, *Lobbying America: The Politics of Business from Nixon to NAFTA* (Princeton: Princeton UP, 2013), 4; Mark Mizruchi, *The Fracturing of the American Corporate Elite* (Cambridge: Harvard UP, 2013), 200.

between established “smokestack” industries and nascent “sunrise” sectors in response to shared concerns over economic decline and the “Shock of the Global.”²⁵ High-tech proponents, such as John Young of Hewlett Packard, recognized the benefits of collaboration and actively engaged with longstanding entities like the NAM and the Business Roundtable. While traditional manufacturing initially led the competitiveness discourse in the early 1980s, by the decade’s end, “sunrise” industries had ascended, setting the stage for multinational corporations and Big Tech to amplify their political influence as the new millennium neared.

The role of labor in the competitiveness movement is also revealing.²⁶ Business lobbyists, recognizing the tactical advantage, sought to integrate labor into their competitiveness framework – and labor was eager to be included. Despite a decline in union membership in the 1980s, the financial and political influence of unions continued to be substantial throughout much of the decade. This labor clout appeared to many too significant to be overlooked and thus, labor played an important role in the decade’s political transformations. Figures like John Young were instrumental in forging alliances and trust with labor leaders, ensuring their perception as crucial contributors to the coalition. From the perspective of union leaders, by aligning with the broader themes of “national interest” and “national competitiveness,” labor could better navigate the Reagan era political terrain, avoiding the stigma of being seen as “special interests.”²⁷ Moreover, unions and business lobbyists did have common ground when it came to policy lobbying, particularly the shared objective of promoting investment and advocating for industrial

²⁵ Niall Ferguson, Charles S. Maier, Erez Manela, and Daniel J. Sargent, eds., *The Shock of the Global: The 1970s in Perspective* (Cambridge, MA: Belknap Press, 2010).

²⁶ Many labor historians, by contrast, argue that labor did not hold significant organizing power by the 1980s in the wake of events like the Air Traffic Controllers’ Strike. See for example: Lane Windham, *Knocking on Labor’s Door: Union Organizing in the 1970s and the Roots of a New Economic Divide* (Chapel Hill: UNC Press, 2019).

²⁷ For Reagan-era politics and its impact on labor, see: Nelson Lichtenstein and Elizabeth Tandy Shermer, eds. *The Right and Labor in America: Politics, Ideology, and Imagination* (Philadelphia: University of Pennsylvania Press, 2012).

policy. On the whole, labor's participation in this competitiveness coalition was neither incidental nor passive; it was both deliberate and proactive.²⁸

When Reagan's popularity dwindled and the economy experienced downturn, the Democratic Party emerged as a powerful force with their competitiveness appeals, often with a powerful business-labor alliance supporting them.²⁹ Indeed, throughout the 1980s, the Democrats controlled one or both houses of Congress, a testament to their continued influence in this decade. The narrative of competitiveness was crucial in unifying the Democratic party's diverse factions, which included both long-established industries and the burgeoning high-tech sector, around a shared goal of enhancing national economic strength through investment. The Democrats melded the sophisticated strategies of their strategist-veterans with the public relations approaches of their younger, media-savvy members, claiming to offer an alternative to Reaganomics.

At times, Reagan took seriously the Democrats' challenge to his economic ideas and sought to co-opt competitiveness. His stance depended on his own political interests and the state of the national economy, which varied year to year. Despite a vocal commitment to reducing taxes and minimizing government intervention throughout the 1980s, the Republican Party often found its narrative challenged in face of the economic realities of deindustrialization, rising

²⁸ Many labor historians, by contrast, argue that labor did not hold significant organizing power by the 1980s in the wake of events like the Air Traffic Controllers' Strike. See for example: Lane Windham, *Knocking on Labor's Door: Union Organizing in the 1970s and the Roots of a New Economic Divide* (Chapel Hill: UNC Press, 2019).

²⁹ From the 1990s to the 2010s, U.S. political historians focused on conservatism. But as Julian Zelizer observed of the 1980s, "the fact is liberalism survived conservatism." *Governing America* (Princeton: Princeton UP, 2012), 24. In more recent studies, some scholars posit that the Democrats' embrace of Reaganomics was reactive, culminating in Clinton's balanced federal budget and welfare reductions. See especially: Gary Gerstle, *The Rise and Fall of the Neoliberal Order* (Cambridge: Oxford UP, 2022). Others, such as Brent Cebul and Lily Geismer, have examined post-Reagan Democrats on their own terms, differentiating their economic policies from prevailing Republican free-market ideology. They identify continuities in liberalism, illustrating how 1980s Democrats sought to maintain core values and party goals. See Brent Cebul, "Supply-Side Liberalism: Fiscal Crisis, Post-Industrial Policy, and the Rise of the New Democrats." *Modern American History* 2, no. 2 (July 2019): 139-164; Lily Geismer, *Left Behind: The Democrats' Failed Attempt to Solve Inequality* (New York: Public Affairs Press, 2022).

unemployment, and the perceived, forthcoming technological revolution, which laid bare the constraints of their free-market rhetoric. In examining the Democrats' ideas about competitiveness, then, we find that the Republicans in Congress and the White House often were reactive, embracing the Democrats' policy ideas in sometimes surprising ways.³⁰

In terms of the experts driving these shifts, it is evident that policy entrepreneurs with close ties to private companies played a paramount role.³¹ In short, consultants were the drivers; traditional economic scholarship took a backseat. These in-demand consultants focused on devising narratives that would ensure electoral triumphs and would align with the objectives of the business lobbyists backing them.³² Both major political parties sought the expertise of these media consultants and policy entrepreneurs for strategic direction—the Democrats to recuperate from electoral defeats in 1980 and 1984, and the Republicans to contend with the perceived threat of the Democrats.

For policymakers, working at the behest of consultants, the concept of competitiveness became a strategic tool for public messaging. The efficacy of this approach resided in its straightforwardness. It distilled the complex dynamics of the global economy into a comprehensible zero-sum game, making it an effective tool for politicians to address and seemingly tackle intricate economic transformations, particularly in the context of Japan's

³⁰ Scholars have generally assumed that the Democrats like Clinton adopted Republican economic ideas. More recent scholarship on the Democrats has shown how the Party's ideas were not merely reactionary to Reagan Republicanism. See for example: Geismer, *Left Behind: The Democrats' Failed Attempt to Solve Inequality* (New York: Public Affairs Press, 2022). However, there has not been significant scholarly study of how Republicans adopted Democratic ideas.

³¹ In the '70s and '80s, Democratic strategists were influenced by Reagan's consultants. Party operative Sidney Blumenthal analyzed how consultants replaced "old party bosses" and even "superseded" the parties themselves. *The Permanent Campaign: Inside the World of Elite Political Operatives* (New York: Beacon Press, 1980). Writer Ronald Perry posited, "with their control over politicians and understanding of the new technology, it is the strategists who, more and more, will dictate the direction of nations and the world." *The Programming of the President: The Hidden Power of the Computer in World Politics Today* (London: Aurum Press, 1984).

³² On the growing role of business schools and business consultants in the 1980s, see for example: Rakesh Khurana. *From Higher Aims to Hired Hands: The Social Transformation of American Business Schools and the Unfulfilled Promise of Management as a Profession* (Princeton: Princeton University Press, 2007).

economic ascent.³³ Upon reviewing the various actors driving 1980s political and economic shifts, we can see how each group – business lobbyists, industrial labor unions, Democrats, Republicans, and policy entrepreneurs – found competitiveness a useful idea in their rhetorical and policy toolkit as each sought to accomplish their respective political goals.

We now turn to examining the two main frameworks which historians have deployed to describe late twentieth-century shifts in American political economy – the rise of political polarization and the growing consensus around “neoliberalism.” Our goal is to probe how this dissertation’s exploration of the 1980s “competitiveness era” casts new light on these two frameworks and the tensions between them.³⁴ Indeed, historian Bruce Schulman has highlighted an “apparent paradox” in his 2019 “State of the Field” essay between the “influential narrative of polarization” and what he terms “neo-consensus history.”³⁵ This dissertation helps demonstrate how polarization and consensus were not mutually exclusive but coexisted: media depictions and ambitious politicians amplified perceived divisions, while behind the scenes, policymaking often unfolded under the influence of similar corporate interests. Lawmakers from both parties collaborated with the same lobbyists, such as those from the Council on Competitiveness, to

³³ On the economic rivalry with Japan and its ubiquity in the media, refer to: Narelle Morris, *Japan Bashing: Anti-Japanism Since the 1980s* (New York: Routledge, 2011).

³⁴ There is a robust literature on the nature of political partisanship during the 1980s. Matthew Lassiter advocates that historians should avoid neat political binaries, that is, Republicans as distinct from Democrats. He explains policy outcomes “are never inherently liberal or conservative but rather are shaped by multiple forces across the political spectrum.” “Ten Propositions for the New Political History,” in *Shaped by the State: Toward a New Political History of the Twentieth Century*, ed. Brent Cebul, Lily Geismer, and Mason B. Williams (Chicago: University of Chicago Press, 2019), 369.

³⁵ Bruce Schulman, “Post-1968 US History: Neo-Consensus History for the Age of Polarization,” *Reviews in American History* 47, no. 3 (September 2019): 479–99. Matthew Lassiter advocates that historians should avoid neat political binaries, that is, Republicans as distinct from Democrats. He explains policy outcomes “are never inherently liberal or conservative but rather are shaped by multiple forces across the political spectrum.” “Ten Propositions for the New Political History,” in *Shaped by the State: Toward a New Political History of the Twentieth Century*, ed. Brent Cebul, Lily Geismer and Mason B. Williams (Chicago: University of Chicago Press, 2019), 369.

develop policies that crossed partisan boundaries. In sum, to focus exclusively on political polarization or on consensus is to miss the breadth of change that defined the decade.

Turning to “neoliberalism” more specifically, this dissertation will argue that the actor’s category “competitiveness” is a more useful fulcrum to trace the politico-economic transformations of the late 20th century. It aligns with a growing body of historians who argue that this term, though widely used, does not fully capture the late twentieth century’s transformations. Neoliberalism’s intellectual origins emerged when scholars in the late 1990s and early 2000s sought to describe the late 20th century’s economic transformations and political realignment – in other words, what exactly happened between the New Deal Order and Clinton. In the process of over two decades of scholarly debate on this question, the term neoliberalism has become so diffuse so as to lose its precise meaning.³⁶

Moreover, as this dissertation will emphasize, answering the question of “what happened?” in the 1980s is itself complicated. Although some studies of neoliberalism seek to identify a coherent intellectual framework to account for late 20th century politico-economic transformations, there was often no “there” there. It is clear that many 1980s Americans were concerned about declining U.S. competitiveness vis à vis Japan, and the policy response to reversing declining competitiveness often involved increasing government investment in particular sectors of the economy. However, when Democrats and Republicans pursued such competitiveness policies, it was not an empirical economic framework driving their decisions; rather, it was political concerns.³⁷

³⁶ For an exploration of the limitations of this approach, see Daniel Rodgers, “The Uses and Abuses of Neoliberalism,” *Dissent*, Winter 2018. To Rodgers, the problem with neoliberalism is that it has “swallowed up too many meanings, making it harder to grasp the socioeconomic forces at loose today.”

³⁷ As Nelson Lichtenstein also explains, “the neoliberal project was never a seamless unfolding of an all-encompassing ideology, springing full blown from the mind of a Friedrich Hayek or Milton Friedman” (5).

Moreover, the key assumptions of neoliberalism (the relentless pursuit of free markets and free trade) seem incomplete descriptors of 1980s policy transformations when we consider the complexity of competitiveness policies and the political interests driving them. The term “competitiveness”, while aligning with the professional economic lexicon and its emphasis on free market competition, entailed state-directed support for industries considered crucial to the technology-driven future economy. While I agree with scholars who have emphasized the altered discourse of the 1980s — how market valorization shaped the landscape of political possibility — I contend that the era witnessed tangible interventionist industrial policies that warrant attention.³⁸ In the 1980s, lobbyists and policymakers exploited the narrative of national decline to advocate for increased government involvement in specific sectors. The technology sector, in particular, benefited from initiatives such as research and development (R&D) tax credits, subsidies, targeted protectionism, and augmented R&D funding.

Furthermore, the 1980s challenge the prevalent view of neoliberalism as synonymous with expanding free trade (or “borderless capitalism”), revealing a persistent recourse to nationalism both as a political strategy and a policy benchmark. This is not to deny the ideological synergy between the political themes of nationalism and individualism; indeed, the era’s focus on human capital development resonated with the imperatives of both individual entrepreneurship and national economic strength. However, the strategists within the competitiveness coalition emphasized nationalism as an explicit, rhetorical instrument to rally public support for their objectives. By invoking competitiveness, these lobbyists and policymakers dismissed concerns that expanding free trade and other policy shifts of the era were creating winners and losers.

³⁸ See: Gary Gerstle, *The Rise and Fall of the Neoliberal Order* (Cambridge: Oxford UP, 2022).

Policies in the 1980s were also characterized by a notable aversion to globalization. It is important to note that, although brokered as competitiveness initiatives, legislation from the 1980s included provisions that were indeed fundamental to the so-called “neoliberal” epoch. For instance, the Omnibus Trade and Competitiveness Act introduced a “Fast Track” provision, centralizing trade negotiation powers within the executive branch, which facilitated the passage of the North American Free Trade Agreement under Clinton. By the 1990s, the narrative shifted as business leaders and policymakers began to emphasize the importance of open trade. Despite the changing discourse from 1980s competitiveness to 1990s market liberalization, the objectives of influential parties remained consistent: they aimed to expand markets, diminish labor influence, and enhance industrial subsidies.

Rather than narrating the 1980s through the lens of neoliberalism, the policy shifts during this time, led by organizations like the Council on Competitiveness, stemmed from a common conviction that the United States was at the threshold of a technological “New Economy.” This vision was at odds with many empirical predictions for the future American labor market, where scholars of the time issued quantitative predictions about a forthcoming decline in American job quality and security. Despite this, an overriding sense of optimism persisted. Silicon Valley’s rise to prominence as a nucleus of high-tech innovation symbolized the era’s confidence in the New Economy, with its pioneers playing a significant role in influencing public perception and policy

formation.³⁹ Moreover, university researchers and scholars, often portrayed as detached observers, were, in fact, central to devising the competitiveness-focused political discourse.⁴⁰

The final chapters of this dissertation will cover the unwinding of the competitiveness consensus and why the once powerful smokestack-sunrise, business-labor coalition faltered. For their part, the “smokestack” industries, which had once been one of the main pillars of the competitiveness lobbying coalition, started to view American deindustrialization as an enduring trend, not just a transient setback. As such, they no longer felt it strategically valuable to collaborate with the “sunrise” firms and their push for high-tech investment; by the 1990s, moreover, the divisiveness of the free trade issue intensified, further driving apart the “sunrise” and “smokestack” firms. Simultaneously, numerous labor leaders grew frustrated at how the decade’s policy changes, which, enacted under the banner of competitiveness, seemed increasingly unlikely to favor American workers. Their 1980s hopes – that education and retraining would lead to stable employment, that union power would remain strong in the new Economy, and that technology investment would lead to widely shared prosperity – all were

³⁹ Scholarship on Silicon Valley’s mythology and cultural impact includes Fred Turner, *From Counterculture to Cyberculture* (Chicago: University of Chicago Press, 2006). Bay Area entrepreneurs transformed the vision of computers, recasting them from instruments of the military-industrial complex into tools of personal liberation. As Margaret O’Mara argues, high technology became a “golden ticket” politically as lobbyists and policymakers conjured visions of the future. “The High-Tech Revolution and the Disruption of American Capitalism,” in *Capitalism Contested: The New Deal and Its Legacies* ed. Romain Huret, Nelson Lichtenstein, and Jean-Christian Vinel (Philadelphia: University of Pennsylvania Press, 2020), 199-223, 202.

⁴⁰ Scholars who have traced the rising commercialization of American science include: Philip Mirowski, *Science-Mart: Privatizing American Science* (Cambridge: Harvard University Press, 2011); Elizabeth Popp Berman, *Creating the Market University: How Academic Science Became an Economic Engine* (Princeton: Princeton University Press, 2011). Mirowski paints academics as largely passive in the growing drive to commercialize university science in the 1980s. Berman, by contrast, acknowledges an active role for scientists in dismantling barriers to the commercialization of federally funded university science, but she focuses more on the ways in which scientists modeled practices such as biotech entrepreneurship, university patenting, and university-industry research centers, rather than on how scientists actively participated in political debates in Congress or the White House. Sheila Slaughter and Gary Rhoades highlight an emerging bipartisan political coalition supporting commercial competitiveness as a rationale for R&D in the 1980s. “The Emergence of a Competitiveness Research and Development Policy Coalition and the Commercialization of Academic Science and Technology,” *Science, Technology, and Human Values* 21, no. 3 (1996): 303–39.

dashed. By 1992, however, American labor power had declined precipitously, leaving no obvious alternative path to work towards these 1980s hopes and expectations.

By tracing the contingencies, uncertainties, and alliances which shaped economic policymaking in the 1980s, this dissertation helps explain what came after the competitiveness era. That is, in the 1990s, a crucial transformation did take hold: the ascendancy of “sunrise” industries and sectors synonymous with the “New Economy.” The shift of U.S. economic power epicenters was not the result of straightforward free market or free trade policy implementation. Instead, this recalibration of industrial power and influence was the outcome of intense political negotiations that spanned the 1980s, centered on competitiveness.

Chapter Outline

Part I traces the development of a policy framework that encompassed a comprehensive agenda, claims to empirical evidence, and key interest groups, converging around the imperative of sustaining American competitiveness. **Chapter 1** examines how after Reagan’s election, Democrats consulted figures like Robert Reich, Ira Magaziner, and Lester Thurow, sensing a need for a new economic idea. They landed on industrial policy to maintain competitiveness. United on the issue, the Democrats made significant gains in the 1982 midterms. **Chapter 2** traces how in the leadup to the 1984 election, the Democrats’ unity faltered. Buoyed by the strong economy and his rising popularity, Reagan dominated the ’84 election, winning 49 out of 50 states. In the process, Reagan cast “industrial policy” as akin to central planning, leading the term to become politically toxic.

Part II delves into the Democrats’ resurgence after the 1984 defeat and their successful passage of the Omnibus Trade and Competitiveness Act. The party unified around the mantra of competitiveness, but disavowed industrial policy. **Chapter 3** examines the Democrats’ strategizing between 1985 and 1986 and how the party fostered ties with a new lobbying group:

the Council on Competitiveness. **Chapter 4** examines how, after the Democrats took control of both Houses of Congress in January 1987, the party sought to pass comprehensive trade legislation. Viewing the Democrats as threatening, the Republicans co-opted their competitiveness message, and the Omnibus Trade and Competitiveness Act passed with bipartisan support. With significant input from the Council on Competitiveness, the final bill also garnered the endorsement of industrial unions and corporate leaders from smokestack and sunrise industries.

Part III traces the unwinding of competitiveness as an economic framework and the declining influence of the Council on Competitiveness as a lobbying group. Though competitiveness was declining in political salience, the COC still managed to elevate federal support for “critical technologies” as a political priority in the leadup to the 1992 election. **Chapter 5** looks at how the Dukakis-Bentsen campaign – centered on competitiveness – floundered as an economic slogan and policy promise. Although Bush cultivated close ties with the COC, the organization grew increasingly divided internally in the Bush administration, with labor and business elites disagreeing over fundamental principles. **Chapter 6** traces the last gasp of the COC’s significant influence on American politics, tracing how it pushed through its “critical technologies” agenda and fostered bipartisan consensus around its industrial policy vision. By the election of President Bill Clinton in 1992, however, the COC alliance had fractured: smokestack industry interests and industrial union leaders resigned from their positions in the group. John Young and other “sunrise” interests would remain powerful in the 1990s, but by 1992, these new centers of American economic power eschewed their previous alliance with American manufacturing and industrial union interests.

Part I

Following the tumultuous 1970s, a group of influential business leaders gathered at Harvard to forge a new lobbying strategy: their central appeal was for new federal policies to sustain U.S. competitiveness. According to these leaders, a menu of fiscal policies—such as tax incentives for investment, R&D subsidies, stronger intellectual property protections, relaxed export controls, and reduced capital gains taxes—promised to rejuvenate America’s global economic standing. The backing for this Harvard Conference on Competitiveness was substantial, with leaders from the Business Roundtable and the National Association of Manufacturers in attendance, alongside over one hundred executives and Harvard professors. After achieving deregulatory victories in the 1970s, U.S. business elites were divided, especially on free trade. Traditional manufacturers (often dubbed “smokestack” industries) generally wanted protection against imports, while “sunrise” industries sought global market expansion. What unified industrial interests – smokestack and sunrise alike – was the need for capital investment to modernize American industry.

The conference saw business advocates enlist a diverse panel of experts to present on Japan versus U.S. competitiveness; their ultimate aim was to galvanize a national political movement. Contrary to what we might expect, economists were largely absent – their skepticism towards the industrial policies favored by lobbyists led others to shape the conversation in their place. The roster featured policy “entrepreneurs,” Japan experts, industrial psychologists, and business academicians. Harvard’s Robert Reich, a policy professor, was among the event’s behind-the-scenes organizers. Michael Maccoby, a psychoanalyst-turned-corporate consultant, discussed aligning workers with corporate competitive strategies. Ezra Vogel, a Harvard Japanologist, delivered the keynote. Vogel’s *Japan as Number One* (1979) had recently become a best-seller, igniting debate and concern about America’s competitive decline. In his remarks,

Vogel highlighted Japan's cooperative relationship between management and labor as a model, urging a "new mission for trade unions; with lingering adversarial relations we all lose."⁴¹ Vogel expressed disappointment at labor union leaders' absence from the conference.

Though invited, these union leaders and the public-at-large, harbored doubts that a business-led agenda could align with the national interest. The conference occurred amidst growing public skepticism towards corporate power since the 1970s—two-thirds of the American public felt corporations were overly influential, and 78% viewed their use of power as irresponsible, as organizer William Batten noted, referring to polling data commissioned from the consulting firm Garthe & Associates. The event aimed to craft a compelling national story, with attendees brainstorming public relations tactics to promote their competitiveness agenda. Batten indicated there was potential public support for their chosen buzzword: when polled whether they supported a national "competitiveness" strategy, 83% of Americans indicated their support.⁴² After the conference, their "consensus statement" ran as a full page advertisement in *The Wall Street Journal*, *The New York Times*, *The Los Angeles Times*, and *The Washington Post*, reflecting the organizers' monetary commitment to spreading their message (Figure 1.1).⁴³ The consensus distilled the lobbyists' agenda into a fundamental question: "whether we as Americans are willing to look to tomorrow, to save and invest, and renew our technologies in a

⁴¹ Remarks by Ezra Vogel, *Conference on US Competitiveness: Can the US Remain Competitive?*, Proceedings of the Conference Organized by the New York Stock Exchange, Harvard University, and the Subcommittee on International Trade, Senate Committee on Finance, 96th Cong., 2nd sess., 1980, Committee Print 96-38. Vogel's remarks were dramatic, explaining: "I have gradually come to a disturbing conclusion: The United States is in the process of being surpassed by Japan as a modern industrial power."

⁴² Remarks by William Batten, *Conference on US Competitiveness: Can the US Remain Competitive?*, Proceedings of the Conference Organized by the New York Stock Exchange, Harvard University, and the Subcommittee on International Trade, Senate Committee on Finance, 96th Cong., 2nd sess., 1980, Committee Print 96-38.

⁴³ *Business Week* also released a series of articles about the need for the "reindustrialization" of America in the summer of 1980. During the 1980s, magazines like *BusinessWeek*, *Forbes*, and *The Harvard Business Review* gained in prominence and popularity.

world of constant change.”⁴⁴ Between 1980 to 1985 (as detailed in Part I), this campaign indeed gained public traction and eventually union support.

The United States must strengthen its competitiveness

A group of U.S. business, academic, political and labor leaders recently met at Harvard University to consider the question: Can the United States remain competitive? The Conference was jointly sponsored by the U.S. Senate Subcommittee on International Trade, the New York Stock Exchange and Harvard University.

A Consensus Statement issued by the conferees underscores the urgent need for all Americans to support a national effort to revitalize the competitive thrust which, historically, has fueled America's economic strength and progress:

“... Our economy is losing its competitive edge. ... Our competitive stagnation threatens both our economic health and our national security.

“... The American people are aware of a fundamental crisis in our economy and are ready to support extraordinary measures to reverse it.

“... We must confront the reality that we are not Number 1 in economic performance and will suffer continued decline unless we undertake very basic changes in our attitude and policies.

“... As a nation, we must consider restoring U.S. competitiveness a priority question, and we must present avenues to recovery. We need to debate the options; to ignore them is to accept a weakness we cannot tolerate.”

The Conferees' recommendations for restoring competitiveness to the U.S. economy are presented in the Consensus Statement:

1. We must regain our competitive edge.

A more competitive United States economy must be a national goal accorded high priority both in the 1980 elections and for the rest of this decade. Without a productive economy, our concept of what the United States is and should be will be substantially diminished. The American people must resolve to work together and compete effectively in international markets.

2. We need additional productive jobs.

Twenty million Americans are expected to enter the work force during the next ten years. A healthy economy and creation of additional employment depends upon concerted efforts and incentives to increase productivity in our economy.

3. We must change our tax policy.

Changes in tax policy, including accelerated depreciation, to provide encouragement to capital formation, innovation, research and development, and new production in the United States are essential both to control inflation and to encourage growth. Capital formation, an essential element in creating jobs, will require simultaneous increases of savings and investment.

4. We must stimulate research and development.

Research and development are essential for future technology. R & D efforts have lagged in this country during recent years and must be directed more to long-term progress and less to short-term gain. Research and development should be expanded and recognized as investment in tomorrow's jobs and next year's products and services.

5. We must expand exports and reduce dependence on foreign energy sources.

International trade must be a major, not marginal, focus of domestic and foreign policy. The United States will need to reduce imported energy and expand exports aggressively to offset potentially substantial current accounts deficits in the 1980s.

6. We must be stronger international competitors.

There is a significant difference between effective U.S. antitrust laws at home to protect domestic competition, and the ability of the United States, as a nation, to win markets abroad. In international competition, U.S. firms should be allowed to work together to enable them to be competitive in world markets.

7. Regulation, where necessary, should be efficient and effective.

Regulation should not be allowed to stifle our competitiveness. Regulation must balance protective benefits against potentially adverse effects on competitiveness. Necessary regulations should be achieved at minimum cost and at reduced burden to industry and the public who ultimately pay the cost of government regulation.

8. We need to develop a national consensus.

Assessment of these and other recommendations should be part of a fundamental recognition that business, labor and government and, in fact, all Americans, need to work together for our nation to remain competitive. Bipartisan cooperation, consideration of the need for consensus, and firm resolution not to accept a decaying economy and a secondary role for the United States are necessary to revitalize a competitive nation.

Let's not wait. A strong domestic economy is essential to provide productive jobs for all Americans, to provide necessary social programs, to enhance our national security and America's position in world affairs.

Al Rieff
Alfred A. Rieff
United States Senator
Chairman, Senate Subcommittee
on International Trade
Conference Co-Chairman

Wm. Batten
William M. Batten
Chairman, New York
Stock Exchange
Conference Co-Chairman

Henry Rosovsky
Henry Rosovsky
Dean, Faculty of Arts and
Sciences, Harvard University
Conference Co-Chairman

William J. Abernethy
Professor of
Harvard University
John M. Albertine
Executive Director
Joint Economic Committee
United States Congress
Cedric Belfrage
Dean, Faculty of Public
Administration
John F. Kennedy School
of Government
Thomas Amery
Chairman
William H. Clark
Executive
Benjamin E. Haller
William R. Ballman
President
Electrical Instruments, Inc.
G. Wallace Bates
President
The Business Roundtable
Karl R. Bendisen
President and Chief
Executive Officer (R&D)
Executive Office of
Corporation
Lloyd M. Besten
United States Senator

David Beretta
Chairman of the Board
University, Inc.
Richard Belling
United States
John B. Blevins, IV
United States Senator
Kodak, Freeland & Co.
Christopher Budd
United States
Richard J. Doyle
United States Senator
General Electric
Gene E. Bradley
Donald L. Carlin
President
New York Stock Exchange, Inc.
James C. Callahan
President
The West Corporation
Marvin Cooper
President
Dynamatic Chemicals, Ltd.
Richard D'Amato
Chairman
John C. Dunne
United States Senator
John S. Davis
United States Senator
United Energy Resources

Butler Derrick
United States
Representative
John Dill
Legislative Assistant
Chief of Representative
James H. Jones
United States
Christopher Dodd
United States
Representative
Richard A. Gagliardi
United States
Representative
Nathan S. Gifford
President
General Development
Company
William J. Gillard
Vice President
Chiles Resources Inc.
Richard A. Edgar
President
Albert H. Gordon
United States Senator
David Gould
United States
Representative
Thomas H. Greenough
United States Senator
Philip J. Henshaw
President
Guthrie Friedman
United States Senator
James W. Fuller
United States Senator
New York Stock Exchange, Inc.

Robert M. Gardiner
President
Dean Witter Reynolds, Inc.
Michael W. Heflin
Chairman and
Vice President
Aluminum Co. of America
Robert C. Holland
United States
Representative
Arthur Hesse
President
Dunlop Policy Committee
Harold Hershaker
Executive Director
of Economics
Robert H. Johnson
President
National Federation of
Independent Business
James B. Jones
President
Kenneth J. Jester
President
Harvard University
Michael J. Kessler
Vice President
Robert H. Kiehl
Executive Director
Lodges Corporation

Robert Lawrence
Research Associate
The Brookings Institution
George C. Lodge
President
Robert M. MacLure
Harvard University
Harold L. Loh
Legislative Assistant
Office of Senator
Arthur A. Ribicoff
Robert M. MacLure
The Brookings Institution
Franklin D. McCraw
President
Harvard University
William S. Johnson
President
D. Olin & Co., Inc.
United States Senator
William A. Kiehl
McGraw-Hill Business Books
Malcolm S. Kiehl
President
Business Administration
Robert L. Kiehl
Senior Vice President
Aetna, Inc.
Joseph S. Kiehl
President of Government
Harvard University

Patrick S. Parker
Chairman and Chief
Executive Officer
Kaiser Aluminum Corp.
Mark Shepard, Jr.
Chairman of the Board and
Chief Executive Officer
General Motors Corporation
E. Van Pelt
Chairman, President and
Chief Executive Officer
Borg-Warner Corporation
Robert M. MacLure
The Brookings Institution
Franklin D. McCraw
President
Harvard University
William S. Johnson
President
D. Olin & Co., Inc.
United States Senator
William A. Kiehl
McGraw-Hill Business Books
Malcolm S. Kiehl
President
Business Administration
Robert L. Kiehl
Senior Vice President
Aetna, Inc.
Joseph S. Kiehl
President of Government
Harvard University

Bruce Scott
Professor of
Business Administration
Harvard University
Mark Shepard, Jr.
Chairman of the Board and
Chief Executive Officer
General Motors Corporation
E. Van Pelt
Chairman, President and
Chief Executive Officer
Borg-Warner Corporation
Robert M. MacLure
The Brookings Institution
Franklin D. McCraw
President
Harvard University
William S. Johnson
President
D. Olin & Co., Inc.
United States Senator
William A. Kiehl
McGraw-Hill Business Books
Malcolm S. Kiehl
President
Business Administration
Robert L. Kiehl
Senior Vice President
Aetna, Inc.
Joseph S. Kiehl
President of Government
Harvard University

J. A. Van Sant
Chairman and Chief
Executive Officer
General Motors
Mark Shepard, Jr.
Chairman of the Board and
Chief Executive Officer
General Motors Corporation
E. Van Pelt
Chairman, President and
Chief Executive Officer
Borg-Warner Corporation
Robert M. MacLure
The Brookings Institution
Franklin D. McCraw
President
Harvard University
William S. Johnson
President
D. Olin & Co., Inc.
United States Senator
William A. Kiehl
McGraw-Hill Business Books
Malcolm S. Kiehl
President
Business Administration
Robert L. Kiehl
Senior Vice President
Aetna, Inc.
Joseph S. Kiehl
President of Government
Harvard University

J. A. Van Sant
Chairman and Chief
Executive Officer
General Motors
Mark Shepard, Jr.
Chairman of the Board and
Chief Executive Officer
General Motors Corporation
E. Van Pelt
Chairman, President and
Chief Executive Officer
Borg-Warner Corporation
Robert M. MacLure
The Brookings Institution
Franklin D. McCraw
President
Harvard University
William S. Johnson
President
D. Olin & Co., Inc.
United States Senator
William A. Kiehl
McGraw-Hill Business Books
Malcolm S. Kiehl
President
Business Administration
Robert L. Kiehl
Senior Vice President
Aetna, Inc.
Joseph S. Kiehl
President of Government
Harvard University

J. A. Van Sant
Chairman and Chief
Executive Officer
General Motors
Mark Shepard, Jr.
Chairman of the Board and
Chief Executive Officer
General Motors Corporation
E. Van Pelt
Chairman, President and
Chief Executive Officer
Borg-Warner Corporation
Robert M. MacLure
The Brookings Institution
Franklin D. McCraw
President
Harvard University
William S. Johnson
President
D. Olin & Co., Inc.
United States Senator
William A. Kiehl
McGraw-Hill Business Books
Malcolm S. Kiehl
President
Business Administration
Robert L. Kiehl
Senior Vice President
Aetna, Inc.
Joseph S. Kiehl
President of Government
Harvard University

Figure 1.1: Display Ad of Consensus Statement in *The Washington Post*⁴⁵
In addition to business elites and their chosen experts, numerous policymakers also

attended the April 1980 Harvard Conference on Competitiveness; certain Democrats, in

⁴⁴ Conference Consensus, *Conference on US Competitiveness: Can the US Remain Competitive?*, Proceedings of the Conference Organized by the New York Stock Exchange, Harvard University, and the Subcommittee on International Trade, Senate Committee on Finance, 96th Cong., 2nd sess., 1980, Committee Print 96-38, iii-v.

⁴⁵ "Display Ad," *Washington Post*, 22 July 1980.

particular, saw the competitiveness cause as an economic promise which could attract voters – though the party was far from unified around the idea—yet. “The intention is to get a consensus in this country... a recognition of the problems,” Ribicoff noted.⁴⁶ He recounted, “Our conference on US competitiveness concluded that the issue of America’s competitive position must be at the top of the national agenda.... Today I proposed to the Democratic party platform committee, a strong plank on the need and means to improve American productivity.”⁴⁷

Despite such endorsement from Ribicoff and others, the Democrats were divided on an economic vision in the leadup to Reagan’s 1980 victory. President Carter’s intermittent backing of the competitiveness agenda was undermined by his administration’s infighting and criticism from within his own party.⁴⁸ This lack of unity and direction created a vacuum that the Reagan campaign exploited, criticizing Carter for his perceived lack of vision. By 1985, a shift occurred: bipartisan and cross-industry support coalesced around competitiveness, uniting Democrats, Republicans, industrial sectors, and labor unions under a common policy goal. How did this happen? Part I traces the evolution of this competitiveness consensus, spotlighting the collective push for government investment in emerging industries which helped birth what some called a New Economy.

⁴⁶ Abraham Ribicoff was the former governor of Connecticut (1955-1961), former Secretary of Health, Education, and Welfare (HEW) in the Kennedy Administration (1961-2), and former United States Senator from Connecticut (1955-1961, 1963-1981). As Secretary of HEW, Ribicoff served as an advisor to Lyndon Johnson on the Great Society. David Francis, “In Search of New Steam for America: Economic Scene,” *The Christian Science Monitor*, 29 April 1980. Senator Lloyd Bentsen of Texas, another prominent Democrat, chimed in: “I don’t think it is fair to take the American businessman, tie one hand behind his back, and then send him out into the cut-throat, highly competitive world of trade.” Lloyd Bentsen, *America’s Challenge Report, Conference on US Competitiveness: Can the US Remain Competitive*, Proceedings of the Conference Organized by the New York Stock Exchange, Harvard University, and the Subcommittee on International Trade, Senate Committee on Finance, 96th Cong., 2nd sess., 1980, Committee Print 96-38.

⁴⁷ Abraham Ribicoff to Harvey Brooks, 13 June 1980, Harvard University Archives, Harvey Brooks Papers, Box 14, Folder Title: Conference on US Competitiveness, Harvard, April 25-26, 1980.

⁴⁸ Senator Ted Kennedy’s challenge to Carter’s candidacy and his speech at the 1980 Democratic Convention perhaps best exemplified this internal struggle within the Democratic party.

Chapter 1: Competitiveness & Consensus: The Democratic Challenge to Reaganomics, 1981-1983

In 1980, Ronald Reagan's election win sent the Democratic Party reeling, likened by a journalist to being "hit by a truck."⁴⁹ In the wake of Carter's defeat, the Democratic Party as a whole found itself searching for a renewed economic direction and narrative. There was a belief within the party that their electoral loss stemmed from their lack of economic vision (although it was arguably more a referendum on Carter's presidency). In response, Democrats turned to "policy entrepreneurs", the likes of which party leaders credited with shaping Reagan's successful economic narrative. These advisors recommended a focus on competitiveness, particularly against Japan, a message which began to unify the party's various groups. Indeed, though initially the working class and their leaders were detached from this narrative, by 1981-82, unionized workers and their advocates began to align with the competitiveness strategy. This chapter delves into the Democrats' strategic pivot towards a competitiveness-focused message and how it compelled even Reagan to respond by the spring of 1983.

The early days of Reagan's presidency triggered alarm within the Democratic Party, as he proposed \$260 billion in social welfare cuts, sparking public outcry amidst a severe economic downturn. During the nation's greatest economic recession since the Great Depression, unemployment reached all-time highs. Inflation soared. In the midst of crisis, most Americans were unconvinced of the President's economic vision.

This unrest culminated in Solidarity Day I on September 19, 1981, possibly the decade's most significant working-class demonstration, with up to 400,000 attendees from over 250 groups including labor, civil rights, consumer groups, and religious organizations.⁵⁰ It was the

⁴⁹ Irving Howe, "How it Feels to Be Hit By a Truck," *Dissent*, January 1981.

⁵⁰ Notably, there was a growing contingent of American workers who had switched their allegiance to the Republican party in the 1980 election. The Teamsters Union, for example, favored Reagan because of his policies to deregulate the trucking industry.

largest march on Washington since the 1963 March on Washington and echoed the optimism that the recent Polish Solidarity Movement had engendered on American shores. “Why Solidarity Day?” because “we are angry,” “we are worried,” “we are fearful, and “we are outraged,” an AFL-CIO publication cried out.⁵¹ And “together, we will march for jobs, justice, and social progress.”⁵² Speaking to the crowd from the steps of the Lincoln Memorial, Coretta Scott King professed, “In a very real sense, ‘Solidarity Day’ is a continuation of the great March on Washington.”⁵³ Reverend Jesse Jackson, spearheading the Rainbow Coalition, called for working-class unity; the Democrats could move beyond their factionalism, he hoped. However, such unity would not last, and the search for a new unifying economic narrative became increasingly urgent.

The early '80s recession saw rising grassroots racism and inflammatory political discourse, undermining the unity envisioned on Solidarity Day. Vincent Chin's 1982 murder in Detroit by unemployed auto workers became a symbol of escalating racial tensions. Chin, a Chinese American mistaken as Japanese, was brutally bludgeoned with a baseball bat amid

⁵¹ Why Solidarity Day? 19 September 1981, WRL, Donald Ephlin Papers, Box 9, Folder 13: Solidarity Day.

⁵² Solidarity Staff to Transportation Captains, Important: Read this First, 10 September 1981, WRL, Donald Ephlin Papers, Box 9, Folder 13: Solidarity Day. Solidarity Day was a gathering of Americans, not an effort at international solidarity with workers overseas. Over the course of the 1970s, the American labor movement had lost confidence in international worker organizing. Melanie Sheehan traces how the United States labor movement shifted away from an internationalist mentality and towards a nationalist one over the course of the 1970s. “US Industrial Unions and the Politics of Global Economic Transformation, 1947-1988,” University of North Carolina at Chapel Hill, 2022. Annelise Orleck's contemporary, sociological account traces the rise of international labor solidarity in the twenty-first century within the context of earlier challenges and failures of international post-industrial labor organizing. “*We Are All Fast-Food Workers Now*”: *The Global Uprising Against Poverty Wages* (New York: Beacon Press, 2018).

⁵³ Coretta Scott King, “The Cynical Politics of Self-ishness,” *American Federationist*, October 1981, 14. Several labor scholars have ascribed the declining power of labor to infighting over racist sentiments, most prominently, Jefferson Cowie, who called the 1970s “the last days of the working class.” *Stayin' Alive* (New York: The New Press, 2010). Other scholars have taken issue with Cowie's interpretation, showing how there were significant efforts to organize people of color newly entering the workforce after the 1960s. Lane Windham, *Knocking on Labor's Door* (Chapel Hill: UNC Press, 2017).

resentment towards Japan's impact on the auto industry.⁵⁴ A *New York Times* interview with an auto worker captured the mood: "we got 16 percent unemployment in town. There's lots of hard feelings. In my opinion, these people come in, they see a man, supposedly Japanese. They look at this guy and see Japan – 'the reason all my buddies are out of work.'"⁵⁵ Some Democrats exploited these racial tensions for political gain: in the spring of 1982, a tense exchange between John Dingell of Michigan and Al Gore of Tennessee laid bare the entanglement of economic nationalism and blatant racism.⁵⁶ In a congressional committee discussion about how foreign competition harmed the auto industry, Dingell claimed the United States' biggest problem came from "the little yellow people."⁵⁷ After an embarrassed silence, several members blurted: "what?" "The little yellow people," Dingell repeated, "you know, Honda." After another moment of pause, Gore responded, "there is something you have to understand, John. Those little yellow people have built a plant in my district that is giving jobs to a lot of white and black people."

As economic nationalism surged, the United Auto Workers saw the urgent need for a new, positive, and unifying economic message to share with its workers. "Whether [Dingell] is quoted correctly or not, the point is that racist remarks are not only inappropriate but will greatly detract from our efforts," UAW researcher Lee Price wrote to the union's President and Vice presidents. He added, "We cannot avoid mentioning Japan in making our arguments ... But we

⁵⁴ For more on the Vincent Chin murder and its role in Asian American mobilization, see: Frank Wu, "Embracing Mistaken Identity: How the Vincent Chin Case Unified Asian Americans." *Asian American Policy Review* 19 (2010): 17-22.

⁵⁵ Judith Cummings, "Detroit Asian-Americans Protest Lenient Penalties for Murder," *New York Times*, 26 April 1983.

⁵⁶ Many politicians from Michigan took protectionism and populism. For example, Governor Bill Milliken of Michigan actively supported and lent his public endorsement to the UAW's Buy American campaign in 1981. "Buy American Day," 30 September 1981, WRL, Donald Ephlin Papers, Box 2, Folder 11: Buy America Day, 1981.

⁵⁷ "Startling Comment," *New York Times*, 16 March 1982, WRL, Douglas Fraser Papers, Box 58, Folder 10: Foreign: Japan; statements, reports, brochures, corres., 1972-83.

need not mention race, physical features, ethnic slurs, or World War II.”⁵⁸ Instead he argued that proactively combating racism could be a boon for the UAW: “It could actually be a big plus for the UAW if we take ‘affirmative action’ to stem racist and chauvinist attitudes.” Price concluded.⁵⁹ He admired the Japanese for their quality products and low unemployment, suggesting such praise could fortify the UAW’s case for its lobbying agenda.⁶⁰ Thus, Price called for “using compliments to make our case.” This chapter will demonstrate how the UAW and various groups embraced the competitiveness narrative in their policy advocacy. But first, we will turn to exploring the details of this policy vision and the policy entrepreneurs who championed it.

I. Crafting Competitiveness: The Synergy Between Policy Entrepreneurs and State Governors

The essence of the Democrats’ economic vision, outlined across this dissertation, revolved around the competitiveness platform. The need for “compliments about Japan”, as the UAW’s Lee Price articulated, evolved into a concrete political strategy fostered by policy entrepreneurs and state governors and embraced throughout the Democratic Party, including among unions. After Reagan’s election, certain spokespeople leveraged the urgency for a new platform, transforming the lobbyists’ ideas from the Harvard Conference into a salient political agenda. By advocating for investments in high-tech and modern manufacturing, they purportedly aimed to reposition the United States’ global economic standing, purportedly to challenge the dominance of Japan. In short, this section will dissect how the competitiveness idea evolved

⁵⁸ Lee Price to Several, Confidential, 18 March 1982, WRL, Douglas Fraser Papers, Box 58, Folder 10: Foreign: Japan; statements, reports, brochures, corres., 1972-83.

⁵⁹ Since John F. Kennedy’s Executive Order 10925 in 1961, policymakers had introduced various affirmative action policies to increase opportunities for minorities and women.

⁶⁰ Domestic Content Legislation was the UAW’s main agenda at the time. The bill required that for auto makers selling more than 500,000 cars a year in the United States, 90 percent of parts and labor be domestic; for those selling 200,000 to 500,000, 75 percent, and for those selling 100,000 to 150,000, 25 percent. “It Well Help Save Our Auto Industry,” *New York Times*, 25 July 1982.

from a preoccupation among business lobbyists into a salient political platform, fulfilling a perceived need in the leadup to the 1982 midterms.

First, let us unpack the terminology of “policy entrepreneur” and how policy entrepreneurs used concrete examples of regional economic competitiveness to support their claims about policymaking for national competitiveness. Indeed, “policy entrepreneurs” will become key actors throughout this dissertation, since there was a general sense that in order to compete with Reagan, the Democrats needed to enlist a similar cadre of experts credited for the new president’s electoral success. Examples of policy entrepreneurs who will become key actors in this dissertation include Pat Caddell, Pat Choate, Lester Thurow, Fred Bergsten, Michael Porter, Ira Magaziner, Robert Reich, and Peter Hart. These individuals came from a variety of backgrounds, as we will discuss throughout these chapters. Some specialized in utilizing media strategies, others in strategic public relations, others in polling, others in speechwriting and legislation writing, and still others in writing accessible best-selling books to inform policy debate. What drew these individuals together was that they formed a network of advisors adept in navigating both corporate and political spheres in Washington. Their aim was to craft political narratives that would connect with the broadest swath of the American populace. Among these policy entrepreneurs, Robert Reich and Ira Magaziner became particularly influential in 1981-1982; we turn now to briefly review their backstories, and their relationships with state governors who likewise became central to the competitiveness campaign.

Trained as a lawyer, Reich initially encountered Japan’s industrial policy during his years practicing in international law in 1970s Europe, a continent where the concepts of industrial policy and competitive advantage were already in vogue. He remembered, “I kept hearing this term [industrial policy] and I kept asking people what it meant. I didn’t understand.” A British

high-tech executive later illuminated the issue to him, explaining “that every advanced industrial country has an industrial policy. Some are implicit, some explicit. There are good ones and bad ones. They are analogous to corporate strategies.”⁶¹ “In my head I’m thinking, what’s the U.S. industrial policy?”, said Reich.⁶² After working in private law and serving in the Federal Trade Commission, by 1981, Reich began working as a policy professor at the Harvard Kennedy School, where he began publishing books about industrial policy and competitiveness with the help of Ira Magaziner.

In the 1970s, Ira Magaziner made a name for himself as an expert in regional economic competitiveness with his consulting firm, Telesis. His first book showcased and analyzed Japanese industrial policy, a work that captured global attention and led nations like Sweden, Israel, and Ireland to seek his counsel.⁶³ Discerning a parallel between industrial and national competitiveness, various U.S. states and industries, such as the auto industry, sought Magaziner’s expertise to evaluate and enhance their competitive stance throughout the 1980s. Like Reich, Magaziner had a knack for circling between consulting with the private sector and the public sector. The friendship between Magaziner and Reich, dating back to their Rhodes

⁶¹ Reich did not mention in his interview that many pundits and historians view Great Britain’s technological industrial policy from that era to have been a failure. See for example: Geoffrey Owen, “Chapter 2: Industrial Policy in Twentieth Century Britain,” *Business in Britain in the Twentieth Century: Decline and Renaissance*, ed. Richard Cooper and Peter Lyth (Oxford: Oxford University Press, 2009); John Hendry, *Innovating for Failure: Government Policy and the Early British Computer Industry* (Cambridge: MIT Press, 1989). In the 1970s, European countries tested out industrial policy measures modeled on those of the Japanese with varying degrees of success depending on the industry. Giovanni Federico and James Foreman-Peck eds., *European Industrial Policy: The Twentieth Century Experience* (Oxford: Oxford University Press, 1999); Pierre-Andre Buigues and Khalid Sekkat, *Industrial Policy in Europe, Japan and the United States: Amounts, Mechanisms, and Effectiveness* (New York: Palgrave Macmillan, 2009). Often disregarding Europe’s mixed success in this realm, most policymakers and consultants like Reich tended to focus on Japan as successful, given the public fascination and hype surrounding its industrial policy in the 1980s.

⁶² Interview found in: Sidney Blumenthal, “Drafting a Democratic Industrial Plan,” *New York Times Magazine*, 28 August 1983.

⁶³ Steven Pearlstein, “The Many Crusades of Ira Magaziner,” *Washington Post*, 18 April 1983.

Scholar days (where they also met Arkansas Governor Bill Clinton), set the stage for their collaboration.

Their joint effort culminated in the book, *Minding America's Business: The Decline and Rise of the American Economy* (1982). In this work, Reich and Magaziner put forward an alternative to Reaganomics, making the case for a U.S. industrial policy aimed at strategic global competitiveness.⁶⁴ Importantly, their vision aimed to unite the interests of traditional “smokestack” industries and emerging “sunrise” sectors, advocating for government investment to facilitate the competitiveness of both. In other words, Reich and Magaziner did not call for the US to abandon its industrial past in embracing the New Economy; instead, they argued for a synergy between old and new, emphasizing the modernization of established industries through technological innovation. In the 1970s and early 1980s, high-technology industries were indeed capturing more and more attention and speculation among futurists, investors, academics and pundits; Reich and Magaziner's work fit into this growing excitement about technological panaceas.

Importantly, however, both co-authors were vocal in dispelling the misconception that the choice between “smokestack” and “sunrise” was binary. “The choice is not between a smokestack America, on the one hand, and high technology, on the other. That is a false choice,” Reich noted, further contended that the real task was “to apply high technology in smokestack industries.”⁶⁵ The imperative was to infuse traditional industries like steel with advanced

⁶⁴ Reich and Magaziner, *Minding America's Business* (New York: Harcourt, 1982), 4. “In this book, we offer an alternative view of how to increase national wealth. We focus on increasing the competitive productivity of our industry. We suggest that U.S. companies and the government develop a coherent and coordinated industrial policy whose aim is to raise the real income of our citizens by improving the pattern of our investments rather than by focusing only on aggregate investment levels. Our country's real income can rise only if (1) its labor and capital increasingly flow toward businesses that add greater value per employee and (2) we maintain a position in these businesses that is superior to that of our international competitors,” Reich and Magaziner summed up of their approach.

⁶⁵ Charles Alexander, “The New Economy,” *Time*, 30 May 1983.

technology. In this vein Reich and Magaziner critiqued the complacency of U.S. steel companies, highlighting their decline as a consequence of “an unwillingness to use new technologies or to undertake more fundamental investments, a lack of aggressiveness in managing their overheads, and a failure to push for exports.”⁶⁶ To make the vision concrete, Reich, Magaziner, and many other 1980s policy entrepreneurs drew on examples of particular regions which exemplified their claims about the possibility to foster American economic competitiveness through strategic government investment.

There was an evident synergy between the work of state governors and the work of policy entrepreneurs like Reich and Magaziner throughout the 1980s, with both highlighting the others’ works as examples of the validity of their economic development approaches. Reich called the flowering of industrial policy in the states as the “best-kept secret in America.”⁶⁷ State governors, in turn, thanked Reich. “I must say, as someone trying to run a State government, it is encouraging to me to see the vitality of ideas that are coming out in the Northeast alone,” Governor of Arkansas Bill Clinton later praised in congressional hearings on industrial policy, with a special note to “my old friend and classmate Robert Reich, whom I hope you will hear from.”⁶⁸ In the states, discussions centered less on theory and more on the practical role of technocrats as investors in sectors transitioning to the New Economy. There were drawbacks to funneling state subsidies into attracting high-tech firms; and yet, this approach became politically popular, especially as exemplified by super-star economies like California and Massachusetts, which became models of possibility for states that chose to invest in their competitiveness.⁶⁹

⁶⁶ Reich and Magaziner, *Minding America’s Business* (New York: Harcourt, 1982), 6.

⁶⁷ Noel Epstein, “You Want to Compete with Japan? Ask Ohio,” *Washington Post*, 21 December 1986.

⁶⁸ Statement of Hon. Bill Clinton, Governor of the State of Arkansas, Subcommittee on Industrial Strategy and Trade, Committee for Economic Development, House Committee on Banking, Finance, and Urban Affairs, *Industrial Policy, Part I*, 98th Cong., 1st sess., 983.

⁶⁹ Democrats’ “new ideas” about regional economic development were not purely an ideological maneuver. During the 1980s, as Reagan grew in popularity in the South, Republicans funneled defense dollars into Republican-



Figure 1.2: *Inside Arkansas Magazine*

This fall/winter 1982 edition of *Inside Arkansas* magazine shed light on the state's efforts at promoting regional growth through investment in high-technology. Pictured on the cover, two mice and four scientific beakers exemplify the Arkansas commitment to scientific development.⁷⁰

Under Governor Jerry Brown's leadership, California positioned itself as a paradigm of economic transformation, especially in the wake of Reagan's 1980 victory. Despite Brown's own unsuccessful presidential bid earlier that year (when free market proponents denounced his ideas), his reindustrialization ideas gained national traction by 1981/1982. Echoing Reich and Magaziner's claims, Brown described the scenario, stating, "We are witnessing a maturing of

controlled Southern districts as a way to shore up political support from former Democrats. Thus, the Democrats' celebration of – and calls for investment in – particular regions were in part a response to the Republicans' political strategies. Both parties sought to gain votes by holding out subsidies.

⁷⁰ RRL, SC – SCIENCE, Folder: 133000-133499.

significant technologies and industries in this country that have propelled us forward since World War II and given us prosperity.” He recognized the importance of this transition, emphasizing the need for a collaborative approach involving government, business, labor, and environmentalists. According to Brown, this unity was essential to mobilize capital and develop industrial strategies capable of restoring economic prosperity and enhancing competitiveness.⁷¹ Brown called for comprehensive self-studies of California’s industrial sector, positioning the state as a hub of industrial innovation. These studies, like Reich and Magaziner’s consulting reports, served throughout the 1980s as valuable economic information for other states which aimed to foster similar growth through high-tech investment.

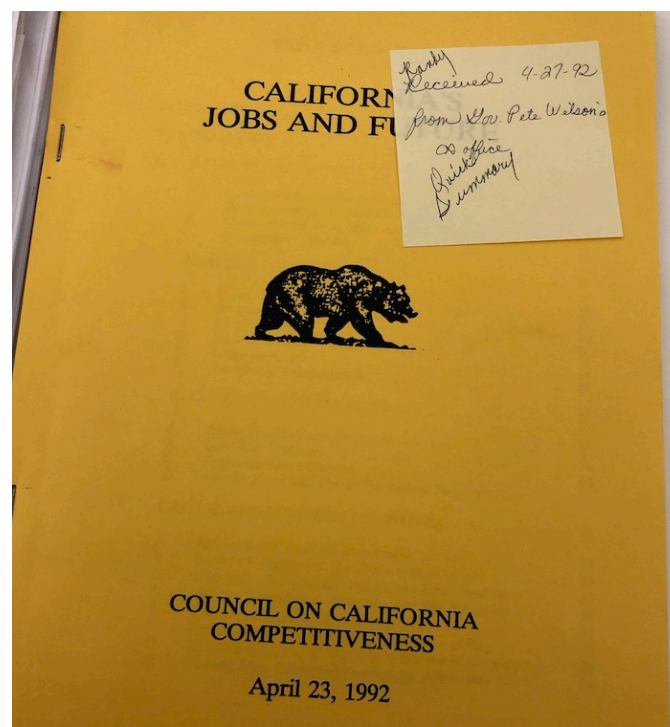


Figure 1.3: Council on California Competitiveness Report
California’s efforts to frame its technological achievements in terms of national competitiveness continued throughout the 1980s and 1990s. Pictured here, a 1992 report of the Council on California Competitiveness.⁷²

⁷¹ Jerry Brown, “On the Reindustrialization Of America,” *The Washington Post*, 14 January 1980.

⁷² George HW Bush Presidential Library, Council on Competitiveness, Council of Economic Advisors, Series: Michael Boskin Files – Meeting Files, Folder: Vice President’s COC (General) [OA/ID 07919].

Another prime example of this synergy was Massachusetts, which positioned itself as a leader in industrial policy innovation. The state, once dominated by its “smokestack” economy symbolized by bustling textile mills, purportedly witnessed the kind of high-tech transformation described by Jerry Brown. By the 1970s and 1980s, areas around Route 128 near Boston had evolved into centers of high-tech manufacturing, particularly within the defense sector. Robert Reich, Ira Magaziner, and Lester Thurow, all local to Massachusetts, often collaborated with state policymakers to refine their economic messaging. Senator Paul Tsongas (D-MA) became a vocal proponent of this shift, highlighting: “we are entering a new era characterized by rapid technological advances, the evolution of domestic markets into global ones, and sharp international challenges to US technological and economic positions. ... As a nation we are not prepared for it.”⁷³ Adding to this momentum, Michael Dukakis’ 1982 gubernatorial comeback campaign focused on what was soon termed the “Massachusetts miracle.” Like Tsongas, his campaign centered on plans to foster this transformation, ensuring the state’s preparedness for the supposed New Economy.

The 1981 National Governors Association Conference marked a milestone in the evolution of competitiveness initiatives from discrete state-specific endeavors into a broad national campaign. Governor Jerry Brown of California spearheaded the discussions under the theme “Invest in the Future,” advocating for what was termed “reindustrialization”—a strategy of directing state funds towards “small, innovative companies” that were posited as templates for a new economic vision.⁷⁴ The conference drew together a diverse group of leaders from industry,

⁷³ “Government’s Role in Preparing for a New Era of Technological Challenge, Speech at the Centennial Celebration of the Department of Electrical Engineering at MIT,” 2 October 1982, University of Massachusetts Lowell Archives, Paul Tsongas Papers, Tsongas Speeches, Box 60c, Folder 7.

⁷⁴ “California’s Own Reindustrialization Program,” *Business Week*, 26 January 1981, WRL, Donald Ephlin Papers, Box 10, Folder 3: National Governors Association Conference, February 1981.

labor, academia, and government, including many participants from the earlier Harvard Conference, signifying the growing consensus around these ideas. A highlight of the conference was an exhibition showcasing the technological marvels of the “sunrise” economy. It featured Apple’s personal computers, Xerox’s photocopiers, and Genentech’s recombinant DNA technology, painting a picture of the potential future economy.⁷⁵ “The 1980s will be a period in which we will need to make fundamental economic adjustments to meet challenges never before faced by this nation,” another organizer wrote to a labor invitee.⁷⁶ Labor union leaders accepted these invitations, and Brown hosted a special dinner for this faction one night of the conference. A panel titled “Innovation for Prosperity: A Worker Perspective” spotlighted Michigan’s efforts in adapting to the New Economy. We turn our focus to Michigan and the United Auto Workers’ embrace of the competitiveness vision in the next section.

II. Revving Up Competitiveness: The UAW, The Big Three, and Michigan Policymakers Embrace High-Tech Investment

In the early 1980s, the American auto industry faced a severe crisis. The ubiquity of Japanese cars on U.S. streets highlighted a broader issue: the decline of America’s industrial prowess. The auto industry’s importance was twofold: it was crucial to Michigan’s economy and served as a barometer for the nation’s economic health, as captured in the saying, “as Detroit and Michigan go, so goes the nation.”⁷⁷ Throughout this dissertation, Michigan, with its iconic standing in American consciousness and its significant levels of American employment (about one in six Americans were engaged in the auto industry during the early 1980s) will provide a fulcrum for understanding how “competitiveness”—as a political idea—both evolved and was

⁷⁵ “Planned Exhibits, Conference on Technological Innovation,” 21 February 1981, WRL, Donald Ephlin Papers, Box 10, Folder 3: National Governors Association Conference, February 1981.

⁷⁶ George Busbee (Chairman, NGA) to Douglas Fraser, WRL, Donald Ephlin Papers, Box 10, Folder 3: National Governors Association Conference, February 1981.

⁷⁷ See for example: Bill Peterson, “Republican Delegates Will Find Motor City ‘Downsizing,’” *Washington Post*, 21 May 1980.

deployed. This section examines how Michigan's union leaders, industrial executives, and policymakers facilitated broader public adoption of the high-tech competitiveness ethos between 1981 and 1982.

Donald Ephlin, Vice President of the United Auto Workers (UAW) throughout the 1980s, exemplifies a novel archetype of union leadership during this decade. A Massachusetts native, Ephlin climbed the UAW ranks in his home state before relocating to Detroit as personal assistant to Walter Reuther, who commended and supported his career. Known for his adept negotiating skills, Ephlin rose to Vice President in 1980, serving under Presidents Douglas Fraser and Owen Bieber. Throughout the decade, he praised Japan as setting a benchmark for American industry's technology and skills training, advocating for the U.S. to embrace similar practices. Ephlin, collaborating closely with business leaders, championed the adoption of Japan's collaborative business-labor model to enhance American competitiveness between 1981 and 1982, setting the stage for Michigan politics to become oriented around the theme and its associated "compliments for Japan."

It is important to note that this collaboration between union and business, focused on the promotion of competitiveness, was not a response to political unwillingness to pursue protectionism. During the economic turbulence of the early 1980s, a consensus emerged among Democrats and Republicans in favor of protectionist measures. For example, the Reagan administration's Trade Representative, William Brock lamented the inflexibility of the free-market purists within the cabinet with the exasperated outburst, "God save us from the ideologues."⁷⁸ He then negotiated the Voluntary Restraint Agreement with Japan, which significantly reduced Japanese auto imports throughout the decade. In short, both parties were

⁷⁸ DF Memo, Meeting – Washington DC, 17 April 1981, WRL, Douglas Fraser Papers, Box 58, Folder 13: Foreign: Japan; statements, reports, brochures, corres., 1972-83.

committed (at least in their actions, if not their rhetoric) to preserving the strength of the U.S. auto industry.

The primary motive for business-labor cooperation on competitiveness stemmed from a quality and cost crisis, or growing inefficiencies. Japanese automobiles, perceived as superior in quality and more affordable than their American rivals, prompted union leaders like Don Ephlin to acknowledge that restricting imports—such as the spring 1981 Voluntary Restraint Agreements (VRA)—though helpful in the short-term, would not ultimately solve the American auto sector’s deep-rooted profitability challenges. Protectionism would not make American car manufacturing more efficient: indeed quite the reverse. Greater investment, on the other hand, would: cutting production costs and improving quality in the long run.⁷⁹ Consequently, Michigan’s unions and corporations came together to champion the “New Economy.” They advocated for high-tech innovations that promised to enhance long-term profitability in the industry.

The auto industry’s crisis captured the attention of corporate executives, union leaders, and scholars further afield. Don Ephlin and his union colleagues engaged actively in academic studies of the issue, sharing data at various symposiums to dissect the sector’s challenges and identify strategies to reverse troubling trends. Events at the University of Michigan highlighted the potential for Michigan’s government and its flagship industry to facilitate strategic investments, supposedly mirroring the transitions seen in Massachusetts and California. Stakeholders, including corporate and union leaders, convened in panel discussions at the

⁷⁹ See for example: “For Release: UAW Believes Japanese Import Limits Are Modest, But Positive Step,” News from the UAW Union, 1 May 1981, Walter Reuther Library, Donald Ephlin Papers, Box 3, Folder 7: Imports, 1980-1981.

university, presenting collaborative solutions and insightful reports on reversing competitive decline.⁸⁰

Notably, Harvard Business School Professor William Abernathy sought the UAW's labor cost data to further his independent research into the industry's competitiveness in the fall of 1980. Ephlin and the UAW complied, aiding Abernathy's study, which he pledged to report back on.⁸¹ Overall, there was an optimistic belief that the auto industry could address its issues through thorough self-examination, a process Ephlin and his UAW peers were convinced would be most effective for the UAW to pursue in partnership with the Big Three automakers and academic experts.

Donald Ephlin and his union research team were keenly aware of the looming technological shifts. Publicly, Ephlin championed the bright potential of the "New Economy" while privately, he reviewed confidential projections about the automation of manufacturing roles via robotics.⁸² During the 1980s, the UAW and the AFL-CIO's Industrial Union Department advocated for substantial investment in workforce training and skills development, aligning workers with the New Economy. This strategy had a twofold purpose: it projected a positive outlook, boosting worker morale amid uncertainties, and it offered a respectable means for addressing job displacement, as many workers faced slim prospects of regaining comparable

⁸⁰ Harold Shapiro to Donald Ephlin, 21 August 1980, Walter Reuther Library, Donald Ephlin Papers, Box 10, Folder 11: Japanese Automotive Industry Conference, 14 January 1981. "In view of the prominence of the individuals participating, the potential national impact of the public forum and your own record as the most effective spokesman for the union interest, we believe your participation is essential to the success of this forum," Shapiro wrote Ephlin in his letter of invitation.

⁸¹ William Abernathy to Donald Ephlin, 5 November 1980, WRL, Donald Ephlin Papers, Box 1, Folder 44: William Abernathy.

⁸² See: "Preparing for the Growth of Industrial Robots, Confidential, For the Attention of: Donald Ephlin... ONLY," 23 July 1981, WRL, Donald Ephlin Papers, Box 3, Folder 60: Robotics, 1980-1981. "The increased use of robots forces us to deal with the short term problems of technological displacement, and with the longer term impacts of basic structural changes in the economy. Unfortunately, available evidence suggests neither private industry, organized labor, or government are prepared to invest in the human capital needed to exploit robots, or other new technologies," reads the report.

positions. Additionally, for those remaining in the workforce, there was a strong rationale for embracing new technologies, including robotics, with the expectation that the expertise required to operate such technologies would sustain high wages. This would also maintain union revenues through dues, despite a shrinking workforce.

During this period, progressive economists like Barry Bluestone and Samuel Bowles, whose insights were highly regarded by the United Auto Workers (UAW), authored pivotal texts advocating for substantial government investment in the beleaguered manufacturing sector. Their perspective on industrial policy was distinct: they championed state-driven investment that would benefit not just corporate profits but the workers as well. Despite using a shared vocabulary of “industrial policy,” it eventually became evident that certain policy entrepreneurs pushing Democrat-adoption of “industrial policy” eventually evidently differed in their political and ideological viewpoints from Bluestone and Bowles. Nevertheless, this shared terminology facilitated the UAW’s collaborative efforts with business leaders and academic advisors to boost competitiveness in 1981 and 1982.

There were, however, major stumbling blocks in the UAW’s cooperative approach with business and consultants, who claimed answers to their competitiveness problems. In September 1981, William Abernathy’s release of his article in *Harvard Business Review*, the result of his study of the auto industry with UAW data, came with the painful and controversial conclusion: the reason for the decline in auto competitiveness, he said, was not a lack of technological investment, but rather, the high costs of labor, management, and their associated benefits. Upon reading their *Harvard Business Review* article, Ephlin wrote that the findings were a “disservice to the UAW members I represent” who after 31 months since the start of the slowdown were experiencing “the gravest economic crisis in our Union’s history.” The claim which angered

Ephlin most was Abernathy's view that "government policy or national and global economic trends are not significant factors in their plight" and that "Professor Abernathy and his colleagues cannot possibly believe that the solution to these problems lies within the unaided grasp of corporate management." To Ephlin's mind, the pertinent areas which US industry ought to emulate from the Japanese were "the importance of job security to enlisting employee cooperation, and the importance of appropriate government policies to the success of the auto industry" (namely, Domestic Content Legislation). Scathing in the conclusion to his letter, Ephlin wrote: "If the caliber of analysis in the good professors' article is the best our most prestigious business school can offer, perhaps American management is indeed in serious trouble."⁸³

In spite of the fact that Abernathy proved untrustworthy, the UAW was nonetheless willing to enter into a similar partnership with Ira Magaziner, who likewise claimed to be able to provide a comprehensive assessment of the competitiveness of the auto industry and what could be done. Ford CEO Philip Caldwell engaged Magaziner for a joint consultancy project with UAW leaders beginning in 1982. The research sought to "compare the cost position of the US automobile industry with automobile industries in other countries" and offer potential policy solutions.⁸⁴

Upon reviewing Magaziner's work identifying policy and strategy shifts to enhance industrial competitiveness, UAW researcher Sheldon Friedman conveyed to Donald Ephlin, "I'm excited about the project."⁸⁵ During the consultancy project, Magaziner led educational visits to

⁸³ Donald Ephlin to Kenneth Andrews, 14 September 1981, WRL, Donald Ephlin Papers, Box 1, Folder 44: William Abernathy.

⁸⁴ Ira Magaziner to Sheldon Friedman, UAW Research Director, 2 July 1982, WRL, Donald Ephlin Papers, Box 3, Folder 25: Ira Magaziner.

⁸⁵ Sheldon Friedman to Donald Ephlin, Re: Ira Magaziner, 13 July 1982, WRL, Donald Ephlin Papers, Box 3, Folder 25: Ira Magaziner.

Japan for Ford executives and workers and amassed a comprehensive dataset from both labor and management perspectives. After the Japan trip, the UAW arranged for Magaziner to tour American plants.⁸⁶ The UAW optimistically anticipated that Magaziner's conclusions would bolster their vision of enhanced employment and living standards for American workers.

The cooperation between unions, businesses, academics, and consultants on high-tech competitiveness proved beneficial for Michigan's political leaders. With the UAW backing high-tech investments, and corporations sharing this interest, Governor Bill Milliken launched his "High Tech Development Plan" in the winter of 1981.⁸⁷ "In the last 20 years the portion of Michigan's economy devoted to high-technology industries has declined relative to the growth of these industries in other states," Milliken reported in his state of the union address announcing this plan. Upon Ephlin voicing his support, Milliken thanked him, noting: "I was pleased to learn that you will serve as a member of the Robotics Development Organization. The development of a high technology base in Michigan is one of the highest priorities in our overall economic development plan for the next decade."⁸⁸

In 1982, Michigan's state politicians continually embraced this growing momentum for a state-led strategy in high-tech competitiveness. In that year, following Milliken's retirement, Governor Jim Blanchard's victorious gubernatorial campaign was founded on a platform of competitiveness and investment in the New Economy. His campaign resonated with other gubernatorial efforts nationwide, including those of Michael Dukakis and Bill Clinton, who also emphasized these themes.

⁸⁶ Sheldon Friedman to Donald Ephlin, 8 February 1983, WRL, Donald Ephlin Papers, Box 3, Folder 25: Ira Magaziner.

⁸⁷ "Proposal Application to Foundations in the State for Grants in Support of the Industrial Technology Institute," 1981, WRL, Donald Ephlin Papers, Box 8, Folder 4: Robotics Industry in Michigan, 1981.

⁸⁸ Bill Milliken to Donald Ephlin, 24 August 1981, Wayne State, Ephlin Papers, Box 8, Folder 4: Robotics Industry in Michigan.

III. Rebranding the Party: Democrats and the Competitiveness Agenda, 1981-1982

In the summer of 1982, amid the UAW's collaboration with Ford and Magaziner on competitiveness strategy, President Reagan faced mounting political challenges. By then, Reagan's popularity had plummeted as both the business community and workers grappled with the severe recession of 1981-1982.⁸⁹ The initial optimism of his first one hundred days and the boost in popularity which came from the spring 1981 assassination attempt faded; by 1982, his approval ratings had plummeted. Reagan's 1981 tax cuts – though celebrated by some – provided the Democrats an opportunity to claim that the president's fiscal policies were exacerbating the economic crisis.⁹⁰ With unemployment peaking at 10.8% in 1982, it was Reagan's political vulnerability which set the stage for appeals to competitiveness to emerge as a key political strategy for the Democrats in the leadup to the 1982 midterms.

Harvard Business School emerged as a hub for Democratic discussions on competitiveness and its role in the party's electoral strategy. In Cambridge, Massachusetts, a mix of Democrats, business and policy scholars, and business leaders met together to craft their counter to Reaganomics. A *New York Times Magazine* article in August 1983 drew parallels between these industrial policy discussions and earlier seminars that, "thirty years earlier" had been "a key means of disseminating and legitimating Keynesian economics."⁹¹ Robert Reich, leading this movement at Harvard, and Ira Magaziner, with his ongoing travel and consultancy, jointly propagated the ideas they had penned in *Minding America's Business*. Additionally, as concern about declining competitiveness became the subject of numerous best-selling books, a

⁸⁹ "Reaganomics and Public Opinion," *The American Political Report* 11, no. 3 (1981). Four major polls revealed that support for Reagan's handling of the economy fell below 50% according to this article.

⁹⁰ Monica Prasad, "The Popular Origins of Neoliberalism in the Reagan Tax Cut of 1981," *Journal of Policy History* 24, no. 3 (2012): 351-383.

⁹¹ Sidney Blumenthal, "Drafting a Democratic Industrial Plan," *New York Times Magazine*, 28 August 1983.

legion of policy entrepreneurs emerged to help spread the general message: America's competitive edge was in decline, and government investment was necessary to reverse the trend.

With the input of these increasingly trusted experts, various Democratic politicians took the stage to champion these ideas in the national media; Senator Gary Hart (D-CO), aspiring for the presidency, epitomized this trend. Reich, Magaziner, and Thurow were his "ideas gurus," according to the *Boston Globe*, with political consultant Pat Caddell his campaign manager.⁹²

When it came to framing the need for increased government investment, the choice of wording was political. "You can't cast industrial policy in economic terms," Caddell advised Hart, "You have to move from fundamental principles to political themes... I wouldn't call it planning. I'd say we need a national consensus on the future."⁹³ Accordingly, the *Boston Globe* reported on Hart's views on industrial policy thus: "he is a true believer, but for political and conceptual reasons his approach is more limited when it comes to specifics."⁹⁴ When pressed on his definition of industrial policy, Hart professed "the Democrats must look to the production side of the equation and devise a series of proposals aimed at enlarging the economic pie, aimed at growth and the new realities of the high technology revolution taking place."⁹⁵ Claiming to be a "lead spokesman for a new generation," Hart characterized industrial policy as a "moral issue," noting, "policy isn't sawdust, it's about people." If Bobby Kennedy were still alive, Hart was sure that he would "make people understand."⁹⁶

Despite his revolutionary rhetoric, figures like Gary Hart still had to operate within the party's established power dynamics – and securing a high-profile slot at the 1982 convention to

⁹² "His advice—and that paper of his...helped sharpen my message," Hart said with reference to Caddell. "Caddell Helped Hart Hone Image, Improve Pitch," *Washington Post*, 4 March 1984.

⁹³ Sidney Blumenthal, "Drafting a Democratic Industrial Plan," *The New York Times Magazine*, 28 August 1983.

⁹⁴ "How to Walk and Chew Gum: Democrats Try to Frame an Industrial Policy," *Boston Globe*, 13 November 1983.

⁹⁵ Margot Hornblower, "House Democrats Are Feeling Feisty as 1984 Approaches," *Washington Post*, 5 March 1983.

⁹⁶ Gary Hart, *A New Democracy: A Democratic Vision for the 1980s and Beyond* (New York: Quill, 1983), 46-47.

give a presentation on industrial policy, Hart proved adept at navigating the party's power structures. Writing to many "dear friends," Hart invited "you and other members of your organization to attend a workshop I will sponsor during the Democratic Mid-Term convention on issues for Democratic candidates." Held at a hotel disco rather than a formal auditorium, the Hart workshop featured a presentation from Reich proposing "some new solutions" to the nation's economic problems.⁹⁷ "The panel — if everyone shows up — has all the earmarks of a real debate," UAW researcher Dick Warden informed Douglas Fraser.⁹⁸ Union leaders were increasingly open to the idea of industrial policy and state-led investment in technology to increase competitiveness, with Ira Magaziner providing the UAW advice on how to frame its proposals in line with the increasingly popular political message. The "debate" at the disco, which Fraser predicted, was over which sectors of the economy the government ought to prioritize.

Gary Hart was not alone in communicating his vision on industrial policy and seeking union support; Senator Paul Tsongas (D-MA) also took his message to union halls in his state. Like Hart, Tsongas relied heavily on the guidance of Reich and Thurow, with one of his campaign aides joking that he was a "Thurovian," a nod to another philosopher from Massachusetts. "In effect, we are fighting on two fronts, the Soviet Union and Japan," Tsongas told an AFL-CIO gathering, emphasizing that a strong economy — not military strength — was the true safeguard of national security.⁹⁹ "The next time you hear someone in the Reagan administration saber-rattling against the Soviets, ask yourself how that helps put an unemployed

⁹⁷ Gary Hart to Dear Friend, 16 June 1982, WRL, Douglas Fraser Papers, Box 7, Folder 113: Democratic National Committee, Philadelphia, PA.

⁹⁸ Dick Warden to Doug Fraser, 18 June 1982, WRL, Douglas Fraser Papers, Box 7, Folder 113: Democratic National Committee, Philadelphia, PA.

⁹⁹ "AFL-CIO Speech," 29 September 1982, University of Massachusetts Lowell Archives, Paul Tsongas Papers, Box 66A, Folder Title: AFL CIO Speech.

auto worker back on the job,” Tsongas warned. Though Tsongas later gained the reputation of being a high-tech “Atari Democrat,” he like Hart recognized the importance of maintaining the Democrats’ longstanding base of union support. After Reagan had attracted substantial votes from American workers in 1980, Democrats recognized a growing number of voters felt alienated from their party. With their new ideas, Democrats sought to win these voters back.

Democratic leaders like Hart and Tsongas garnered the attention of influential party veterans, including Speaker of the House Tip O’Neill (MA) and Representative Gillis Long (LA). O’Neill was particularly influential in the 1980s: as Speaker of the House, he became known for leading the Democrat-led House during the first six years of Reagan’s administration, forestalling the president’s efforts to majorly cut government spending wherever possible. Most notably, under the leadership of Speaker Tip O’Neill, the House successfully blocked most of Reagan’s proposed cuts to reduce the scope of the welfare state dramatically, including blocking \$260 billion in proposed cuts to Social Security.¹⁰⁰ Advising O’Neill, Pat Caddell cautioned the Speaker and other Democrats that the Democrats needed a new idea, something to stand for, not simply against; they needed a response to Reaganomics. “The struggle has entered a new and confusing phase,” Caddell wrote O’Neill, “the moment is laden with grand opportunities for the Democrats if they are capable of seizing the initiative.”¹⁰¹

Seeing technological competitiveness as a compelling focal point, O’Neill decided to aim for a Democratic rebranding along these lines. As Speaker of the House, O’Neill both sought to build unity within his party and showcase to the nation his party’s capacity for good governance,

¹⁰⁰ “Confrontations like that over Social Security reminded Democrats of what they stood against. The question of what they stood for was a trickier one,” Patrick Andelic argues. *Donkey Work: Congressional Democrats in Conservative America, 1974–1994* (Lawrence: University of Kansas Press, 2019), 202, 185.

¹⁰¹ Memo, Patrick H. Caddell to the Democratic Leadership, 20 February 1982, John J. Burns Library, Papers of Tip O’Neill, Staff Files, O’Donnell Files, Sub-subseries 13–14, Box 12, Cited in: *Donkey Work: Congressional Democrats in Conservative America, 1974–1994* (Lawrence: University of Kansas Press, 2019), 192.

working across the aisle when necessary to pass policies in the national interest. Thus, to create a unified message for the House Democratic Caucus, O'Neill assigned the report-writing task to another party member from the younger generation (which Tsongas and Hart exemplified in the Senate): Representative Tim Wirth of Colorado. Like Hart and Tsongas, Wirth admired Reich and Thurow and engaged them to help draft a report aimed to "rekindle the entrepreneurial spirit in America" and "encourage investment and risk-taking in both the private and public sectors to maintain global economic leadership."¹⁰² Nicknamed "The Yellow Brick Road" for its yellow cover, the report (formally titled "Rebuilding the Road to Opportunity") became central to Democratic strategy. Representative Gillis Long, a longtime Democratic strategist, shepherded Wirth's efforts and advised him on the language most likely to appeal to a wide audience.

After months of party divisiveness over topics ranging from protectionism to racism, Democrats coalesced around the report as their cohesive vision. The idea was straightforward: where Reagan called for austerity and small government, the Democrats would call for a positive role for government investment in order to enhance the U.S.'s global competitiveness. As Wirth put it, "Without industrial policy, there's no coherence to the alternative to Reagan." Looking ahead to the 1982 midterms, the Democrats looked increasingly unified; however, as the next section will show, Reagan was in fact putting together his own plan for industrial competitiveness throughout 1981 and 1982 and viewed the Democrats as a political threat.¹⁰³

IV. Adapting to Democratic "New Ideas": The Reagan Response, 1982-1983

In his first two years in office, Reagan struggled not only to retain the support of voters in general, but also the business elites who had played key roles in his 1980 campaign. Among

¹⁰² Geismer argues out that "the recommendations together essentially amounted to Reich's vision of industrial policy with a few add-ons." *Left Behind* (New York: Public Affairs Press, 2022), 38.

¹⁰³ Sidney Blumenthal, "Drafting a Democratic Industrial Plan," *New York Times Magazine*, 28 August 1983.

large-company executives, his approval ratings plummeted from 58% in January 1981 to just 27% by January 1983.¹⁰⁴ As we have seen, there was a growing support among these executives for what the Democrats had on offer: strategic government investment to enhance competitiveness. As this section will show, as the Democrats were gaining in momentum with their competitiveness ideas, the Republican White House sought to co-opt this political strength, seizing the ideas as their own.

This strategic posturing to bolster Reagan's credibility with the competitiveness contingent was largely a private strategic affair in those years – publicly, Reagan rebuffed business leaders who urged a government-directed industrial policy.¹⁰⁵ Reagan is known for “free market economics,” and he realized the strength of the rhetorical position of small government and low taxes. For example, addressing a National Association of Manufacturers luncheon in May 1982, he chastised: “Let me be honest with you ... and tell you I’ve been a little disappointed lately with some in the business community who have forgotten that feeding more dollars to government is like feeding a stray pup. It just follows you home and sits on your doorstep and asks for more.”¹⁰⁶ Such public appeals and professed commitment to principles belied the fact that behind the scenes, Reagan's advisors were working assiduously to acquiesce business elites – including many NAM members – that they had a strategy for enhancing national competitiveness, too.

Within Reagan's cabinet and close advisors, the Department of Commerce, the Department of State, the US Trade Representative, and the various science agencies all pressured

¹⁰⁴ Roger Ricklefs, “Executives Are Losing Confidence in Reagan's Handling of the Economy,” *Wall Street Journal*, 3 January 1983.

¹⁰⁵ Douglas Irwin elucidates the incongruity between Reagan's public rhetoric and his actual policies on free trade and governmental intervention. While Reagan extolled the virtues of a free-market approach in his speeches, internal debates within his cabinet revealed a sharp divide on trade policy. *Clashing Over Commerce: A History of US Trade Policy* (Chicago: University of Chicago Press, 2017), 573.

¹⁰⁶ John Berry, “Reagan Appeals to Business to Stick with Him,” *Washington Post*, 19 May 1982.

Reagan to respond to business leaders who called for increased federal investment. Ed Harper, chief Domestic Policy Counselor, stepped up to play a key role in the fall of 1982, reaching out to business elites who had organized at events like the Harvard Conference. For example, in his correspondence with Ruben Mettler, head of the Business Roundtable, Harper assured him that the Reagan administration understood “the importance of R&D to economic growth” and recognized “relationship between R&D and social concerns as well as technological ... have lost a little of their glow.”¹⁰⁷ Although records of financial contributions from Mettler and others to Reagan are hard to come by, one might assume that Harper’s interest in liaising with such individuals stemmed from an interest in soliciting political contributions.¹⁰⁸

The scientific community was another prominent group which pressured Reagan to pursue a strategy of national competitiveness. Upon Reagan’s election, there was widespread concern among academic scientists that the 1970s trend towards R&D budget cuts would continue;¹⁰⁹ early in Reagan’s presidency, such fears began to materialize. In Response, scientists became an active lobbying group, aligning their funding concerns with the national interest. George Keyworth, head of the Office of Science and Technology Policy, and Erich Bloch, head of the National Science Foundation, played particularly important roles in advocating for scientific investment in the name of national competitiveness.

¹⁰⁷ Edwin Harper to Rubin Mettler, Chairman of the Board & CEO, TRW, Inc., 27 October 1982, RRL, WHORM SC, Folder: 105970-112966.

¹⁰⁸ Jacob Hacker and Paul Pierson, *Winner-Take-All Politics: How Washington Made the Rich Richer--and Turned Its Back on the Middle Class* (New York: Simon & Schuster, 2011).

¹⁰⁹ Scientists were highly vocal in their disapproval of science funding cuts beginning in the early 1970s. See for example: Philip Boffey, Luther Carter, and Andrew Hamilton. “Nixon Budget: Science Funding Remains Tight.” *Science* 167, no. 3919 (1970): 845–48

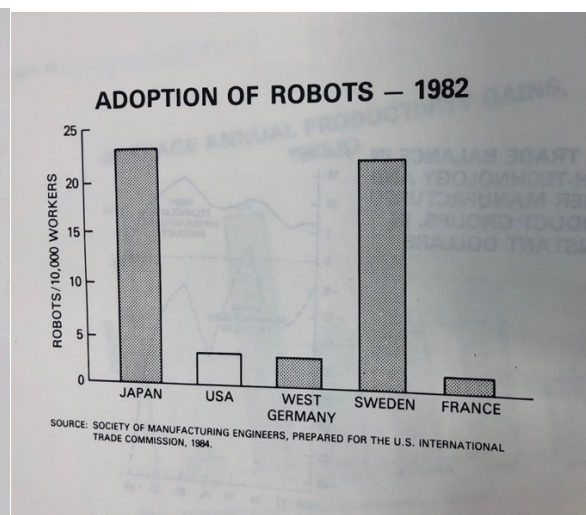
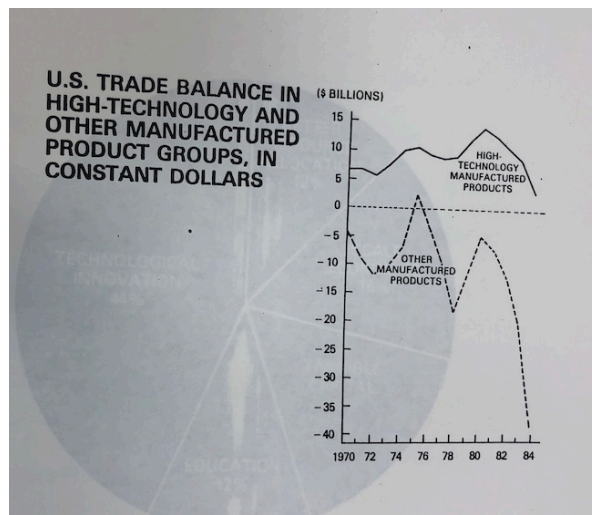
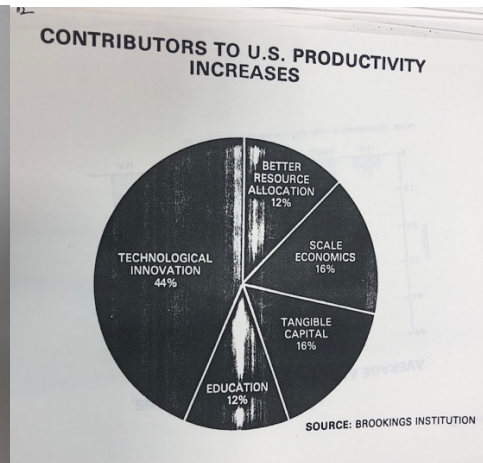
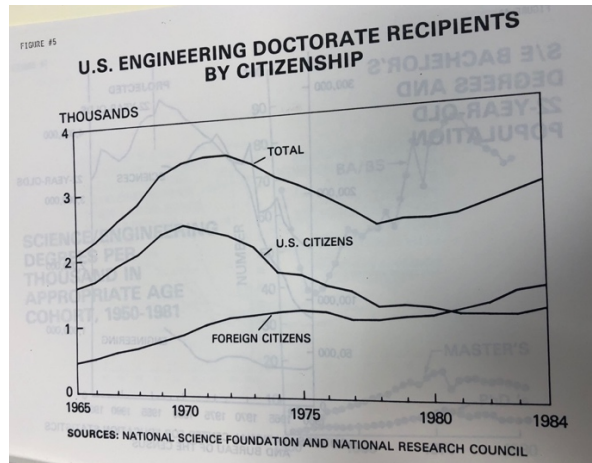


Figure 1.4: Figures Demonstrating U.S. Competitiveness Versus That of Foreign Competitors

The above figures, found in George Keyworth's papers, demonstrate the considerations that the Ronald Reagan White House was weighing as it planned for Reagan's Executive Order, the Presidential Commission on Industrial Competitiveness.¹¹⁰

As certain Republicans in the White House pushed the president towards a national competitiveness strategy, however, they encountered pushback from certain free market advocates at the highest levels of the administration. To understand these internal dynamics, we can look to Harper's proposal to Vice President HW Bush, advising, "I think we should

¹¹⁰ Ronald Reagan Library, White House Staff & Office Member Files, George Keyworth Papers, RAC Box 4, Folder: Economic Policy Council.

encourage labor, management, and academia to discuss the challenges facing the high technology industries. The National Science Foundation has just completed such a report.”¹¹¹ After reviewing Harper’s memo and the NSF’s calls for strategic reindustrialization, Bush was hesitant. He feared that backing a GOP industrial “strategy” would thereby undermine free-market tenets. He conveyed his doubts to the Council of Economic Advisors (CEA): “I am concerned about giving the impression that the Administration is endorsing some process for selecting winners and losers in the American economy—that’s basically the job of the marketplace,” he told James Burnham, Special Assistant to the Chairman of the CEA.¹¹²

In face of such criticism and pushback, Harper continued to seek alliances and advisors in the business community who could help bolster his cause. In the fall of 1982, Hewlett Packard CEO John Young emerged as Harper’s crucial ally. Possessing a high-tech entrepreneurial aura, Young convinced the Reagan Cabinet to prioritize competitiveness, while claiming that his strategy would not conflict with free market principles.¹¹³ Young later recounted his early interest in advising government leaders: “I got interested in this subject simply as a CEO, thinking, ‘Why are we losing to the Japanese?’”¹¹⁴

Harper and Young first encountered each other at a Business Council gathering where Young heard Harper’s presentation on the government’s role in R&D. Curious to attend Harper’s talk, Young was surprised to discover that Reagan was even considering such high-tech federal

¹¹¹ Ed Harper to George Bush, 9 May 1983, RRL, WHORM SC, Folder: 133000-133499.

¹¹² George Bush to James Burnham, 11 May 1983, RRL, WHORM SC, Folder: 133000-133499.

¹¹³ For more information about the self-created mythology of Silicon Valley, see for example: Margaret O’Mara, “The High-Tech Revolution and the Disruption of American Capitalism,” in *Capitalism Contested: The New Deal and Its Legacies* ed. Romain Huret, Nelson Lichtenstein, and Jean-Christian Vinel (Philadelphia: University of Pennsylvania Press, 2020), 199-223; Fred Turner, *From Counterculture to Cyberculture* (Chicago: University of Chicago Press, 2006).

¹¹⁴ The 1980s marked the publication of numerous studies of Japan’s growing might in the computer and hardware industry. See: Martin Fransman, *Japan’s Computer and Communications Industry: The Evolution of Industrial Giants and Global Competitiveness* (Oxford: Oxford University Press, 1995); Marie Anghel, *Computers Inc.: Japan’s Challenge to IBM* (Cambridge: Harvard University Press, 1989).

investment. Following the address, Young invited Harper to a one-on-one tennis match which quickly transformed into “verbal volleying” on commercial R&D. “I was kind of kidding Harper,” Young jested, “gee, you don’t have a strategy after all. And so we got to bantering about what it would take.” Both concurred that Reagan “needed something positive to assuage voters during an election year” and began formulating a strategy.¹¹⁵

Young viewed partisan rivalry as a factor that would motivate the president’s interest in fostering a national strategy, noting that California Governor Jerry Brown “plans to mount a national effort modeled along the lines of his California innovation program.” With the 1984 election looming, Brown was “rumored to have higher-level political ambitions for 1984,” Young said. In response to Brown’s potential campaign, Young remarked, “This seems just another item in the line of Democratic efforts to snare the high technology issue as their own.”¹¹⁶ Particularly wary of the emerging “Atari Democrats,” with the November 1982 midterms just around the corner, Young and Harper plotted to regain tactical advantage for Reagan. On November 3rd, 1982, Harper’s memo titled, “Reagan Science Policy Versus the Atari Democrats,” asserted:

We must resist renewed efforts to intervene directly in the free market, carefully confining the federal S&T role to basic research and research which addresses clear government responsibilities. “We need to continue with new thrusts in the FY 84 budget that produce real growth in basic research to insure technology leadership and adequate manpower.”¹¹⁷

After extensive deliberation on enhancing US high-tech prowess, Young and Harper steered the Reagan administration toward a “high tech council” of elite business advisors, which they would

¹¹⁵ Max Holland, “Mr. Young Goes to Washington,” *Across the Board*, January 1995. Otis Graham likewise argues that the PCIC was part of the Reagan administration’s electoral strategy. “The administration wished the issue to be officially but unobtrusively under study, sanitized away from current electoral struggles,” Graham writes. *Losing Time: The Industrial Policy Debate* (Cambridge, Harvard University Press, 1992), 112.

¹¹⁶ John Young to Ed Harper, 16 December 1982, RRL, WHORM SC, Folder: 103000-105819.

¹¹⁷ “The Reagan Science Policy Versus the ‘Atari Democrats,’” 3 November 1982, RRL, WHORM SC, 105970-112966.

set to work upon in the winter of 1983.¹¹⁸ Indeed, as the next section will show, Harper's calls became increasingly more urgent after the Democrats swept the November 1982 midterms, just one week after Harper issued his "Reagan Science Policy" memorandum, presciently calling on the president for a response.

V. "Atarizing Reagan:" Growing Democratic Strength After the 1982 Midterms

The Democratic Party increasingly appeared to have found a forward-looking agenda distinct from Reaganomics; their goal was to target government investment towards specific sectors to purportedly foster American competitiveness. As they gained momentum, they seemed increasingly threatening to Reagan. In the 1982 midterms, the Democrats gained twenty-six seats, seeming to evidence the public's embrace of their "new ideas." The divergence between Reagan and the Democrats – and the Democrats perceived competence on the tech issue – came to light in their dueling State of the Union and the Democrats' response. In a speech paragraph drafted by Harper, Reagan voiced projections of future U.S. high-tech competitiveness in his 1983 State of the Union address. Addressing Congress, he observed:

To many of us now, computers, silicon chips, data processing, cybernetics and all the other innovations of the dawning high-technology age are as mystifying as the workings of the combustion engine must have been when that first Model T rattled down Main Street, U.S.A. But as surely as America's pioneer spirit made us the industrial giant of the 20th Century, the same pioneer spirit today is opening up on another vast front of opportunity, the frontier of high technology.¹¹⁹

In his speech, he ascribed this wave of "structural unemployment" in industries like steel to "changes in science, technology."¹²⁰

To the Democrats, however, the State of the Union was an opportunity to release a firm rebuttal: their party, not the Republicans, was the party of investment in high technology. The

¹¹⁸ John Young to Ed Harper, 2 November 1982, RRL, WHORM SC, Folder: 105820-105899.

¹¹⁹ Ronald Reagan, "Address Before a Joint Session of Congress on the State of the Union," 25 January 1983.

¹²⁰ Juan Williams, "The Man Behind Reagan's High Tech Hopes," *Washington Post*, 18 April 1983.

Democrats highlighted their collective ideas in their triumphant rebuttal to Reagan's 1983 State of the Union. This response, designed by political consultant David Sawyer, was akin to a "made for TV movie" and featured a spectrum of Democrats unified around the party's renewed focus on industrial growth. Numerous Democrats from states all around the country voiced their commitment to the competitiveness cause: their engaging, organized, and unified response made the Party look strong. Consultant Sidney Blumenthal assessed that after the nation watched the Democrats' rebuttal, industrial policy seemed to become "the official position of the Democratic Party."¹²¹

The strength of the Democrats' position over Reagan became increasingly apparent in the months that followed. One prominent voice was Senator Paul Tsongas (D-MA). His March 1983 op-ed in *The New York Times*, "Atarizing Reagan," articulated the party's faith in high-tech industrial strategy. Advocating targeted federal investment, the Democrats aimed "to strengthen our growing high-tech industry and to rejuvenate basic industry." Tsongas cited the party's midterm victories as evidence for public backing for these "high-tech competitiveness" plans. Yet, he lamented, "there is one missing ingredient: the president."¹²² On March 23rd, 1983, Reagan's announcement of the Strategic Defense Initiative catalyzed fierce public pushback from a growing peace movement, further evidencing to some Americans that the president was not attentive enough to the issue of economic competitiveness.

An April 1983 New York Stock Exchange "Conference on Major Issues" convened the nation's business elite, labor union leaders, and Democratic officials to discuss what it would take to maintain competitiveness.¹²³ A reprise to the 1980 Harvard Conference, this next

¹²¹ Sidney Blumenthal, "Drafting a Democratic Industrial Plan," *New York Times Magazine*, 28 August 1983.

¹²² Paul Tsongas, "Atarizing Reagan," *New York Times*, 1 March 1983.

¹²³ Donald Ephlin to Donald Calvin, 18 March 1983, WRL, Donald Ephlin Papers, Box 11, Folder 27: New York Stock Exchange, Major Issues Conference, 20-21 April 1983.

conference at Harvard, again convened by William Batten, showcased growing solidarity between industrial unions, Democrats, and unionized sectors. Unlike in 1980, union leaders like Donald Ephlin were now engaged in the discussions, even eager to participate.¹²⁴ In his letter of invitation to Ephlin, Batten explained the vision: the conference would involve about 100 chief executive officers of Exchange-listed companies, as well as key policymakers and labor leaders.¹²⁵ Democratic Senators Bill Bradley and Jon Danforth along with Representative Gillis Long were among the workshop's chairs, and as Batten viewed it, "it would be excellent if we could have a labor leader as a commentator at each of the five workshops."¹²⁶

Urging anew a national economic strategy, at the April 1983 conference, Batten again cited polling data, which included, "Two-thirds of the American public believes our economy is in the midst of a major change."¹²⁷ In the midst of this transition, Americans believed that "High technology, computers and information systems are increasingly perceived as job creators rather than as job destroyers – with a growth potential that can lead the way to national economic recovery." All in all, the spring of 1983 seemed to augur growing national consensus on competitiveness policy ideas.

Also in April 1983 came the Business Higher Education Forum's Report, "America's Competitive Challenge," an open letter to Reagan which further upped the ante on this issue. Founded in 1978, the Business-Higher Education Forum (BHEF) served as another site of policy advocacy on behalf of American competitiveness. This coalition of high-profile CEOs and

¹²⁴ William Battten to Donald Ephlin, CC: John Bowles, 21 March 1983, WRL, Donald Ephlin Papers, Box 11, Folder 27: New York Stock Exchange, Major Issues Conference, 20-21 April 1983.

¹²⁵ William Batten to Donald Ephlin, 31 December 1982, WRL, Donald Ephlin Papers, Box 11, Folder 27: New York Stock Exchange, Major Issues Conference, 20-21 April 1983.

¹²⁶ William Batten to Donald Ephlin, 31 December 1982, WRL, Donald Ephlin Papers, Box 11, Folder 27: New York Stock Exchange, Major Issues Conference, 20-21 April 1983.

¹²⁷ "American Public Believes Economy is in 'Transition,' New York Stock Exchange Chairman Calls for Bipartisan Cooperation on a National Recovery Program," 20 April 1983, WRL, Donald Ephlin Papers, Box 11, Folder 27: New York Stock Exchange, Major Issues Conference, 20-21 April 1983.

university presidents aimed to address America's lagging performance against Japan. In a widely circulated open letter to Reagan, "America's Competitive Challenge," they declared: "we must operate from a new worldwide perspective. We must find new approaches and forge new partnerships for coordinated action. Above all, we need a focused national commitment. We must start now."¹²⁸ They argued that enhancing international competitiveness should be America's "central objective" for the decade, urging a "national consensus" akin to the unity that "allowed the United States to land men on the moon." The BHEF's report included over two hundred recommendations that would support the growth of specific American industries. *Business Week* encapsulated its mission thus: "What the Forum and others are proposing is that the government help create an America, Inc., that would preserve traditional freedoms.... the United States can meet aggressive foreign competition by relying on its base of research universities, strong industrial technology, abundant venture capital, and unique entrepreneurial climate."¹²⁹ Recognizing BHEF's influence, Reagan personally thanked them and assured White House collaboration on their proposals.¹³⁰

Yet another force placing pressure on Reagan was a growing group of business elites who called attention to the issue of declining educational and worker competitiveness. In a telling meeting between Ronald Reagan and Silicon Valley executives, one corporate leader pronounced:

The simple fact is that our educational system today does not have the capacity to educate and train enough people with the right qualifications to sustain our industry's growth – not only in our universities but also in our high schools and elementary schools where math and science and computer literacy are critically deficient.

¹²⁸ "America's Competitive Challenge: The Need for a National Response," 1983; "Business Forum Set to Expand," *Times Higher Education Supplement*, 20 August 1982.

¹²⁹ Cited in: Statement of Ranking Minority Member Norman Shumway, House Committee on Banking, Finance, and Urban Affairs, Subcommittee on Economic Stabilization, *Industrial Policy, Part I*, 98th Cong., 1st sess., 1983, 5.

¹³⁰ Recounted in: "Business Forum Set to Expand," *Times Higher Education Supplement*, 20 August 1982.

The speaker continued, “in reality, we’re fighting a cold war on two fronts – militarily with Russia and economically with Japan – but with the same troops – namely, our technical workforce. Neither battle can we afford to lose.”¹³¹ The growing claim among business executives was that American workers were unprepared to perform the jobs which corporations needed to fill. Such lobbying early in his administration led Reagan to reverse course on campaign promise to abolish the Department of Education, newly formed under Carter.¹³² Instead, in 1983, the White House launched its pivotal “Nation at Risk” report, positioning education as a cornerstone for nurturing “human capital.” The report warned of “unilateral educational disarmament” and cautioned: “Our nation is at risk. Our once unchallenged preeminence in commerce, industry, science, and technological innovation is being overtaken by competitors worldwide.”¹³³ This landmark report laid the groundwork for an increasingly wide education reform movement which took hold across the states, as future chapters will examine. The goal was to decrease the “functional illiteracy” of American workers, holding them to higher standards and preparing them for the jobs of the future.

Another Harvard Business School conference convened on the issue of competitiveness added to the calls for government investment. Ruben Mettler, chair of the Business Roundtable, remarked in an HBS conference on the issue: “I support free trade, but also know that it has limits ... Our government must develop the capacity to think coherently about what the national interest is, and business and labor have the primary responsibility to aggressively protect that

¹³¹ “Education Is the Key to Technology,” *Boston Globe*, 1 February 1983.

¹³²

¹³³ “A Nation at Risk,” *National Commission on Excellence in Education*, April 1983.

interest by becoming competitive in world markets.”¹³⁴ Mettler, who was also corresponding with Harper urging the Reagan administration to adopt a competitiveness strategy, found an increasingly sympathetic voice in the Democrats at venues like Harvard Business School.

The rallying cry around competitiveness also made sense in light of futuristic predictions of the New Economy and America’s need to catch up to the transformations. Which were becoming ubiquitous in the media. Thousands of young people are heeding the cry of the ’80s: ‘Go West, young man, and grow up with a new industry,’” reported *Time Magazine* in May of 1983 in a front-page story, “The New Economy.” “No longer does the US have an insulated, largely self-sufficient economy,” the author diagnosed, drawing on nostalgia for simpler times now faded into memory. But in the ’80s, hope was on the horizon: the economy was shifting from capital-intensive manufacturing industries to knowledge-intensive businesses, “with surging, high-technology companies ... leading the world in innovation.”¹³⁵ The struggles of the 1970s were behind them; the Democrats’ message echoed this optimistic call for a transition to a new economic order, led by government investment.

Ted Kennedy was an instrumental force in this messaging. When the Senator opted out of another presidential run in ’84, he invested his political prowess into building consensus around industrial policy.¹³⁶ In his public speeches, Kennedy portrayed industrial policy as the alternative to Reaganomics, echoing the broader Democratic sentiment that “the need to maintain

¹³⁴ George Cabot Lodge, “US Competitiveness/Myths and Realities,” 1 May 1983, Harvard Business School Archives, Baker Library, George Cabot Lodge Papers, Box 20, Folder Title: US Competitiveness: Myths and Realities.

¹³⁵ Charles Alexander, “The New Economy,” *Time*, May 1983.

¹³⁶ Kennedy claimed he decided not to run so that he could spend more time with his children. His decision was also likely in part due to his failed (and controversial) attempt to challenge Carter in the 1980 presidential election and due to fears that a presidential run would stir up his own personal history of scandal, the so-called Chappaquiddick incident. “Why Kennedy Withdrew from 1984 Race,” *Newsweek*, 12 December 1982.

competitiveness” would be the “unifying theme.”¹³⁷ Consultant Peter Hart (no relation to Gary Hart), who ran polls for the Democratic National Committee, wrote in his 1984 report for the party: the Democrats “must make the election a choice about the future,” and “must provide the voters with a sense of the country’s limitless possibilities if we make the right choices during the next four years.”¹³⁸ Appealing to that future, Kennedy commented breezily that industrial policy was “exciting, important, a real alternative for the schizophrenic, non-economic policy of the president. It could be the basis of a Democratic alternative. That’s what my hope is.” Above all, he underscored, “it’s jobs, growth, and hope.”¹³⁹

Behind the buoyant rhetoric, Kennedy’s off-stage endeavors involved leading the secretive Industrial Policy Study Group, which convened over the summer of 1983. The assembly comprised two dozen of the nation’s most influential Democrats, including AFL-CIO President Lane Kirkland, several high-tech CEOs, investment banker Felix Rohatyn, Chrysler Chairman Lee Iacocca, and several former Carter Administration officials, including Domestic Policy Chief Stuart Eizenstat and both former Treasury Secretaries, Michael Blumenthal, and William Miller. They met regularly at the AFL-CIO’s headquarters in Washington D.C., a stone’s throw from the White House. No press was invited, for fear some might accuse them of serving as an “advance guard” singlehandedly writing the Democrats’ 1984 economic platform.¹⁴⁰ Their shared goal was to rectify the perceived problem of America’s declining competitiveness. For as Iacocca exclaimed at one meeting: “I believe in the free market, but I see

¹³⁷ U.S. Senate Democratic Caucus Task Force, *Jobs for the Future: A Democratic Agenda* (Washington DC: Government Printing Office, 1983), 7, 15-16. Cited in Graham.

¹³⁸ “‘The Mood,’ For Internal Use Only (Confidential),” 1984, WRL, Donald Ephlin Papers, Box 2, Folder 64: Peter Hart Survey on Attitudes of UAW Workers. For more information about the rising importance of pollsters in 1980s elections, see: “Pollsters: The Figures Candidates Count on,” *Washington Post*, 15 January 1984.

¹³⁹ “‘Industrial Policy’: Newest Buzzword,” *Washington Post*, 10 June 1983.

¹⁴⁰ Sidney Blumenthal, “Drafting a Democratic Industrial Plan,” *The New York Times Magazine*, 28 August 1983.

what the Japanese are doing to me!’”¹⁴¹ Consensus was crystallizing around the Democrats’ “new ideas” with business and labor alike supportive – and yet, there was still much negotiation to be done.

Conclusion

By spring 1983, the Democratic Party had regrouped. It overcame the initial shock of Reagan's 1980 victory partly by finding common ground over the need to solve America's declining competitiveness. The notion of an industrial policy was gaining momentum across a wide spectrum of influential groups, resonating with both labor and business leaders. These groups were actively engaged in discussions and conferences, aiming to concretize this emergent agenda. Bolstered by the insights of policy entrepreneurs, along with their research and sophisticated public relations campaigns, the Democrats were gearing up for the 1984 elections, with industrial policy as their centerpiece.

During the early 1980s, the Reagan administration was actively preparing its approach to respond to the “competitiveness” idea. The appointment of Malcolm Baldrige as Secretary of Commerce in spring 1983 exemplified this effort. Baldrige, an entrepreneur deeply connected to Silicon Valley, embodied the administration’s commitment to addressing the challenges posed by the Democratic Party. Concurrently, Domestic Policy Counselor Ed Harper gained national attention, highlighted by an April 1983 *Washington Post* profile titled “The Man Behind Reagan’s High Tech Hopes.” This article illuminated Harper’s role in shaping a strategy to improve America’s waning competitiveness. An official from the policy development office remarked, “As policy ideas come from around the government and the White House, they go through Ed Harper’s looking glass and take on computer chips, flashing lights . . . the high-tech

¹⁴¹ Sidney Blumenthal, “Drafting a Democratic Industrial Plan,” *The New York Times Magazine*, 28 August 1983.

look. The president loves it.” In August 1983, in the face of significant Democratic pressure, President Reagan was set to unveil his own plan to enhance national competitiveness. During this period, however, Reagan’s decision to incorporate competitiveness coincided with a diminishing unity within the Democratic Party on the issue. Indeed, as we will discuss in the next chapter, from 1983 to 1984, the political allure of industrial policy sharply decreased.

Chapter 2: The Democrats’ Dilemma and the PCIC’s Accord: The Industrial Policy Divide & The Business-Labor Competitiveness Consensus, 1983-1984

In September 1983, MIT economist Paul Krugman observed: “Support for some kind of targeted industrial policy comes from a remarkably wide spectrum ... The idea is favored by nearly all Democrats and many Republicans, nearly all liberals and many conservatives, nearly all unions and many businesses. The only fairly unified opposition comes from professional economists.”¹⁴² At the time of Krugman’s writing, however, a growing number of business elites and policymakers began to abandon the industrial policy cause. As union leaders became increasingly vocal in their calls for industrial policy, business lobbyists (like those at the Harvard Conference) grew concerned about the trade-offs involved in building consensus with the labor movement on economic policy. In short, numerous industrial and union interests agreed, in a broad sense, on the need for targeted sectoral adjustments. Yet by late 1983, the initial prospect of a unified front in favor of industrial policy collapsed, and ideological disputes and political feuds exacerbated growing divisions within the business community.

¹⁴² Krugman, quoted in Federal Reserve Board of Kansas City, *Industrial Change and Public Policy* (Kansas City, 1983), 123; “Leading Economists Dispute the Case for an ‘Industrial Policy,’” *The Washington Post*, 4 September 1983. Krugman, then at MIT, made this claim at a private meeting of economists, not in the public sphere. Krugman has remarked that he did not enter the political scene in the 1980s for fear that his colleagues in Economics would not take his work seriously. “Krugman’s tribe was academic economists,” a *New Yorker* profile pointed out. But he “was driven mad” by Thurow and Reich, both of whom had written books about industrial policy, “touting a theory that he believed to be nonsense.” Larissa MacFarquhar, “The Deflationist: How Paul Krugman Found Politics,” *The New Yorker*, 21 February 2010.

This chapter examines the political dynamics which drove Reagan and many Democrats to repudiate industrial policy on the 1984 campaign trail and its aftermath. The breakdown in consensus at the level of policymakers mirrored the breakdown of consensus among industrial and union interests between 1983 and 1984. However, throughout these same months, behind closed doors, the Presidential Commission on Industrial Competitiveness (PCIC) met and strategized on their own lobbying vision – a vision which did unite the interests of business and labor into the sought-for consensus. The PCIC, recognizing the political toxicity of “industrial policy” as a term, framed its final report in terms of “industrial competitiveness” alone. The PCIC became the foundation for ongoing business-labor cooperative lobbying between 1985 and 1992, which the latter chapters of this dissertation will discuss.

From the summer of 1983 to the fall of 1984, the appeal of the Democrats’ industrial policy, also referred to as “new ideas” about sustaining competitiveness, fluctuated due to various political factors. The first section of this chapter examines how following the release of the Democrats’ report “Rebuilding the Road to Opportunity” in 1982, both the UAW and AFL-CIO published their own widely disseminated reports, echoing the language and principles of the Democrats’ industrial policy. The second section focuses on the congressional hearings from 1983 to 1984 on industrial policy: testimony from unions, business elites, and industry leaders highlighted the growing divides over industrial policy, particularly contending with the increasing influence of organized labor in the Democratic Party. The third section shifts to the 1984 presidential campaign, demonstrating the Democrats’ waning consensus on industrial policy. Ronald Reagan seized this opportunity to portray his opponent, Senator Walter Mondale (D-MN), as a pawn of “special interest” unions, sharply criticizing the labor-backed “industrial policy.” The fourth section describes how the Presidential Commission on Industrial

Competitiveness (PCIC) managed to forge a consensus between business and labor on a range of policy items deemed essential for bolstering American competitiveness, despite the political turbulence of the period.

I. Blueprints for Competitiveness: Union Influence on the Democratic Industrial Policy Agenda, Summer & Fall of 1983

In “Rebuilding the Road to Opportunity,” the Democrats had optimistically claimed that their plan of government investment would revitalize the nation’s traditional manufacturing sectors, such as auto and steel. According to this new vision of industrial policy, the 1981-1982 recession was a temporary blip; jobs in smokestack industries which had long powered the U.S. economy were coming back. Union leaders, it turned out, were eager to pick up on the Democrats’ promises, offering their own lobbying reports and formulating policy demands to foster this economic transition. By the summer and fall of 1983, union leaders released their own reports in parallel with the Democrats’; their aims were to mobilize both their own base of workers and political leaders to sponsor industrial policy in line with workers’ interests. As unions voiced such demands, however, it became clear to business elites and policymakers that a pro-worker industrial policy and a pro-corporation industrial policy were not synonymous, especially given global economic transformations in the 1980s such as offshoring and the growing mobility of foreign capital.

In contrast to the Democrats, organized labor had a multitude of plans and recommendations. In their manifesto on industrial policy, “Rebuilding America’s Industry,” the AFL-CIO released its own detailed plan for U.S. industrial policy. Their pamphlet featured 250 proposals, including the contentious idea of a National Development Bank.¹⁴³ “Americans can no

¹⁴³ AFL-CIO Industrial Union Department, “Rebuilding America’s Industry,” 1983, WRL, Donald Ephlin Papers, Box 4, Folder 72: Rebuilding Industry, 1981-1983. This proposal laid out how such government investments could

longer sit idly by while our basic industry is devastated by our own government's disastrous economic policies and by competition from foreign companies supported by their national governments," the report concluded.

In its May 1983 "Blueprint for a Working America," the UAW similarly embraced the industrial policy cause, laying out its vision in light of the Democrats' broader goals. The report emphasized "domestic content" legislation, requiring both foreign and domestic carmakers to produce a percentage of each auto in the U.S. if annual sales exceeded 100,000 units.¹⁴⁴ In the preface to the report, UAW President Owen Bieber wrote that this report responded to the Democrats' ongoing debate over what kind of industrial policy the nation needed; and like the Democratic Party establishment, Bieber framed the auto union's specific lobbying goals in terms of national competitiveness.

Through these appeals, union leaders aimed to forge a cohesive economic vision that would resonate with their base and reinforce the significant union influence. In their magazine, which accompanied the report in a wide mailing to all union locals, the UAW captured stories of individual auto workers who had begun to lose their jobs in high numbers in the early 1980s. With a national industrial policy for the auto industry, the UAW claimed it would respond to the needs of its suffering workforce. Another central component to the AFL-CIO's and the UAW's broader industrial policy commitment was its emphasis on the need for re-training.¹⁴⁵ This theme of educational reform and workforce competitiveness had increasingly taken hold as an urgent national issue in the wake of Reagan's landmark "Nation at Risk" report.

provide both bailouts to struggling industries (like auto and steel) and stimulate emerging industries (like those in Silicon Valley), with appeals to high-tech innovations and the need for modernization.

¹⁴⁴ "The UAW Blueprint for a Working America, A Proposal for an Industrial Policy," May 1983, WRL, Donald Ephlin Papers, Box 4, Folder 72: Rebuilding Industry, 1981-1983.

¹⁴⁵ Associated Press, "UAW Wants Help for Victims' of Technology," *Boston Globe*, 28 July 1982.

The unions took their findings to Congress, leveraging their historical ties with the Democratic Party to gain support across its spectrum. Former Vice President Walter Mondale (D-MN) endorsed the idea at the AFL-CIO Industrial Union Division Convention in May 1983, stating, “we need a new industrial policy.”¹⁴⁶ Mondale invoked an image of American children relegated to menial tasks, “sweeping up around Japanese computers,” without decisive federal action on trade.¹⁴⁷ Gary Hart, Mondale’s main adversary on the primary trail, was also a firm proponent of industrial policy. Soon, six of the seven Democratic presidential hopefuls announced their support for the industrial policy concept. Governor Ruben Askew of Florida, the lone Democrat to withhold full endorsement, nonetheless favored “many specific steps advocated by those who want a formal policy.”¹⁴⁸ With the Democrats boasting political gains in the ’82 midterms with this slogan, and budding union commitment to the issue, the Democrats were optimistic that industrial policy to enhance competitiveness would prove a compelling political pitch in the 1984 election.

II. The Industrial Policy Debate: Business Leaders Challenge the Democratic Consensus, Summer & Fall of 1983

However, by the summer of 1983, the budding Democratic consensus began to fracture. First, in June 1983, progressive economists began to warn the union movement that they should be wary of embracing an economic vision that had generated such wide corporate support. “Among those Democratic alternatives ‘industrial policy’ is rapidly emerging as the frontrunner with both candidates and liberal pundits,” wrote Samuel Bowles, David Gordon, and Thomas

¹⁴⁶ Sidney Blumenthal, “Drafting a Democratic Industrial Plan,” *New York Times Magazine*, 28 August 1983.

¹⁴⁷ “Democratic Candidates Part on Free Trade,” *Washington Post*, 16 May 1983.

¹⁴⁸ Monroe Karmin, “Industrial Policy: What Is It? Do We Need One?” *US News and World Report*, 3 October 1983. For a review of the platforms of the Democratic candidates, see: James K. Galbraith, “Congress and the Industrial Policy Debate,” in *Industrial Policy: Business and Politics in the United States and France*, ed. Sharon Zukin (New York: Praeger, 1987). Cited in Graham.

Weisskopf in their article in the *Nation*, “Industrial Policy: Now the Bad News.”¹⁴⁹ In Ted Kennedy’s industrial policy strategy, there had been hopes that unions and business could identify a common economic policy; but increasingly, the term became so diffuse and easy to co-opt politically that such a consensus became increasingly fleeting.

The malleability of the Democrats’ new ideas, and their growing liability politically, became evident when in August 1983, Reagan announced the plans that Edwin Harper and John Young had been crafting since 1983: the creation of the Presidential Commission on Industrial Competitiveness. In his remarks upon releasing the Executive Order, he underscored the fact that high technology was “transforming all sectors of our economy and even our lifestyles.”¹⁵⁰ Such advancements, he stressed, would “change the way we live.” In ensuing news reports, Harper gushed, “It took us a long time – too long – to get into high tech. Now, we realize that this country is at a place in history comparable to when we went from being primarily an agriculture society to an industrial society.”¹⁵¹ The optimistic language of investing in high technology, which would facilitate a transition to advanced technology and promote overall economic growth, proved easy for the Republicans to use to their advantage. Representative John LaFalce (D-NY) accused Reagan of aiming to “co-opt any initiatives Congress wants to take by saying they’re studying the issue and then, if the issue looks hot, come in before election day and say they’ve got their own plan.”¹⁵²

In the late summer of 1983, LaFalce had staked his own political capital and energy into the industrial policy cause: just as Reagan made his executive order, LaFalce announced the

¹⁴⁹ Samuel Bowles, David Gordon, and Thomas Weisskopf, “‘Industrial Policy’ – Now the Bad News,” *The Nation*, 4 June 1983, WRL, Donald Ephlin Papers, Box 4, Folder 72: Rebuilding Industry, 1981-1983.

¹⁵⁰ “Statement by the President, for Immediate Release,” 4 August 1983, WRL, UAW-Don Ephlin Papers, Box 17, Folder Title: President’s Commission on Industrial Competitiveness, Committee Assignments, 1983 December 28.

¹⁵¹ “Technology Offers Nation New Hope, President Says,” *Los Angeles Times*, n.d., RRL, WHORM SC, Folder: 112968-116458.

¹⁵² “Reagan Names Commission on Industrial Competition,” *WP*, 5 August 1983.

planned hearings of the Subcommittee of Economic Stabilization of the Committee on Finance, with the topic industrial policy. LaFalce – like Kennedy, O’Neill, Hart, Mondale, and others – saw industrial policy as the Democrats’ best possible route forward in sparking party unity. His objective was to break Congress free from what he called “analysis paralysis” and pivot toward crafting actionable legislation, unifying business and labor interests.¹⁵³ LaFalce’s agenda had dual goals: legislative and political. Like his peers in the party, LaFalce saw political consensus around industrial policy as a way to ensure broad voter support in the 1984 election. To explore ways to build a consensus, LaFalce convened over 200 expert witnesses — ranging from economists to business moguls, labor advocates, and even two historians — across 35 days of hearings (and 4,000 pages in the Congressional Record). However, these hearings soon intensified the Democrats’ political challenges, eliciting criticism from business leaders, Republicans, and even some Democrats.

LaFalce’s witnesses included some prominent policy entrepreneurs who had gained a public following thanks to their books on industrial policy. Every policy entrepreneur – each looking for increasing the political audience of their ideas – appeared in the hearings to sell their own ideas and to emphasize the need for government investment for the sake of competitiveness. Economist and author Fred Bergsten, for example, asserted the need for “some mechanism to emulate the Japanese” and proposed “visions of the future” for particular industries.¹⁵⁴ In response to Bergsten’s testimony, LaFalce queried: “Industrial plans are no good, but visions are good?” Attentive to terminology, Bergsten clarified: “Well, semantics are sometimes difficult, as

¹⁵³ Statement of Chairman LaFalce, House Committee on Banking, Finance, and Urban Affairs, *Industrial Policy, Part I*, 98th Cong., 1st sess., 1983.

¹⁵⁴ Statement of Dr. Fred Bergsten, Director, Institute for International Economics, On Behalf of the American Business Conference, House Committee on Banking, Finance, and Urban Affairs, *Industrial Policy, Part I*, 98th Cong., 1st sess., 1983, 91.

you know. What I am envisioning is between visions and plans. Visions would mean a projection of what the U.S. steel, auto, or electronics industry is going to look like.” The specifics of their policy recommendations varied; what drew these policy entrepreneurs together was their emphasis on finding the right words and the compelling political pitch necessary to sell the competitiveness idea.

State governors also voiced their opinions and ideas at the hearings, adding to the positive chorus of policy entrepreneurs. Their goal was to project a rosy future of their states’ economies, yet they were still in dire need of federal support for declining industries.

“Youngstown symbolizes what happens when a nation abdicates its responsibility to chart a rational course for its economy,” warned Ohio Governor Richard Celeste.¹⁵⁵ “We have severe trouble,” underscored Michigan Governor James Blanchard, citing unemployment rates above 20% in some areas. Blanchard became a staunch supporter of industrial policy in his home state.¹⁵⁶ Arkansas Governor Bill Clinton also lent his experience, taking the stand and similarly calling for a national industrial policy.

Another supportive voice for LaFalce’s plans came from unions, who used the hearings as an opportunity to sell their respective industrial policy plans. Howard Samuel, leader of the AFL-CIO’s Industrial Union Department, brought the union vision to bear at the hearings. He noted that it was “not that we have not used industrial policy instruments. We have had an industrial policy in agriculture for 100 years. Many of our defense and space agency

¹⁵⁵ Statement of Hon. Richard Celeste, Governor of the State of Ohio, Subcommittee on Industrial Strategy and Trade, Committee for Economic Development, House Committee on Banking, Finance, and Urban Affairs, *Industrial Policy, Part I*, 98th Cong., 1st sess., 1983, 225.

¹⁵⁶ Statement of Hon. James Blanchard, Governor of the State of Michigan, Subcommittee on Industrial Strategy and Trade, Committee for Economic Development, House Committee on Banking, Finance, and Urban Affairs, *Industrial Policy, Part I*, 98th Cong., 1st sess., 1983, 235.

expenditures have a predictable effect on specific sectors.”¹⁵⁷ Samuel implored, “the consequences of the industrial policy gap are being felt not only in the traditional smokestack industries, but across the whole spectrum of our industrial sector. What we have already encountered in steel and autos is also now appearing in fiber optics and semiconductors.” “Nothing we make is immune,” he underscored.

Though Samuel and others from the union movement sought to tie together the interests of unions and industry (even high-tech industry), the many industrial leaders who participated in the hearings seemed skeptical of these providing aid to unions. While aiming to discredit union-backed industrial policies, corporate lobbyists often showed inconsistencies in their discussions of competitiveness. Representative LaFalce’s questioning of Dr. Sheldon Weinig, head of the American Business Conference, highlighted such discordance.¹⁵⁸ In his published written testimony, Weinig opposed “any type of governmental lending entity,” central to the AFL-CIO’s proposals. However, LaFalce noted an inconsistency: in Weinig’s oral arguments, “you praise the Japan Development Bank because they gave you financial assistance,” but “I read your [published, written] testimony... your testimony says you’re against it, and now you praise the Japan Development Bank.”

Weinig: No; I’m not against it. I’m for competitiveness. And this is a method of being competitive in Japan, sir, by utilizing what they have available.

LaFalce: Are you in favor of the American Development Bank?

Weinig: If it can be used in an effective manner to improve our competitiveness; yes. If it is used in a bureaucratic manner to confuse the issue further, the answer is no. So, I am for anything that will improve our competitiveness.

LaFalce: All right. So, a bank that is going to improve our competitiveness is good; a bank that is going to injure our competitiveness is bad?

¹⁵⁷ Statement of Howard Samuel, President, Industrial Union Department, AFL-CIO, House Committee on Banking, Finance, and Urban Affairs, *Industrial Policy, Part I*, 98th Cong., 1st sess., 1983, 118.

¹⁵⁸ At the time of Weinig’s statement, the American Business Conference was comprised of 100 companies which had between \$50 million and \$1 billion in sales and which represented significant growth over the last 5 years (a minimum of 15% annually). Statement of Dr. Sheldon Weinig, President and CEO, Materials Research Corp., House Committee on Banking, Finance, and Urban Affairs, *Industrial Policy, Part I*, 98th Cong., 1st sess., 1983, 70.

Weinig: No argument. I believe that competitiveness is the issue. If we cannot compete, we are going to be in for a very dismal and frightening failure, and therefore, my statement is that we are for better competitiveness.

“Competitiveness” was ill-defined in its definition, but to Weinig, it was anything that was anti-union, pro-business. In 1983, the business community lacked a unified strategy or definition for competitiveness, something that would later evolve as a result of careful negotiations.

Taking stock of these various witnesses, and how they all used industrial policy for their own advantage, Robert Reich issued a clarion call in his testimony at the Congressional hearing: to fulfill this vision, the Democrats needed to unify around an industrial policy vision that was both efficient and centralized, rather than the grab-bag of industrial-policy measures. Reich, formerly at the Federal Trade Commission and now at the Harvard Kennedy School, insisted that the government had always invested funds into particular industries; there were “countless” microeconomic interventions which the US government pursued, including “trade, tax, credit, Government procurement, research and development, antitrust policies” which “together have a profound impact on the pace and direction of industrial change in the United States.” With Republicans directing vast amounts of funding towards the Strategic Defense Initiative (SDI), there was, indeed, much support for a governmental-led industrial policy, although the existing funds/projects were insufficient, Reich argued.¹⁵⁹ “The issue is not whether we have an industrial policy, the issue is how we undertake it, whether we do it consciously or through the back door,” he implored. Instead of a haphazard approach, he claimed that the government ought to take a deliberate tack.

Calls for a centralized industrial policy – and crucially, one which had union backing – led the prominent business lobbyists who had previously supported this idea to begin to turn their

¹⁵⁹ Statement of Robert Reich, House Committee on Banking, Finance, and Urban Affairs, *Industrial Policy, Part V*, 98th Cong., 1st sess., 1984.

backs. In short, as unions gained sway over the industrial policy debate, both the Business Roundtable and NYSE withdrew their former support, contending that union agendas compromised American competitiveness. In January 1984, the Business Roundtable commissioned historian William Becker to issue a wholesale rejection of industrial policy, drawing on American precedents. “The historical experience with the allocation of capital from above ... does not engender any optimism that the LaFalce and AFL-CIO bank proposals will be any more successful,” Becker concluded.¹⁶⁰ As we have seen, the NYSE’s William Batten had once been an advocate: in 1980, he had organized the Harvard Conference on Competitiveness, and by 1983, he led another NYSE conference which advocated a “National Competitive Strategy.” However, by 1984, a NYSE report cautioned against escalating government involvement in industrial planning, warning of those who “march under the broad banner of industrial policy” labeling their approach as “major surgery of a risky sort.”¹⁶¹ The National Association of Manufacturers – and its affiliated group of manufacturing industrial leaders – continued to support the need for sectoral investment from the government but recognized how industrial policy had become politically toxic. Even if business still favored some proposals to use government funds to spur profitability, the term “industrial policy” was becoming poisonous, with Lee Iacocca explaining, “Well, the first thing we do is we get a new name for it ... never call anything Industrial Policy.”¹⁶²

John Young, CEO of Hewlett Packard, had begun to respond to this call: as head of the PCIC, he was in the midst of formulating a competitiveness strategy that called for sectoral

¹⁶⁰ Business Roundtable Ad Hoc Task Force, *Analysis of the Issues in the National Industrial Policy Debate: Working Papers* (New York, 1984), 118-122.

¹⁶¹ New York Stock Exchange, *US International Competitiveness: Perception and Reality* (New York, 1984), 32-44.

¹⁶² Statement of Lee Iacocca, House Subcommittee on Commerce, Transportation, and Tourism of the Committee on Energy and Commerce, *HR 4360: Industrial Competitiveness Act*, 98th Cong., 2nd sess., 1984, 168, 172. Cited in Graham.

investments – but which avoided the language of industrial policy. In his presentation of the PCIC’s work at the hearings, Young reported the group’s goal was to present a unified vision that could coalesce business and labor interests into a cohesive competitiveness appeal. In his testimony, Young admitted that the report was still underway.

III. The Reagan Rebound: Undermining the Democratic Vision of Industrial Policy in the Leadup to ’84

Between fall 1983 and summer 1984, Democrat-led congressional hearings on Industrial Policy coincided with a shift in political dynamics that favored President Reagan, with his public approval growing. Initially anxious after the Democrats’ 1982 midterm successes, Reagan’s team soon advised a change of tack. With the Democrats’ internal disputes and an emerging economic optimism among voters, Reagan’s inner circle eventually recommended that his 1984 campaign should challenge the Democrats’ narrative of decline.

In early 1984, Reagan’s advisors remained wary of the Democrats’ economic ideas as high-tech generated growing public excitement about the future New Economy. Companies like Apple, IBM, Microsoft, and Hewlett Packard were becoming household names. Apple’s January 1984 “Think Different” Super Bowl Ad was a particularly iconic moment, shaping the public consciousness about the future computing industries which the Democrats talked about so often in their industrial policy appeals.

The Reagan White House’s concerns intensified especially as Senator Gary Hart began rising in the polls with his endorsement of “industrial policy.” Unlike Walter Mondale, Hart’s limited history with union interests seemed to play to his political advantage. Consequently, the president’s team contemplated ways to address and perhaps adopt Hart’s concepts. In March of 1984, in a memo to Chief of Staff James Baker III, presidential aide James Lake referenced Hart’s speech about a “tremendous desire for somebody to express the latent idealism” of

Americans and appeal to their “desire for national unity, for common purpose.”¹⁶³ Lake attributed Hart’s political surge to advice from political consultant Pat Caddell, who urged “that if he [Hart] is to run successfully against President Reagan, he must co-opt two of the President’s greatest assets.”¹⁶⁴ “If we allow any Democrat to claim optimism or idealism as his issue” (the “greatest assets”), the outcome was certain: “we will lose the election.” Complicating matters was a media environment critical of Reagan’s focus on “religion and morality,” forgetting that “four years ago it was President Reagan... possessing the ‘new ideas.’”¹⁶⁵ “DO NOT UNDERESTIMATE THE HART PHENOMENON,” blared another internal report entitled “Planning, Re: Hart.”¹⁶⁶ As the 1984 election drew near, Reagan’s White House also likely grew increasingly concerned about a growing effort among Democrats to court business interests (former Republican donors) for financial contributions.

It is critical to acknowledge that Gary Hart, despite his public image as less beholden to union “special interests,” was actively engaging with labor leaders alongside Walter Mondale during the 1984 electoral primary. For instance, the UAW’s negotiations with both candidates demonstrate their close ties. “The Hart campaign accepted word for word the comments I read to you on the phone,” UAW Vice President Donald Ephlin informed UAW President Owen Bieber after the union signaled its willingness to “take on the fight.”¹⁶⁷ Similarly, the Mondale campaign “didn’t want the fight and are grateful to us and the AFL that we accepted the compromise,”

¹⁶³ *The New York Times*, 7 March 1984. Cited in: Jim Lake to James Baker III, Re: The Press Agenda and Religion, 8 March 1984, RRL, James Baker Files, Box 9, Folder: Political Affairs, January 1984-July 1984 (5).

¹⁶⁴ Jim Lake to James Baker III, Re: The Press Agenda and Religion, 8 March 1984, RRL, James Baker Files, Box 9, Folder: Political Affairs, January 1984-July 1984 (5).

¹⁶⁵ After Reagan’s nomination of Sandra Day O’Connor, he received fierce pushback from the Christian Right due to her pro-choice positions in previous judiciary decisions. Reagan then sought to win back the support of the right-to-life movement. Prudence Flowers, “‘A Prolife Disaster’: The Reagan Administration and the Nomination of Sandra Day O’Connor,” *Journal of Contemporary History* 53, no. 2 (2018): 391–414.

¹⁶⁶ “Planning Re: Hart,” 13 March 1984, RRL, James Baker Files, Box 9, Folder: Political Affairs, January 1984-July 1984 (4).

¹⁶⁷ Donald Ephlin to Owen Bieber, 1984, WRL, Owen Bieber Papers, Box 20, Folder 75: Auto Trade-Mondale.

Ephlin added. He noted that although the language was “weaker than what we wanted,” it avoided a high-profile dispute over domestic content within the Democratic Party. This interaction illustrates that both Hart and Mondale were collaborating with union leaders on their campaign strategies. Moreover, unions were considering the broader national good and their party’s welfare. This counters the prevailing view at the time, which cast unions as “special interests” (a claim which routinely hindered the Democrats’ electoral prospects in the 1984 election and throughout the 1980s).

Meanwhile, in April 1984, the Democrats faced growing political and voter pushback to their industrial policy ideas which led John LaFalce to suffer political embarrassment upon introducing his industrial policy bill to the Democrat-controlled House. The proposed bill would establish, among numerous other provisions, the Council on Industrial Competitiveness, which would conduct sectoral analysis and provide policy advice, and a Bank for Industrial Competitiveness, capitalized with \$8.5 billion in federal funds, which could bring a “coordinated and strategic approach” to governmental financial assistance. Such support, both financial and structural, might help “upgrade” the nation’s industrial sector, modernizing older industries and facilitating new ones. Support for such policies was “a litmus test” for union endorsement, LaFalce recounted, and based on his own reading of the tactical costs and benefits, LaFalce opted for the inclusion of the Bank.¹⁶⁸

It turned out LaFalce judged in error: given the growing anti-union rhetoric and the increasingly strong economy, a wide swath of Republicans and prominent Democrats rejected HR 4360 and denounced industrial policy as a whole, further citing the union-proposed bank. Tim Wirth, the Democrat lead-author of “Rebuilding the Road to Opportunity,” had been one of

¹⁶⁸ Sidney Blumenthal, “Drafting a Democratic Industrial Plan,” *The New York Times*, 28 August 1983. Graham also argues that LaFalce made a tactical error in his decision to include the bank proposal.

the original popularizers of industrial policy and “new ideas.” As he observed, the Bank represented “dollars in search of a problem.” Wirth had his own set of ideas about industrial policy, which he claimed would be better, as did numerous other voices who voted “no” on LaFalce’s bill. The bill failed to pass the House and was the first of several signs of the growing weakness of the industrial policy idea as the Democrats increasingly struggled to find consensus.

In the summer of 1983, DNC Chairman Robert Strauss had predicted that the Democrats’ chosen candidate, whoever it happened to be, would make industrial policy the “centerpiece” of his campaign.¹⁶⁹ Ultimately, “industrial policy” torpedoed as a political strategy. The predicted debate between Reagan’s free market economics versus his opposition’s “new ideas” – never happened. Political consultant Robert Kuttner commented, “the great industrial policy debate ended with a whimper”; in fact, it “was never had.”¹⁷⁰

This shift was fortuitous for Reagan’s re-election bid, as he could showcase an optimistic vision—captured in his “Morning in America” theme—against the backdrop of economic growth. With the economy on his side, Reagan shifted from defense to attack, especially after Walter Mondale clinched the Democratic nomination instead of Gary Hart. Mondale’s past advocacy for “industrial policy” provided a prime target for Reagan, who now portrayed these policies as relics of Soviet-style economics and un-American values. Reagan’s rhetoric cast the major industrial unions, proponents of industrial policy, as driving Mondale toward a centralized economic model—an approach Reagan stood firmly against with his own firm “free market” economic principles.

¹⁶⁹ “Industrial Policy,” *Washington Post*, 29 June 1983. Cited in Graham.

¹⁷⁰ Robert Kuttner, “Revenge of the Democratic Nerds,” *New Republic*, 22 October 1984. Kuttner was a longtime political strategist to Democrats, including Gary Hart. In Chapter 2, I discuss Kuttner’s advice to Hart that he could not abandon labor voters and traditional Democratic constituencies as he planned his political rise.

In July 1984, just as Mondale gained the nomination, the national news began to sour on industrial policy, taking the failed state-level experiment in Rhode Island as a bellwether for the ultimate futility of this political message. In 1983, Rhode Island Governor Richard DiPrete had contacted the political consultant Ira Magaziner to aid in creating a regional industrial policy plan for the states. After months of study and consultations with regional stakeholders, Magaziner released his final report, proposing Rhode Island's strategic investing in four main sectors — tourism, fishing, boatbuilding, and jewelry — while discouraging “legislative pork-barreling.”¹⁷¹ However, when the Rhode Island Strategic Development Commission presented the plan in a statewide referendum in the summer of that year, it faced sharp criticism. Leading the opposition were Brown University economists and Rhode Island business leaders who lambasted the plan as an “elitist scheme” in a pamphlet titled “Common Sense.”¹⁷² For Magaziner, the plan's failure stemmed not from its substance but from its ineffectively conveyed complexity, which the public perceived as a covert move to raise taxes and regulate industries.¹⁷³ “Those enthused about the idea of government ‘industrial policy’ ... received a cold shower last month,” summarized the *Washington Post* in July 1984.¹⁷⁴ “Today, industrial policy is dead as a political idea,” exulted Allan Feldman, the Brown economist who had led the counter-mobilization effort.¹⁷⁵

By fall 1984, two Carter administration officials authored an *Atlantic* article about industrial policy, entitled “The Democrats’ Coming Civil War.” In the article, the authors surveyed the past two years and concluded that industrial policy had risen in political popularity

¹⁷¹ Rhode Island Strategic Development Commission, *The Greenhouse Compact: Cultivating Rhode Island's Fourth Economy, Executive Summary* (Providence, 1983). Cited in Graham.

¹⁷² Allan Feldman, “Sunset for Industrial Policy,” *Policy Review*, Fall 1984, 84. Cited in Graham.

¹⁷³ Adam Smith, “The Cold Truth About a Hot Idea,” *Esquire*, October 1984. Cited in Graham.

¹⁷⁴ “A ‘New Idea’ Fizzles on Launch,” *The Washington Post*, 15 July 1984. Cited in Graham.

¹⁷⁵ Allan Feldman, “Sunset for Industrial Policy,” *Policy Review*, Fall 1984, 84. Cited in Graham.

for two main reasons. First, it served as a rallying point, “a banner under which organized labor and the party’s liberal intellectuals, professionals, and businessmen can unite.” Second, “the concept holds some promise of being an asset in the campaign, as a means for highlighting the issue of America’s international competitiveness.”

However, they issued a dire warning and issued a call to reverse course; the Democrats’ industrial policy appeal would work neither in the short term nor in the long-term. On the one hand, industrial policy lacked empirical foundations; instead, it had “originated not as a strain of academic theory but in the striving of Democratic policymakers to cope with ‘stagflation’ in the late 1970s.” Moreover, there were fundamental differences in perspective which simplistic appeals to “industrial policy” could not avoid: pro-labor and pro-business policy were not the same, no matter what the policy entrepreneurs lauded of their sector-specific solutions. As the authors saw it, “what organized labor and its allies mean by industrial policy is very different from what academic planners like Reich and Thurow have in mind. These differences can probably be suppressed as long as the principal function of industrial policy is to assist in a political campaign that both factions want desperately to win.” The authors cited Charles Schultze, Carter’s head of the Council of Economic Advisors, who agreed with their assessment, summing up the view: “America is not de-industrializing. Japan does not owe its industrial success to its industrial policy. Government is not able to devise a ‘winning’ industrial structure.”

Reagan won the 1984 election by a landslide, buoyed by his tone of optimism and his ability to negatively frame “industrial policy” as toxic. In its wake, Mondale foreswore industrial policy as a political mistake, blaming unions for pushing him in that direction. As Mondale framed it, “the more I thought about it [industrial policy] and listened to those guys – you know,

Reich and the others – I came to see that they were simply advocating more government, essentially. So, I backed away from it.”¹⁷⁶ Similarly, LaFalce, after the political defeat of his bill and his party as a whole, voiced frustration. He blamed the unions’ unwillingness to compromise as part of the problem, saying that “they almost had to be taught a lesson.”¹⁷⁷

Union leaders’ disillusionment with the Democrats was acute: their votes had been courted but they were subsequently tagged as “special interests” by their own Party’s leaders — a term toxic in political discourse in the age of Reagan. After the 1984 election, UAW President Owen Bieber cautioned that “industrial policy” was increasingly deployed “simply as a device to prop up ailing corporations and restore profit margins without regard to the welfare of workers and communities.” Labeling the “workerless recovery” an oxymoron, Bieber included a phonetic guide (“oxey-moron”) for clarity. In a biting aside, he said, “It takes a moron to suggest such a thing.”¹⁷⁸ His goals for the union were unequivocal: “full and secure employment, a better living standard, and an increased supply of goods and services.”¹⁷⁹ As the UAW and other industrial unions sought political allies between 1983 and 1984, they had unexpectedly found common ground with business elites within the inner debates of the Presidential Commission on Industrial Competitiveness. The 1984 defeat left industrial unions disheartened by the Democrats’ apparent indifference to industrial decline. The following section revisits the behind-the-scenes activities of the Presidential Commission on Industrial Competitiveness. It examines how its members, away from the public eye and political fray, reached a consensus on competitiveness strategies that resonated with both union and corporate stakeholders.

¹⁷⁶ Graham, *Losing Time*, 165. Interview with Graham, 21 October 1985.

¹⁷⁷ Graham, *Losing Time*, 160. Graham’s interview with LaFalce, 24 April 1986.

¹⁷⁸ Bieber Remarks for DNC, 15 July 1983, WRL, Owen Bieber Papers, Box 9, Folder 9: Democratic National Committee.

¹⁷⁹ Bieber Remarks for DNC, 15 July 1983, WRL, Owen Bieber Papers, Box 9, Folder 9: Democratic National Committee.

IV. Synergy in Strategy: The Presidential Commission's Business-Labor Consensus on Competitiveness

In their February 1984 "Status Report," the Presidential Commission on Industrial Competitiveness (PCIC) staff presented key questions to mull over at their forthcoming Detroit meeting. Since its inception in August 1983, the PCIC's mission was to devise policy recommendations that would bolster U.S. competitiveness—a goal endorsed by both industrial unions and corporations. For each proposed policy, members of the PCIC were asked a series of questions. For example, "Does the statement accurately diagnose the current competitive strengths and weaknesses of the U.S.?" and "Are the characteristics for evaluating policies appropriate? Is the statement something in which we can gain wide consensus?"¹⁸⁰ After extensive deliberations, the PCIC succeeded where the Democrats had stalled: it compiled a report that won endorsement from both leading labor figures and top business executives. This section maps the journey from summer 1983 to the end of 1984, shifting focus from the national political arena to the inner mechanics of the PCIC. It explores how the commission cultivated a wide-reaching consensus, aligning with the industrial policy objectives set forth at the Harvard Conference of 1980. By fall 1984, this coalition had garnered significant labor support, setting the stage to significantly shape national policy, as Parts II and III of this dissertation will demonstrate.

Since its establishment in August 1983, the Presidential Commission on Industrial Competitiveness (PCIC), led by John Young, was met with skepticism. Critics dismissed it as merely a token gesture by Reagan, with no genuine commitment to the nation's issues of competitive decline. In response, Young began to emphasize that the PCIC served the "public

¹⁸⁰ Status Report, President's Commission on Industrial Competitiveness, 3 February 1984, WRL, Donald Ephlin Papers, Box 17, Folder 24: President's Commission on Industrial Competitiveness, Strategy Study Group, Wayne State University.

interest”— a mark of political integrity at the time – and aimed to form a coalition diverse enough to lay claim to this label.¹⁸¹ By December 1983, he widened the PCIC’s circle to include labor union representatives as well as figures from the auto and steel industries. Committed to the PCIC’s autonomy, Young advocated for financial and operational independence from the White House and Department of Commerce,¹⁸² publicly proclaiming that the commission would not present the Reagan administration with “pre-cooked” recommendations.¹⁸³ Addressing media concerns about the commission’s focus on high-technology in its mandate, Young reminded his interviewer the PCIC included stakeholders from diverse sectors and groups.¹⁸⁴ What united these interests, he claimed, was their shared interest in bolstering federal investment in new technologies critical to competitiveness.¹⁸⁵

¹⁸¹ For analysis of the rise of public interest lawyers in the 1960s and how they launched a “powerful critique of the hermetically sealed corridors of power that ran between organized interest groups and the government,” see chapter 4 of Sarah Milov, *The Cigarette: A Political History* (Cambridge: Harvard University Press, 2019), 119-159.

¹⁸² US Department of Commerce, Charter of the President’s Commission on Industrial Competitiveness, June 1983, WRL, Donald Ephlin Papers, Box 17, Folder 26: President’s Commission on Industrial Competitiveness, Committee Assignments, 1983 December 28

¹⁸³ Max Holland, “Mr. Young Goes to Washington,” *Across the Board*, January 1995.

¹⁸⁴ “The President’s Commission on Industrial Competitiveness: Background and Interview with Commission Chairman John Young,” 16 March 1984, WRL, UAW-Don Ephlin Papers, Box 17, Folder Title: President’s Commission on Industrial Competitiveness, 1984 March.

¹⁸⁵ David Stockman, Memorandum for the President. Subject: Proposed Executive Order Entitled “President’s Commission on Industrial Competitiveness,” 22 December 1983, RRL, WHORM FG397 - President’s Commission on Industrial Competitiveness, Folder: 168540. In this revised version of the Executive Order, Reagan approved increasing the membership of the PCIC to thirty-five which would allow for the inclusion of union voices and more representatives from manufacturing industries.

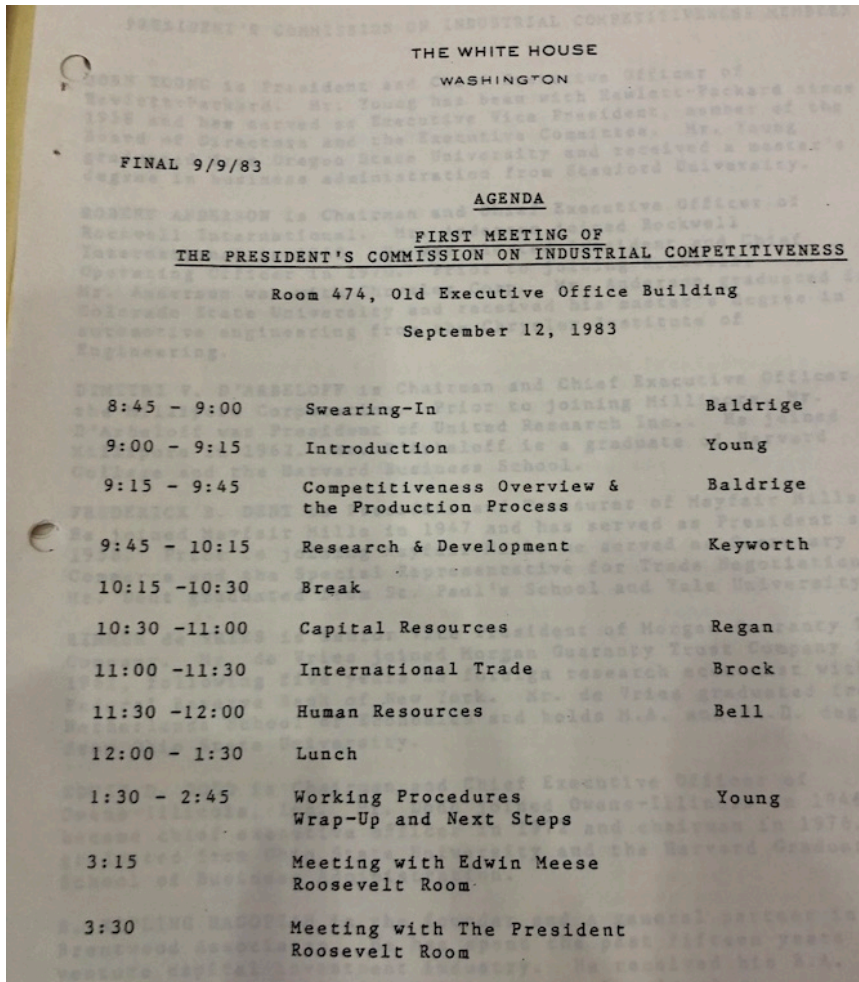


Figure 2.1: Agenda of First PCIC Meeting

In September 1983, the PCIC held its first meeting at the Old Executive Office Building near the White House. As this agenda shows, six members of the Reagan administration met with the PCIC to discuss Reagan's priorities in each area before the group met with the President himself. By the winter of 1984, Young sought increased independence from the White House, and future PCIC meetings featured few – if any – White House officials.¹⁸⁶

Indeed, a unifying concern among PCIC members was the focus on investment in new high-technology to bolster American industry's competitiveness against Japan. The commission frequently discussed “leapfrog” technology — innovations capable of yielding substantial productivity boosts and outpacing international rivals. The PCIC's core assumption was that the

¹⁸⁶ Walter Reuther Library, Donald Ephlin Papers, Box 17, Folder: PCIC, Committee Assignments, 1983 December 28.

U.S. was on the cusp of a high-tech economic era. The goal was not to abandon established industries but to achieve a consensus on the necessity for strategic investments to navigate and thrive in this impending economic landscape.

The PCIC represented a broad coalition of industrial interests, aiming to forge consensus across diverse sectors. The PCIC's leadership frequently engaged with the National Association of Manufacturers (NAM), which was also crafting its own industrial policy recommendations. Young's vision for technological advancement struck a chord with NAM's leadership, with figures such as Alexander Trowbridge and Jerry Jasinowski championing Young's direction. Moreover, NAM members, including representatives from the automotive and steel industries, were integral to the PCIC. This collective of industrial leaders agreed that proactive government investment in technology modernization was a unifying concept with the potential to galvanize various segments of American industry, labor included.

Young, recognizing the influence of a unified business-labor front, welcomed union leaders to the PCIC. He extended membership to Howard Samuel of the AFL-CIO's industrial union division and Don Ephlin, the Vice President of the AFL-CIO.¹⁸⁷ In his invitation to Ephlin, Young wrote, "We are pleased to have you as a member of the Commission and look forward to working with you."¹⁸⁸ Recognizing the value of union endorsement for the PCIC agenda, Young provided Ephlin with a "Speaker's Kit" for public appearances with sample speeches, "which may be of help to you in preparing for speaking engagements."¹⁸⁹ Ephlin actively participated in

¹⁸⁷ In chapter 1, LaFalce and Kennedy similarly tried to assemble business and labor voices and foster their agreement on a coherent set of policies to enhance American competitiveness, but these earlier efforts were not successful.

¹⁸⁸ Thomas Uhlman to Donald Ephlin, 28 December 1983, WRL, UAW-Don Ephlin Papers, Box 17, Folder Title: President's Commission on Industrial Competitiveness, Committee Assignments, 1983 December 28.

¹⁸⁹ Memorandum for Commission Members from Barbara Gleason, Director of Public Affairs, Subject: Speaker's Kit, March 1984, WRL, UAW-Don Ephlin Papers, Box 17, Folder Title: President's Commission on Industrial Competitiveness, 1984 March.

the R&D committee, while Samuel contributed to the human capital committee. Young's ability to engage union leaders as key contributors to the competitiveness agenda was evident. He strategically chose labor-centric cities like Detroit and Pittsburgh for PCIC meetings and curated social events to nurture camaraderie and dialogue. Labor leaders had the stage to invite speakers, engage in robust discussions about sustaining competitiveness, and conduct factory tours that highlighted the shop floor's role in bolstering American industry.

As head of the PCIC, Young sought not only to shape policy but also to influence public discourse. To enhance the nation's commitment to competitiveness, the PCIC partnered with Harvard's Michael Porter, who crafted a strategy for the commission. The 1980s witnessed increasing overlaps between business consultancy, policy advocacy, and public relations. Porter's involvement exemplified this blend, leveraging his Harvard Business School expertise for government policy advice. "Attached for your review is the draft statement from the Strategy Study Group outlining a U.S. strategy towards industrial competitiveness," Porter informed his fellow commissioners.¹⁹⁰ Emphasizing "competitive advantage", Porter introduced a strategy akin to his corporate consultancy, emphasizing the idea that entities can outpace rivals by capitalizing on their distinctive strengths.¹⁹¹ He likewise counseled the PCIC to prepare a document on America's "competitive advantages", which could guide governmental investment therein.

¹⁹⁰ Michael Porter to Fellow Commissioners, 20 April 1984, WRL, Donald Ephlin Papers, Box 17, Folder 24: President's Commission on Industrial Competitiveness, Strategy Study Group, 1984 April 20.

¹⁹¹ Michael Porter first described his theory in *Competitive Strategy: Techniques for Analyzing Industries and Competitors* (New York: Free Press, 1980). Over the course of the 1980s, Porter advocated that his theories applied equally to national governments. See for example: Michael Porter, *The Competitive Advantage of Nations* (New York: Free Press, 1989).

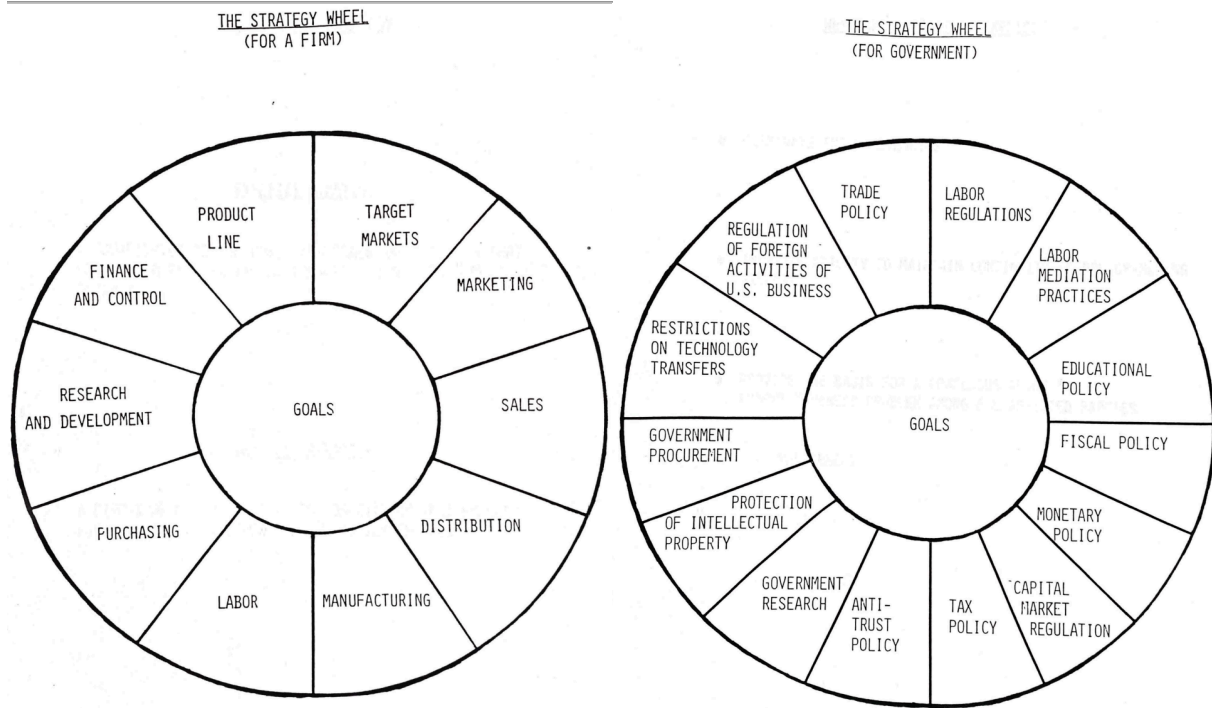


Figure 2.2: Strategy Study Group, Strategy Wheels

A business professor at Harvard who often consulted with private corporations, Michael Porter's presentation exemplifies how he applied his private sector management theories about "competitive advantage" to the PCIC's proposed strategy for national competitiveness. Here, Porter pictures a "strategy wheel" of "explicit strategies" around the central goals (see: hierarchy of goals) for both private and public sector entities.¹⁹²

¹⁹² Walter Reuther Library, Donald Ephlin Papers, Box 17, Folder: PCIC, Strategy Study Group, 1984 April 20.

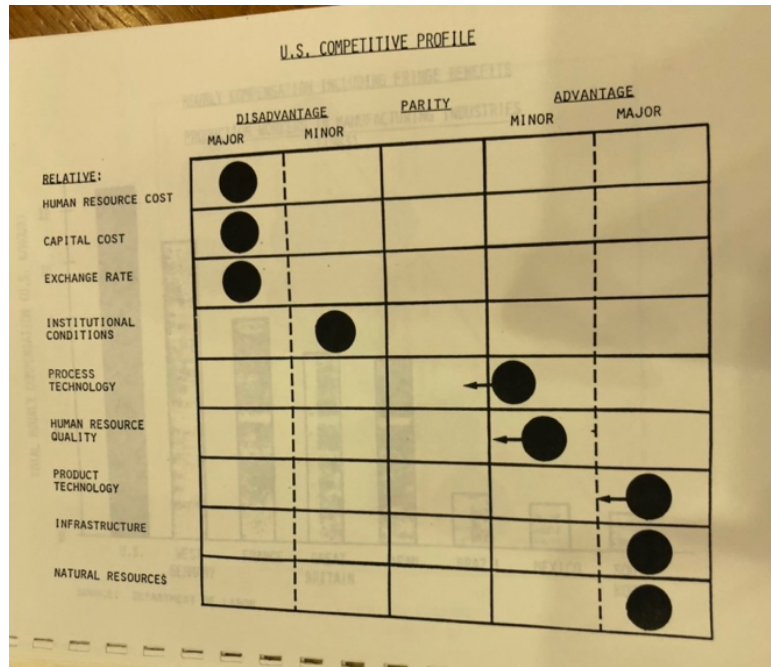


Figure 2.3: Strategy Study Group, U.S. Competitive Profile
Here, Porter describes the U.S. competitive profile of the United States in various areas relative to foreign competitors.¹⁹³

Beyond aiding the PCIC in crafting statements on America’s “competitive advantages,” Porter also fashioned a discourse and optimistic ethos behind their endeavors. Ephlin thus received several briefings from Porter’s PCIC Strategy Study Group, including one entitled “Competitiveness as a National Priority,” asserting:

Americans are quick to take action in times of national crisis. Dramatic events, such as the launching of Sputnik, can generate the drive to get things done. While there is a growing awareness that many American goods and services are losing pre-eminence in the global marketplace, an acceptance of the severity of the problem, and the will to do something about it, are largely lacking ... What we need is a new era – an era of partnership in which regulator and regulated, environmentalist and industrialist, labor and management fight together to make American industry preeminent again.¹⁹⁴

Porter’s objective was to frame competitiveness as an urgent economic challenge — a battle the U.S. could not afford to lose — to rally public sentiment.

¹⁹³ Walter Reuther Library, Donald Ephlin Papers, Box 17, Folder: PCIC, Strategy Study Group, 1984 April 20.

¹⁹⁴ “Competitiveness as a National Priority,” 30 April 1984, Box 17, Folder 28: President’s Commission on Industrial Competitiveness, Committee on Research, Development, and Manufacturing, 1984 June 12

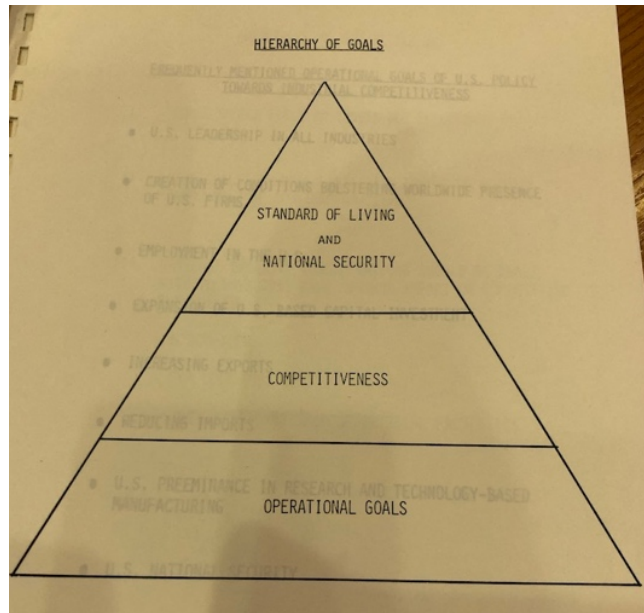


Figure 2.4: Strategy Study Group, Hierarchy of Goals

Here, Porter describes the United States’ “hierarchy of goals.” If the United States achieved its operational goals, it could achieve competitiveness, thereby assuring a high standard of living and national security, according to his report.¹⁹⁵

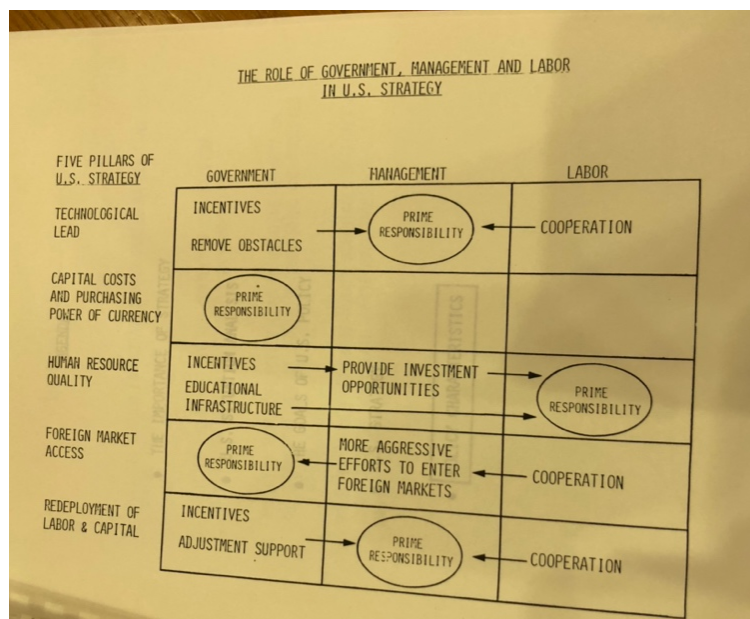


Figure 2.5: Strategy Study Group, Roles of Government, Management, and Labor

Here, Porter outlines the role of government, management, and labor in each realm of competitiveness as studied by the Council on Competitiveness. Notably, when it came to human resource quality, the prime responsibility purportedly fell on labor. Moreover, while the PCIC called on the federal government to provide “investment” and “infrastructure,” there was no direct appeal for increased federal spending.

¹⁹⁵ Walter Reuther Library, Donald Ephlin Papers, Box 17, Folder: PCIC, Strategy Study Group, 1984 April 20.

The PCIC convened during the 1984 election cycle, which increasingly, Reagan dominated. By the fall of 1984, the booming economy and surging Presidential approval ratings eased the White House's earlier apprehensions about the Democrats' strength. The PCIC, originally developed in early 1983 to offer a counter-narrative to the Democrats' "new ideas", became less useful for Reagan's campaign strategy. Thus, the administration postponed the release of Young's final report until the winter of 1985. Reagan's decisive 1984 win rejuvenated his tale of "morning in America," solidifying claims about economic revitalization and sidelining opposing business views.

Conclusion

In the fall of 1984, White House advisors reviewed the PCIC's draft and planned the president's eventual response. "This evening, as I again read through the draft report of the PCIC I guess I was struck by how subtly the document incorporates an 'industrial targeting' perspective," observed Larry Herbolsheimer of the White House Office of Cabinet Affairs. He advised the cabinet, "when you think about the general recommendations in such significant areas as import policy, export promotion, a Cabinet level focus on science and technology, etc. ... you have to conclude that the details behind the recommendations will have very specific 'targeting' measures contained within them." "I am not saying that everything that they suggest is counter to this Administration's general philosophical concepts. To the contrary... they have some very good suggestions, but we should be careful not to embrace the entire package," he concluded.¹⁹⁶

¹⁹⁶ Letter from Larry Herbolsheimer for WH-RM, Subject: PCIC Draft Report Acknowledgment Sent, 19 November 1984, RRL, WHORM FG397 - President's Commission on Industrial Competitiveness, Folder: 277771 (1 of 3).

In January 1985, after months of strategic discussions, the PCIC submitted its final report titled “Global Competition: The New Reality.” John Young traveled to Washington to brief Reagan and the entire cabinet in the Oval Office. He outlined:

There has been a structural change in the world economy. The US has gone from a being [sic.] a dominant force to having to be a competitor. Long-term secular trends suggest our competitive status is being challenged. The Commission is proposing an action program that will complement and reinforce the Administration’s objectives for a more productive and competitive economy.¹⁹⁷

Provisions included reductions to the federal budget deficit and tax reform to encourage capital investment by industry in modernized plants and equipment. Among the more controversial of its proposals was the recommended creation of a Department of Science and Technology. The proposed entity would be responsible for channeling \$18 billion in annual funding from the government towards technological advances.¹⁹⁸ Highlighting the widespread support such policy recommendations had garnered, Young stressed, “members represent a diversity of viewpoints.” Although his presentation’s attendance was robust, the ensuing discussion was precisely what Young had dreaded. Though the PCIC professed that their program would “complement and reinforce” Reagan’s existing economic policy, the president reportedly saw it as a “politically and ideologically brazen report, given the November results.”¹⁹⁹ Reagan scribbled his thoughts in a note to Secretary of State George Shultz: “If the United States really has such economic problems,” Reagan asked, “why did all those foreign countries still want to

¹⁹⁷ “President’s Commission on Industrial Competitiveness - White House Briefing,” 15 November 1984, RRL, WHORM FG397 - President’s Commission on Industrial Competitiveness, Folder: 277771 (1 of 3). As Young pointed out, “Manufacturing, technological, and financial leaders from firms and organizations like Rockwell, Westinghouse, Intel, Texas Instruments, Pfizer, Morgan Guaranty have assured a corporate perspective. ... finally, national labor leaders from UAW and AFL-CIO have provided an invaluable labor perspective.”

¹⁹⁸ “US Must Regain Competitive Edge, Panel Says,” *Courier-Journal*, 4 February 1985. For reference, \$18 billion is \$47 billion in 2022 dollars, and the 2022 budget request of the National Science Foundation was \$10.17 billion in 2022 dollars.

¹⁹⁹ Max Holland, “Mr. Young Goes to Washington,” *Across the Board*, January 1995.

be like America?”²⁰⁰ Ultimately dismissing the PCIC report as industrial policy, the Reagan administration rejected its conclusions and dissolved the group.

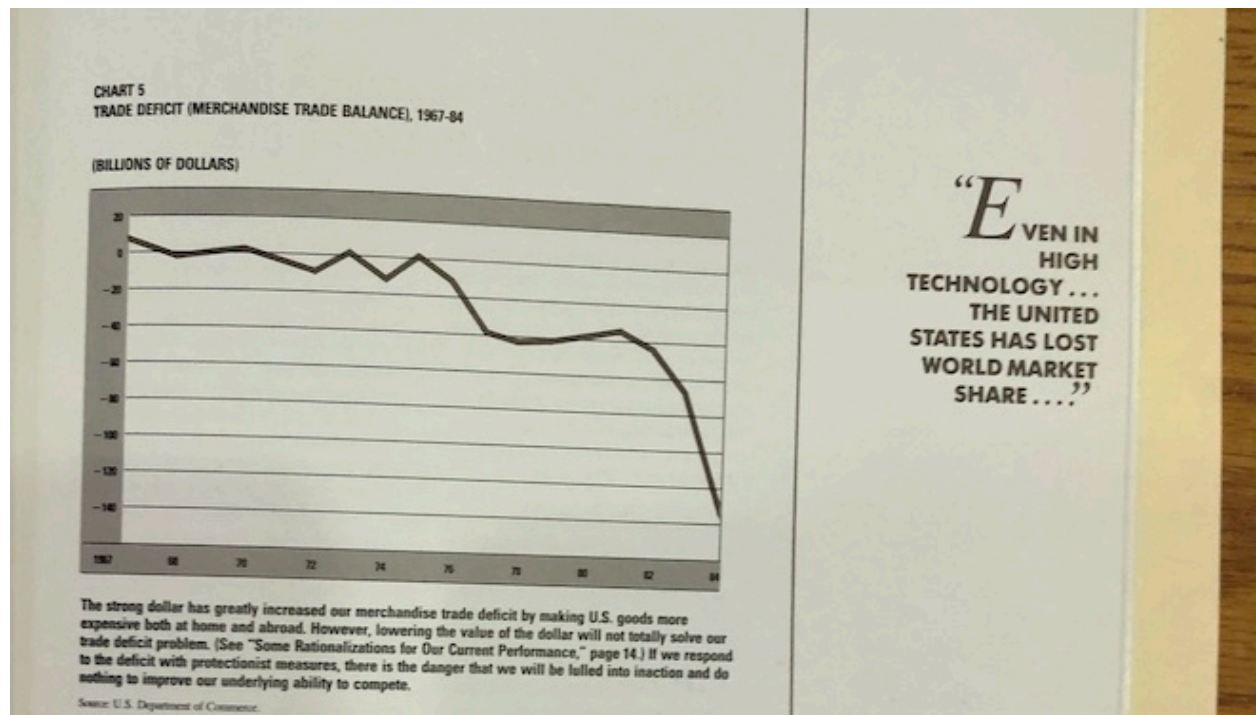


Figure 2.6: Trade Deficit Chart in PCIC Final Report

Throughout the 1980s, the growing trade deficit was always the most visceral symbol of America's competitive decline – even though the business-labor coalition around competitiveness always struggled to find a consensus on this issue.²⁰¹

The PCIC marked a significant turning point from the discussions at the Harvard Conference. Unlike the earlier conference, which had limited political impact and mixed support, the PCIC claimed to act in the public interest, and labor bought into this message. Though Reagan had rejected the findings of the PCIC, Young and the other members of the group would prove themselves political power players, independent of White House endorsement.²⁰² We turn to that story in Part II.

²⁰⁰ Schultz relayed this quote to Young who recounted it in his interview with Max Holland. "Mr. Young Goes to Washington," *Across the Board*, January 1995.

²⁰¹ Walter Reuther Library, Donald Ephlin Papers, Box 19, Folder: PCIC, Final Report Public Release, 1985 February 21.

²⁰² Margaret O'Mara mentions the PCIC as evidence that Reagan sought to build connections with certain business leaders in Silicon Valley but does not mention what happened when the president rejected the group's findings.

Part II

The Omnibus Trade and Competitiveness Act, ratified in August 1988, was – in terms of its scope and implications – among the most important economic policy bills of the late 20th century. Endorsed by leaders from diverse sectors, the Act’s expansive 900-pages included provisions catering to a variety of industrial interests. For beleaguered manufacturing industries like steel, the Act was a respite, offering trade adjustment assistance that addressed the adverse effects of foreign imports.²⁰³ On the other hand, emerging technology firms and defense contractors welcomed the Act’s provisions that eased export controls, bolstered intellectual property rights, and subsidized research and development.²⁰⁴

Leaders of industrial unions, including the UAW, Steelworkers, and AFL-CIO, endeavored to shape the bill, forming a strategic alliance with industrial lobbyists to champion its enactment. Their primary goals included the Plant Closing Legislation, which mandated advance notice for workers facing layoffs. Additionally, these leaders advocated for the bill’s industrial policy measures—such as industry-specific provisions for steel and automotive sectors and direct subsidies—which many business executives had also lobbied for. Although some pro-labor provisions, like investment in worker retraining and the Plant Closing notice, were incorporated

Margaret O’Mara, “The High-Tech Revolution and the Disruption of American Capitalism,” in *Capitalism Contested: The New Deal and Its Legacies* ed. Romain Huret, Nelson Lichtenstein, and Jean-Christian Vinel (Philadelphia: University of Pennsylvania Press, 2020), 199-223, 221.

²⁰³ See for example: Title VII, the Buy American Act of 1988, *HR 4848, Omnibus Trade and Competitiveness Act*, 100th Cong., 2nd sess., 1988; Title I, Trade, Customs, and Tariff Laws, introduced new protective measures favoring domestic industries such as steel, scrutinizing foreign subsidies and practices deemed harmful to the U.S. economy and enabling the U.S. take stronger retaliatory action if foreign nations did not honor their obligations under trade agreements. *HR 4848, Omnibus Trade and Competitiveness Act*, 100th Cong., 2nd sess., 1988; Title II, Export Enhancement, implemented various initiatives to increase U.S. exports, including a push for U.S.-made auto parts in Japanese markets and programs to enhance trade and investment.

²⁰⁴ Title V focused on the establishment of new support programs for technology transfer and manufacturing, increased funding for technological initiatives, and policy formulation to safeguard intellectual property rights. Title II, Subtitle D of the Omnibus Trade and Competitiveness Act of 1988 revised the Export Administration Act of 1979, introducing new measures for export control, including stringent sanctions on companies that violated multilateral export control agreements, specifically those that assisted the Soviet Union with advanced technology. These stricter measures vis à vis the Soviet Union generated support from Republicans and defense interests who prioritized preventing military rivals from acquiring advanced technology.

into the final bill or related legislation, these efforts were largely symbolic and failed to deliver the substantial benefits American workers had expected from the bill.

Part II examines the period between January 1985 and August 1988, beginning with the Democrats' reconstruction of their economic policy around the competitiveness concept following their 1984 electoral defeat. It follows the consolidation of the business-labor consensus on the competitiveness agenda, culminating in the Omnibus Trade Bill's passage. The bill had profound implications for trade, education, fiscal, and technology policy. Moreover, it provides insight into the shifting economic power dynamics in the United States during this era, revealing the influence of both established and emerging economic sectors on political parties. Labor union leaders and their constituents regarded the waning of American industrial competitiveness as a collective concern, aligning with corporate America through their participation in the influential Council on Competitiveness. However, industrial labor leaders ultimately lost ground due to their collaboration with business elites who claimed to represent their interests. The Omnibus Trade Bill mirrors the power dynamics of the era: labor's diminishing economic power, the sustained political sway of traditional manufacturing industries, and, crucially, the increasing influence of New Economy industries.

Chapter 3: Competitiveness Reclaimed: The Strategic Alliance Between the Democrats and Young's Council, 1985-1986

In January 1985, the Democrats began to look for inspiration and new economic ideas as they sought to rebuild their party's strength; in particular, they began to look to guidance from Hewlett Packard CEO John Young. In congressional hearings convened by Democrats that winter, Young detailed the findings of the report and laid out the Presidential Commission on Industrial Competitiveness (PCIC)'s increasingly widely-cited definition of competitiveness: "the degree to which a nation can, under free and fair market conditions, produce goods and services that meet the test of international markets, while at the same time maintaining or enhancing its standard of living."²⁰⁵ "I certainly couldn't have said that better myself," Congressman John LaFalce remarked, highlighting the striking parallels between the PCIC's 1985 report – which Reagan had summarily rejected – and his earlier legislative draft, HR4360.²⁰⁶ Senator Max Baucus (D-UT) emphasized America's weakening trade framework and his dedication to addressing the PCIC's concerns, stating: "In 1983, President Reagan foresaw 'a future in which commerce will be king, the eagle will soar, and America will be the mightiest trading nation on earth.' Indeed, commerce may reign supreme, and eagles may ascend, but they're not American eagles. America's trade performance has arguably hit an all-time low."²⁰⁷ For Democrats like LaFalce, Baucus, and many others, Young's PCIC findings began to provide the party with a renewed strategic pathway in the winter of 1985.

²⁰⁵ Statement of John Young, Subcommittee on Economic Stabilization, House Committee on Banking, Finance, and Urban Affairs, *Report of the President's Commission on Industrial Competitiveness*, 99th Cong., 1st sess., 1985, H241-31, 3-7.

²⁰⁶ Statement of Chairman John LaFalce, Subcommittee on Economic Stabilization, House Committee on Banking, Finance, and Urban Affairs, *Report of the President's Commission on Industrial Competitiveness*, 99th Cong., 1st sess., 1985, H241-31.

²⁰⁷ Max Baucus, testimony, Senate Committee on Finance, *Review of Findings of the President's Commission on Industrial Competitiveness*, 99th Cong., 1st sess., 1985, S HRG 99-75.

The Democrats' challenge during this period was to craft an economic message that would distance them from the toxic industrial policy associated with Mondale—yet still capitalize on the economic nationalism that made appeals to competitiveness salient. A confidential 1985 Democratic strategy memo titled “How to Utilize the Trade Issue” illuminated this tightrope walk. It highlighted the potential benefits and pitfalls the trade issue held: “The conventional wisdom is that trade is going to make a good issue for the Democrats. Yet that depends on how the ‘trade card’ is played.” The memo elaborated: “The Democrats are faced with both opportunity and danger. The opportunity is to beat the President on a highly visible issue by explaining to the public why Republican economics can’t solve modern trade problems. The danger is that the Democrats will fall victim to the sirens of protectionism.”²⁰⁸ The document championed an upbeat, forward-looking trade policy, asserting that “Democratic trade policy ought to have a positive cast.” This strategic focus—taking a definitive stance on Japan without explicitly endorsing protectionism—became a key element of the Democrats' 1986 campaign narrative, marking the resurgence of the idea of competitiveness.

This chapter contends that from January 1985 to December 1986, the Democrats, in collaboration with the business-labor coalition for competitiveness, adopted the vision of positive government investment. Prominent figures across the Democratic Party—from Speaker of the House Jim Wright to labor union leaders, Democratic governors, and the nascent Democratic Leadership Council (1985)—renewed their commitment to the idea of competitiveness. Significantly enhancing their political leverage (in stark contrast to the years 1983-1984), with John Young's guidance in the newly established Council on Competitiveness, key business and labor leaders joined forces with the Democrats to unanimously endorse a national

²⁰⁸ “How to Use the Trade Issue,” 5 September 1985, TCU Archives, Jim Wright Papers, Box 1108, Folder: Trade Deficit.

competitiveness strategy. In essence, the Democrats' influence expanded in tandem with this burgeoning business-labor consensus on competitiveness. By 1987, Reagan grew increasingly concerned about the rising power of his political adversaries and their focus on waning competitiveness—especially as his administration grappled with scandal and the country faced an economic downturn.

The first section of Chapter 3 outlines the Democrats' unification around the message of competitiveness. The next section illustrates how state governors' economic policies continued to bolster the Democrats' ideas about policymaking to maintain competitiveness. The third section then delves into the synergy which emerged between the former PCIC and the Democrats as John Young spearheaded his own lobbying group, the Council on Competitiveness (founded in 1986). Between January 1985 and December 1986, the business and labor factions that had united behind the PCIC further rallied around the message of competitiveness; this coalition, in turn, influenced the Democrats' policy formation and shaped their strategy and communication. The concluding section examines Reagan's initial attempts to counter the Democrats' competitiveness narrative in 1986; we turn to the 1987 public announcements of the Reagan Competitiveness Initiative and the Democrats' competitiveness plans in the next chapter.

I. Rallying the Democratic Ranks: The Pivot Back to Competitiveness after Mondale's Loss

"Sure, we lost the race for the White House. Doesn't mean we're in the political dog house!" Jim Wright told his party in a speech at the Democratic National Committee meeting in January '85.²⁰⁹ Serving as House Majority Leader in the 99th Congress (1985-1986), Wright was preparing for a probable promotion to Speaker of the House in the 100th Congress, succeeding the retiring Tip O'Neill. Wright recognized that his new role as Speaker would require him to do

²⁰⁹ Jim Wright, "Some Lines for DNC Speech," 31 January 1985, TCU Archives, Jim Wright Papers, Box 1144, Folder: DNC Speech, 1 February 1985.

more than just craft legislation; he would also need to refashion the party's overarching vision. Inspired by his late mentor, Representative Gillis Long, who championed the mantra "unify, not purify," Wright pursued a "sensible center" based on pragmatic, common-sense policies to boost competitiveness.²¹⁰ This section traces the Democratic Party's coalescence around economic competitiveness as anxiety over Japan's ascendancy intensified into a widespread public issue in 1985.

As Jim Wright was strategizing to reframe the Democrats' message, a new group also emerged with a similar message: the Democratic Leadership Council (DLC). With its public press announcement in March 1985, the DLC made similar calls to Wright for a "sensible center", a concept neither Wright nor DLC leaders defined specifically.²¹¹ Historians often identify the era following Mondale's defeat as a transformative period in which organizations like the DLC steered the party toward a centrist agenda aimed at capturing the middle-class suburban vote.²¹² The policy directions ascribed to the DLC were those which became familiar under Clinton's White House: cuts to the welfare state, investment in public-private partnerships, and so-called market-based solutions. The DLC, in 1985 however, was principally a media organization; its aim was to fundraise for Democratic candidates by portraying the Party as economically middle-of-the-road. Mondale had lost because he was the candidate of "special interests" (according to Reagan). Through its media "blitzes" in the spring of 1985, the DLC's early leaders orchestrated nationwide tours that emphasized this message of party cohesion.

²¹⁰ "The Democratic Caucus: Opportunity for Leadership," 8 December 1986, TCU Archives, Jim Wright Papers, Box 1146, Folder: Democratic Caucus, December 8 1986. For more on Gillis Long's influence, see: Geismer, *Left Behind* (New York: Public Affairs Press, 2022), 37-43.

²¹¹ Within the DLC there was significant, growing disagreement about the party's future direction and how it should relate to the labor movement. Richard Gephardt, as the leader of the DLC, shared significant common ground with Jim Wright. Both shared the view that the Democratic Party should not pursue trade policy that would alienate labor unions.

²¹² See especially: Lily Geismer, *Left Behind* (New York: Public Affairs Press, 2022).

Leadership from the group came from a wide cast of Democrats; financing came from Al From, the editor of the *New Republic*. Jim Wright was among the principal spokespeople for the group, participating in events like the “Texas Blitz” and the “Florida Blitz” as he and the rest of the Democrats sought to center the Party on a coherent, unified economic message after their catastrophic 1985 loss.²¹³

Though the DLC would eventually diverge from traditional Democratic viewpoints — most notably in opposing unions and advocating for aggressive free trade — its initial years were largely in step with the mainstream Democratic leadership, including that of Jim Wright. As one early policy memorandum explained it, the DLC strategy had “three main elements” which included “1) creating an environment for enterprise through fiscal, tax and regulatory reform; 2) investing in improved U.S. productivity and 3) expanding free and fair trade.”²¹⁴ “Fair trade” in the 1985-1986 interval was an allusion to the Democrats’ willingness to work with those who favored strategies like protectionism and selective targeting of industries struggling because of Japanese imports – with Japan being thought by many to take advantage of unfair trade practices.

Here, Richard Gephardt (D-MO) serves as the most prominent and publicized example of *both* a DLC leader *and* a proponent of protectionism and national competitiveness, defined in terms of protections for manufacturing. “As was the case in Florida, our message basically will be one of national strength,” Gephardt wrote to Jim Wright in advance of the Texas Blitz.²¹⁵ In

²¹³ These nationwide tours, including the “Texas Blitz” and “Florida Blitz,” were aimed at showcasing the DLC’s ideological stance and featured notable Democratic figures of the time. “Democratic Leadership Council to Mount ‘Texas Blitz,’” 21 June 1985, TCU Archives, Jim Wright Papers, Box 676, Folder: Democratic Leadership Council; “Florida Kickoff Events,” 17 May 1985, TCU Archives, Jim Wright Papers, Box 676, Folder: Democratic Leadership Council.

²¹⁴ Democratic Leadership Council, “The 1986 Trade Expansion Act,” 1986, TCU Archives, Jim Wright Papers, Box 940, Folder: Democratic Leadership Council.

²¹⁵ Richard Gephardt to Jim Wright, 12 June 1985, TCU Archives, Jim Wright Papers, Box 724, Folder: Democratic Leadership Council.

the months that followed, Gephardt would release controversial legislation to retaliate against supposedly unfair trade dynamics.

The American public in the spring of 1985 were once again hungry for a tough on Japan message, thanks to certain cultural, economic, and media developments; the Democrats – Wright and Gephardt, among many – were keen to capitalize politically on this upswing of anti-Japan sentiment. Before looking at the Democrats’ strategies, let us take into account the broader public context. Perhaps no piece better captured the public feeling towards Japan than Theodore White’s emotional 1985 *New York Times Magazine* article, “The Danger from Japan.” White’s article warned that a relentless Japan was orchestrating a methodological plan to deindustrialize America, seeking to win the “War of the Pacific” through unfair economic tactics, after losing World War II. White’s article was punctuated by an interview with Lane Kirkland, the president of the AFL-CIO. Kirkland likened hearing “the Japanese plead for free trade” to “hearing the word ‘love’ on the lips of a harlot.”²¹⁶ As *Fortune* reported, anti-Japan feeling had undergone a demographic transformation: in the early 1980s, “anti-Japan feeling used to be a largely blue-collar phenomenon, ignited by job losses in autos and steel” but by the late ’90s, “white-collars are taking over the battle in the United States.”²¹⁷

Widespread concern about diminishing competitiveness was paramount in voters’ mind, thus becoming a focal point of Democratic rhetoric. In the fall of 1985, Speaker of the House Tip O’Neill revealed the findings of his Democratic Trade Task Force, which aimed to “use the trade issue” to regain voters’ support; at that juncture, a robust trade stance consolidated many factions within the party (despite ongoing disagreements over specific measures, which produced regional and industry-specific winners and losers). Democrat Don Bonker told Tip O’Neill upon

²¹⁶ Theodore White, “The Danger from Japan,” *New York Times Magazine*, 28 July 1985.

²¹⁷ Cited in: Narrelle Morris, *Japan-Bashing: Anti-Japanism Since the 1980s* (New York: Routledge, 2011), 51.

the completion of the Task Force report, “I believe you will find the package to be comprehensive, detailed, and responsible. It should be noted further that the document represents a consensus among the Task Force’s diverse membership.”²¹⁸ In the lead-up to the 1986 midterm elections, during the winter and spring of that year, the Democrats began to contemplate comprehensive trade legislation that was unapologetically protectionist.

This trend toward protectionism was most notably illustrated by the introduction of the Gephardt Amendment, the principal component of the Democrats’ comprehensive trade legislation unveiled in the spring of 1986. Richard Gephardt, besides leading the Democratic Leadership Council (DLC), represented the union stronghold of Missouri, where Republican candidates had limited appeal (excluding Ronald Reagan’s presidential bid in 1984, when he captured Missouri by 10 percentage points). Gephardt’s legislative initiative suggested amending Section 301 of the 1974 U.S. Trade Law to mandate that the President implement existing trade agreements with retaliatory actions against non-compliant countries, a stance markedly more assertive than the existing policy. As chair of the DLC, Gephardt navigated a political balancing act: positioning the Democratic Party as the defender of national over special interests, without cutting its traditional ties to labor and manufacturing. “We have to start with a vision of where we want the country to be and then try to articulate that to people in broad terms and not fall back on interest-group politics,” Gephardt said.²¹⁹

Support for the Gephardt Amendment surged, especially among manufacturing interests that saw the amendment as a defense against the influx of inexpensive imports. As Chrysler chairman Lee Iacocca communicated to Jim Wright in the spring of 1986: “Chrysler Corporation supports the objectives of the Gephardt Amendment which is part of the House Omnibus Trade

²¹⁸ Don Bonker to Tip O’Neill, 17 October 1985, TCU Archives, Jim Wright Papers, Box 1023, Folder: Trade (2).

²¹⁹ Randall Rothenberg, “The Neo-Liberal Club,” *Esquire*, September 1982.

Bill, H.R. 4800.”²²⁰ Iacocca argued that nations with substantial trade surpluses with the United States should face trade sanctions from the U.S. if they failed to reduce their surpluses within a reasonable timeframe. “As a businessman, I strongly disagree with those who claim that enacting the amendment would lead offending countries to retaliate against our exports,” Iacocca elaborated. With his significant public influence, Iacocca’s endorsement of the Gephardt Amendment was a sign of the power of this political message in 1986. For the Democratic Party, Iacocca’s support would also mean hefty campaign contributions.²²¹

Labor’s alignment with smokestack executives like Iacocca worked to the Democrats’ favor politically. Wright understood the crucial role of the working-class vote for the Democratic Party; thus, as House Majority Leader and Speaker of the House, Wright actively engaged with manufacturing unions and industry leaders, recognizing their joint concern about Japanese imports. Reaffirming the Democratic Party’s dedication to their trade policy concerns, Wright appealed to unions and smokestack industry interests alike with rhetoric about decreasing competitiveness. “Far from being a ‘special interest,’ the UAW has been ... an agent for promoting the common interest, the common good. One of the biggest problems facing the UAW today is getting that ‘special interest’ monkey off its back,” Wright underscored, though “the term ‘special interest’ does apply to those already in a position of special interest to guard their profit margins.”²²² Speaking the language of labor unions, Wright voiced his commitment: “Our country desperately needs an effective trade policy – one that will help (not hurt) American

²²⁰ Lee Iacocca to Jim Wright, 19 May 1986, TCU Archives, Jim Wright Papers, Box 1023, Folder: Trade (2).

²²¹ Representative Tony Coelho (D-CA), House Majority Whip, was known for his effectiveness in fundraising for the Democratic Congressional Campaign Committee (DCCC).

²²² “Remarks of Majority Leader Jim Wright, UAW Convention,” 21 January 1986, TCU Archives, Jim Wright Papers, Box 1144, Folder: UAW.

workers and industry” – with regard to accusations of “protectionism,” “that’s a cop-out,” he underscored.²²³

Republicans, though not as vocal on the issue of competitiveness, sought to address the growing US-Japan trade deficit with the September 1985 Plaza Accords. In response to concerns over the trade deficit, the Reagan administration aimed to pressure the Japanese government into devaluing the yen, hoping this would remedy the trade imbalance. Despite coercing Japan into the desired dollar-yen currency adjustments at the Plaza Accords in September 1985, the US trade deficit swelled, enabling Democrats to intensify their critique.²²⁴ Reagan’s lauded diplomatic skill and close relationship with Japanese Prime Minister Yasuhiro Nakasone appeared insufficient to halt the relative decline of US manufacturing sectors compared to those of Japan.²²⁵ Throughout much of 1985 and 1986, aside from the Plaza Accords, the Reagan White House largely overlooked the Democrats’ concerns about waning competitiveness—with the notable exception of William Brock.

As early as January 1986, Reagan’s newly appointed Secretary of Labor, William Brock, endeavored to align the Department of Labor’s messaging with the concept of competitiveness. Prior to his role as Labor Secretary, Brock had managed the US Trade Office, where he expressed his goal to “save us from the ideologues” (referring to his party’s free-market purists) and to address concerns about diminishing competitiveness. With his March 1986 Department of

²²³ “Remarks of Majority Leader Jim Wright, UAW Convention,” 21 January 1986, TCU Archives, Jim Wright Papers, Box 1144, Folder: UAW.

²²⁴ The Plaza Accords were intended to bring about coordinated currency interventions, but their impact on the U.S.-Japan trade deficit was negligible in the short term. For details about why the US trade deficit continued to worsen rather than improve in 1986 and 1987, even though the dollar had depreciated, see: Jeffrey Frankel, “The Plaza Accord, 30 Years Later,” *National Bureau of Economic Research*, Working Paper 21813.

²²⁵ Reagan’s relationship with Nakasone was often highlighted as a diplomatic success, but it did little to mitigate economic challenges at home. See: Stuart Auerbach, “Friction’s Eased as Nakasone, Reagan Meet,” *Washington Post*, 13 April 1986. As one business lobbyist professed, “[Nakasone’s] relationship with Reagan represents the closest personal relationship any postwar Japanese leader has had with an American president.” “Susan Rasky, “Reagan and Nakasone Meet Today,” *The New York Times*, 21 September 1987.

Labor Conference on “Competitiveness and Human Values,” Brock again attempted to demonstrate the Republican White House’s attentiveness to the competitiveness of American industry and its implications for voters. Brock was delighted to invite “distinguished business and labor leaders” to a conference held at George Washington University to discuss this “challenge to labor and management.”²²⁶ Brock, Samuel, and numerous other labor leaders accepted the Republican White House’s invitation. In a thank you letter to Ephlin, Brock asserted that such forums where labor and management could share experiences and viewpoints, were “vital to our joint resolution of the critical problems facing our nation’s economy in the decades ahead.”²²⁷ Brock praised Ephlin’s “contribution” of “wisdom and knowledge,” remarking that it made the conference a “much richer experience.” Brock’s initiatives in developing a Republican White House strategy on competitiveness marked the inception of a more extensive executive branch initiative that would emerge in December of 1986.

For the majority of 1986, however, Republicans remained resistant to the Democrats’ appeals on competitiveness, and the Democrats consistently highlighted the issue in defiance of Reagan. For instance, when the Democratic-led House passed a significant trade bill in the summer of 1986, Reagan’s Trade Negotiator, Clayton Yeutter (who succeeded Brock at the Trade Office), denounced the Democrats’ bill as “the worst piece of legislation.”²²⁸ Between the spring and fall of 1986, another group gained momentum and national attention for the competitiveness issue, reinforcing the Democrats’ broader agenda: Democratic governors. The

²²⁶ “Invitation to 5 March 1986 Conference,” WRL, Donald Ephlin Papers, Box 31, Folder 73: National Council on Competitiveness, 5 March 1986.

²²⁷ William Brock to Donald Ephlin, 21 March 1986, WRL, Donald Ephlin Papers, Box 31, Folder 73: National Council on Competitiveness, 1986 March 5.

²²⁸ “Vote No on Omnibus Trade Bill,” *Chicago Tribune*, 20 May 1986.

following section shifts focus to these state governors who enhanced the credibility and appeal of the Democrats' concept of competitiveness as 1986 progressed.

II. The Competitive States of America: Governors & The Symbolic Power of Regional Economic Development

“You want to compete with Japan? Ask Ohio,” wrote a journalist in the *Washington Post* in the spring of 1986.²²⁹ This chapter explores how state governors—who advocated for investment in high-technology, training, and education—became increasingly emblematic of the advantages of policymaking dedicated to competitiveness. Known as the State Economic Development (SED) movement, states and their policy entrepreneurs began to advocate more publicly the notion that government investment was essential for ensuring national competitiveness. This fundamental economic principle was based on the idea that states could lure private capital investment through innovative government investments in R&D and human capital development; such measures would then entice private firms to establish or expand their operations in the state, thus spurring growth. Notably, the strategy of targeted sector-specific investments to prepare industries for the New Economy found little backing among economists at that time. Political scientist Peter Eisinger, reflecting on his analysis of the SED movement, observed, “Not once did I hear any reference to economic theory.”²³⁰

State governors gained support not from the endorsement of economists but from a network of business lobbyists and advocates who advanced the belief that state-level government investment was key to fostering national competitiveness and entrepreneurial expansion. In its final report, John Young's Presidential Commission on Industrial Competitiveness released in 1985 an influential study on “Industrial Innovation at the State Level and the Impact of

²²⁹ Noel Epstein, “You Want to Compete with Japan? Ask Ohio,” *Washington Post*, 21 December 1986.

²³⁰ Peter Eisinger, Interview by Otis Graham, 18 December 1985.

Entrepreneurship.”²³¹ The report praised how states were moving from smokestack chasing to instead attracting high tech firms. By way of another example, the Southern Growth Policies Board, a business-led think tank to support southern states’ economic development, released a 1986 report advocating “hands-on policies to replace the older hands-off-business credo.” The authors lauded the growing prominence of partnership “between enterprise and government in which government would share, even often take the lead, in making production process and product decisions, in financial risk-taking, in searching out new markets close by or abroad.”²³² By calling attention to how federal funds fostered state economic development, these lobbyists were also ensuring that such investment went to their own companies. This pattern—business appeals for state competitiveness and governors subsidizing corporations in the name of competitiveness—was a nationwide phenomenon, not just limited to the sunbelt, Route 128, and Silicon Valley.

Circling back to Michigan’s competitiveness efforts, by 1986, the state had continued to advance its high-tech competitiveness under the governance of James Blanchard. By 1985, the state had invested millions in engineering facilities at the flagship university campus in Ann Arbor and had funded the start-up of robotics and machine vision companies. “Detroit Area Is Becoming Home to Robotics: Industry Is Changing Some Long-Held Motor City Attitudes,” reported the *Wall Street Journal* in April 1985.²³³ “The most important aspect will be keeping Michigan’s manufacturing world-competitive,” Blanchard said in an interview with the *WSJ*.

²³¹ Barbara Gleason and Linda Cook, “Briefing to Be Held on Industrial Innovation at the State Level and the Impact of Entrepreneurship,” 2 January 1985, Ronald Reagan Presidential Library, WHORM FG397 - President’s Commission on Industrial Competitiveness, 285025 (1 of 2).

²³² Southern Growth Policies Board, *Halfway Home and a Long Way to Go*, Report of the 1986 Commission on the Future of the South, 1986.

²³³ Doron P. Levin, “Detroit Area Is Becoming Home to Robotics: Industry Is Changing Some Long-Held Motor City Attitudes,” *Wall Street Journal*, 10 April 1985.

The problem, Blanchard asserted, was that Michigan's workers were not ready for the new high-tech jobs these investments were generating. Blanchard's rhetoric about world competitiveness – and how workers' competitiveness was an intertwined issue – coincided with another, new political tack he began to take after Reagan's landslide victory in the state. That is, in his 1986 reelection campaign, the press reported that Blanchard had purposefully solicited press attention for a spat with the Michigan AFL-CIO, because the "tiff" would help "distance him from the union lackey label."²³⁴ The push for global competitiveness became the focal point of his campaign message; Blanchard de-emphasized his longstanding ties to the state's unions, instead emphasizing his dedication to enhancing the competitiveness of individual workers. By 1988, Michigan commissioned consultant Pat Choate to design re-training initiatives based on his best-selling book, *The High Flex Society*.²³⁵

Governor Bill Clinton of Arkansas was another prominent figure who increased the perceived significance of state economic competitiveness by embarking on a national speaking tour in 1986. Clinton, who was the Governor of Arkansas throughout the 1980s, sought to broaden his national influence particularly after Mondale's defeat. As governor, Clinton began spreading his approach to state economic development through lectures on competitiveness across various states, from Massachusetts to New Jersey to Ohio to Oklahoma. For example, on his tour to Oklahoma, Clinton provided counsel to Governor Watkins, who following the example of states like Arkansas. Clinton commended, "I have seen some of your work in vocational-technical education and I can see that you are ahead of us in high tech, vo-tech programs. What you and we are doing is trying to create a partnership of educators, businessmen

²³⁴ "Spat with Labor to Aid Blanchard, GOP Says," *Detroit News*, 22 April 1985, WRL, Donald Ephlin Papers, Box 8, Folder 12: Michigan Community Action Program, 1981-1985.

²³⁵ "Competitiveness Focus of Michigan Groups," *Chicago Tribune*, 23 February 1988.

and government leaders to make the economic decisions to pave the way to the future.”²³⁶ With such investments in place, Clinton asserted that “the next step is to take your story out to industry, business and other states.”



Figure 3.1: New Jersey as “Invention State”

In 1986, New Jersey Governor Tom Kean launched a two-year celebration of New Jersey as the “Invention State.” Like Michigan, New Jersey sought to showcase its role in fostering national economic competitiveness through its past and future investments in technology.²³⁷

²³⁶ Jack Elliott, “Clinton Praises Council as Right Partnership, Cites Efforts of Arkansas,” *Journal Record*, 6 November 1985.

²³⁷ National Archives at College Park, FRC 359-93-8, Entry P-15, Office of Technology Policy, Technology Division, Folder: 1989-1992: Administration Accomplishments Through Industrial Technology General IND/Education: Math & Science.

Another figure who received favorable media attention for his state's strategic investment was Governor Michael Dukakis. "The Democrats Could Have An Economic Platform," wrote syndicated *Washington Post* correspondent David Broder in his coverage of the policy proposals put forward by Michael Dukakis at the August 1986 meeting of the National Governors Association. Citing his role in resurrecting Massachusetts's economy, Dukakis proposed a vision for economic development and competitiveness, advocating for the federal government to set up a network of federal labs in economically suffering regions. On trade, Dukakis initially showed disdain for "the false promise of protectionism," setting his position in opposition to that of the congressional Democrats who were at the time debating the Omnibus Trade Bill. "Those who believe the free market is the most efficient mechanism for allocating capital, technology and research will reject Dukakis' idea that federal experts should 'guide' a portion of R&D dollars," Broder said.²³⁸ Dukakis, who boasted of his role in the so-called "Massachusetts miracle," utilized that narrative to spearhead his 1988 political campaign, as we will see in chapter 5.

Meanwhile, as states like Michigan, Arkansas, and Massachusetts were investing in high-tech and workforce competitiveness, these various governors received positive national press attention for their efforts, which journalists heralded as innovative, forward-looking, and conducive to growth. The quintessential example was journalist David Osborne's *Laboratories of Democracy* (1988), which profiled Blanchard, Clinton, and several others, whose contributions he viewed as pivotal to their states' economic resurgence during the decade. Osborne described these transformations as the emergence of a "new paradigm" in SED policy, an "intellectual revolution."²³⁹ "If you are a US senator, you can give an ideological response to a serious problem and probably never be held accountable for it. Whereas the governors are

²³⁸ David Broder, "Democrats Could Have an Economic Platform," *Toronto Star*, 27 Aug 1986.

²³⁹ *Laboratories of Democracy* (Boston: Harvard Business School Press, 1988), 15.

dealing with the real world—they have to run things, to make them work,” Osborne remarked with characteristic optimism. “It is very difficult to translate economic development programs into political capital,” he noted with a touch of irony—it was precisely media coverage like his that enabled governors like Blanchard to achieve national prominence for their competitiveness strategies. States from Oklahoma to New Jersey to Arkansas and Massachusetts were embracing the high-tech development plan narrative, each emphasizing public relations. As we revisit the national political scene of 1986, the state governors’ burgeoning movement helps us to understand why the concept of competitiveness seemed politically viable again, especially as Democrats discussed it in terms of economic development and the promotion of private enterprise at a regional level.

III. Convergence Around Competitiveness: Business, Labor, and Democrats Unite Around Young’s Council (1986)

Throughout 1985, Democrats at both state and national levels began to formulate strategies to centralize “competitiveness” within their policy initiatives; by early 1986, they saw the potential to ally with a new lobbying entity focused on this issue, the Council on Competitiveness (COC). This section begins in the spring of 1986, demonstrating how the Council on Competitiveness quickly intertwined with—and became highly influential over—the Democrats’ plans to enhance competitiveness. By the fall of 1986, the robust business-labor consensus that had formed within the Council worked in concert with Democratic officials to make competitiveness the cornerstone issue of the November 1986 midterm elections. This forced the Reagan administration to confront this topic, which was garnering increasing public support.

The foundation of the Council on Competitiveness was rooted in the achievements of the Presidential Commission on Industrial Competitiveness: during a time marked by growing rifts

between business and industrial union interests, as well as within the business community itself, the PCIC had succeeded in forging a consensus that numerous parties endorsed. Alexander Trowbridge, leader of the National Association of Manufacturers, commended John Young for his leadership. Therefore, in the spring of 1986, Trowbridge visited Palo Alto, California, to meet with John Young at Hewlett Packard headquarters. For both “sunrise” sectors (represented by Young) and traditional industries (Trowbridge’s domain), 1985 was a challenging year due to the perceived escalation of competition with Japan, exemplified by the surging trade deficit.

Contrary to Reagan’s upbeat declarations, high-tech companies like Young’s viewed the surging imports of personal computing technology from Japan—which were impinging on HP’s market share—as menacing. There were increasing reports of a high-tech trade deficit with Japan as a surge of hardware imports flooded the U.S. market. Moreover, as the computing industry grew, the growing number of competitors in the space (domestic and foreign) impinged on the profitability of corporations like Hewlett Packard, likely sparking Young’s continued concern about competitiveness. The heavy manufacturing firms Trowbridge represented also felt the pinch from increasing trade deficits which the Democrats were attempting to leverage in their political rhetoric. When Trowbridge proposed initial funding for Young to establish a new Council on Competitiveness to explore solutions to this perceived decline, Young eagerly accepted the offer.

A shrewd tactician, Young swiftly rallied the former members of the PCIC to his cause. He asserted that, even without White House endorsement, the group could still fulfill its vision. In an invitation to Donald Ephlin, Young expressed his belief, “and I suspect one you share,” that “competitive issues deserve a high priority.”²⁴⁰ Alongside the invitation, Young included a

²⁴⁰ John Young to Donald Ephlin, 23 April 1986, WRL, Donald Ephlin Papers, Box 23, Folder 22: Council on Competitiveness, Executive Committee, 1986-1987

statement drafted by Michael Porter, outlining the Council on Competitiveness's (COC) objectives. The COC would aim to “nurture private sector coalescence in support of commonly agreed upon approaches” and foster a “new sense of national purpose.”²⁴¹ In order to succeed, the initiative purportedly required support from a diverse array of stakeholders from business, labor, and academia. These founding documents and the blueprint for the COC set out its organizing goals: to reunite the members of the PCIC—who had collectively formed a consensus around the nation's most pressing economic challenges—and to convey that PCIC vision to American policymakers, returning the idea of competitiveness to the forefront of American public discourse.

“There is a window of opportunity ahead where an extra pulse of effort could have a significant impact on future developments,” Young conveyed. In this outreach, Young positioned himself as the COC's principal architect, downplaying Trowbridge's vital contribution.²⁴² In turn, labor union leaders like Howard Samuel of the AFL-CIO and Donald Ephlin of the UAW were keen to join the COC. During the PCIC, these labor leaders had noted a surprising readiness among business leaders like John Young to seriously consider their concerns. They anticipated that the COC would perpetuate the PCIC's work—specifically, spotlighting industrial decline and the corresponding need for government intervention—a belief strongly held by these union leaders.

“I believe you are right – there is a new opportunity to have an impact on our future,” Ephlin responded, adding, “I still make many references to the PCIC in my public speeches.”²⁴³

²⁴¹ “Council on Competitiveness,” 1986, WRL, Donald Ephlin Papers, Box 23, Folder 27: Council on Competitiveness, Press Conference, 1986 December 2.

²⁴² John Young to Donald Ephlin, 23 April 1986, WRL, Donald Ephlin Papers, Box 23, Folder 22: Council on Competitiveness, Executive Committee, 1986-1987.

²⁴³ Donald Ephlin to John Young, 9 May 1986, WRL, Donald Ephlin Papers, Box 23, Folder 22: Council on Competitiveness, Executive Committee, 1986-1987.

His excitement was echoed by labor figures like Howard Samuel of the AFL-CIO, whom Ephlin asserted was “as enthused as I was with the idea of the Council.” After his service on the PCIC, Ephlin had reported, “When Pres. Reagan set up Pres. Com. On Indust. Compet. I was only rep. of auto industry. High regard for me. Low regard for auto industry.”²⁴⁴ With a strong sense of Young’s respect for him, Ephlin saw the COC as a crucial platform to both amplify and shape the national conversation on American competitiveness. From 1985 through the early part of the Bush presidency, Ephlin and Samuel remained strong advocates for the COC; at a time when the UAW faced existential political challenges, Ephlin saw Young’s invitation as a beacon of hope.

A key reason that business leaders like John Young eagerly incorporated labor into the COC coalition was likely due to concerns about public perception: during the 1980s, an emerging legal movement focused on the “public interest” made it politically advantageous to frame competitiveness in terms of national interests. To this end, the COC obtained 501(c)(3) non-profit status, taking on a non-profit shell that the NAM had formed earlier for another purpose. This not only conferred tax-exempt benefits — importantly for contributions, which for unions (501(c)(5)) and lobbying organizations (501(c)(6)) are usually taxed — but also enhanced its public image as an agent for collective good. “The (c)(3) status prohibits lobbying but will facilitate the broadest possible membership,” organizational records noted. Although formally disavowing itself from lobbying, the Council’s stated core functions — clarifying issues, building consensus, evaluating policy, raising awareness, and strategizing — mirrored those of established lobbying organizations.²⁴⁵

²⁴⁴ Ephlin’s marginalia in correspondence, Dwight Carlson (President/CEO Perceptron) to Donald Ephlin (Vice President UAW), 24 March 1988, WRL, UAW-Donald Ephlin Papers, Box 15, Folder Title: GMI-Michigan Conference on Global Competitiveness, 1988 April 25.

²⁴⁵ “Council on Competitiveness,” 1986, WRL, Donald Ephlin Papers, Box 23, Folder 27: Council on Competitiveness, Press Conference, 1986 December 2.

Whereas the Vice Chairmen, including Samuel, and the Executive Committee, with Ephlin as a member, met four times annually, the day-to-day operations of the COC on its dozen or so staff members, whose combined salaries totaled \$178,741 per year. Young appointed Alan Magazine, formerly the chief staffer of the Business Higher Education Forum, to draft the COC's reports and oversee their review by the Executive Committee. Magazine collaborated closely with Pat Choate, an economist at TRW. This funding also supported various consultants who authored the Council's increasingly numerous reports.

<u>Draft Budget</u>	
October 1, 1986 - September 30, 1986	
Professional staff	178,741*
Clerical	40,872*
Professional fees - consultants	70,000
Benefits	65,883*
Travel and entertainment	14,000
Postage and delivery	3,000
Supplies	3,500
Printing	4,000
Telephone equipment	2,600
Telephone - long distance	3,000
Subscriptions	800
Furniture rental	5,400
Rent	<u>22,920</u>
	\$414,716

Figure 3.2: COC Budget
The Council on Competitiveness' budget hovered around \$400,000 annually.²⁴⁶

²⁴⁶ Draft Budget, October 1986, Walter Reuther Library, Donald Ephlin Papers, Box 23, Folder 28.

In addition to leadership from Young (the chairman), the Vice Chairmen (representing business, labor, and academia), and the Executive Committee, the COC soon featured leadership from over one hundred fifty diverse national affiliates. These “members” of the Council, though not attending the quarterly meetings, contributed funding, received regular updates, and disseminated public relations materials through their own channels. These national affiliates were remarkably varied in terms of their partisan affiliations, encompassing labor unions, business consortiums, academic groups, and both Republican and Democratic interests. All were however financially and ideologically aligned with the COC. By the late 1980s, hundreds of lobbying groups declared competitiveness as their primary agenda item. By 1986, Trowbridge identified competitiveness as the NAM’s core focus in the coming new economic order. “We can be successful. We can be an effective trading partner. The things we are good at are technology, management, marketing skills, creativity,” Trowbridge announced in a 1986 speech. “The big issue for the balance of the ’80s is to regain American competitiveness,” he added.²⁴⁷ Assessing the COC’s total financial impact is challenging, as many affiliates utilized their independent resources to amplify the Council’s message. Nonetheless, the Council’s significant influence on both policy and public opinion is undeniable.

As soon as the Council began to organize itself, Democrats were eager to collaborate on their messaging and policy push. Indeed, Senator Max Baucus (D-UT), recognizing the political clout such a group could wield, strove to establish strong ties with the COC—embracing both its business and labor leaders—during its early stages in the summer of 1986. For Baucus, liaising with the Council was not just policy-focused; it was a strategy to fortify his political influence. Even before the Council’s official inauguration, Baucus introduced the “Young Commission

²⁴⁷ Kenneth Ross, “Lobby Tackles Competitiveness Problem,” *The Hartford Courant*, 27 October 1986.

Act” in 1986, underscoring his intent to legislate the PCIC’s proposals.²⁴⁸ The Senator’s written communications unveil a calculated approach to his collaboration with the Council. In a letter to Donald Ephlin, Baucus penned, “I have been disappointed that more of the Young Commission recommendations have not been implemented. In response, I recently introduced a bill incorporating four good ideas from the Young Commission report... I hope it is only the first in a series of Young Commission recommendations that sees legislative action.” Included with the letter was a handwritten addendum to Ephlin from Baucus: “P.S. You are in a key position to know what we must do. Very much look forward to your views.”²⁴⁹ Within the Council, Baucus established himself as a reliable ally and secured financial support to found his Congressional Caucus on Competitiveness. On the Council’s organizational hierarchy, Young assigned prominent role to the Caucus, designating Baucus and his co-chair, Senator John Chafee of Rhode Island, as his deputies. By 1987, the Caucus shared both staffing support and financial resources with the private Council, and Alan Magazine collaborated closely with Chafee and Baucus in the legislative drafting process.

²⁴⁸ “Summary of the Young Commission Act,” 1986, WRL, Donald Ephlin Papers, Box 23, Folder 28: Council on Competitiveness, Executive Committee meeting, 1986 November 18.

²⁴⁹ Max Baucus to Donald Ephlin, 28 July 1986, WRL, Donald Ephlin Papers, Box 23, Folder 28: Council on Competitiveness, Executive Committee meeting, 1986 November 18.

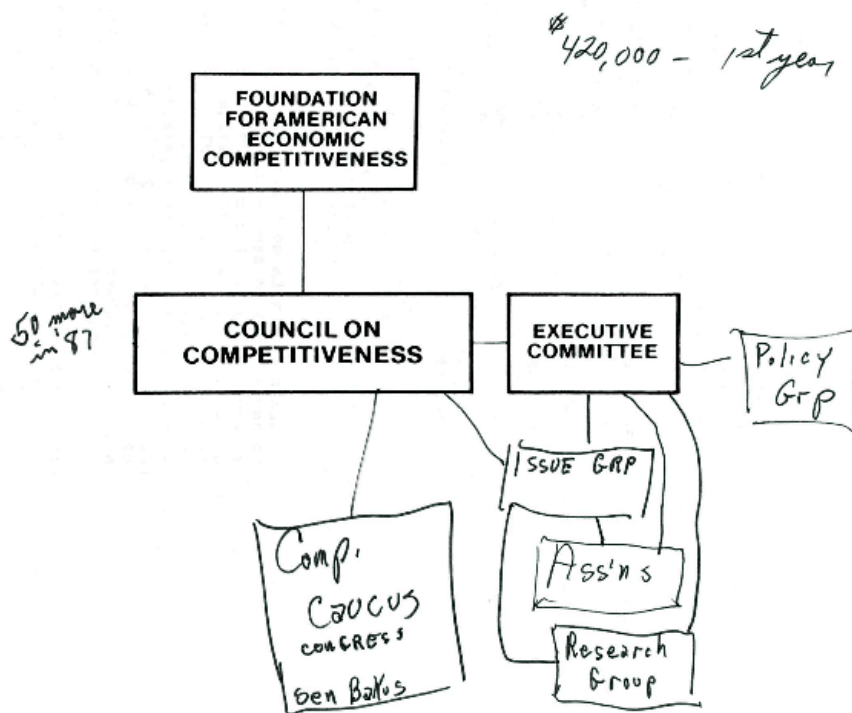


Figure 3.3: Council on Competitiveness Organizational Chart

This 1986 organizational chart of the Council on Competitiveness exemplifies how the Council was technically housed under the “Foundation for American Economic Competitiveness,”

NAM’s non-profit shell. Notably, the Council considered Senator Baucus’ Caucus of Competitiveness as sitting below the Council on Competitiveness in terms of the organizational hierarchy, perhaps because the Council provided the congressional caucus its financial support.²⁵⁰

In 1986, although Senator Max Baucus endeavored to actualize the nascent COC’s policy goals, the Council itself had yet to solidify its policy priorities. August 1986 internal COC correspondence unveils the areas of consensus within the group, as well as topics of intense debate. Primarily, the Council concurred that the issue of declining American competitiveness was an urgent national concern, and raising awareness about this issue was a top priority. They also adhered to the PCIC’s definition of competitiveness as a central tenet. Early consensus formed around public investment in technology and human capital; these moderate issues swiftly

²⁵⁰ Organizational Chart, Council on Competitiveness, Fall 1986, Walter Reuther Library, Donald Ephlin Papers, Box 23, Folder 28.

garnered agreement among both Democrats and Republicans from late 1986 onward. Another area of consensus within the COC in its early years was support for the 1986 tax cuts, which had passed with bipartisan support.²⁵¹ When it came to disagreement, the Council continually struggled to find a consensus on the issue of trade policy.

The Council's early organizational and advocacy months coincided with the November 1986 midterms. The Democrats ran on the "trade issue" drawing out public concern about the threat that Japan posed, and they also ran on the "deficit issue" convincing the public that Reagan's sweeping tax cuts would drive up the budget deficit and exacerbate the trade deficit – eliminating American jobs. The Democrats once again swept the 1986 midterms, which gave the Party confidence that its message on competitiveness was working. Happily for the Democrats, the COC echoed their message.

The Council may not have had an explicit policy agenda yet in the fall of 1986, but it did have power and influence by virtue of its elite members. Thus, it was swift to exert its power now that the Democrats had claimed the majority of the seats of both Houses, inviting the new Speaker Jim Wright for a meeting. Charles McMillion, a staffer for the nascent COC, relayed to one of Wright's staffers what the Speaker-in-Waiting might expect. The meeting would take place at the headquarters of the National Association of Manufacturers, and McMillion equipped Wright's staffer with an outline detailing the organization's lobbying priorities for the 100th Congress, which covered sectors like trade, education, technology, and tax reform.²⁵²

Wilson, in turn, communicated McMillion's briefing to Wright. "This is a closed session with about 22 heavy hitters including CEOs John Young of Hewlett-Packard, John Akers of

²⁵¹ In the mid to late 1980s, the main concern was the trade deficit – not the budget deficit; however, later in the decade, as the budget deficit grew more salient as a political concern, tax cuts in turn grew increasingly divisive.

²⁵² Charles McMillion to Jim Wright, 14 November 1986, TCU Archives, Jim Wright Papers, Box 1146, Folder 11-17-86: Competitiveness.

IBM, Arthur Levitt of American Stock Exchange, Donald Petersen of Ford, Howard Samuel of AFL-CIO, Donald Ephlin of UAW, Lynn Williams of Steel Workers and professors from Harvard, MIT and others. A complete list is attached,” Wilson wrote. “The Council sprung from dissatisfaction with the White House response to the Presidential Commission on Industrial Competitiveness which John Young chaired. He felt administration ignored his recommendations and this group has been set up, as has the Congressional Caucus on Competitiveness, which will share staff support,” Wilson noted, indicating Wright should view the meeting as a political opportunity. “You will speak immediately after Jim Baker (who will be in a different room – the audience comes to you from there),” Wilson also laid out.²⁵³

Armed with this intelligence, Wright delivered a speech that commended the Council’s initiatives, criticized Reagan’s economic missteps, and articulated a vision that harmonized the Democrats’ agenda with the Council’s mission to improve American competitiveness.²⁵⁴ In his speech to the Council, Wright dubbed competitiveness “the dominant economic issue of the remaining years of the 20th century.” He also remarked, “let me congratulate you on forming the Council on Competitiveness.”²⁵⁵ “It is my great hope that the current shock of being clobbered in markets will do for you and for me what Sputnik did in the 50s and Pearl Harbor did in the 40s, and we will use our inherent strength to carry this nation to new heights,” Wright said. Concerning Baker, Wright added, “I do not know what he said, but I do know that the 100th Congress will act on this crisis.” Baker, in his own address, similarly affirmed to the Council that

²⁵³ Wilson to Jim Wright, 17 November 1986, TCU Archives, Jim Wright Papers, Box 1146, Folder: Competitiveness, 11-17-86, Draft by Wilson M.

²⁵⁴ “Draft Speech for Jim Wright, Competitiveness Council,” 18 November 1986, TCU Archives, Jim Wright Papers, Box 1146, Folder 11-17-86: Competitiveness.

²⁵⁵ Draft Speech for Jim Wright, Competitiveness Council, 18 November 1986, TCU Archives, Jim Wright Papers, Box 1146, Folder: Competitiveness, 11-17-86, Draft by Wilson M.

competitiveness was on the top of Reagan's agenda.²⁵⁶ Like Wright, Baker III received a special invitation to speak to the Council at its inaugural Executive Committee Meeting. We turn to the Republicans – and their growing connections with the Council – in the next section.

IV. The Reagan Response: The Road to the 1987 Competitiveness Initiative

By mid-November of 1986, the Reagan administration found itself increasingly politically vulnerable and thus began to formulate its own competitiveness strategy. The midterm elections in November 1986 meant that Reagan would confront a Democrat-controlled Congress for the first time in his presidency. Furthermore, in early December 1986, Reagan faced arguably the most severe scandal of his tenure: the Iran-Contra affair came to light in the national media. A week after the 1986 midterms, and a few days before Baker's meeting with the Council, the public learned about the president's involvement in the Iran-Contra scandal, which monopolized much of the president's attention in 1987.

Moreover, with Reagan's public approval numbers plummeting, Baker likely saw the need for serious political triage. He had spearheaded the Plaza Accord in September 1985, aiming to balance the trade deficit; by December 1986, Baker's efforts had intensified. Unbeknownst to Wright, Baker began collaborating with the Council on Competitiveness to persuade them of the merits of Reagan's own "Competitiveness Initiative," which the President planned to unveil in his 1987 State of the Union address. This section explores the intertwined history of Reagan, his advisors, and the Council on Competitiveness in the lead-up to the opening of the Democrat-controlled 100th Congress in January 1987.

To advertise the administration's resolve to address declining competitiveness, Vice President George Bush hosted a formal luncheon with the Council at the White House in

²⁵⁶ Alan Magazine to Executive Committee, 6 November 1986, WRL, Donald Ephlin Papers, Box 23, Folder 28: Council on Competitiveness, Executive Committee meeting, 1986 November 18.

December 1986. “I thought you would be interested in the enclosed photograph taken during our lunch with Vice President Bush,” staffer Alan Magazine wrote Ephlin.²⁵⁷ Through these strategic policy discussions, Baker and Bush aimed to get ahead of Democratic efforts in shaping competitiveness policy.



Figure 3.4: Vice President HW Bush Meets with COC (December 1986)
The photo which Magazine sent to Don Ephlin, taken at the same luncheon as the *Washington Post* photo, pictures the whole Council Executive Committee, including Ephlin.²⁵⁸

Amid the planning for the Competitiveness Initiative in December 1986, however, the Republican party found itself divided as ever over the meaning of competitiveness and what a Republican effort should comprise. Various corporations, agencies, and lobbyists sensed an opportunity for targeted, Republican-endorsed industrial investment in December 1986; the

²⁵⁷ Alan Magazine to Donald Ephlin, 12 December 1986, WRL, Donald Ephlin Papers, Box 23, Folder 27: Council on Competitiveness, Press Conference, 1986 December 2.

²⁵⁸ Photo of Council with George HW Bush, December 1986, Walter Reuther Library, Donald Ephlin Papers, Box 23, Folder 27.

question remained as to which interest groups would gain the president's attention in his January 1987 announcement. Internal White House correspondence reveals a battle for clout among science-focused agencies. Influential entities such as the National Science Foundation, directed by Erich Bloch, and the Office of Science and Technology Policy, then under William Graham, championed R&D as a linchpin in augmenting America's manufacturing competitiveness. In correspondence with Secretary of Commerce Baldrige, Graham and Bloch asserted, "You will doubtlessly agree that manufacturing is one area of our nation's economy that can exploit our Nation's vast resources."²⁵⁹ In their view, federal investment in scientific research took precedence over purely intellectual pursuits; they argued it could directly spur American industrial growth through technological modernization.

The Department of Commerce (DOC) generally backed the allocation of government funds for research and development with obvious commercial applications; however, the consensus frayed when it came to funding for fundamental physics. Reagan Science Advisor George Keyworth, a vocal supporter, posited that the Superconducting Supercollider (SSC) would fit neatly into the forthcoming Competitiveness Initiative.²⁶⁰ Not all White House officials were convinced. Shellyn McAffrey, a DOC staffer, issued a blunt memo to Alfred Kingon, head of the White House Office of Cabinet Affairs, advising:

"There is ongoing discussion regarding the DOE SSC proposal as a potential centerpiece for the President's competitiveness Initiative. Making this choice would be, I think, a mistake. Saying that the SSC is related to competitiveness – particularly economic competitiveness – makes us look silly. High energy physics is perhaps the most esoteric of all basic research. U.S. industry could not hope to capture any benefits from this effort for decades following its completion, if then. It gains no support for the President. The

²⁵⁹ William Graham and Eric Bloch to Malcolm Baldrige, Secretary of Commerce, 29 April 1987, Ronald Reagan Presidential Library, William Graham Files, Chron File (April 1987) (1).

²⁶⁰ In their analysis of the Superconducting Supercollider, Michael Riordan, Lillian Hoddeson, and Adrienne Kolb observe substantial efforts to align the collider with American international leadership and competitiveness in the 1980s. As George Keyworth explained to scientists leading the project, "the key word is competition" which was "the thing the Congress will understand." *Tunnel Visions: The Rise and Fall of the Superconducting Supercollider* (Chicago: University of Chicago Press, 2015), 32.

idea would have no obvious appeal to business; little to Congress, except the representatives from the state it is built (although maybe one mile of the SSC could be built in each state); none to schoolchildren. It contributes nothing towards solving the competitiveness problem. The SSC doesn't help US industry where we are getting our pants beat off by Japan – in cutting edge technologies with near-term commercial application.”²⁶¹

This kind of internal wrangling within the Reagan White House over what precisely constituted “competitiveness” persisted throughout the 1980s; with the 1987 Competitiveness Initiative, these debates reached a fever pitch.

Conclusion

Before turning to the Republicans' Competitiveness Initiative or how the Democrats made competitiveness central to their inaugural speeches when they took over both houses of Congress in January 1987, let us first consider the late December 1986 public announcement of the Council on Competitiveness. Planning for a press conference detailing the COC's mission and goals, Alan Magazine sensed growing enthusiasm. “We have a tremendous opportunity to make an impact,” he observed, highlighting the “significant receptivity” in Washington, positioning the Council to influence national conversation. The event was meticulously orchestrated: invitations were dispatched to all major media organizations, with speakers featuring Young, MIT President Paul Gray, and UAW Vice President Donald Ephlin. Seated behind them was the Council's complete roster—a veritable who's who of America's corporate, labor, and academic elite.

With attention to detail, Magazine and Young briefed Council members on key messages to arm them against potential criticisms. “Since we are still in our formative stage, I strongly

²⁶¹ Memorandum for Donald Regan from William Graham, Subject: Superconducting Supercollider, Ronald Reagan Presidential Library, WHORM SC, 19 November 1986, Folder: 447395-461999. “The opponents in the scientific community are concerned that the SSC would place a disproportionate demand upon federal basic research funds,” Graham (Keyworth's replacement as Science Advisor) wrote to Donald Regan, chief of staff.

recommend that inquiries from the press be responded to with only the bare essentials,” Young advised, including a comprehensive list of dos and don’ts.²⁶² Some of the media questions

Council members were briefed to address included:

Q. The Council’s business members appear to all be from large companies. Why is there no representation from medium and smaller sized companies?

Q. Is the Council designed to be the private sector’s—or, more specifically, big business—principal lobby on the competitiveness issues?

Q. The Council speaks of helping to shape the public policy agenda and working closely with the nation’s centers of policy influence as they relate to competitiveness. Isn’t that code language for lobbying?²⁶³

With detailed responses to all of these (and other) questions in a lengthy packet, the main message Council members should stress was simple: “It will be a principals-only organization that will attempt to keep the issue of competitiveness at the top of the national agenda.”²⁶⁴ With the Council’s vision in place, they were set to proceed.

In his speech, Young drew connections between the COC and its predecessors, including the initiatives at Harvard and the Business-Higher Education Forum (BHEF), as well as the PCIC. He emphasized the evolution of a business consensus on competitiveness, acknowledging the diverse yet converging perspectives now united under the COC. On the day of the event, Young ascended the stage. In his remarks, Young situated the COC within a wider historical context, linking it to past initiatives like the Harvard Conference, the PCIC, and the BHEF — each designed to mold a national economic agenda centered on competitiveness. Emphasizing inclusivity, Young announced the Council’s openness to collaboration with any entity committed to competitiveness, highlighting a bipartisan approach. “We intend to eat, drink, and talk with

²⁶² John Young to Executive Committee Members, 9 September 1986, WRL, Donald Ephlin Papers, Box 23, Folder 28: Council on Competitiveness, Executive Committee meeting, 1986 November 18.

²⁶³ “Media Questions,” 2 December 1986, WRL, Donald Ephlin Papers, Box 23, Folder 27: Council on Competitiveness, Press Conference, 1986 December 2.

²⁶⁴ John Young to Executive Committee Members, 9 September 1986, WRL, Donald Ephlin Papers, Box 23, Folder 28: Council on Competitiveness, Executive Committee meeting, 1986 November 18.

anyone and everyone who has an interest in competitiveness and in doing something about it,” Young articulated. “We all have the problem. We’ll all suffer if some solutions aren’t implemented,” Young added.²⁶⁵ Highlighting the Council’s “diversity in membership,” Young demonstrated his understanding of the power inherent in his broad-based coalition. Young then handed the stage over to Ephlin.

In contrast to Young’s polished speech, Ephlin took the podium with handwritten, bullet-pointed notes. Referring to the PCIC report, Ephlin declared, “Obviously all of us would have preferred stronger language in some sections, but the most important thing was that we could all agree.” Ephlin continued, “Today the problem affects everyone—the American standard of living is under severe attack”; he believed the Council could help mitigate this issue.²⁶⁶ Overall, Ephlin’s optimism signaled an important shift in the stance of manufacturing unions in the mid-1980s: a hopeful acceptance of labor’s alliance with powerful business leaders in the name of competitiveness. Between January 1985 and December 1986, various political developments had converged; competitiveness was now back.

²⁶⁵ “Announcement Statement by John Young,” 2 December 1986, WRL, Donald Ephlin Papers, Box 23, Folder 27: Council on Competitiveness, Press Conference, 1986 December 2.

²⁶⁶ Handwritten Remarks of Donald Ephlin, n.d., WRL, Donald Ephlin Papers, Box 23, Folder 28: Council on Competitiveness, Executive Committee meeting, 1986 November 18.

Chapter 4: “Competitive Confusion” in the Omnibus Trade Bill: Policy Negotiation & Policy Impacts, 1987-1988

Pat Choate, the director of the Office of Policy Analysis for TRW Inc and the key advisor to the COC, emerged as a particularly resonant voice among competitiveness advocates in 1987.²⁶⁷ In the spring of 1987, journalist Randall Rothenberg wrote a feature length profile of Choate in *The New York Times Magazine*. “Selling ideas,” Choate confided to Rothenberg, “is like solving a puzzle.” “The most precious thing a Congressman has is his attention,” Choate said, “so the question is, how do you get that attention to your ideas?” To him, policy was “like a slot machine. You gotta get the oranges lined up, and you gotta do a lot of work to line them up.”²⁶⁸ Choate gained alliances across the political spectrum, drafting bills and speeches for Republicans and Democrats alike, pushing through the agenda of the powerful business elite.²⁶⁹

The most cited issue of declining national competitiveness was the United States’ burgeoning trade deficit; however, this central issue also was the most divisive in terms of policy solutions. “Competitive Confusion” was thus economist Robert Samuelson’s diagnosis of the state-of-play in American political economy in 1987. “The United States no longer enjoys unchallenged superiority in trade and technology,” Samuelson wrote, but “the popular view that the huge trade deficit reflects an equal loss of competitiveness is confused.”²⁷⁰ As Samuelson noted, the United States widening trade deficit in 1987 had become an object of constant and

²⁶⁷ There has been little scholarship on Pat Choate and his role in shaping American politics in the late 1980s. Narelle Morris writes of his role in Japan-bashing and the influence of his later work, *Agents of Influence*, published in 1990. *Japan-Bashing: Anti-Japanism since the 1980s* (Routledge, 2011), 50.

²⁶⁸ To Rothenberg, Choate’s motivation seemed to stem from “not profit but prestige – a sense of power, a chance to influence the leaders of business and government.” Randall Rothenberg, “The Idea Merchant: Pat Choate Sells Economic Policies,” *New York Times Magazine*, 3 May 1987.

²⁶⁹ Rothenberg points out that numerous congressional policy leaders hired Choate to draft their speeches and to help them gain influence. “I want to know how to begin to play a leadership role in the Congressional Caucus on Competitiveness,” Democratic Representative from Ohio Edward Feighan said to Choate. “I don’t think anyone has a better idea of where this caucus may be going than you, so I wanted to test some of my ideas on you,” he continued. Rothenberg relays how Choate wrote both Reagan’s speech introducing the Competitiveness Initiative, and he also drafted the Democratic Leadership Council’s statements on competitiveness. Randall Rothenberg, “The Idea Merchant: Pat Choate Sells Economic Policies,” *New York Times Magazine*, 3 May 1987.

²⁷⁰ Robert Samuelson, “Competitive Confusion,” *Newsweek* 109, no. 4 (1987): 39.

ubiquitous concern – even while different groups had divergent policy approaches to address it. Contributing to this confusion were an estimated 2,800 different lobbying groups and think tanks which had released reports on competitiveness. Moreover, from the lobbying groups’ interests had “come a torrent of books, reports, recommendations, seminars, speeches and suggestions that offer sometimes similar, sometimes competing ideas on just how the problem should be solved,” a journalist for *The Washington Post* observed.²⁷¹ As this chapter will show, 1987-1988 marked the highpoint of this momentum around competitiveness, culminating in the landmark Omnibus Trade and Competitiveness Act of August 1988.

We begin with the premise that everyone stood to gain from advocating competitiveness; the question then becomes who was most persuasive, how they leveraged their arguments, and what alliances they formed to implement their agenda. The COC and the Democratic Party leadership were key catalysts and protagonists in this momentum; but numerous voices contributed to the cacophony.

Even the director of the National Endowment for the Humanities, Lynne Cheney, joined in. In an op-ed, “Competitiveness: Poetry is as Important as Production,” Cheney made the case for continued robust funding for the humanities.²⁷² “Implicit in the idea of competitiveness is the notion of being part of a team, of trying to excel not just for money or personal satisfaction but as a matter of national pride,” she wrote. Business and political leaders “need the kind of perspective that studying history provides.”

The Omnibus Trade Bill was a major moment in the history of U.S. economic policy, representing a bipartisan pivot towards sector-specific investments under the banner of

²⁷¹ Cindy Skrzycki, “Competitiveness: As America Cashes in, The ‘C’ Word Begins Losing its Value,” *Washington Post*, 23 August 1987.

²⁷² Lynne V. Cheney, “Competitiveness: Poetry is as Important as Production,” *The Christian Science Monitor*, 7 April 1987.

increasing national competitiveness. Instead of viewing the Omnibus Trade Bill as a predestined pork-barrel triumph, the chapter traces the month-by-month events as they unfolded, highlighting the uncertainty, specificities, and political alliance-building that facilitated the bill's passage. I argue that after Republicans, Democrats, business leaders, and labor groups competed to define competitiveness between January 1987 and the fall of 1987, 1988 saw the development of bipartisan consensus around certain key competitiveness policy areas: standards-based education reform and investment in technology. Despite the intense rhetoric underscoring the national interest in enhancing economic competitiveness, the legislation primarily consisted of symbolic measures for labor and workers. Meanwhile, both traditional industrial sectors and burgeoning new industries stood to reap significant benefits.

I. Competitiveness in the Political Limelight: Cross-Party Convergence in January 1987

On January 1, 1987, John Young wrote to Donald Ephlin alerting him of the upcoming opportunity to present the Council on Competitiveness's views to Robert Byrd (Senate Majority Leader) and Jim Wright (Speaker of the House).²⁷³ At a breakfast meeting on January 21st of that year, Young, Ephlin, and the rest of the Council's executive committee traveled to Washington to discuss the PCIC's agenda, which had become the center of the Council on Competitiveness's renewed lobbying effort. Ephlin and Young had garnered significant positive press attention for their December 1986 press conference—the feared pushback that Young had anticipated had not materialized. Instead, these men of the COC (and they were all men) were positioned to influence Democratic and Republican agendas alike, from the halls of Congress to the Oval Office to various federal agencies.

²⁷³ John Young to Donald Ephlin, 1 January 1987, WRL, Wayne State University Archives, UAW-Donald Ephlin Papers, Box 14, Folder Title: Vital Issues of Competitiveness Meeting 1987.

As Young and Ephlin prepared to brief Byrd and Wright, Byrd and Wright were preparing for their own Conference on Competitiveness. Under Byrd and Wright's leadership, all Democratic congressional leaders met for a conference to discuss their agenda for the 100th Congress in Washington DC – where for the first time since the 1970s, their Party had a majority in both chambers. Wright and Byrd hoped their conference would set the tone and the direction for their tenure of leadership. In his keynote address, Wright painted the decline in American competitiveness and the growing trade deficit as crucial economic challenges for the remaining part of the twentieth century.²⁷⁴ “Competitiveness will be our number one priority,” Wright noted.

In his address at the Democratic Congressional Caucus, Wright praised his audience as a “distinguished group,” noting “in particular, I see many members of the new Competitiveness Caucus, a bi-partisan group of congressmen and Senators who are working together to build a consensus for the creative solutions we must employ.” That Caucus on Competitiveness was the outgrowth of Senator Max Baucus' collaboration with Young's Council on Competitiveness since the summer of 1986. With funding from Young's group, the Caucus released reports and championed legislation that mirrored the findings of the newly formed COC. This collaboration was set to flourish in the 100th Congress; in January 1987, capturing press attention was the Competitiveness Caucus's priority.

As *The Washington Post* observed, “the newest congressional caucus was one of the largest at birth.”²⁷⁵ In subsequent hearings aimed at clarifying the mission of his newly formed

²⁷⁴ Jim Wright, “Meeting the Competitiveness Challenge,” Conference on Competitiveness, 21 January 1987, TCU Archives, Jim Wright Papers, Box 1128, Folder: Trade & Competitiveness, 1987. Robert Byrd's conference speech highlighted similar issues, noting, “The problems in the semiconductor industry are especially worrisome... It warns us that the US semiconductor industry is losing the commercial and technical leadership it has held for several decades.” Robert Byrd, “Statement,” Conference on Competitiveness, 21 January 1987, TCU Archives, Jim Wright Papers, Box 1128, Folder: Trade & Competitiveness, 1987.

²⁷⁵ “Competitiveness Caucus Born Large, Full Voiced,” *Washington Post*, 20 January 1987.

caucus, Baucus declared, “international competitiveness is the most important issue facing this Congress.”²⁷⁶ “We must effect a fundamental change,” Baucus concluded with reference to the “mess” the United States faced.

Adding to the chorus of Democrats championing competitiveness was the Democratic Leadership Council, which convened its own conference on the issue that same month. The DLC’s conference entitled “Winning in the World Economy” diagnosed the problem in dramatic terms: “America is in the economic fight of its life. It is a fight we can – and must – win if we are to maintain our position of world leadership.” The trade deficit was at the heart of their rallying cry: “During every year of the Reagan administration, the US merchandise trade deficit has risen, soaring from \$40 billion in 1981 to a record \$170 billion (estimated) in 1986,” the DLC further reported. At the event, Wright gave a speech that contained roughly the same content as his initial remarks to the Council on Competitiveness in November 1986 (which we analyzed in the previous chapter).²⁷⁷

For the Democrats, the economic nationalism strategy was a potent political pitch. Public polling from that spring showed that by a 64-26 percent margin, a majority viewed Congress, not the President, as better equipped to handle the trade issue.²⁷⁸ Thus, public confidence in the Democrats’ capacity to address the competitiveness challenge had reached a significant margin of public support; however, as January 1987 progressed, the issue once again transformed into a publicly bipartisan concern.

²⁷⁶ Statement of Senator Max Baucus, Senate Committee on Commerce, Science, and Transportation, *Competitive Challenge Facing U.S. Industry*, 100th Cong., 1st Sess., 1987, S351-21.

²⁷⁷ “The Crisis in Trade: Our First Imperative,” Statement by Jim Wright, Democratic Leadership Conference, 12 December 1986, TCU Archives, Jim Wright Papers, Box 1050, Folder: “The Crisis in Trade.”

²⁷⁸ “Foreign Trade and the American Public, A Review of Recent Polling Trends,” 24 April 1987, TCU Archives, Jim Wright Papers, Box 1128, Folder: Trade & Competitiveness.

At the end of January, another highly publicized voice entered the debate: Reagan. As detailed in the previous chapter, the Democrats' 1986 victories, combined with the Iran-Contra scandal and sagging public polling numbers, had placed Reagan in a vulnerable political position. Thus, James Baker III had been developing a competitiveness initiative for the past several months. William Brock and Malcolm Baldrige, long-standing competitiveness proponents in the Reagan Cabinet, also contributed. In his seventh State of the Union, Reagan highlighted his new "Competitiveness Initiative" as the keynote revelation. The initiative aimed not merely to sustain competitiveness but also to achieve "a level of excellence unsurpassed in history."²⁷⁹

In the weeks that followed, Baker ardently promoted the president's Competitiveness Initiative, working diligently to distinguish it from similar Democratic proposals. Speaking at the American Enterprise Institute, Baker criticized competitiveness as one of the "most misused words in Washington." The Democrats' policies "actually make us less competitive," he underscored. "It's a little like the line I once heard in a country western song, 'calling it love is no excuse for what we're doing,'" Baker quipped.²⁸⁰ Baldrige also went on record to support Reagan's program in congressional hearings, noting: "competitiveness is a thousand different things: incremental changes that require constant management, constant watching, guarding on the part of the government in their role, and on the part of the private sector."²⁸¹ To his mind, "I

²⁷⁹ "Talk Stresses Competitiveness: Reagan Tries Also to Preempt Issue of US Trade Balance," *Los Angeles Times*, 28 January 1987.

²⁸⁰ James A. Baker III, Remarks to the American Enterprise Institute's Conference on Competitiveness and Trade Policy, Washington DC (As Delivered), 24 April 1987, Princeton University, Mudd Manuscript Library, James Baker Papers, Box 153, Folder 17: American Enterprise Institute Conference on Competitiveness,

²⁸¹ Malcolm Baldrige, Statement before the Senate Committee on Governmental Affairs, *Government's Role in Economic Competitiveness*, 100th Cong., 1st sess., 1987, S HRG 100-317.

think the President's program, with other initiatives already underway, contains, in my view, the right mix for the country.”²⁸²

Behind the aspirational rhetoric was a dual-pronged strategy. First, the initiative directed executive agencies to continue to bolster existing competitiveness measures; these included increasing funding for various science agencies, instructing the Department of Labor to improve worker competitiveness through re-training, and directing the NSF to promote university-business partnerships on college campuses. The second component involved a draft trade bill, presented to Congress for approval that spring. However, the essence was not the specific policies; rather, the Republicans aimed to capture the Democrats' burgeoning popular issue and convince business supporters they could trust the President to act in their best interests.

Starting in early February, then, Reagan embarked on a national speaking tour to celebrate the Competitiveness Initiative with various audiences, which he dubbed “Great National Tent Meetings.”²⁸³ “In too many industries,” Reagan told business leaders, “we have developed the technology only to see others bring it to the marketplace.” “Reagan Asks Business to Join ‘Quest for Excellence,’” the *Washington Post* summed up – while also noting that Reagan sought to win over workers to his vision, too.²⁸⁴ To achieve that goal, Reagan reversed his earlier opposition to efforts to retrain workers who have lost their jobs, a prospect which was becoming increasingly central to the Democrats' rhetoric. He asked Congress to approve \$1 billion in training funds and called workers a “national treasure” not to be wasted. Although certain issues were becoming increasingly consensus oriented as Reagan sought to seize this issue, other

²⁸² Malcolm Baldrige, Statement before the Senate Committee on Governmental Affairs, *Government's Role in Economic Competitiveness*, 100th Cong., 1st sess., 1987, S HRG 100-317.

²⁸³ Ron Scherer, “Reagan's ‘Great National Tent Meeting’ on Competitiveness,” *Christian Science Monitor*, 19 February 1987.

²⁸⁴ “Reagan Asks Business to Join ‘Quest for Excellence,’” *The Washington Post*, 18 February 1987.

subjects – like trade protectionism and other government spending bills – became issues of fierce partisan and intra-partisan debate in the months that followed. Before delving into this debate and the trajectory of competitiveness legislation in the late spring and summer 1987, we turn our attention to how John Young’s Council responded publicly and privately to this outpouring of governmental celebration of the competitiveness cause.

II. Defining the “Competitive Challenge”: Deliberations & Agenda-Setting in the COC, March 1987

In February 1987, it will perhaps come as no surprise that the Council on Competitiveness seized on its extensive media contacts to bolster the government’s newfound commitment to their signature issue. In the introduction to its first-ever (and widely publicized) report, “America’s Competitive Challenge,” Young gloated: “America has discovered competitiveness.” Young recounted how Reagan had made as his “centerpiece” of his State of the Union and agenda for the next two years “restoring the competitive edge of American industry and workers.” Federal lawmakers, meanwhile, “on both sides of the aisle and both sides of Capitol Hill,” had similarly pledged to address the issue. With his characteristic appeal to a historical perspective, Young cast America’s competitiveness problems as the “culmination of several decades of this complacency at home.”

In comparison to other national challenges, “whether it was taming the West, sending a man to the moon, or cleaning up the environment,” with competitiveness, “we’ve never had a challenge quite like it.” “The competitiveness challenge is much more complicated and, partly for that reason, much more threatening,” Young observed. He then called to light a central problem: “We must define what competitiveness is – and what it is not.” This section will show how even as the COC had gained much media attention and exerted great influence even as a fledgling group, the organization itself was wracked with debate over this very question of

defining competitiveness. After much consternation over the tough issues of trade policy, the COC would ultimately focus its attention on the increasingly bipartisan and non-controversial issues of government investment in technology and the need to increase the standards of American human capital.

In March of 1987, although the Council on Competitiveness featured membership from among the nation's most powerful corporate leaders, it did not yet have a clearcut agenda. It fell on the shoulders of staffer Alan Magazine to help the Council forge its policy priorities. In advance of the March 31st Executive Committee meeting, Magazine circulated a paper which "discusses a process by which the Council Executive Committee could choose a discrete set of issues to form the basis of a Council agenda." The four steps of this "process" included: first, "isolating those issues that could be characterized as the key determinants of America's competitiveness." Then, "identifying criteria that could serve as a guide in narrowing the range of issues." Third, "recommending for Executive Committee consideration an issues agenda." Finally, "discussing briefly the mechanisms by which the Council might wish to address the issue." With an attached timeline for the process, Magazine sent each Executive Committee a matrix of proposed issues, policy measures, and Council strategies to achieve each potential agenda item.

Attachment 1
Matrix for Issues Selection

	How Important to Enhancing Comp.+	Cuts Across Sectors	PCIC	Expertise	Help Public Sector	Facilitate Private Sector Action	Recommendation
° Federal funds for R&D	2	X	X	X	X	X	*
° Commercialize new technology	1	X	X	X		X	*
° Protect Intellectual property	1	X	X	X	X		*
° High interest rates	2	X	X				
Budget deficit	1	X	X	X	X		*
Low savings	1	X					
Financial and reg. framework	3	X		X			
Functional illiteracy	3	X	X	X			
Dropout rate	3	X	X				*
Weak elementary curricula	3	X	X	X	X	X	*
Train students for intnt. comp.	3	X	X	X		X	*
Steward systems	2	X	X	X			
Labor-management issues	2	X					
Training/Tech.	2						

* indicate relative importance of issue to competitiveness with 1 being most important, 4 being

Figure 4.1: Magazine's Matrix

Here, Magazine presented the Council Executive Committee with the various policy areas which it could prioritize, classifying each in terms of different factors (how important it was, whether its importance cut across industrial sectors, whether COC members had expertise on the topic, etc.).²⁸⁵

Their starting point for these conversations was the PCIC's final report, which had generated broad agreement. Thus, the COC categorized their issues list along the same lines that the PCIC had, with "technology, capital formation, human resources, and trade" as the central agenda items. "The Council's success will be enhanced by selecting a discrete set of issues upon which to focus its efforts," Magazine explained. The criteria involved a set of questions about

²⁸⁵ Matrix for Issues Selection, March 1987, Walter Reuther Library, Donald Ephlin Papers, Box 23, Folder 25.

importance and priority, including: “How important is the issue to enhancing the overall competitive position of the United States? Does the issue cut across economic sectors? Was this an issue highlighted by the PCIC which still requires attention?” Other questions revolved around whether or not the Council had the positioning and expertise to lobby for the issue, with Magazine asking: “Can we identify expertise within our National Affiliates or within the Council to enhance the credibility of our effort?”

Each of the Executive Committee members brought this matrix to the Council’s March 31, 1987 meeting. John Young opened the discussion, held at the National Association of Manufacturers’ headquarters in Washington, DC. Then, the Council jumped into discussions with its staffers and invited experts. To walk the Executive Committee through its issue analysis, Laura Tyson of the Berkeley Roundtable on the International Economy presented a paper with objectives “to describe the scope and seriousness of the competitiveness problem, identify indicators that will help define the problem, discuss the roots of the problem (both structural and macroeconomic), and assess what remains to be done.” Upon reviewing the document and adding some ideas, the Executive Committee voted that the Council would release Tyson’s White Paper to the public in mid-April.²⁸⁶

The Council’s Ad Hoc Working Group on Trade also presented its findings at the meeting. A member of the Council Staff, along with Brian Turner (Executive Assistant to the AFL-CIO’s Howard Samuel) and Peter Warker (Director of International Affairs at TRW, Inc.) presented the findings. Samuel was one of three Vice Chairman of the COC, as was Ruben Mettler, CEO of TRW Inc. and head of the Business Roundtable. However, it proved difficult for these representatives from divergent interests to find common ground on trade. In their

²⁸⁶ Minutes of March 31 Council Executive Committee Meeting, 31 March 1987, Walter Reuther Library, Donald Ephlin Papers, Box 24, Folder 2: Council on Competitiveness, Executive Committee meetings, 1987.

discussion, the Executive Committee confronted two contentious impasses: the modification of Section 301 from the Trade Act of 1974 and a response to global labor rights infringements. Both subjects elicited profound disagreements. Heavy manufacturing firms and labor unions pushed for the amendment of Section 301, advocating for retaliation against countries that restricted access to their markets. Labor leaders pushed for stronger measures against countries violating labor rights. On the other hand, emergent “sunrise” sectors, especially nascent consumer tech companies, championed free trade and sought to diminish regulations when it came to overseas production. “For those two issues, it was agreed that the policy statement would explicitly state that consensus could not be reached and provide both sides of the issue,” explained the meeting minutes. Given the depth of their differences, the Executive Committee left these issues “bracketed.”²⁸⁷

Part of the reason for the divisions was a question of practicality; the Reagan administration was unlikely to sign off on any major competitiveness bill which included the provisions labor was fighting for. A few weeks earlier, on February 20, 1987, the Reagan administration had unveiled its own 2,000-page trade bill “stressing ways to sharpen US competitiveness in global markets” but which “warned lawmakers against new import restraints.” Clayton Yeutter, Reagan’s Chief Trade Negotiator, appeared at the COC March meeting to re-affirm this stance and to voice the administration’s strong opposition to the trade policy prescriptions like reforming Section 301, which had likewise divided the Council. Yeutter nonetheless affirmed the Administration’s desire to “work with the Congress to frame responsible trade legislation.” The “responsible” competitiveness issues that Reagan supported

²⁸⁷ Minutes of March 31 Council Executive Committee Meeting, 31 March 1987, Walter Reuther Library, Donald Ephlin Papers, Box 24, Folder 2: Council on Competitiveness, Executive Committee meetings, 1987.

proved largely non-controversial across both parties, including investment in science and technology and fostering worker skills through increased standards.²⁸⁸

Joining Yeutter as representative to the Reagan administration, Erich Bloch, head of the NSF, presented the Reagan administration's views on science and technology investment to the Council. Bloch discussed the NSF's ongoing efforts to promote competitiveness, describing trends that everyone in attendance found problematic, including: "inadequate numbers of U.S. graduate students in science and engineering, a shortage of faculty members, declining Federal investment in facilities and equipment, the government emphasis on defense-related R&D, and slow commercialization of new technological breakthroughs." Bloch also described the NSF's commitment to addressing these problems, highlighting the forthcoming increased funding that the NSF would receive thanks to the Reagan White House. "In a rare case of budget largesse. The White House has called for a doubling of the NSF's budget over the next five years to \$3.2 billion from the current \$1.6 billion," *The Wall Street Journal* likewise recounted of this announcement the following month in April 1987.²⁸⁹

Although the Council failed to reach consensus on certain basic issues of trade policy, there was widespread agreement that one of the preeminent goals of the organization was to convince American policymakers and the public at large of the urgency of the problem (the definition of the problem notwithstanding). Though its own purposes and the definition of competitiveness was in flux, the Council's influence over public policy continued to grow – in tandem with growing partisan tension over the issue.

²⁸⁸ Minutes of March 31 Council Executive Committee Meeting, 31 March 1987, Walter Reuther Library, Donald Ephlin Papers, Box 24, Folder 2: Council on Competitiveness, Executive Committee meetings, 1987.

²⁸⁹ "National Science Agency, Bucking Tide of Cuts in Budget, Wins White House Show of Largesse," *Wall Street Journal*, 27 April 1987.

III. The Council at the Capitol: COC Clout Over the Congressional Competitiveness Agenda Amidst Partisan Debate, Spring & Summer 1987

“Competitiveness is a Rallying Cry for US,” headlined the *Hartford Courant* in May 1987. Over the course of the late spring and summer 1987, partisan debates unfolded in numerous congressional committees and White House meetings – all with the aim of drafting sweeping economic policy legislation to address the issue of competitiveness. The previous section looked at the emerging divisions over trade policy and consensus over technology policy within the Council on Competitiveness; this section looks at how similar issues sparked fierce partisan and intra-partisan divisions in the spring and summer of 1987 as both parties sought to capture business interests – themselves divided – into their respective parties.

In those months, there was a public hunger for an aggressive trade policy that would be “tough on Japan,” with rising public concern about the widening trade deficit and the emotional appeal that this issue held with the voting public. Thus, Representative Richard Gephardt’s amendment experienced much spotlight and popularity in those months. A UAW researcher wrote to UAW President Owen Bieber, polling reported on in *The Washington Post* indicated that the public widely favored the Democrats’ approach to trade policy and there had been a marked recent uptick in voters who preferred a protectionist approach: when it came to “sentiment on the trade issue,” “according to the poll, those surveyed favored essentially our position by 64 to 33%. That compares with the 49 to 43% split in September of 1985.”²⁹⁰

Support for the Gephardt Amendment swelled quickly, especially from manufacturing sector interests which viewed the amendment as a potential bulwark against the tide of cheap imports. In the spring of 1987, therefore, the UAW and other industrial unions picked up their momentum behind worker-friendly industrial and trade policy. The UAW even organized a

²⁹⁰ Dick Warden to Owen Bieber, 4 June 1987, WRL, Owen Bieber Papers, Box 159, Folder 205: Presidential Election 1988: Correspondence, 1987.

conference “to expose policymakers and the press to the fact that there is a respectable body of professional opinion that rejects the illusions of free trade ideology and recognizes the need for a practical aggressive policy for trade and industrial revitalization.”²⁹¹ Once again, however, the increasingly vocal labor movement drew ever-sharper pushback and criticism from other segments of the populace.

Despite public enthusiasm for an aggressive trade policy, the Gephardt Amendment sparked vehement debate. This discord was evident not only within the Council, but also in the substantial criticism from President Reagan. Faced with political pressure, Reagan identified Gephardt’s amendment as a rhetorical target. The objective emanating from the White House was to forestall any substantial Democratic policy victories. Thus, they sought to paint the Democrats, and Gephardt in particular, as beholden to “special interests.” Key officials from Reagan’s cabinet, including Baker, Clayton Yeutter, Malcolm Baldrige, William Brock, and Defense Secretary Caspar Weinberger, penned an open letter which decried the ongoing legislative efforts in Congress as protectionism. “We are deeply concerned,” they wrote, that legislative proposals under consideration “pose grave dangers to our economic health and national security.”²⁹² “We will not reclaim leadership in the world marketplace ... by imposing new tariffs and quotas,” echoed a critique in the *Chicago Tribune*, noting that this was “the essence of the Gephardt Amendment.”²⁹³ As a result of this growing critique from Republicans and the media, a growing number of Democrats became cautious about the political risks

²⁹¹ Jeff Faux to Owen Bieber, 4 March 1987, WRL, Owen Bieber Papers, Box 22, Folder 58: Economic Policy Institute Conf. on Trade/ Competitiveness.

²⁹² James Baker, Clayton Yeutter, Malcolm Baldrige, William Brock, Casper Weinberger, et al. to Robert Byrd, 22 June 1987, WRL, Donald Ephlin Papers, Box 24, Folder 5: Council on Competitiveness, Executive Committee meeting, 1987 June-July.

²⁹³ Robert Malott, “A Competitiveness Agenda Our Leaders Cannot Shirk,” *Chicago Tribune*, 16 June 1987.

associated with a competitiveness message that favored labor policies and risked dominating the agenda.

In the midst of a legislative quagmire and a pervasive sense of panic, it was Speaker of the House Wright who shepherded the Omnibus Trade Bill through Congress. Throughout the 100th Congress, Wright, supported by his team, meticulously monitored the bill while carefully modulating his public statements. Wright's team documented each decisive moment in the 1988 "Chronology of the Trade Bill," an exhaustive catalogue of events, articles, legislative sessions, meetings, and proposals, culminating in the final compromise (Appendix 2).²⁹⁴

Senator Lloyd Bentsen (D-TX), chair of the Senate Finance Committee, also exhibited deftness in crafting the omnibus economic legislation and was keen to develop a competitiveness bill that Reagan would agree to sign. Under Bentsen's guidance, the Committee on Finance became the birthplace of many essential provisions, which later proceeded to full Senate and House votes. Aware of the looming threat of presidential vetoes, Bentsen leaned towards moderate bills that could win widespread approval, a strategy that the Council on Competitiveness commended.²⁹⁵ As the urgency to pass a bill reached its apex, Bentsen's strategic moderation was more successful than Gephardt's highly-publicized, controversial approach. A debate raged within the Democratic Party over trade policy.

Meanwhile, most Democrats supported investment in technology as a means to enhance competitiveness. Such consensus was evident in spring 1987 hearings over the "Technology Competitiveness Act" led by Senator Ernest Hollings of South Carolina. Representing a state that depended on textile manufacturing production, Hollings favored more aggressive trade

²⁹⁴ "Chronology of Trade Bill," 1988, TCU Archives, Jim Wright Papers, Box 1107, Folder: Trade Bill, 1985-1988.

²⁹⁵ John Young to Executive Committee, 24 June 1987, WRL, Donald Ephlin Papers, Box 24, Folder 1: Council on Competitiveness, Advisory Committees, 1987 April-June.

protectionism like the Gephardt amendment, and later, he vehemently opposed the North American Free Trade Agreement. Technology was an area where Democrats – and many Republicans – could agree on the positive role the government might play in helping the nation transition to a New Economy. “It is high time we get the Federal Government’s research programs on the side of American industry, and that is what my bill is designed to do. This bill focuses on strengthening and expanding existing Commerce Department technology programs,” Hollings explained.²⁹⁶ Arkansas Senator Dale Bumpers, who spoke with pride about his state’s ongoing measures to improve national competitiveness, voiced: “we need to start breaking barriers down and joining hands with the private sector and foundations and universities.”²⁹⁷ These senators, it seemed, believed in the promise that Governor Dukakis of Massachusetts outlined that same spring: “If Lowell, Mass., and the Merrimack Valley were able to move from decay to dynamism in a decade, so, too, can Louisiana, West Virginia, Iowa, Michigan, and the entire nation.”²⁹⁸

From its role in the background, the Council on Competitiveness fostered and goaded such efforts at positive government investment, feeding bills to both parties which reflected this support. Young recognized the crucial role of forging relationships when lobbying, a skill he had showcased with the PCIC. A 1987 reception at the Willard Intercontinental Hotel provided a convivial atmosphere for the Council and the Congressional Caucus to strengthen ties.²⁹⁹ Such networking efforts seemed to bear fruit in the COC’s ability to shape policy: by April 1987, Baucus sent a letter to Magazine, listing over 100 policy suggestions to guide his Caucus’

²⁹⁶ Donald P.E. Weinert, “Statement on the Technology Competitiveness Act of 1987,” Senate Committee on Commerce, Science, and Transportation, 100th Cong., 1st sess., 1987, S261-59.

²⁹⁷ Dale Bumpers, “Statement on the Technology Competitiveness Act of 1987,” Senate Committee on Commerce, Science, and Transportation, 100th Cong., 1st sess., 1987, S261-59.

²⁹⁸ Bruce Mohl, “DUKAKIS OUTLINES POSITIONS ON TRADE,” *Boston Globe*, 10 April 1987.

²⁹⁹ Alan Magazine to Executive Committee Members, 19 March 1987, WRL, Donald Ephlin Papers, Box 23, Folder 25: Council on Competitiveness, 1987 February-April.

legislative priorities, contingent on the Council on Competitiveness' endorsement.³⁰⁰ Magazine thanked Baucus, noting, "in general, we think the paper is very good and tracks our thinking in a number of key areas" and "specific comments are provided below."³⁰¹ In particular, the Caucus' commitment to technology investment drew praise from Magazine. Concerning trade, Magazine reminded Baucus to consult the Council's latest report, "Restoring America's Trade Position" and to heed its recommendations on avoiding the heated issues of Section 301 and international worker rights.³⁰²

In the summer of 1987, even as he was trying to help the Council determine its concrete action, Magazine became a key advisor to policymakers eager to curry favor with the Council. He grappled with the magnitude of correspondence and influence suddenly thrust upon him. For example, Leonard Weiss, a staffer from the Senate Committee on Governmental Affairs, wrote to Magazine and sought the Council's viewpoint on Senator John Glenn's (D-OH) reorganization plan for the Department of Commerce and the Office of the U.S. Trade Representative.³⁰³ Magazine briefed Young on the Glenn proposal, detailing his proposed merging of the US Trade Representative and Department of Commerce, and the introduction of the Advanced Civilian Technology Agency, envisioned as a civilian equivalent to DARPA (Defense Advanced Research Projects Agency). Magazine emphasized the potentially contentious nature of these suggestions and advised Young's restraint in endorsing them.³⁰⁴ The Council quickly established

³⁰⁰ "Congressional Competitiveness Caucus Recommendations," n.d., WRL, Donald Ephlin Papers, Box 24, Folder 1: Council on Competitiveness, Advisory Committees, 1987 April-June.

³⁰¹ Alan Magazine to Senator Baucus, 20 April 1987, WRL, Donald Ephlin Papers, Box 24, Folder 1: Council on Competitiveness, Advisory Committees, 1987 April-June.

³⁰² Alan Magazine to Senator Baucus, 20 April 1987, WRL, Donald Ephlin Papers, Box 24, Folder 1: Council on Competitiveness, Advisory Committees, 1987 April-June.

³⁰³ Leonard Weiss to Alan Magazine, 13 May 1987, WRL, Donald Ephlin Papers, Box 24, Folder 1: Council on Competitiveness, Advisory Committees, 1987 April-June.

³⁰⁴ Alan Magazine to John Young, 14 May 1987, WRL, Donald Ephlin Papers, Box 24, Folder 1: Council on Competitiveness, Advisory Committees, 1987 April-June.

a pattern: because there were so many issues of competitiveness which the Council could potentially influence, Magazine took charge of writing the reports, designed to influence various policy debates, and then solicited member signatures.

Union leaders were eager to sign off on the Council's reports that spring of 1987 and consistently supported the Council on Competitiveness, thus countering the assumption that labor and business were continually at odds in the 1980s. Whereas the union leaders at the head of the Council felt that their voice was increasingly marginalized among Democratic policymakers who claimed there was no political will to push through their proposals, they felt that in the summer of 1987, the Council still represented their interests. Additionally, Young's tense relationship with Ronald Reagan after the PCIC rejection positioned him as a sympathetic figure among labor advocates by suggesting a common foe. A template letter to union leaders noted achieving the Council's goals of preserving manufacturing competitiveness would "require a show of unity among the leaders of our respective sectors."³⁰⁵ As one union joined, others followed, broadening the Council's influence.

As data analytics became increasingly pivotal in election strategies, the COC sought to provide both Republicans and Democrats with polling insights into public views on competitiveness – increasingly, by the late summer of 1987, they feared the issue was more difficult to communicate than they thought. Famous pollster Robert Teeter strategized with John Young on incorporating COC-specific questions into his nationwide surveys.³⁰⁶ The COC aimed

³⁰⁵ Dear ____ from John Young, Howard Samuel, Donald Ephlin, Lynn Williams, and Morton Bahr, May 1987, WRL, Donald Ephlin Papers, Box 24, Folder 1: Council on Competitiveness, Advisory Committees, 1987 April-June.

³⁰⁶ Alan Magazine to John Young, 15 May 1987, WRL, Donald Ephlin Papers, Box 24, Folder 1: Council on Competitiveness, Advisory Committees, 1987 April-June. "Since other clients are paying for the work he can only add three to six questions that pertain to our particular interests," Magazine briefed Young in advance of the meeting with Teeter. "I made it clear to him that we have been publicizing the fact that he is our 'official pollster' and that you, John, are very excited about his assistance to the Council," Magazine relayed, stressing, "I think he got the message loud and clear — he seems anxious to follow through on his commitment."

to champion “competitiveness” as a central political issue, underscoring public apprehensions about national decline; consultants like Teeter were to provide data to justify policymakers’ embrace of their agenda. However, in May of 1987, Teeter discerned that public interest in competitiveness surged mainly during economic downturns. His surveys revealed, “1) lack of knowledge, 2) numerous contradictory attitudes, and 3) the fact that perceptions of the issue [of competitiveness] change with changes in the economy.”³⁰⁷ “With the next economic downturn, trade and the budget deficit will become the focus of broad public concern. The difficulty comes in developing a set of attitudes and sustaining them so that policies have adequate time to have an impact,” Teeter warned at an Executive Committee meeting. Ultimately, the Council faced an uphill battle in molding public sentiment about the nation’s diminishing competitiveness in a long-term sense, as the public’s concern oscillated with year-to-year economic developments.

Teeter’s prescient polling data notwithstanding, the summer of 1987 witnessed various policymakers communicating the competitiveness idea to the voting public. Numerous bills were up for debate, and various congressional committee and sub-committee chairmen vied to gain political traction behind their various legislative proposals – which would eventually funnel up into a major piece of legislation, which the House Speaker and Senate Majority Leader, among others, would work out in conference.

Adding still to the competitiveness drive was the ongoing work of the National Governors Association; in 1987, Bill Clinton took over as chairman, and in the summer of 1987, he organized the group’s annual meeting around the theme of competitiveness. The conference also coincided with the release of the much-publicized NGA report, “Making America Work:

³⁰⁷ Minutes of July 17 Executive Committee Meeting, 30 July 1987, WRL, Donald Ephlin Papers, Box 24, Folder 2: Council on Competitiveness, Executive Committee meetings, 1987.

Productive People, Productive Policies.”³⁰⁸ The “new American worker” would be “adept at languages, sharpened by continuing education, computer literate and attuned to global competition,” Clinton asserted upon announcing the report. To Clinton, this push towards education and re-skilling was more than just progress — it was “welfare prevention,” “stopping the need for government assistance ... before help becomes necessary.” Speaking at the NGA conference on competitiveness, corporate leaders echoed these same sentiments.³⁰⁹ Chrysler Chairman Lee Iacocca expressed in his speech during the NGA’s 79th annual meeting, “we seem to be lacking the national will to compete.”³¹⁰ Iacocca’s dramatic rhetoric served a particular political purpose; business leaders and policymakers alike sought to build competitiveness into a national common cause, inspiring voters’ unity around the urgency of the issue. Increasing educational standards and investing in certain sectors became the central areas of this policy consensus with the 1988 Omnibus Trade and Competitiveness Act and the policy momentum that followed.

IV. From Black Monday to Blackboards: Education & Training Take Center Stage in Competitiveness Policymaking, Fall 1987

Early in October 1987, the Gephardt amendment remained politically viable, given the wide spectrum of manufacturing unions and industry interests which supported it. Upon advancing to a vote in the full House, the amendment passed and was set to move on to ratification in the Senate. The trade deficit – a prime concern among congressional leaders and voters – needed aggressive action, according to the congressional leaders willing to sign off on the amendment in the House. The Gephardt amendment would never pass in the Senate,

³⁰⁸ Governor Bill Clinton, Chairman, “Making America Work: Breaking Down the Barriers, Productive People, Productive Policies, National Governors Association, Center for Policy Research” (National Governors Association, Center for Policy Research, 1987).

³⁰⁹ “Governors Call for Work-Force Overhaul,” *Orlando Sentinel*, 26 July 1987.

³¹⁰ Thomas Hardy, “Competition Top Issue for 1988, Iacocca Says,” *Chicago Tribune*, 27 July 1987.

however, due to an unexpected economic shock: on October 14, 1987, the United States weathered its most severe stock market plunge since 1929 – Black Monday. This economic upheaval led to growing fears about the stability of the global economy and the possibility of a trade war with Japan, if the Gephardt amendment went into effect. U.S. congressional figures from both major parties — Republicans and Democrats — began to agree on the need for a concerted legislative plan to address the nation’s declining competitiveness. Rather than focus their legislative attention on subjects that stirred up division and economic instability (like trade retaliation), both parties in the fall of 1987 began to move towards legislative consensus on competitiveness. Their focus was on the areas of broad national agreement: increasing national educational standards and investing in particular sectors predicted as critical in the New Economy.

In the week following “Black Monday,” in late October 1987, the Subcommittee on Education of the Joint Congressional Economic Committee began a series of extensive hearings on “Workforce Competitiveness.” These hearings exemplify a key consensus which would continue to take hold in the leadup to the passage of the Omnibus Trade Bill and throughout the decades to come: the so-called “skills-gap” which was preventing workers from competing in the New Economy. These hearings in particular showcase the bipartisan praise of the Reagan administration’s “Workforce 2000” report, which predicted labor market shifts, and the corresponding praise bestowed on governors as champions of competitiveness.

As often is the case with congressional hearings, these hearings devolved into a rhetorical theater — more fertile ground for cultivating soundbites than for deliberating policy. In this way, this late 1980s discourse on education reform was reminiscent of the post-Sputnik shock and Americans’ corresponding efforts to bolster its educational system out of fear of Soviet

competition.³¹¹ In this section, these hearings serve to exemplify a growing discourse that was politically convenient for legislators and lobbyists seeking to drum up support for their broader competitiveness program. Ultimately, although these purported concerns about education and training were central to the nation's outcry about declining competitiveness, large-scale investment in education largely did not materialize, with policymakers increasingly concerned about the federal deficit. Moreover, the growing push for higher standards in education and worker-training did not ultimately enable access to the new, high-tech job opportunities that Americans were promised in the New Economy. In reviewing the hearings in this section, we can grasp the various stakeholders who stood to benefit from the rhetorical promise of workforce competitiveness.

First, these hearings show how business lobbyists and their handpicked consultants benefited from the rhetoric of blaming workers for their supposed lack of skills. These voices laid the blame squarely at the feet of workers for their deficiencies in skill, impeding both their individual competitiveness and national competitiveness. "We have about 20 percent of our people, of our adult population, that have been to college, another 20 percent plus that are functionally illiterate. They can't read, write, or count at the 7th grade level," lamented Pat Choate, questioning: "are we going to cast them on the human slag heap? Are they never going to have a full-time meaningful job in the rest of their lives?"³¹² Stephen Cohen, a business professor at UC-Berkeley, testified: "we are becoming dumb, and everybody has said it here with verve and with information, and we are slogging miserably in the competitive realm. It's a

³¹¹ Christopher Loss, *Between Citizens and the State: The Politics of American Higher Education in the 20th Century* (Princeton: Princeton University Press, 2012)>

³¹² Statement of Pat Choate, Office of Policy Analysis, TRW, Trade and Competitiveness (Part 1), Subcommittee on Commerce, Consumer Protection, and Competitiveness of the Committee on Energy and Commerce (1987).

disaster.”³¹³ “‘We have to change something; let’s invest in ourselves.’ The Nation is saying,” Cohen remarked.³¹⁴ Marc Tucker from the Carnegie Forum on Education and the Economy posited, “we must become a nation that thinks for a living.”³¹⁵ Louis Harris, Chairman of Louis Harris & Associates consulting firm, characterized the American psyche:

I think the great shock that ought to be realized to the people who run this country is that people do not blame the Japanese primarily for the plight we are in, in not being competitive. They do not blame the West Germans. They do not blame others. They blame themselves. As Shakespeare said, ‘It is not in the stars. It is in ourselves.’ People believe that.³¹⁶

Among these business testimonies, the vision of workforce competitiveness in the New Economy was a widely held, political vision. As Harris importantly explained of the link between education, training, and economic competitiveness, “people believe that.”³¹⁷

Another group who benefited from the “workforce competitiveness” rallying cry were national policymakers from the Republican and Democratic Party. The Republicans were indeed champions of the idea that if workers gained skills, they could prepare for New Economy jobs. The best example of this Republican commitment was the Reagan Department of Labor’s “Workforce 2000” report, which had come out earlier in 1987. The central finding was that the workforce was undergoing a major transition, with more and more workers identifying as minorities and women. “Workforce 2000” moreover envisioned a future that these new and existing workers’ future was bright, as long as Americans prepared.

³¹³ “Statement of Stephen Cohen, Professor, University of California, Berkeley, Hearings Before the Subcommittee on Education and Health of the Joint Economic Committee, Part I,” 23 October 1987.

³¹⁴ “Statement of Stephen Cohen, Professor, University of California, Berkeley, Hearings Before the Subcommittee on Education and Health of the Joint Economic Committee, Part I,” 23 October 1987, 63.

³¹⁵ “Statement of Marc Tucker, Executive Director on the Carnegie Forum on Education and the Economy, Hearings Before the Subcommittee on Education and Health of the Joint Economic Committee, Part I,” 480.

³¹⁶ “Statement of Louis Harris, Chairman, Louis Harris & Associates, Hearings Before the Subcommittee on Education and Health of the Joint Economic Committee, Part I,” 23 October 1987, 31.

³¹⁷ “Statement of Louis Harris, Chairman, Louis Harris & Associates, Hearings Before the Subcommittee on Education and Health of the Joint Economic Committee, Part I,” 23 October 1987, 31.

In his testimony at the hearings, Brock dismissed the notion that future jobs would be “low-wage, dead-end in character” and challenged media reports “denigrating their quality.”³¹⁸ He instead painted the impending New Economy as a “healthy and dynamically growing economy” (notably, without presenting supporting data in his testimony).³¹⁹ “Business and labor both are seeing the imperative of getting people into job education and training,” Brock explained, noting labor was “wonderfully cooperative.”³²⁰

Democratic congressional leaders praised Brock’s report and lauded the newfound Republican commitment to preparing workers for New Economy opportunities. In his opening statement, Subcommittee Chairman Representative James Scheuer (D-NY) asserted “the education and skills deficit is, and will continue to be, the driving force behind the decline in our nation’s productivity.”³²¹ Scheuer asked Brock whether it was possible to forge a “partnership between your very enlightened Department of Labor and the Department of Education, which seems a little bit retrograde at this point.”³²² When Brock assured Scheuer that he had been working closely in coordination with the Education Department, Scheuer further sang Brock’s praises and commended his attention to the “extreme gravity” of the issue.

Yet another key contingent which celebrated the need for “workforce competitiveness” at the hearings were state governors. Bill Clinton was especially effusive in his admiration for Brock, lauding the “Workforce 2000” report. He highlighted its attentiveness to “the need to

³¹⁸ “Statement of William Brock (Secretary of Labor), Hearings Before the Subcommittee on Education and Health of the Joint Economic Committee of the United States, One Hundredth Congress, First Session,” 18.

³¹⁹ “Statement of William Brock (Secretary of Labor), Hearings Before the Subcommittee on Education and Health of the Joint Economic Committee of the United States, One Hundredth Congress, First Session,” 20.

³²⁰ “Statement of William Brock (Secretary of Labor), Hearings Before the Subcommittee on Education and Health of the Joint Economic Committee of the United States, One Hundredth Congress, First Session,” 24.

³²¹ Statement of Representative Scheuer, Hearings Before the Subcommittee on Education and Health of the Joint Economic Committee, Part I, 23 October 1987, 7.

³²² Statement of Representative Scheuer, Hearings Before the Subcommittee on Education and Health of the Joint Economic Committee, Part I, 23 October 1987, 29.

adopt clear and achievable national competitiveness goals. These goals must be embraced by all Americans – business people, workers, farmers, and government leaders.” As Clinton explained, “The ‘new American workforce’ must be internationally conscious, computer savvy, proficient in languages and math, and above all, adaptable. Only then can we translate economic potential into tangible productivity.”³²³

From a rhetorical standpoint, Clinton made his strategic intent explicit: with appeals to education, Clinton claimed politicians could “capture the imagination of the country, make people think it wasn’t just a tax increase to fuel the bureaucracy, it was an investment for the future.”³²⁴ Clinton briefly touched on concrete Arkansas policies at the close of his remarks (“just one other thing”), dedicating a few sentences to discussing post-high school training in his state. Ultimately, however, the “workforce competitiveness” hearings were primarily focused on visionary rhetoric rather than concrete policy reform.

Beneath the surface level consensus, there was an unspoken tension: participants had stark differences in opinion over the expenditure of federal funds. One camp – primarily composed of business lobbyists and the experts whom they hired – underscored the importance of heightened quantitative standards in K-12 education yet opposed increasing federal funding. The problem was not the dearth of federal resources, according to Pat Choate of TRW and the Council on Competitiveness. Rather, Choate said, “it is local funds.” In Choate’s mind, education spending was a state and local responsibility.³²⁵

³²³ “Statement of Hon. Bill Clinton, Governor of Arkansas, Hearings Before the Subcommittee on Education and Health of the Joint Economic Committee, Part I,” 23 October 1987, 377.

³²⁴ “Statement of Pat Choate, Director, Policy Analysis, TRW, Inc., Hearings Before the Subcommittee on Education and Health of the Joint Economic Committee, Part I,” 23 October 1987.

³²⁵ “Statement of Pat Choate, Director, Policy Analysis, TRW, Inc., Hearings Before the Subcommittee on Education and Health of the Joint Economic Committee, Part I,” 23 October 1987.

In the other camp, opposing Choate's perspective, certain (though not all) Democrats advocated increased federal involvement. "I was not going to politicize this hearing, I swear I wasn't," Representative Scheuer noted, "but why can't they [the Republicans and OMB] perceive this as an investment?"³²⁶ Scheuer was perhaps loathe to "politicize the hearing" because he wanted to strike a tone of optimism, attracting voter support.

In point of fact, myriad working-class advocates attended the hearings and saw the "workforce competitiveness" promise as a sincere commitment to the wellbeing of workers on the part of Democratic and Republican policymakers. Although various representatives of workers saw the hearings as an opportunity to lobby for increased funding, such federal support mostly did not materialize in the form of concrete appropriations. Nonetheless, optimism was high among various advocates for social spending, and witness testimonies at these hearings showcase such perspectives.

First, Ray Marshall, President Carter's former Secretary of Labor and an academic economist, championed the issue in his testimony, observing, "there appears to be an emerging consensus that personal and national economic welfare will depend heavily on the quality of our work force. Improved work force quality will, in turn, require radical reforms in our school systems."³²⁷ Americans "are going to be information workers, knowledge workers, and therefore, they will have to know a great deal about learning," Marshall forecasted. Since the early Reagan administration, Marshall had voiced his concern about the fate of workers under Reaganomics; with bipartisan concern about workers seeming to grow, Marshall sought to seize the opportunity to advocate for investment.

³²⁶ "Statement of Representative Scheuer, Hearings Before the Subcommittee on Education and Health of the Joint Economic Committee, Part I," 23 October 1987, 432.

³²⁷ "Statement of Ray Marshall, Hearings Before the Subcommittee on Education and Health of the Joint Economic Committee, Part I," 23 October 1987, 405.

Advocates from the Black community also saw the hearings as a chance to advocate for increased educational and training opportunities. Badi Foster, for example, gave testimony about his efforts leading Aetna Insurance's Institute for Corporate Education. Under Foster's leadership, this program had solicited corporate donations to fund educational opportunities in Black communities. Foster remarked, "We have our educators and our business people sitting down, truly looking at a problem, and coming up with solutions." He added that this collaborative approach even swayed reluctant executives: "People who might be viewed as bigoted and not wanting to spend any money on those little colored kids, you press them and they will say, 'Fine, I'll make my contribution as long as it works.'" ³²⁸

Industrial union advocates also appealed for increased attention to workforce training at these hearings and beyond. Governor DiPrete of Rhode Island shared in his testimony, "I spoke last Friday evening in Rhode Island at the annual convention of the AFL-CIO, stressing to them the importance of their participation, and I will say that business and labor have identified 'Workforce 2000' as an appropriate program for them to participate in and show leadership." ³²⁹

The American Federation of Teachers (AFT) was also a highly supportive voice at these hearings, with the union's leader, Albert Shanker, an important voice in the push to increase American educational standards. Similar to Ephlin and Samuel, Shanker embraced a cooperative approach with corporations, believing that the AFT could most effectively achieve its lobbying goals by advocating for increased educational spending as a matter of national competitiveness. Thus, Shanker authored several reports on this topic, including "The Revolution That Is Overdue," outlining the AFT's response to "Workforce 2000."

³²⁸ "Statement of Badi Foster, President, Aetna Institute for Corporate Education, Aetna Life & Casualty Co., Hearings Before the Subcommittee on Education and Health of the Joint Economic Committee, Part I," 23 October 1987.

³²⁹ "Statement of Governor DiPrete, Hearings Before the Subcommittee on Education and Health of the Joint Economic Committee of the United States, One Hundredth Congress, First Session," 388.

In his leadership of the AFT, Shanker worked closely with corporate lobbyists who advocated for educational reform and often invested concrete funds in the American education system in the 1980s.³³⁰ John Young, as head of the Council on Competitiveness and as the head of Hewlett Packard, was particularly invested in the cause of education reform and worker training. Indeed, Young received particular attention for his standout efforts on education in the Harvard Business School monograph *The American Business and the Public School*. After these hearings, Young sought to partner with Shanker and appointed him to the Council's Executive Committee in the winter of 1988. Young, astute in his understanding of the political landscape, recognized the opportunity to foster a business-labor consensus around the competitiveness issue by prioritizing education and training among the COC's top goals.

Shanker had many critics, who questioned his tactics in partnering with business lobbyists blaming workers for their lack of competitiveness. The National Education Association (NEA), the U.S.'s other major teachers' union, was a notably critical voice at the congressional hearings. NEA President Mary Futrell spoke openly about her skepticism for workforce competitiveness discourse at the hearings: "It is pointless to talk about some of the panaceas being offered today when students and teachers are compelled to study and work in abysmal school facilities that are not just uninspiring but are, in many instances, unsafe."³³¹ With the Omnibus Trade Bill and numerous other education bills still under negotiation in 1987 as the

³³⁰ *American Business and the Public School: Case Studies of Corporate Involvement in Public Education* (Columbia Teachers College Press, 1988), 3. This monograph examines the broader business movement for education reform and provided case studies about "sustained successful involvement with education as growing out of the corporation's central goals and purposes." The book included a step-by-step breakdown for corporations to spearhead successful educational initiatives, including "political engagement, negotiation, information gathering, decision making, and public outreach." For example, Honeywell played an active role in lobbying for more funding for education, whereas Met Life focused its efforts on sponsoring research on pedagogy and how teaching could be improved.

³³¹ "Statement of Mary Hatwood Futrell, President, National Education Association, Hearings Before the Subcommittee on Education and Health of the Joint Economic Committee, Part I," 23 October 23 1987, 581.

hearings concluded, the question still remained whether the hoped-for funding for education and training would materialize, and whether it would enable workers' transition to high-paying, high-tech jobs as promised. With diverse policy voices – progressive and conservative, Republican and Democrat alike – unified around the issue of competitiveness, the remaining step was to ensure the passage of tangible legislation, a pursuit that intensified in the following months.

V. A Bill in the Balance: The Drive for Competitiveness Legislation, Spring & Summer 1988

In the spring of 1988, various public and private sector leaders examined the landscape with concern: despite the Democrats' control of both houses of Congress for over a year, no significant competitiveness bill had yet been enacted. To pass a major bill – which would showcase the Democrats' finesse in handling the economy as they controlled Congress – Wright and Byrd, along with other Democratic leaders, endeavored to amalgamate these smaller pieces of legislation across numerous markup sessions. By consolidating hundreds of proposals into a single bill, they hoped for bipartisan agreement on the eventual bill. This section explores the political salesmanship and negotiations which paved the way for the act's eventual passage in August 1988.

Former President Jimmy Carter emerged as a prominent booster for the need for a major competitiveness bill, hosting a heavily publicized conference on the topic in April 1988. A press release for Carter's conference stated, "The United States faces a competitiveness crisis. The indicators are abundant... An alarming number of American students and workers do not seem to have the skills needed to succeed in the more demanding jobs of the modern economy."³³² Held at the Carter Presidential Library in Atlanta, GA, the Carter Competitiveness conference, like

³³² The Carter Center, "Common Sense on Competitiveness," Convened April 1988, Co-Chairs Jimmy Carter & Ann McLaughlin, WRL, Al Shanker Papers, Box 72, Folder 32.

many before it, endeavored to elevate the issue in public consciousness and draw attention to the Democrats' ongoing efforts. As the *Washington Post* summarized "a group of heavy hitters from industry, academia, and the body politic" upon meeting at this "high level gathering" which "pushe[d] competitiveness" found some "grim realities ahead."³³³

On May 2, 1988, a version of the bill passed both houses of Congress; however, a serious stumbling block emerged: Reagan's veto. In his veto message to Congress, Reagan singled out blame for his veto on labor unions. Specifically, he cited as his reason for veto the singular plant closing provision, which would provide 60-day lead time to workers who were being laid off from factories. The provision was both a short-term solution and rather toothless. Nonetheless, Reagan seized on the opportunity to frame labor unions as special interests, noting, "I object to the idea that the Federal Government would arbitrarily mandate ... exactly when and in what form that notification should take place."³³⁴

Following Reagan's early May veto, the Democrats and the Council on Competitiveness shifted to offensive mode. Their goal was not primarily to persuade Reagan but to secure a two-thirds majority in both the House and Senate, which would override a presidential veto when the bill returned to the White House for signature. In a *New York Times* op-ed, Robert Reich, for example, voiced his frustration, calling out the Reagan administration for its incoherence on the industrial policy issue. Reagan had cited the outsized influence of special interests for his veto, but as Reich pointed out, "one of the Reagan Administration's enduring legacies will be the foundation of a national industrial policy."³³⁵ Reich cited the most recent examples: the SSC, the Superconductivity initiative, SEMATECH, the high performance computing initiative, and the

³³³ Morris Thompson, "High-Level Gathering Pushes Competitiveness," *The Washington Post*, 29 April 1988.

³³⁴ Ronald Reagan, "Message to the House of Representatives Returning without Approval the Omnibus Trade and Competitiveness Act of 1988," 24 May 1988.

³³⁵ Robert Reich, "Behold! We Have an Industrial Policy," *New York Times*, 22 May 1988.

Space Station. Each of these initiatives, which Reagan had cited in his Competitiveness Initiative and were the subject of his major budgetary support, indicated that Reagan himself was highly constrained by special interests. So, Reich concluded, “Behold! We Have an Industrial Policy.”

The COC also took ever more concerted efforts to orchestrate the passage of the Omnibus Trade Bill in the summer of 1988. With the help of business consultants from McKinsey, the COC published its first annual Competitiveness Index in June of 1988, drawing wide media attention. Wharton Econometric Forecasting Associates consultants also contributed their expertise, casting competitiveness in a data-centric, quantitatively rigorous light.³³⁶ The Index gauged U.S. standing in four realms — standard of living, trade, productivity, and investment — and referenced the 1972 base level as 100. By 1986, the Productivity Index had sunk to 68.7 and, in 1987, the Trade Index to 82.6.³³⁷

³³⁶ “Today we had a meeting with representatives of Wharton Econometrics regarding the development of our competitiveness index. The index and analysis will be completed in 60-90 days. They will develop an index on a scale of 1 to 100 which will be readily understandable by the general public, but will provide backup analysis for those interested in the methodology. There is no question in their minds that our objectives are attainable and that we can update the index on a quarterly basis,” Magazine relayed to Young on plans for the index. Alan Magazine to John Young, 15 May 1987, WRL, Donald Ephlin Papers, Box 24, Folder 1: Council on Competitiveness, Advisory Committees, 1987 April-June.

³³⁷ “For Release: New Economic Index Reveals United States Outperformed by Major Competitors,” 2 June 1988, WRL, Donald Ephlin Papers, Box 24, Folder 4: Council on Competitiveness, Release of Competitive Index, 1988 June.

ness as the degree
r free and fair mar-
ds and services
ional markets
ining or ex-
its citizens.”
stained
.S. busi-
will
nd
l,

imative economic analysis. It is a snapshot of
what the Council believes are the key indicators
of U.S. competitiveness.



The Pyramid of Competitiveness

No single measure adequately reflects
the complexity of a nation's competi-
tive performance. Consequently,
the Council has compiled a box
score — comprising four indi-
cators that we believe combine

Figure 4.2: The Pyramid of Competitiveness, “1988 Competitiveness Index”
In the introduction to its Competitiveness Index, the COC provided a “pyramid of competitiveness” showing how the various aims of competitiveness and how they were all grounded in the bottom of the pyramid, “investment.”³³⁸

Especially noteworthy was the U.S. Standard of Living Competitiveness gap: in fifteen years, the American workforce’s standard of living had grown only half as quickly as West Germany’s, a seventh as Japan’s, and a fourth as the Summit 7 trade allies’. Michael Porter’s appraisal was bleak:

The data present a sober picture. In each of the measures, America has not kept up with other leading nations. In an increasingly global economy, others are either fast-gaining on us or have surpassed America in the areas that will determine future competitive success. If we continue along the path we’ve been on since 1972, we could lose the competitiveness battle altogether.³³⁹

For policymakers assessing America’s international economic standing, these indicators became a readily applicable policy tool.

³³⁸ “The 1988 Competitiveness Index,” June 1988, Walter Reuther Library, Donald Ephlin Papers, Box 23, Folder 4.

³³⁹ “New Economic Index Reveals United States Outperformed by Major Competitors,” 2 June 1988, WRL, Donald Ephlin Papers, Box 23, Folder 21: Council on Competitiveness, Commercial Challenge, 1988.

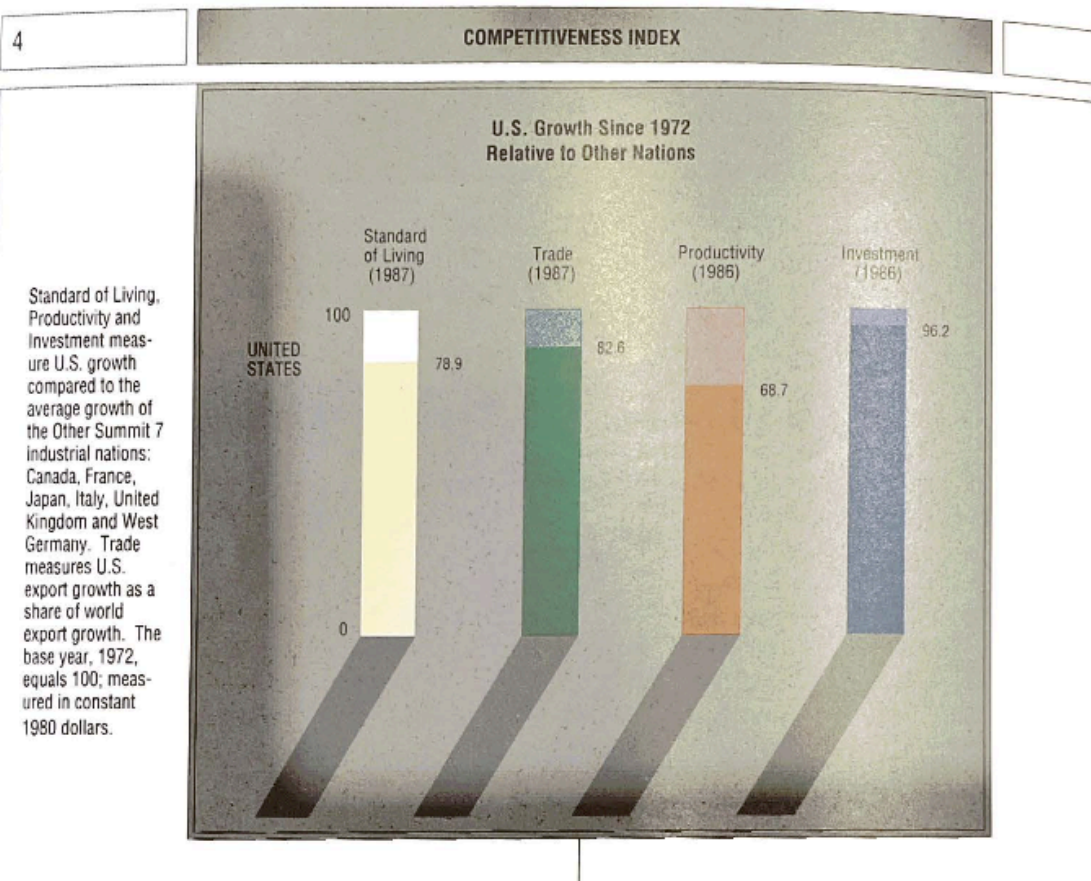


Figure 4.3: Standard of Living Index, “1988 Competitiveness Index”

The Competitiveness Index tied international competitiveness to the standard of living of citizens in various nations, perhaps implying that standard of living was a zero sum competition across countries.³⁴⁰ Other categories which the Index measured included trade, productivity, and investment.

Upon the June 1988 release of the COC’s report, the Index received wide coverage in all national media outlets. After Porter’s presentation at a June 2nd press conference, Magazine conducted special media briefings for various outlets ranging from *The Washington Post*, *USA Today*, *The Wall Street Journal*, *The Christian Science Monitor*, numerous national news magazines, and other daily periodicals.³⁴¹ With its partnership with the Associated Press, the

³⁴⁰ “The 1988 Competitiveness Index,” June 1988, Walter Reuther Library, Donald Ephlin Papers, Box 23, Folder 4.

³⁴¹ Alan Magazine to Members of Executive Committee, 1 June 1988, WRL, Donald Ephlin Papers, Box 24, Folder 4: Council on Competitiveness, Release of Competitive Index, 1988 June.

COC ensured the Index received substantial coverage in over 1,200 outlets.³⁴² The various syndicated articles included an interview with John Young, who summed up with characteristic simplicity, “the Index reveals the United States is losing its competitive edge, threatening the nation’s future wealth and prosperity.”³⁴³

With the COC Index, the effort to attract working Americans to the competitiveness cause continued. Alan Magazine explained the Index could help workers better understand the U.S. global economic standing, and that it served as “comparative guide,” drawing out the distinctions between U.S. industrial strength and that of other countries. Emphasizing the straightforward nature of the findings, Magazine commented, “American workers can begin to understand that competitiveness translates into pocketbook consequences affecting their daily lives.”³⁴⁴

Industrial union members of the COC contributed to and approved of the work of the Competitiveness Index, believing it important for drawing public attention to issues that mattered to them. In his June 1988 correspondence with Donald Ephlin, Howard Samuel reported optimism that the Index had gained such wide attention, including “good coverage in the AFL-CIO news.” “I believe that the Council did us all a favor in this case by dramatizing some of the basic problems the nation has failed to face up to,” Samuel reflected. By “highlighting the importance of addressing the nation’s basic problems,” the Council seemed readily aligned with the interests of labor and their shared concern about the future of America’s manufacturing

³⁴² Alan Magazine to Members of Executive Committee, 9 June 1988, WRL, Donald Ephlin Papers, Box 24, Folder 4: Council on Competitiveness, Release of Competitive Index, 1988 June.

³⁴³ “New Competitiveness Gauge Indicates US Falling Behind,” *The Baltimore Sun*, 3 June 1988.

³⁴⁴ “New Economic Index Reveals United States Outperformed by Major Competitors,” 2 June 1988, WRL, Donald Ephlin Papers, Box 23, Folder 21: Council on Competitiveness, Commercial Challenge, 1988.

base.³⁴⁵ Samuel hoped that with the COC as its ally, labor could secure the provisions that it wanted in the ultimate Omnibus Trade and Competitiveness Act.

Coinciding with the release of the COC Competitiveness Index was a major geopolitical transformation: Reagan and Gorbachev signed the Intermediate-Range Nuclear Forces Treaty on June 1, 1988. With this, the Soviet Union committed to reducing the nuclear arms race and de-escalating Cold War tensions. As the Soviet threat began to recede, Republicans grew more supportive of passing a major bill to enhance U.S. competitiveness; their hope was to ensure continued support for defense spending through the law. Indeed, the end of the Cold War brought new uncertainties for defense contractors and defense hawks about what diminishing military threats would mean for military spending. With the Omnibus Trade and Competitiveness Act, as the next section on the bill's impacts will show, defense interests benefited from numerous favorable provisions. Thus, over the course of the summer of 1988, more and more Republicans signed onto the bill and voiced their concern about declining competitiveness.

³⁴⁵ Howard Samuel to Donald Ephlin, 29 June 1988, WRL, Donald Ephlin Papers, Folder 3: Council on Competitiveness, Executive Committee meetings, 1988.

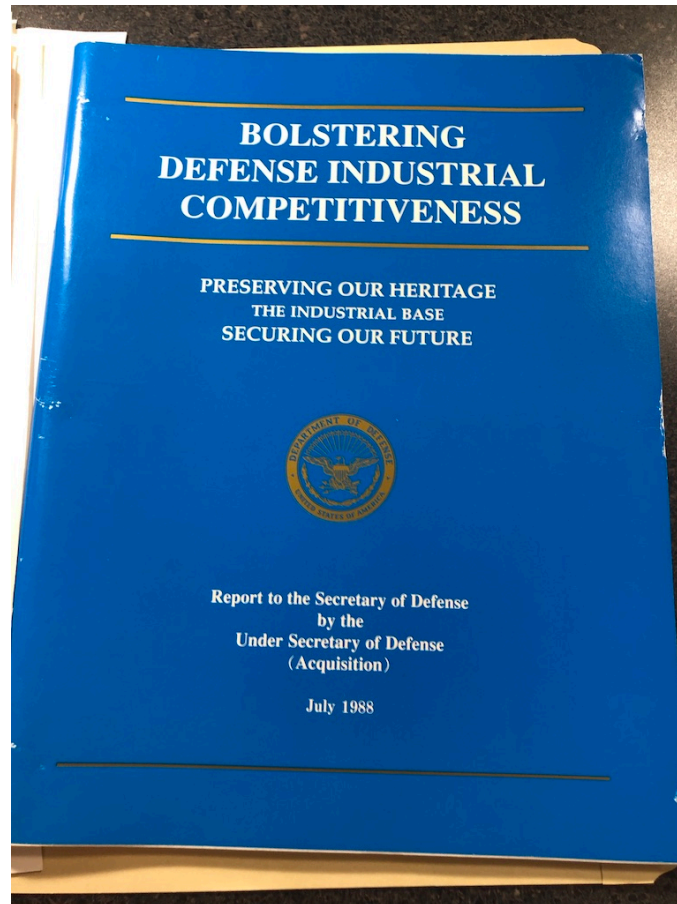


Figure 4.4: “Bolstering Defense Industrial Competitiveness,” DOD Report
This report to the Secretary of Defense outlined how the DOD’s R&D supported the goals of national industrial competitiveness. By July 1988, around the time of the Omnibus Trade Bill’s passage, the DOD had embraced industrial competitiveness as among its goals.³⁴⁶

Further adding to the lobbying effort was the Council’s July 1988 report, “Education for a Competitive America,” which shed further media attention to the issue of declining workforce competitiveness and the need for a major competitiveness bill. The outgrowth of Shanker’s work for the Council, the report was rife with characteristically dramatic language: “America cannot compete without a world-class economy. We cannot have a world-class economy without a world-class work force. We cannot have a world-class work force without a world-class

³⁴⁶ National Library of Medicine, Bernadine Healy Papers, MSC 624, Box 46, Title: White House Science Council, 1988-1989 (1 of 3).

education and training system.”³⁴⁷ Xerox Chairman David Kearns, a member of the Council Executive Committee, voiced his concern that the “labor pool that can’t read, write, or reason well enough for today’s lowest level jobs” upon the release of the report.³⁴⁸ With such lobbying, momentum and pressure continued to grow.

Another political development which drew public attention to the issue of competitiveness was the release of New York Governor Mario Cuomo’s report “A New American Formula for a Strong Economy.” The report criticized the Reagan administration as “passive” on the competitiveness issue. Instead, it reviewed the state’s efforts at investing in high-tech competitiveness and advocated proposals for federal intervention to strengthen US industries. “I think the Cuomo report is going to be music to his [Dukakis’s] ears,” said Reich.³⁴⁹ Dukakis’ campaign for president was picking up in the summer of 1988, as the next chapter will show. The report also came at an opportune time when the Democrats sought to pass competitiveness legislation.

By August 1988, Wright, Byrd, and Bentsen felt that they had the votes to pass their 900 page bill. As a result of Reagan’s earlier veto, the controversial plant closing provision was stripped from the Omnibus Trade Bill. Striking a deal with the White House, the Democrats passed “Plant Closing” under a separate piece of legislation, so as to draw less attention to the issue.³⁵⁰ Without the Plant Closing Provision in the publicized major competitiveness bill, Reagan could sign the Omnibus Trade Bill with fanfare, claiming that union “special interests”

³⁴⁷ “Education for a Competitive America: Prospects and Priorities,” July 1988, WRL, Donald Ephlin Papers, Box 23, Folder 35: Council on Competitiveness, “Educating for a Competitive America: Prospects and Priorities,” 1988 July.

³⁴⁸ Patricia Galagan, “Joining Forces: Business and Education Take on Competitiveness,” *Training and Development Journal*, July 1988.

³⁴⁹ “America’s Industrial Policy: A New Blueprint?” *Business Week*, 27 June 1988.

³⁵⁰ The “Worker Adjustment and Retraining Notification Act of 1988 (WARN)” (Pub. L. 100-379) passed in July of 1988 by more than a two-thirds majority in both houses of congress.

had been stripped from it. Nonetheless, the final version of the Omnibus Trade and Competitiveness Act, passed in August 1988, was a major example of pork barrel spending.

VI. The Result of the “Three-Year Lobbying Effort:” The Outcomes of the Omnibus Trade Bill

“Last Year’s ‘Protectionist’ Trade Bill is This Year’s Competitive Bill,” wrote a journalist for the *Christian Science Monitor*.³⁵¹ The Omnibus Trade Bill was “one for the history books,” according to a *Washington Post* journalist, highlighting how “Big Business and Big Labor” were “curiously in alignment” over its passage.³⁵² A “discerning future historian” would see this alignment as an invitation to scrutinize the “three-year lobbying effort of politicians, lobbyists, bureaucrats, committee staffers, think tankers, and campaign chest carpenters.”³⁵³ The legislation served as a transitional bridge, linking the Cold War era to the transformative policies of the 1990s. It reflected the declining — but not yet extinguished — influence of traditional manufacturing sectors; simultaneously, it paved the way for the growth of the so-called “New Economy” industries of the subsequent decade. On the whole, the bill’s grab-bag of provisions favored sunset and sunrise industries, with labor largely excluded (with the exception of symbolic statements). As an Omnibus Economic Policy Bill, the bill’s provisions spanned numerous different interests by design. It did not represent a straightforward economic ideology, but rather, a hodgepodge. This section reviews the groups that won out from the passage of the bill.

One group which succeeded in pushing through its agenda was the National Association of Manufacturers. The Omnibus Trade Bill’s mandate for a Competitiveness Policy Council

³⁵¹ Robert Saunders, “Last Year’s ‘Protectionist’ Trade Bill is This Year’s Competitive Bill,” *Christian Science Monitor*, 10 February 1987.

³⁵² “One for the History Books,” *The Sun*, 2 May 1988.

³⁵³ “One for the History Books,” *The Sun*, 2 May 1988.

(CPC), a centralized authority overseeing competitiveness challenges, stood out as a salient provision that NAM had championed. As chapter 6 will cover in more detail, the CPC envisioned offering a seemingly impartial structure for evaluating waning industries and orchestrating government fiscal support.³⁵⁴ Such a provision – which committed no actual funding – was meant to encapsulate and elicit support from diverse industrial sectors, which all hoped they would eventually reap the benefits of CPC authority.

Another group which reaped substantial rewards was the steel industry. In the leadup to the bill's passage, the steel sector pressed for escalated retaliation, countering overseas dumping tactics. While the Gephardt amendment drew outsized media attention, steel quietly championed its favored protectionist provisions, known as “Buy America” mandates, sidestepping journalists' criticisms.³⁵⁵

In general, manufacturing interests hit hard by foreign imports saw a victory in the Fast Track provision. In the 1980s, critiques grew of the lengthy U.S. trade negotiation process, which had arguably hampered an agile response to global competitors' tactics. Within the Fast Track's ambit, the President gained the ability to craft trade policy, with Congress only having the binary option of acceptance or rejection, without any amendment rights. This provision's aim was to endow the President with rapid, unilateral trade authority, transferring power to the Oval Office.³⁵⁶

³⁵⁴ See: Subtitle C – Competitiveness Policy Council Act. *HR 4848, Omnibus Trade and Competitiveness Act*, 100th Cong., 2nd sess., 1988.

³⁵⁵ Title I, Trade, Customs, and Tariff Laws, introduced new protective measures favoring domestic industries such as steel, scrutinizing foreign subsidies and practices deemed harmful to the U.S. economy and enabling the U.S. to take stronger retaliatory action if foreign nations did not honor their obligations under trade agreements. *HR 4848, Omnibus Trade and Competitiveness Act*, 100th Cong., 2nd sess., 1988.

³⁵⁶ Subtitle A – United States Trade Agreements, (b) Application of Congressional “Fast Track” Procedures to Implementing Bills, *HR 4848, Omnibus Trade and Competitiveness Act*, 100th Cong., 2nd sess., 1988.

At the heart of the bill lay a mandate for governmental investment in “critical technologies” deemed pivotal for both economic and military security. A victory for manufacturing, technology, and defense firms, the Omnibus Trade Bill called for numerous government agencies to develop lists of “critical technologies” and then, to funnel new and existing appropriations into these targeted sectors. Importantly, the Act largely linked funding for “critical technologies” to the Pentagon’s continued leadership of federal R&D infrastructure, thereby eliciting broad Republican support.³⁵⁷ This move prompted numerous other agencies – including the Departments of Defense, Commerce, and Energy – to reorient their appropriations requests in alignment with the “critical technologies” theme in the years to come. As the Cold War waned, the “critical technologies” mandate allowed for continuously high R&D spending, framed in terms conducive to business lobbyists (like those in the COC). Chapter 6 will cover “critical technologies” in more detail, focusing on how appeals for such investment led to bipartisan support of industrial policy and helped catalyze a shift in science and technology priorities as the Cold War drew to a close.

Conclusion

Workers were a group that conspicuously did not receive requisite benefits from the Omnibus Trade Bill. Title VI of the Bill, “Education and Training for American Competitiveness,” pointed out that “our standing in the international marketplace is being further eroded by the presence in the workforce of millions of Americans who are functionally or technologically illiterate or who lack the mathematics, science, foreign language, or vocational skills needed to adapt to the structural changes occurring in the global economy.”³⁵⁸ However, in

³⁵⁷ The Omnibus Trade and Competitiveness Act mandated the annual release of a DOD list of militarily critical technologies “on an ongoing basis.” *HR 4848, Omnibus Trade and Competitiveness Act*, 100th Cong., 2nd sess., 1988.

³⁵⁸ Title VI, *HR 4848, Omnibus Trade and Competitiveness Act*, 100th Cong., 2nd sess., 1988.

debates over specific legislation in the years that followed, advocates for increased federal investment in worker training and in American education found that their legislation could not pass – despite all the rhetoric. Senator Augustus Hawkins (D-CA) was a particularly active voice in proposing and negotiating such bills, finding there was no political will to pass his legislative initiatives. When he retired in the early 1990s, he thus voiced regret and frustration.

Moreover, because the issue of competitiveness and economic policy were becoming bipartisan, neither party “won” politically. The Democrats had garnered so much bipartisan support for their economic policy vision that, as the next chapter will reveal, the Dukakis campaign found it challenging to discuss substantive economic policy issues on the campaign trail without encountering opponents who echoed their rhetoric and expressed their same support for these issues.

Ultimately, the significance of this bill lay not with the policymakers who enacted it but with the business lobbyists who had spurred its creation. Within the Council on Competitiveness, every member had concurred on the necessity of investment and other incentives for “critical technologies” when many other topics—particularly trade policy—became contentious. Each special interest group within the Council stood to benefit from the bill’s extensive sector-specific investments, and this business-labor consensus continued to grow, with concern for federal investment serving as its guiding star.

Part III

In January 1990, Robert Reich published an article – “Who Is Us?” – in the *Harvard Business Review*.³⁵⁹ “Across the United States, you can hear calls for us to revitalize our national competitiveness. But wait—who is ‘us’? Is it IBM, Motorola, Whirlpool, and General Motors? Or is it Sony, Thomson, Philips, and Honda?” Reich asked. Between 1988 and 1992, an increasing number of American policymakers, labor organizations, and commentators began to grasp the importance of this question. As “the American economy becomes more globalized,” Reich continued, “American ownership of the corporation is profoundly less relevant to America’s economic future than the skills, training, and knowledge commanded by American workers.” “Overall, the evidence suggests that U.S. companies have not lost their competitive edge over the last 20 years—they’ve just moved their base of operations,” he further commented. This observation stood in stark contrast to the conclusions he and Magaziner reached in their 1982 work, *Minding America’s Business*, which did not anticipate this shift. By the time of President Bill Clinton’s election in 1992, more and more Americans began to realize that the competitiveness of American-owned firms and the welfare of actual Americans were distinct. In time, the rallying cry of national competitiveness – and the corresponding influence of the Council on Competitiveness – declined in political salience.

This dissertation’s final chapters cover the unwinding of both the competitiveness framework (as an idea) and of the Council on Competitiveness’ influence (as a lobbying group) from the fall of 1988 through the fall of 1992. In the midst of geopolitical upheaval as the Cold War waned, the logic of bipolar economic competitiveness with Japan frayed, and the onetime business-labor, smokestack-sunrise industry alliance in the Council on Competitiveness began to crumble. Prominent figures in the Council, who would later emerge as key players in the

³⁵⁹ Robert Reich, “Who Is Us?” *Harvard Business Review*, January 1990.

technology sector (sometimes known as “Big Tech”), started to engage in direct lobbying with the Democratic Party. Nonetheless, the Council maintained significant influence over industrial policy priorities until the 1992 election, especially in advocating for government investment in new technologies. Part III examines how even as the Council’s cohesiveness and force were unraveling, its elite business members and certain central policy objectives attained peak public influence.

Chapter 5: The Zenith and Decline of the Competitiveness Coalition, 1988-1989

In the leadup to the 1988 election, journalist Mark Tran observed that Dukakis and his fellow Democrats had “seized on competitiveness as a clarion call in their charge to the White House in the hope that the idea will do for them in 1988 what tax cuts did for Ronald Reagan in 1980.”³⁶⁰ Tran’s assessment encapsulated the key tack of the Dukakis campaign; Dukakis and his running mate Senator Lloyd Bentsen (D-TX) routinely wielded appeals to competitiveness as a way to appeal to a diverse contingent of voters. However, over the course of the fall 1988 presidential campaign, the term became changed in meaning as Dukakis and Bentsen confronted new political threats. Namely, as Bush also adopted the competitiveness platform as central to his campaign, there appeared to be a bipartisan consensus around economic policy. For Dukakis and Bentsen, Bush’s co-opting of their key issue – combined with numerous political constraints and public relations challenges that their campaign faced – ultimately precluded their ability to talk seriously about economic issues in a way that distinguished their party from the Republicans.

Throughout the electoral campaign, the Council on Competitiveness looked on with satisfaction as both parties seized on their key issue and agenda. In the fall of 1988, after closed-door meetings with John Young and the COC Executive Committee, even Bush and Quayle professed their allegiance to investing in science and fostering human capital. Then, after Bush won the White House in the fall of 1988, his administration hatched plans for the formation of a new, Cabinet Level Council on Competitiveness. Announced in his January 1989 State of the Union Address, the new cabinet level group – with the same name as John Young’s Council –

³⁶⁰ Mark Tran, “Democrats Go for the Idea of Human Capital,” *The Guardian*, 1987.

marked a highpoint in the influence of competitiveness rhetoric and ideas at the highest level of American policy.³⁶¹

The Council on Competitiveness and ideas on competitiveness policy significantly shaped the 1988 presidential race and early Bush presidency; however, this chapter argues that the Council's cohesiveness and bipartisan sway began to fracture amid evolving global and domestic political dynamics. The first section will delve into the COC's internal discussions about how to shape the 1988 presidential platforms. The next section will discuss how the definition of competitiveness became increasingly elastic on the 1988 campaign trail. At first, Dukakis held the upper hand in championing competitiveness rhetoric, particularly when he appointed Lloyd Bentsen, an architect of the Omnibus Trade Bill, as his running mate. However, as Bush adopted certain competitiveness policy ideas into his platform in the fall of 1988, Michael Dukakis increasingly made protectionist promises in his speeches to appeal to labor union constituents as a last-ditch effort to win votes.

The third section will discuss how the election of Bush marked both the highpoint of the Council's influence and the beginning of the unwinding of the competitiveness consensus. Within Bush's cabinet, there was mounting opposition to state-sponsored investments in technology, especially in light of national economic growth and the escalating budget deficit in those years, which had seized public attention. Simultaneously, upon the publication of the Council's "Reclaiming the American Dream" report (1988), which recommended slashing social expenditure to curtail the federal deficit, Young encountered intensifying resistance from the

³⁶¹ President George H.W. Bush, "Address on Administration Goals Before a Joint Session of Congress," 9 February 1989. Members of the Bush presidential Council on Competitiveness included numerous top cabinet advisors including Attorney General William Barr, Chairman of the Council of Economic Advisors Michael Boskin, and Director of the Office of Management and Budget Richard Darman, among others.

Council's labor representatives. By May 1989, John Young became increasingly frustrated at the escalating criticism he faced from both the left and the right.

I. Competitiveness as Campaign Currency: The COC's Strategy in 1988

Before delving into the intricacies of the fall 1988 presidential campaign and the candidates' struggle to co-opt the competitiveness mantle, it is necessary to consider the origins of the Council. Its focus had been to bring the idea of competitiveness to the forefront of political discourse. In his early correspondence with Don Ephlin proposing the COC in the spring of 1986, Young admitted, "it isn't clear that the Council on Competitiveness should be a permanent organization." Instead, Young had proposed an initial-three year experiment for the Council on Competitiveness, with an eye towards the next election. As he laid out the Council's vision when inviting Ephlin to join, Young emphasized, "our efforts will be particularly timely as candidates for the White House in 1988 begin to define their economic agendas."³⁶²

In July 1987, in an early meeting of the Council on Competitiveness' Executive Committee, Young presented what he called "the presidential candidate profile project." Indeed, in addition to steering policy negotiations of the Omnibus Trade Bill (as Part II explored), there was from the outset an additional layer to the Council's agenda: shaping candidates' priorities in 1988. In crafting the report, COC members forged "working relationships with the candidates," probing them with questions about their competitiveness positions.³⁶³ The Council also prepared a series of questions on competitiveness that the press could use in presidential debates.

³⁶² John Young to Don Ephlin, 23 April 1986, Walter Reuther Library, Donald Ephlin Papers, Box 23, Folder 22: Council on Competitiveness, Executive Committee, 1986-1987.

³⁶³ Minutes of July 17 Executive Committee Meeting, 30 July 1987, Walter Reuther Library, Donald Ephlin Papers, Box 24, Folder 2: Council on Competitiveness, Executive Committee meetings, 1987. As Young expressed, "much of the policy direction of any new Administration will be set within a few months of taking office."

Ultimately, the goal of the report would be to show voters “how the candidates stand on competitiveness-related issues.”

-2-

Capital Formation

- Views on addressing the problem of high dissavings rate and associated problem of the current account deficit.
- Views on budget deficit; plans to reduce the budget deficit; role of taxes in the budget deficit debate.
- Views on different tax systems, e.g., consumption versus income tax, and their impact on competitiveness.
- Views on the role of monetary policy and interest rates in restoring competitiveness.

Human Resources

- Views on the need for a comprehensive training and retraining program in the United States.
- Views on what type of adjustment policies the United States should have.
- Views on restoring excellence to the educational system including how to address the problems of functional illiteracy, the high dropout rate, and the problems in K-12.

Science and Technology

- Views on the importance of science and technological development to our country's strength.
- Views on funding level and orientation of the National Science Foundation.
- Views on incentives for private sector R&D.
- Views on Civilian DARPA; National Institute on Technology.

International Economics and Trade

- Views on trade issues, specifically how do we address the problem of global trade imbalances.
- Views on international economic coordination.
- Views on the value of the dollar.
- Views on addressing the LDC debt crisis.

Figure 5.1: Presidential Candidate Project
The Council on Competitiveness' Presidential Campaign project profiled candidates based on their positions on each of the topics listed here.³⁶⁴

³⁶⁴ Metrics for Presidential Candidate Profile Project, July 1987, Walter Reuther Library, Donald Ephlin Papers, Box 24, Folder 5.

In February 1988, the Council on Competitiveness released its report “Competitiveness and Campaign ’88,” generating what had become a typical spattering of media coverage from all the major and minor news outlets. Describing itself as “an organization of chief executives from business, organized labor and higher education,” the Council profiled each candidates’ stances on capital formation, human resources, international trade, and science and technology.³⁶⁵ The *Chicago Tribune* summarized the report’s main revelation: competitiveness was “on the minds of all candidates.”³⁶⁶ Young likewise noted that candidates judged all policies based on “their effect on America’s competitiveness,” and “that is a very different criterion than Reagan brought to office in 1981.”³⁶⁷

As the Council gloated in its report, all of the candidates were in fact converging in their rhetoric on the same issue that winter. Following the announcement of his presidential campaign, Senator Gary Hart proclaimed: “the key to unlock the 21st century for America is education. To those whose concern is military preparedness, industrial competitiveness, wealth, or global peace, all our goals share a common prerequisite – education.”³⁶⁸ The Reverend Jesse Jackson, who commanded significant support among the so-called “Rainbow Coalition”, likewise asserted, “Education is not an expendable social program, it’s part of our defense.”³⁶⁹

By the summer of 1988, Michael Dukakis emerged as the frontrunner and chosen Democratic candidate. As a governor who had championed the role of state economic development throughout the 1980s, Dukakis was in a prime position to exploit his home state of

³⁶⁵ John Young, Preface to Report, 8 February 1988, Walter Reuther Library, Owen Bieber Papers, Box 159, Folder 208: Presidential Election 1988: Council on Competitiveness, 1988.

³⁶⁶ “Competitiveness Is on the Minds of All Candidates,” *Chicago Tribune*, 3 February 1988.

³⁶⁷ David Broder, “The Issue for ’88,” *Washington Post*, 3 February 1988.

³⁶⁸ “Senator Gary Hart Education Speech,” January 1987, TCU Archives, Jim Wright Papers, Box 1128, Folder: Education, 1983-8. “Our economic competitors are doing far better by their young people and workers than we are by ours. And we’re paying for it,” he added.

³⁶⁹ “The AFT Meets the Candidates,” *The American Teacher*, September 1987, 72, 1.

Massachusetts as a positive example of how positive government investment could help industry to grow. As the COC pointed out in its report, however, Bush also was making competitiveness central to his campaign pitch, and Bush's promises on the competitiveness issue grew considerably over the course of the fall. Observations of bipartisan economic policy in the media and among business lobbyists, however, obscured the fact that there were real differences of policy commitment that differentiated the parties.

Both Bush and Dukakis claimed to support competitiveness in the name of the national interest; however, their track records showed their previous history of favoring some groups over others. In short, there *were* significant differences between the candidates when it came to economic policy priorities. Indeed, the AFL-CIO Committee on the Presidential Election (COPE) embarked on a similar venture of candidate profiling – but unlike the COC's assessment of bipartisan alignment on competitiveness policy, the AFL-CIO revealed conspicuous disparities in the candidates' track records and commitments when it came to concrete policy. Consider the AFL-CIO's profile of Michael Dukakis: "Voting Record: 71%" (12 right and 5 wrong on labor issues). "During Dukakis' first term, he vetoed the last best offer binding arbitration bill for policemen and firemen ... Throughout Dukakis' terms, he signed and supported numerous labor bills including reform of Massachusetts' worker compensation laws. As a state legislator, Dukakis introduced the first no-fault insurance bill," the AFL-CIO delineated of his legislative accomplishments.³⁷⁰ By contrast, the Republican front-runner George Bush had a clearer cut anti-labor stance: his lifetime AFL-CIO voting record was "1 right and 21 wrong."³⁷¹ However, as the next section will show, in their public rhetoric, Bush and

³⁷⁰ AFL-CIO COPE, Presidential Candidate Profiles, Democrats, 1988, Walter Reuther Library, Owen Bieber Papers, Box 159, Folder 205: Presidential Election 1988: Correspondence, 1987.

³⁷¹ AFL-CIO COPE, Presidential Candidate Profiles, Republicans, 1988, Walter Reuther Library, Owen Bieber Papers, Box 159, Folder 205: Presidential Election 1988: Correspondence, 1987.

Dukakis espoused similar policies, all oriented around competitiveness, thus diminishing the perceived differences between their economic policy approaches.

Surface-level, rhetorical appeals to competitiveness obscured real partisan disparities on issues of economic policy, allowing candidates to sidestep controversial discussions in favor of a nationalist competitiveness cry. In its “Competitiveness Policy Blueprint” in late August 1988, the Council released its set of policy recommendations for the next presidential administration, which they hoped would further coax the candidates into embracing their policy platform of positive government investment. The report, like the Council in general, was agnostic as to which political party was the best vessel for the competitiveness agenda. Instead, the report’s executive summary laid out “one overriding message”: “the President must make competitiveness a national priority. America’s standard of living and standing in the world economy depend on it.” The Council finalized this blueprint on August 3rd, 1988; on August 4th, 1988, Reagan signed the Omnibus Trade Bill into law. August 1988 indeed signaled a transition in focus from the passage of the Omnibus Trade Bill to the 1988 presidential campaign, where competitiveness would remain the dominant issue.

II. The Dukakis-Bush Presidential Race

When Michael Dukakis won the Democratic nomination, his Party’s leaders were confident in his candidacy. His popularity, his seemingly new economic ideas, and his opponent’s perceived weaknesses boded well for a 1988 Democratic victory. As in 1982, 1984, and 1986, the Democrats and Dukakis centered their campaign messages on competitiveness; however, for various reasons, the Dukakis campaign looked increasingly weak over the late summer and fall of 1988.

On August 5th, 1988, the day after Reagan signed the Omnibus Trade Bill, Dukakis announced his selection of Lloyd Bentsen – among the principle architects of the Omnibus Trade

bill – as his running mate.³⁷² The media reported Bentsen’s nomination as an unexpected move: the two men seemed to have had different political commitments and trajectories. However, as previous chapters have shown, both men viewed competitiveness as the Democrats’ central issue, and both held close ties to America’s business elites. Throughout the 1980s, state-led industrial policy, as advocated by Dukakis, and a national approach to competitiveness, as Bentsen had endorsed, were not only synergistic but also enjoyed broad support across business and labor.

Stuart Eizenstat, a Democratic strategist and former advisor to President Carter, offered Bentsen a piece of advice in the run-up to his televised debate with Vice President Dan Quayle which boded the campaign’s central tack. Eizenstat counseled: “The theme is that America has slipped in the new international competition and is losing the battle for international preeminence and that new leadership is needed to keep America number one.”³⁷³ By the fall of 1988, both Bentsen and Dukakis suffered political setbacks and negative attacks from Bush which made their campaign falter.

Upon his nomination in August, Bentsen embarked on campaign trips to sell competitiveness. During factory tours in Detroit and St. Louis, Bentsen however avoided the Omnibus Trade Bill. At the advice of his staffers, he sought to dodge the “protectionist” label that could alienate voters. Instead, he spotlighted the plant closing legislation. For as an advisor explained: “Like the rest of organized labor, these groups strongly supported the plant closing notification bill and will appreciate your role in pushing it into law.”³⁷⁴

³⁷² “Dukakis-Bentsen,” *National Review*, 5 August 1988.

³⁷³ Stuart Eizenstat to Lloyd Bentsen, 29 September 1988, Briscoe Center Archives, Lloyd Bentsen Papers, Box 329-89-13/111, Folder: Stu Eizenstat Memo.

³⁷⁴ “LMB Positions on Labor Issues for St. Louis and Detroit,” 19 August 1988. Briscoe Center Archives, Lloyd Bentsen Papers, Box 329-89-13/111, Folder: Trade Issues & Auto.

In August 1988, Bentsen also played a lead role in organizing discussions with Canada on a new free trade agreement. An advisor recommended “certain provisions” that “should encourage greater production of automobiles

In early September 1988, Bush launched an offensive attack on the Dukakis-Bentsen campaign at the advisement of his campaign manager Lee Atwater. To the Democrats' chagrin, the campaign's trajectory became fraught with political turbulence, media blunders, and dwindling polling numbers for Dukakis. There was the publication of news about pollution of Boston Harbor, which had happened on Dukakis' watch. Then, Bush's infamous "Willie Horton" ad framed Dukakis as lenient on crime. During the fall of 1988, Representative Newt Gingrich cast further doubt on the Democrats' leadership and ethical standing with his ongoing ethics violation investigation of Speaker of the House Jim Wright. Gingrich accused him of financial impropriety regarding sales of his memoir. Such investigations led to Wright's eventual resignation in the spring of 1989 and captured media attention in the fall of '88. Dukakis had hoped to ride into the White House championing pragmatic economic policy issues, but the media maelstrom kept pulling him into a defensive mode.³⁷⁵

As the media turned against him, Dukakis' campaign began to focus its messaging on winning the support of the working class. In September 1988, Dukakis leaned into economic patriotism, endorsing protectionist policies which he had previously denounced.³⁷⁶ The *Washington Post* reported of the fall flip, "Dukakis Echoes Gephardt's Economic Theme."³⁷⁷ Dukakis' October 11th speech exemplified this tonal shift: in it, he expressed the importance of a "second declaration of independence" – that is, economic independence from the other nations of

in North America," reflecting an ongoing strategy to curry favor with both corporate and labor circles. Although historians have portrayed NAFTA as exemplifying the United States' growing commitment to unadulterated free trade, its early negotiation under Bentsen's leadership reveals the push-and-pull dynamics that went into forging this bill in the 1980s, where national competitiveness remained a priority. See: Mike Mabile to Senator Bentsen, 19 August 1988, Briscoe Center Archives, Lloyd Bentsen Papers, Box 329-89-13/111, Folder: Trade Issues & Auto.

³⁷⁵ Julian Zelizer, *Burning Down the House* (New York: Penguin, 2020), 139.

³⁷⁶ TR Reid, "Dukakis Echoes Gephardt's Economic Theme," *The Washington Post*, 2 September 1988.

³⁷⁷ TR Reid, "Dukakis Echoes Gephardt's Economic Theme," *The Washington Post*, 2 September 1988.

the world, especially those which threatened U.S. competitiveness.³⁷⁸ The new independence included “independence from the trade deficit that’s making America a shopping mall for foreign investors,” “independence from the budget deficit that’s making America the world’s leading borrower, and “independence from our over-reliance on foreign capital.” “My friends,” Dukakis said in a speech, “it’s time to build a new spirit of economic patriotism that says that we’re not going to let any country out-learn, out-teach, out-work, out-invest, out-produce, out-sell or out-compete the United States of America.”³⁷⁹ “We’ve got to win the battle to be number one in the world market,” Dukakis outlined, with hopes the message would turn his campaign around.

As ever, the Democrats were anxious to avoid the label of protectionism as they appealed to competitiveness. By way of example, let us consider Dukakis’ wavering stance on the fall 1988 Textile Bill, which aimed to shield U.S. domestic industry from East Asian competition.³⁸⁰ “Had I been President, I would have worked with Congress to develop a trade and investment strategy that would have protected workers and strengthened the textile industry,” Dukakis asserted, hoping to retain the support of textile industry voters.³⁸¹ Yet, like Walter Mondale before him, Dukakis’s commitments were hard to discern. As *The New York Times* summarized, he “indicated that he would support a five-year period of relief” but “said such relief would be conditioned on a commitment to modernize and regain competitiveness in that period.”³⁸²

Other manufacturing industries questioned Dukakis’ sincere commitment to their interests. With steel, given that certain import quotas were set to expire in 1989, certain lobbyists

³⁷⁸ Michael Dukakis, “Winning the Battle for Our Economic Future,” 11 October 1988, Walter Reuther Library, Owen Bieber Papers, Box 125, Folder 25: Democratic National Committee: Correspondence, 1988.

³⁷⁹ TR Reid, “Dukakis Echoes Gephardt’s Economic Theme,” *The Washington Post*, 2 September 1988.

³⁸⁰ Tom Kahill to Michael Dukakis, Re: The Textile Bill, 19 September 1988, Briscoe Center Archives, Lloyd Bentsen Papers, Box 329-89-13/111, Folder: Dukakis, Memos on Textiles, 1988. Unlike the steel industry, the textile industry failed to gain significant protections in the Omnibus Trade and Competitiveness Act.

³⁸¹ Draft Statement on Textile Bill, 19 September 1988, Briscoe Center Archives, Lloyd Bentsen Papers, Box 329-89-13/111, Folder: Dukakis, Memos on Textiles, 1988.

³⁸² Robin Toner, “Dukakis Sees Campaign Progress,” *New York Times*, 6 October 1988.

petitioned Dukakis to commit to extending them on his platform. “The quotas ensure that foreign producers can’t just dump steel in our market in a worldwide glut,” lobbied National Steel Vice President David Chatfield. Meanwhile, other industry representatives lobbied the opposite, also appealing to competitiveness: “The quotas have hurt our competitiveness,” commented Bill Lane, a government affairs specialist with Caterpillar Tractor, who cited higher prices. Dukakis did not respond to these competing lobbyists’ demands. Though he committed to ensuring the U.S. was “number one in the world market”, he was short on actual policy promises.

Dukakis’ pamphlets and campaign speeches indeed reveal the centrality of competitiveness in his interactions with general audiences (even if he would not provide a specific answer to factions like steel and textiles). “When George Bush had the chance, he didn’t stand up for America,” blazoned one Dukakis-Bentsen campaign pledge entitled “Making America #1.”³⁸³ “It’s time for America to elect a President who will stand up for American workers and use the tools contained in the [1988 Omnibus] trade bill. That man is Michael Dukakis,” the report continued. The Democratic duo lamented the decline of America’s industrial base, which under Reagan’s and Bush’s watch shifted from a trade surplus to a sizable deficit, costing five million jobs. In his preparation for a speech on education, Bentsen asked his staff for a list of “negative facts” on the “state of education today,” “in case it’s of use.”³⁸⁴

Soundbites from Bush sounded increasingly indistinguishable from those of Dukakis. Bush professed, “one of our most important challenges is for America to remain competitive as we move into the 1990s and prepare for the 21st century,” continuing, “technology is America’s economic fountain of youth. It is what keeps us prosperous and vital. To stimulate our

³⁸³ “Making America #1: Trade,” Briscoe Center Archives, Lloyd Bentsen Papers, Box 329-89-13/111, Folder: America #1, 1988,

³⁸⁴ Tammy to Mike, 1988, Briscoe Center Archives, Lloyd Bentsen Papers, Box 329-89-13/111, Folder: A nation still at risk, education, 1988.

technological progress, we must adopt a program emphasizing innovation.”³⁸⁵ Dukakis had likewise outlined, “the country needs to make new investments in science and technology education, both for students and for workers who need retraining to keep up with new technologies.”³⁸⁶

An article in *Issues in Science and Technology* sought to dissect the candidates’ campaign positions, discerning which candidate would be more supportive of funding science. To the authors, this was a difficult question. Both candidates pledged to support science. However, In 1988, concern about rising federal deficits loomed larger and larger among voters’ concerns; thus, neither candidate was willing to explicitly promise budgetary increases. Reporting on the converging messages, “In Campaign ’88, there is a dearth of detail – but plenty of promise,” reported the two science journalists.³⁸⁷ The article continued: “the candidates have not disclosed where their tradeoffs would come: Which programs would be abandoned or curtailed so that others could move forward?”³⁸⁸

Another journalist called Dukakis out for his empty promises in October 1988. To his mind, Dukakis’ “new ideas” represented “Brave New Liberalism.” The term, a nod to Aldous Huxley’s dystopian vision in *Brave New World*, implied that Dukakis’s economic strategy was both utopian in its New Economy aspirations and, simultaneously, misleading in that promise. “Central to the new liberalism is the conviction that the country’s social welfare depends largely

³⁸⁵ George Bush and Michael Dukakis, “Science Policy.” *Science*, New Series, vol. 242, no. 4876, American Association for the Advancement of Science, 1988, 173-178. He also noted: “competitiveness means a government that creates a climate for entrepreneurship and risk-taking. It means a government that gives you room to grow. That would be the policy of a Bush administration.”

³⁸⁶ Colleen Cordes, “Candidates Clarify Science-Policy Stands in Responses to Groups’ Queries; Dukakis Offers Education Plan,” *The Chronicle of Higher Education*, 19 October 1988.

³⁸⁷ Edwin Diamond and Norman Sandler, “Science, Technology, and the Next President,” *Issues in Science and Technology* 5, no. 1 (Fall 1988): 56-61

³⁸⁸ Edwin Diamond and Norman Sandler, “Science, Technology, and the Next President,” *Issues in Science and Technology* 5, no. 1 (Fall 1988): 56-61

on the profitability of business,” the journalist summed up of Dukakis’ promises. However, “who will pay the bill for a brave new liberal world?” he asked.³⁸⁹

In the leadup to the election, the COC nonetheless continued releasing reports which spotlighted declining competitiveness as a key American concern (Figure 5.X). Moreover, as the election drew near, both the DNC and DLC championed the competitiveness agenda as the Democrats’ cornerstone, and labor union leadership remained committed to the Democrats. As UAW President Owen Bieber wrote the regional directors:

Our union is doing everything it can as an institution to promote the Democratic ticket. But since this election is so important to all of us, both as individuals and as union members, and to the future of our great nation ... We must all do our part to turn around the anti-labor, anti-people policies of the past eight years and put this country on a pathway to a brighter future for workers, their families and communities.³⁹⁰

At a time when the two candidates *sounded* increasingly similar and promised relatively little, Bush benefited from the fact that the economy was booming in the fall of 1988.

³⁸⁹ Jeffrey Birnbaum, “Brave New Liberalism,” *Business Month*, October 1988.

³⁹⁰ Owen Bieber et al. to Regional Directors, Department Heads, and International Representatives, 26 October 1988, Walter Reuther Library, Owen Bieber Papers, Box 159, Folder 206: Presidential Election 1988: Correspondence, 1988.

HOW COMPETITIVE IS AMERICA?

Private Sector Leaders Assess U.S. Performance

COUNCIL
ON
COMPETITIVENESS
★ ★ ★

	Competitiveness REPORT CARD
C	UNITED STATES
B-	Business
C	Labor
C+	Higher Education
D+	Elementary/Secondary Education
C	Executive Branch
C-	Congress
C	State Governments
C-	Local Governments

Figure 5.2: “How Competitive is America?” Report

This COC report, released the week before the November 1988 election, sought to raise the issue of competitiveness to the top of voters minds, showcasing how various private sector, academic, and labor leaders gave the United States poor grades in each of these competitiveness categories. Although journalists heralded the states as the seedbeds of American competitiveness, the COC members gave the states a “C” grade.³⁹¹

³⁹¹ “How Competitive is America,” November 1988, Walter Reuther Library, Donald Ephlin Papers, Box 23, Folder 29.

Council on Competitiveness

For use in coding

0 1 1

QUESTIONNAIRE
COUNCIL ON COMPETITIVENESS

1. In your opinion, is the United States' ability to compete with other nations a serious problem or not?

☒ very serious
☐ serious
☐ not very serious
☐ not serious at all

2. Has the ability of the United States to compete with other nations improved, remained the same, or worsened over the last five years?

☒ improved
☐ remained the same
☐ worsened

3. How would you rate the ability of the United States to compete with other nations in the following sectors?

	<u>Excellent</u>	<u>Good</u>	<u>Fair</u>	<u>Poor</u>	<u>Don't know</u>
Manufacturing	☐	☒	☐	☐	☐
Finance	☐	☒	☐	☐	☐
Services	☐	☒	☐	☐	☐
Agriculture	☒	☐	☐	☐	☐

1331 Pennsylvania Avenue NW • Suite 900 - North Lobby • Washington, DC 20004-1703
(202) 662-8760

Figure 5.3: COC Survey to Members for “How Competitive is America?” Report Here, Ephlin fills out a survey about his views on America’s competitiveness. Notably, the grades in the final report (Figure 5.2) were not based on empirical data; rather, Ephlin’s perceptions and reactions to each question were aggregated together to produce the final grades.³⁹²

Following Dukakis’s defeat, union leaders were not only labeled as “special interests,” but the media also depicted them as powerless, alleging that rank-and-file members had defected and voted Republican. As in 1984, union leaders expressed dismay that both Democratic policymakers and the media portrayed them not only as corrupt “special interests” but also as out of touch with rank-and-file workers’ interests. Frustrated at its perception in the media, the UAW’s leaders criticized *CBS* for disseminating poll results that showed that most UAW

³⁹² Questionnaire, October 1988, Wayne State University, Donald Ephlin Papers, Box 23, Folder 20.

members had voted for Bush. Believing that such reports damaged the perception of unions in the public mind, Bieber wrote to local union leaders, trying to set the record straight. “The *CBS* report was not correct,” Bieber insisted. “Overall support for Dukakis was 68 percent among active members and 78 percent among retired members. Unfortunately, on election night, *CBS* erroneously reported that 56 percent of the autoworkers in Michigan were voting for George Bush.”³⁹³ It appeared that the union had become victim to a recurring theme: the Democrats courted them when it was advantageous, only to sever ties with union interests when political tides shifted.

III. The COC & The Bush Administration

In December 1988, the COC presented a list of strategic objectives to the Bush transition team in “Governing America.” “Mr. President, we believe that your top priority over the next four years must be to help America live up to its full economic potential,” wrote John Young, Ruben Mettler, Paul Gray, and Howard Samuel. They highlighted “a new reality in world affairs” and chastised the previous administration’s insufficient focus on competitiveness.³⁹⁴ Equating competitiveness with national security, the report outlined its goals:

Reducing the federal budget deficit, promoting saving and investment, enhancing productivity growth, encouraging the speedy development of U.S. technology, developing favorable trade policies, and ensuring that the current and future workforce have the skills to create and sell high-quality products in an increasingly competitive global marketplace.³⁹⁵

³⁹³ Owen Bieber to All Local Union Executive Board Members, Shop Committeepersons, CAP Chairpersons, and Retiree Chapter Chairpersons, 15 November 1988, Walter Reuther Library, Owen Bieber Papers, Box 159, Folder 206: Presidential Election 1988: Correspondence, 1988.

³⁹⁴ John Young, Ruben Mettler, Paul Gray, and Howard Samuel to George H.W. Bush, “Governing America: A Competitiveness Policy Agenda for the New Administration,” 1988, Walter Reuther Library, Donald Ephlin Papers, Box 23, Folder 30: Council on Competitiveness, Executive Committee meeting, 1988 November 2.

³⁹⁵ “Governing America: A Competitiveness Policy Agenda for the New Administration,” 1988, Walter Reuther Library, Donald Ephlin Papers, Box 23, Folder 30: Council on Competitiveness, Executive Committee meeting, 1988 November 2.

In the early months of the Bush presidency, as this section will show, Young was dedicated to shepherding these COC goals into policy through the Bush Council on Competitiveness.

Bush likewise seemed committed to maintaining close ties with Young. In his first State of the Union Address in January 1989, President George H.W. Bush unveiled a cabinet-level Council on Competitiveness, naming Vice President Dan Quayle as its chairman.³⁹⁶ “We must extend American leadership in technology, increase long-term investment, improve our educational system, and boost productivity,” Bush said, highlighting his presidential Council on Competitiveness objectives. This initiative mirrored Reagan’s 1983 PCIC announcement and his 1987 Competitiveness Initiative. Like Reagan, Bush sought to counterbalance Democratic strategies while courting the favor of influential business leaders. Adopting the name from John Young’s lobbying group, Bush strategically aligned himself with these powerful figures. Yet, the resultant alliance was capricious, marked by periods of both engagement and disagreement.

In early February 1989, the COC’s Executive Committee convened with Vice President Dan Quayle, the head of the new Presidential Council on Competitiveness. Their goal was “to offer our assistance and cooperation” and “to generally to introduce ourselves as a thoughtful organization that can be counted on to assist in the implementation of public policy changes that reflect the positions of the Council.”³⁹⁷ Following the group session, Magazine and Young had a private conversation with Quayle to discuss “the functions and responsibility of the Federal Council,” delineating the goals of the Bush Council on Competitiveness versus those of the COC.

³⁹⁶ President George H.W. Bush, “Address on Administration Goals Before a Joint Session of Congress,” 9 February 1989. Members of the Bush presidential Council on Competitiveness included numerous top cabinet advisors including Attorney General William Barr, Chairman of the Council of Economic Advisors Michael Boskin, and Director of the Office of Management and Budget Richard Darman, among others.

³⁹⁷ Alan Magazine to Members of Executive Committee, 23 February 1989, Walter Reuther Library, Don Ephlin Papers, Box 20, Folder 39.

Carla Hills, the U.S. Trade Representative, also championed the competitiveness cause. Her primary task was the enacting of the 1988 Omnibus Trade and Competitiveness Act, wielding the president's enhanced authority to retaliate against unfair trade under the "Fast Track" provision, which the COC and its allies had earlier championed. In February 1989, Bush presented Hills with a crowbar—an emblem of her goal of "fair trade" with Japan—with the inscription: "To Carla, I know you'll use this with finesse and strength."³⁹⁸ However, as the U.S. Trade Office engaged in punitive measures against Japan, it was also in active conversation with Congress to forge free trade agreements with Canada and Mexico, invoking the same "Fast Track" provision in both realms.

The COC cultivated a rapport with Carla Hills, who expressed her gratitude to Young. "Congratulations once again for chairing such a valuable study," wrote Hills, who assured, "your report will find a wide audience within the Office of the U.S. Trade Representative." Adding a personal note, she said, "I miss the regular chats we had at the Chevron meetings and hope you will call when your travels bring you to Washington."³⁹⁹ The era's prevalent protectionist "crowbar" rhetoric – popular in the media – masked an underlying agenda: forging trade deals that advanced the interests of America's business elite like Young. Trade policies, presented as measures of economic patriotism and crucial to national competitiveness, rarely touched upon the burgeoning clout of multinational corporations, the surge of outsourcing, foreign investment, and the transformations they were etching onto the global economic landscape. Policymakers

³⁹⁸ Louis Uchitelle, "A Crowbar for Carla Hills," *New York Times Magazine*, 10 June 1990.

³⁹⁹ Carla Hills to John Young, 15 February 1989, Walter Reuther Library, Don Ephlin Papers, Box 20, Folder 9: Council on Competitiveness, meetings, 1989 May 4-5.

largely sidestepped a critical examination of how multinational corporations' power undermined a cohesive definition of national competitiveness.⁴⁰⁰

In the days that followed, Roger Porter, the President's Chief of Staff, assured Young, "you will find that President Bush's blueprint, *Building a Better America*, contains many of your suggestions."⁴⁰¹ Key proposals included elevating the chief science advisor to "Assistant to the President for Science and Technology", increasing science and technology budgets by 13%, and making the R&D tax credit permanent.⁴⁰² Porter added that Bush intended to make good on his campaign trail vow to prioritize education, reinforcing his aspiration to be recognized as the "Education President." Yet, Porter's acknowledgment came with a caveat: not all of the Council's recommendations, particularly those demanding new government revenue (i.e. tax hikes) would be implemented.

Indeed, although some members of the Bush administration made overtures toward the Council, a significant faction remained reluctant to fully embrace industrial policy. In fact, some of the President's Council on Competitiveness internal documents are revealing of a sort of Republican effort to push through *their* vision – one more in tandem with free market economics than what the Young Council had proffered.⁴⁰³ Leading the charge behind the Bush backlash against the Young recommendations on industrial policy was Michael Boskin, chair of the

⁴⁰⁰ During the 1980s, Reich and others sought to call attention to the uneasy boundary between "fair trade" and "free trade." Exemplifying this uneasy boundary, the "crowbar" symbolized Bush's and Hills' commitment to "free trade" – but to encourage Japan to open its markets, Hills relied on the retaliatory trade provisions which the Omnibus Trade Bill made possible.

⁴⁰¹ Roger Porter to John Young, 15 February 1989, Walter Reuther Library, Don Ephlin Papers, Box 20, Folder 9: Council on Competitiveness, meetings, 1989 May 4-5.

⁴⁰² Throughout the 1980s, the R&D tax credit was the subject of contentious debate, with some critics denouncing it as a subsidy for corporations.

⁴⁰³ "Memorandum for the Vice President from Michael Boskin, Subject: Possible Issue Areas for Council on Competitiveness," 27 February 1989, GHWBPL, Council on Competitiveness, Council of Economic Advisors, Series Title: Michael Boskin Subject Files, Folder Title: Council on Competitiveness [3] [OA/ID 08070]. According to one White House Council memorandum, the goal of technology policy was "reducing barriers to innovation and promoting policies that place greater reliance on the market."

Council of Economic Advisors. Over the course of the Bush administration, the debate over industrial policy would intensify as Democrats and Republicans vied to capture COC support.

IV. The COC Faces Growing Resistance from Industrial Unions

Although the COC disagreed with Boskin on the issue of federal spending, most of the COC's members and the Bush administration agreed on the need for aggressive deficit reduction. After the COC "expressed regret" when Bush's National Economic Commission (tasked with deficit reduction) failed to generate a coherent policy vision, the COC published its own plan entitled, "Reclaiming the American Dream" in November 1988.⁴⁰⁴ In this vein, the COC positioned itself as the Bush administration's "thoughtful partner" and purported to present a united business-labor consensus on the divisive issue. "When we began a number of individuals told us we should steer clear of this issue," Magazine remarked upon unveiling the report, adding:

They said that the Council was a new organization that hadn't established its credibility and yet was taking on the toughest issue facing the country. They said we would never reach a consensus – that leaders of business, labor and higher education would never agree on a set of findings and recommendations that would be anything more than a meaningless least common denominator.⁴⁰⁵

Journalists heralded the COC's report as a significant contribution, showcasing an ability to forge consensus where the Bush White House had stumbled.⁴⁰⁶ The report called for controversial reductions to social welfare spending, including adding a tax on Social Security Benefits. As this section will show, in the spring of 1989, the COC's "American Dream" report triggered harsh pushback from its labor members.

⁴⁰⁴ "NEC Breakdown Heightens Calls for Renewed Effort to Act on the Deficit," 1 March 1989, Walter Reuther Library, Don Ephlin Papers, Box 20, Folder 39.

⁴⁰⁵ Statement by Alan Magazine, 29 November 1988, Walter Reuther Library, Donald Ephlin Papers, Box 23, Folder 21: Council on Competitiveness, Commercial Challenge, 1988.

⁴⁰⁶ "Business, Labor, Council Urges Deficit Action, Elite Group's Report Backs Hefty Tax Raise," Washington Post, 30 November 1988. Notably, Clinton was willing to pursue such measures.

After the Dukakis defeat, a shift took root in the COC: in the mid-1980s, the COC had avoided publishing reports on stances that labor outright opposed. After the election of George Bush, however, this restraint dissipated. It became clear to Ephlin, Samuel, and Shanker that their inclusion in COC reports was window dressing, devoid of substantive engagement with their concerns. Labor was increasingly relegated to a ceremonial position, their inclusion a tokenistic gesture.

Before the publication of the deficit report, these labor leaders had voiced their opposition. Ephlin informed Samuel that only members “affected by specific suggestions” received invitations to COC meetings to discuss the issue – but “only corporations are listed in this regard,” Ephlin reported with dismay. Many of the deficit reduction proposals did not just affect labor but also were “unacceptable,” Ephlin confided to Samuel. He noted that “we certainly don’t want to come out in support of any changes in Social Security—be they in benefits or their taxation—and the same goes for Medicare.”⁴⁰⁷ The report would do “serious damage to all of us in labor,” several labor leaders informed Samuel.⁴⁰⁸ However, in spite of protests, Young listed Howard Samuel’s and Don Ephlin’s names in the “American Dream” report, implying endorsement where there was none.

By March 1989, the conflict came to a head: Howard Samuel directly confronted Young, accusing him of bypassing labor input. “Rather than frequent and regular meetings of the Council (or its Executive Committee) and of a network of subcommittees, we meet two or three times a year, usually for less than a day,” Samuel wrote. With the “frantic output of our Council,” Samuel wished “that in the absence of time for discussion and joint consideration, I

⁴⁰⁷ Donald Ephlin to Howard Samuel, 26 September 1988, Walter Reuther Library, Owen Bieber Papers, Box 67, Folder 30.

⁴⁰⁸ Owen Bieber, Jack Sheinkman, and Gerald McEntee to Howard Samuel, 8 December 1988, Walter Reuther Library, Owen Bieber Papers, Box 67, Folder 30.

had more time and staff to review the material, but I don't, and I suspect that my trade union colleagues share my discomfort."⁴⁰⁹ "In good faith, I don't see how my presence on the Council serves its purpose if the present pace of activity continues," Samuel concluded.⁴¹⁰

Young feigned ignorance, seeking to soothe Samuel and the labor faction within the COC. He aimed to pacify, while maintaining his own agenda. "I certainly respect your opinion," he wrote, but "frankly, I'm quite surprised by your comments." Should the Council "fail," he noted, "we will have lost a very unique organization and its ability to address a very important subject." "My own view is that the quality of the analysis that's gone into our reports is of a very high level and continues the reputation for quality established by our PCIC report," Young elaborated.⁴¹¹ The deficit report, he emphasized, had been deemed the "reference work" by about every staffer and is looked at as a baseline for thinking about the problem." Furthermore, "I do not think it is an exaggeration to say that the Technology Report has reshaped the debate on this critically important issue."⁴¹² Amidst the tumult, one, fragile area of agreement between the industrial union leaders and Young endured: the necessity of strategic government investment in industry.

Conclusion

Growing internal divisions notwithstanding, the Council on Competitiveness continued to display every outward sign of power and influence over the nascent Bush administration. A few weeks after Samuel's terse exchange with Young, both men attended the Council's lavish May

⁴⁰⁹ Howard Samuel to John Young, 7 March 1989, Walter Reuther Library, Don Ephlin Papers, Box 20, Folder 9: Council on Competitiveness, meetings, 1989 May 4-5.

⁴¹⁰ Howard Samuel to John Young, 7 March 1989, Walter Reuther Library, Don Ephlin Papers, Box 20, Folder 9: Council on Competitiveness, meetings, 1989 May 4-5.

⁴¹¹ John Young to Howard Samuel, 20 March 1989, Walter Reuther Library, Don Ephlin Papers, Box 20, Folder 9: Council on Competitiveness, meetings, 1989 May 4-5.

⁴¹² John Young to Howard Samuel, 20 March 1989, Walter Reuther Library, Don Ephlin Papers, Box 20, Folder 9: Council on Competitiveness, meetings, 1989 May 4-5.

4-5 meeting in Washington DC where the Council on Competitiveness Executive Committee convened meetings with numerous influential congressional leaders and White House insiders. Senator John Rockefeller (D-WV), Chair of the Subcommittee on Foreign Commerce of the Committee on Commerce, Science, and Transportation, convened the Executive Committee for a breakfast meeting on the 4th. In the 10am to noon slot, the Executive Committee split: one faction met with Senators Pete Domenici (R-NM) and Max Baucus; the other with Senators Lloyd Bentsen and John Heinz (R-PA). The afternoon brought concurrent sessions with members of the Bush White House. Half met with Michael Boskin, chair of the Council of Economic Advisors, and the other half of the COC Executive Committee spoke with Carla Hills, U.S. Trade Representative. The meetings culminated with a reception at the Phillips Collection, a famous D.C. museum known for its 19th and 20th-century French art collection. President Bush was the evening's guest of honor.⁴¹³

As this chapter has shown, this outward display of unity around the competitiveness issue belied the conflicts that were brewing behind closed doors. Increasingly, there were growing concerns that the promise that the U.S. could regain its national competitiveness might not materialize. After the Dukakis campaign, working class and middle-class Americans – and their advocates – were beginning to recognize that the predicted vision of the New Economy shared prosperity might be false. Industrial union leaders also grew increasingly frustrated at how they were portrayed in the media and their seeming abandonment by former Democratic advocates. Labor frustration continued to grow in the early months of the Bush White House: by the spring of 1989, the Council on Competitiveness' alliance between business and labor interests looked increasingly tenuous. In the next chapter, we will discuss the remaining area of unity and

⁴¹³ Alan Magazine to Members of the Executive Committee, 27 March 1989, Walter Reuther Library, Don Ephlin Papers, Box 20, Folder 9: Council on Competitiveness, meetings, 1989 May 4-5.

consensus among COC members: industrial policy and investment in technological competitiveness.

Chapter 6: From the Cold War to the ‘Market War’: Bipartisan Consensus Around Industrial Policy, 1989-1992

On April 26th, 1991, *The New York Times* reported, “departing today from a longstanding policy, the White House today listed 22 areas of technological development that should be nurtured as “critical to national prosperity and to national security” (Figure 6.X).⁴¹⁴ The *New York Times*’ report of Republicans’ departure from “longstanding policy” was overstated; over the course of this dissertation, it has become evident that the Republicans grasped onto the issue of technological investment whenever it served their political purposes. Moreover, Bush’s action – signing off on an Office of Science Technology Policy (OSTP) Report – was in fact the culmination and response to numerous, similar reports on “critical technologies,” which Young’s Council on Competitiveness played a lead role in authoring or steering.

Between 1989 and 1991, the Democrats had passed numerous bills to funnel government appropriations to science agencies (new and existing) for the further development of these technologies which industry had deemed crucial to economic competitiveness. By signing off on the OSTP report in April 1991, Bush signaled that he would sign off on the Democrats’ legislation when it crossed his desk. To Council of Economic Advisors Director Michael Boskin’s chagrin, after two years of Bush’s resistance to “industrial policy” at Boskin’s direction, the White House stance on industrial policy changed when Bush faced reelection. Nonetheless, the Democrats, with Bill Clinton as their chosen candidate, looked ever-stronger.

⁴¹⁴ In response to the OSTP report, Senator Jeff Bingaman (D-NM) voiced his approval, “This is the first time that the White House has identified priorities in technology for the country to pursue.” “White House Lists 22 Critical Technologies,” NYT, 26 Apr 1991.

Chapter 6 traces how the Council on Competitiveness and various science agencies pushed the issue of “critical technologies” to the forefront of bipartisan economic policy priorities as the 1992 election drew near, ultimately showing how and why Clinton used the competitiveness appeal to bolster his presidential campaign pitch. More broadly, the chapter uses this policy consensus around technological competitiveness as a fulcrum for understanding the relationship between corporate power and the Republican and Democratic parties in these years. Section 1 will trace the genealogy of “critical technologies” since the 1970s, situating this term’s redefinition over the course of the 1980s.⁴¹⁵ Section 2 covers the spring 1990 formulation of the “critical technologies” lists of the Departments of Defense and Commerce, which the COC advised and which industrial unions supported, placing increased pressure on HW Bush. Section 3 will discuss how John Young, as head of the Council on Competitiveness, grew increasingly frustrated as he received backlash from both COC industrial union representatives and Michael Boskin upon promoting his agenda. Ultimately, this criticism led Young to resign his post as head of the COC; George Fisher, CEO of Motorola, took over in his place. Section 4 will discuss Fisher’s leadership of the COC, and how between the fall of 1991 and the spring of 1992, there was an outpouring of critical technologies lists (including the 1991 OSTP report), which led “industrial policy” to take center stage on both Bush’s and Clinton’s campaign. Section 5 will delve further into presidential hopeful Bill Clinton’s campaign, showing how he wielded appeals to competitiveness and achieved political success.

⁴¹⁵ In the 1970s, “critical technologies” signified classified, military technologies on export control lists (funded by government for defense-specific purposes); by the fall of 1988, the term “critical technologies” had come to encompass *both* economic and military purposes.

I. The Evolution of Critical Technologies (1970s-1988)

Before we can understand how the Council on Competitiveness pushed through its industrial policy agenda at the tail end of the Bush administration, we need to first understand the meaning of this “critical technologies” terminology, how it catalyzed a wide lobbying coalition of industrial and labor leaders, and how urgency behind this lobbying grew over the course of the 1980s. As chapter 4 mentioned, the Omnibus Trade Bill included over ten provisions for various governmental agencies to funnel appropriations into “critical technologies.” This chapter will delve deeper into the evolving definition of the “critical technologies” since the 1970s, showing why the term became significant for pushing industrial policy – sector-specific investments – onto both HW Bush’s and Clinton’s respective political agendas in the leadup to the 1992 election. This first section will thus review some familiar chronological ground, situating “critical technologies” advocacy into the broader arc of U.S. technology policy history since the late 1970s.

“Critical technologies” were once synonymous with Cold War export control lists – which were lists of DOD-sponsored, classified military technologies that government contractors were obliged to keep secret (and thus, could not commercialize).⁴¹⁶ Before the late 1970s, defense contractors were satisfied with this status quo. Since the government was their main client, defense industrial interests were unbothered by the intense secrecy regime surrounding R&D with DOD-ties. But as the commercial technology and consumer hardware industries blossomed in the 1970s and 1980s, defense contractors sought to expand their profit-making

⁴¹⁶ For an example of the DOD’s perspective on commercializing military specific technologies, see for example: Thane Gustafson, *Selling the Russians the Rope? Soviet Technology Policy and U.S. Export Controls* (Santa Monica, RAND: 1981).

capability into such commercial sectors – and thus, began to resist heavy secrecy requirements of earlier export controls lists.⁴¹⁷

As John Krige and Mario Daniels have shown, the DOD’s release of its 1979 “Military Critical Technologies List” (MCTL) signaled the beginning of the defense contractors’ inchoate lobbying effort to commercialize “critical technologies.”⁴¹⁸ During the drafting of that report, many defense contractors sought to narrow the expansive list of “critical technologies” on export controls list – which before 1979 had spanned thousands of pages – to a much smaller number. With the list of “critical technologies” (military-specific and highly classified) narrowed down, the number of non-critical technologies (open to commercialization and declassified) expanded. The MCTL was a departure from previous policy insofar as business executives took the reins in drafting that report; before 1979, DOD bureaucrats – not industry executives – had drafted and crafted such reports. The definition of “critical technologies,” however, remained continually framed in terms of military benefits alone.

Over the course of the 1980s, however, there was increasing business pushback against classified defense R&D contracts in general; with growing concern about economic competitiveness, private sector industrial interests and defense contractors alike sought to frame U.S. technology policy in terms of both economic and military benefits.⁴¹⁹ Thus, by the 1988

⁴¹⁷ Linda Weiss, *America Inc.?* (Cornell University Press, 2014), 5. Linda Weiss has described the growing difficulties that the DOD faced in light of the commercialization of federally funded science, explaining, “it has been progressively more challenging to enlist innovative companies in the private sector to work on security-related projects.” For example, the government market in semiconductors and computers had once been much larger than the private market, and firms could count on healthy profits. But now, the market was expanding rapidly in the commercial realm.

⁴¹⁸ Mario Daniels and John Krige, *Knowledge Regulation and National Security in Postwar America* (Chicago: University of Chicago Press, 2022), 128.

⁴¹⁹ John Krige, “Regulating the Academic ‘Marketplace of Ideas’: Commercialization, Export Controls, and Counterintelligence,” *Engaging Science, Technology, and Society* 1 (2015): 1-24, 4. Linda Weiss also studies the ways in which the NSS worked towards “integrating the goals of security with those of commerce.” *America Inc.?* (Ithaca: Cornell University Press, 2014), 2.

Omnibus Trade Bill, policymakers and agency leaders agreed to a changed definition “critical technologies,” with the DOD increasingly acquiescent to the idea that its R&D investments ought to help foster commercial windfalls. This transition, however, whereby the DOD increasingly embraced economic competitiveness as part of its mission, came only as the result of concerted lobbying over the course of the 1980s.

Various actors in this dissertation – including, the Business Higher Education Forum, the PCIC, and the Council on Competitiveness – lobbied for DOD R&D to increasingly have commercial benefits and called for the export control lists. As previous chapters have shown, each of these organizations were rife with academic and industrial leaders with ties to defense contractors and spinoff R&D startups. Thus, in lobbying for various technology policy goals throughout the 1980s, by the mid-to-late 1980s, the issue of export controls increasingly took center stage in these debates.

This issue of defense-critical technologies, and whether they should be classified, came to a head in the mid-to late 1980s.⁴²⁰ In those years, Reagan faced increasing pressure to relax export controls, declassifying the 1979 MCTL and allowing U.S. commercial firms to experience the economic competitiveness benefits to such federal R&D investment.⁴²¹ Numerous Republicans – those hawkish on military defense vis à vis the Soviet Union – sharply resisted these calls. Perhaps the quintessential example of their pushback came in the summer of 1987 when five Republicans ascended the capitol steps, wielding hammers. Their goal was to make a key point to the American public: the free flow of technical knowledge risked both the U.S.’s

⁴²⁰ For an academic perspective on this issue, see for example: D. Colette Gonzalez, “How to Increase Technology Exports Without Risking National Security: An In-Depth Look at the Export Administration Amendments Act of 1985,” *Loyola of Los Angeles International and Comparative Law Review* 8, no. 3 (1986): 399-510.

⁴²¹ Mario Daniels and John Krige, *Knowledge Regulation and National Security in Postwar America* (Chicago: University of Chicago Press, 2022), 128.

economic and military security.⁴²² Their case in point was the fact that the Japanese had sold once-classified U.S. technology to the Soviet Union, allowing the Soviets to develop ultra-quiet submarines.⁴²³ By smashing their Toshiba radios, the congressional leaders hoped to make the point: those calling for the relaxation of export controls needed to pay attention to national security issues. Export controls – arcane and complex, with DOD bureaucrats and defense contractors navigating bureaucratic lists behind-the-scenes – were shrouded from public view, yet many saw them as critical to questions of U.S. security. With the congressional leaders’ efforts, their aim was to communicate the high stakes of export controls in a way the public would understand.

Yet, despite the efforts of defense hawks and concerned Republican congressional leaders, the DOD was beginning to recant on its earlier refusal to declassify military technologies. By the spring of 1988, as Reagan and Gorbachev met to discuss banning nuclear weapon use between the Soviet Union and the United States, the DOD and its network of defense contractors jointly began to fear a new issue: cuts to defense spending. With the Cold War’s unexpected end, such cuts seemed increasingly likely to many stakeholders, given the U.S.’ major military threat – the Soviet Union – seemed increasingly weak and on the cusp of a

⁴²² The late 1980s witnessed a broader trend of policymakers calling for a need to redefine “national security” to also encompass economic security. See: Krige and Daniels, *Knowledge Regulation and National Security in Postwar America*, 24-25, 231 ff. This call to redefine national security accelerated with the fall of the Soviet Union, with widely circulated books like that of Joseph Romm which explained of the Cold War’s end, “national security can no longer be viewed exclusively in military terms; economic security and industrial competitiveness are also vital considerations.” Joseph Romm, *Defining National Security: The Nonmilitary Aspects* (New York: Council on Foreign Relations, 1993), 71.

⁴²³ In 1987, Japan breached international protocols by selling computer-guided multiaxis machines to the Soviet Union. These sophisticated machines manufactured a stealthier submarine propeller, facilitating evasion from detection. As new technologies emerged at a rapid pace, Republicans grappled with adapting export controls, ensuring they remained relevant. A comment from a Reagan staffer encapsulates the challenge: “We suspect these computers will be enormously powerful but we do not have any idea what control system makes sense for them.” This sentiment underscores the inherent difficulties of governing in the face of rapid technological advancement. Donald Fortier, Deputy Assistant to the President for National Security Affairs, to Lewis Branscomb,” 25 March 1985, Ronald Reagan Presidential Library, WHORM SC, Folder: 271178-321126.

major economic transition downward. By the time the Omnibus Trade Bill passed in August 1988, it included its numerous provisions for federal agencies to foster “critical technologies,” and the DOD was increasingly on board with the idea that its R&D ought to foster both defense and economic aims (Figure 6.X).⁴²⁴

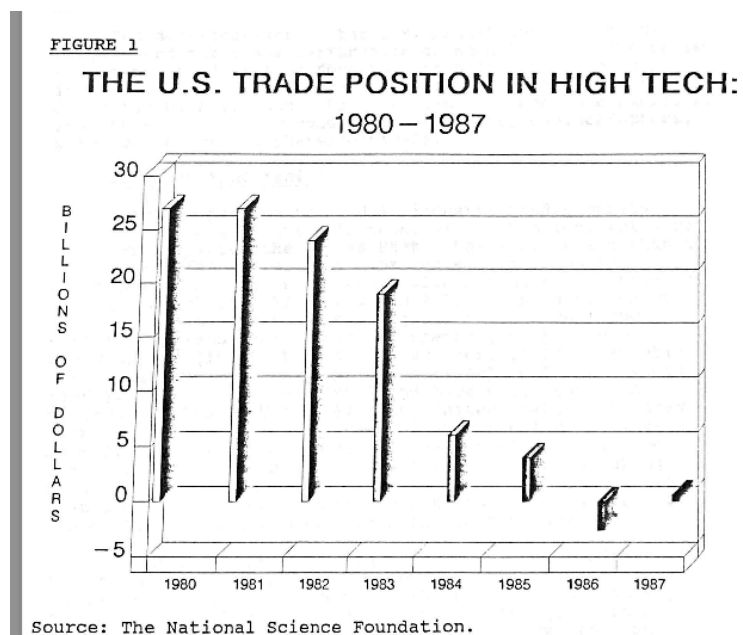
In September 1988, the Council on Competitiveness released its own report, “Picking Up the Pace.” This report sought to identify which “critical technologies” federal agencies ought to prioritize and to showcase their broad-based industrial and labor consensus around this proposed list.⁴²⁵ The COC had in fact been working on identifying key technologies for U.S. economic competitiveness since 1986, in partnership with two consulting firms, McKinsey and Wharton Econometrics. Over the course of numerous Executive Committee meetings between 1986 and the summer of 1988, these consultants briefed the COC leaders on their definition of “critical” technologies and on their proposed quantitative measures for understanding where the U.S. stood in these various realms. In other words, as the COC lobbied that the Omnibus Trade Bill include a broad mandate for agencies (the Departments of Defense, Commerce, Energy, and more) to funnel their appropriations into “critical technologies” between 1987 and 1988, it also was devising its own specific list of “critical technologies” – which it released to the public shortly after Reagan signed the Omnibus Trade Bill. Ultimately, although the Omnibus Trade Bill mandated that government agencies foster “critical technologies,” it was up to the agencies (and as it turned out, COC lobbyists) to develop the specific lists. With the passage of the Omnibus Trade Bill, the Council had the opportune moment to release its “critical technologies list.”⁴²⁶

⁴²⁴ DOD, “Bolstering Defense Industrial Competitiveness,” 1988.

⁴²⁵ “Picking Up the Pace,” 1988, WRL, Donald Ephlin Papers, Box 23, Folder 20.

⁴²⁶ “Private Sector Calls for New Government Priorities to Boost US Technological Leadership,” 7 September 1988, WRL, Donald Ephlin Papers, Box 23, Folder 21: Council on Competitiveness, Commercial Challenge, 1988.

In September of 1988, therefore, the COC released the McKinsey-authored “Picking Up the Pace” report, which detailed how to define “critical technologies” and became highly influential among federal agencies. The Council on Competitiveness by September 1988 was no longer a new, fledgling organization; rather, it had developed an extensive network of public relations and media contacts through its wide National Affiliate network – and thus, the “Picking Up the Pace” report generated extensive coverage. “The Competitiveness Index” in July 1988 had coverage in 1,200 newspapers globally; so too did the “Picking up the Pace” Report. The September report’s wide, enthusiastic reception was perhaps not only (though certainly in part) because the Council was a who’s who in America’s business elite – but also because the message of “Picking up the Pace” exuded a dramatic flair which could inspire journalistic readership (Figure 6.X). Young soon kept the Council Executive Committee – and every congressional leader – abreast of the “implementation efforts” and engaged McKinsey & Co. and Cox & Associates to track progress on their recommendations.⁴²⁷



⁴²⁷ John Young to Council Executive Committee, 6 November 1989, WRL, Al Shanker Papers, Box 72, Folder 32.

Figure 6.1: US Trade Position in High-Technology, 1980-1987
Included in “Picking up the Pace,” this graph of data provided by the NSF demonstrates the purported dramatic decline in the U.S. trade position vis à vis high-tech goods.⁴²⁸

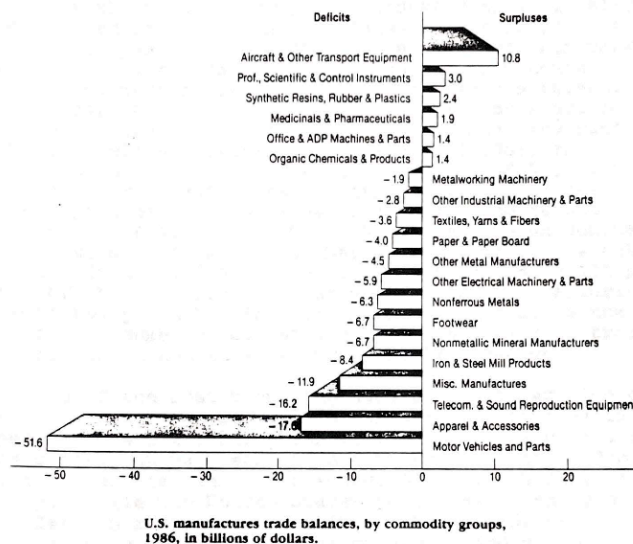


Figure 6.2: Trade Deficits by Industry
Included in “Picking Up the Pace,” this figure demonstrates how the auto industry experienced the highest trade deficit in the 1980s.⁴²⁹

Defense contractor Bobby Inman, a former CIA official then CEO of Westmark Systems, was among the most vocal members of the Council on Competitiveness to broadcast the report. In the drafting stage of the report, Inman had represented the defense industrial base, drawing conceptual continuities between military spending and economic returns for the United States in Council Executive Committee meetings. By claiming the US faced a new economic war, they gained increased attention from both Republicans and Democrats alike, who were concerned about maintaining U.S. national security (and high defense funding) as the Soviet threat waned.

⁴²⁸ In “Picking Up the Pace,” 1988, Walter Reuther Library, Donald Ephlin Papers, Box 23, Folder 20.

⁴²⁹ In “Picking Up the Pace,” 1988, Walter Reuther Library, Donald Ephlin Papers, Box 23, Folder 20.

After September 1988, Inman went on a media spree to publicize the findings of the Council's report.⁴³⁰

Ultimately, as with many economic policy bills set by Congress, Congress sets the mandate; then, it is up to the agencies to set out specific benchmarks as to how they are meeting those mandates, and in turn, report to Congress on how well it achieved those goals. With its list in September 1988, the Council sought to answer the call that the Omnibus Trade Bill had set forth: how to define critical technologies mattered as to which areas of technological investment various government agencies would funnel their investment. After reviewing the trajectory of the "critical technologies" movement and how it fit into broad technology policy shifts since the 1970s, we pick up where the last chapter left off: the spring of 1989. By that point, the Council increasingly made technology policy its central focus, as the group became increasingly divided over other issues like deficit-cutting and trade policy.

II. The Critical Technologies Movement (Spring 1989 – Fall 1990)

Over the course of 1989, it became clear that the disagreements between the Council's members were becoming intractable: the only area of consensus which persisted between the membership was the need for government investment in critical technologies. It seemed that in the face of backlash from Samuel and Young in the spring of 1989 over the issue of the "American Dream" report, Young aimed to concentrate the COC's agenda on those areas where they still could agree (namely, investment).⁴³¹ Moreover, with the fall of the Berlin Wall in November 1989, there seemed a growing need for a new framework for science and technology policy in the United States. The question remained whether various stakeholders could justify the

⁴³⁰ See for example: "Opening Statement by BR Inman," 7 September 1988, WRL, Donald Ephlin Papers, Box 23, Folder 21: Council on Competitiveness, Commercial Challenge, 1988.

⁴³¹ "Issue Brief, Reclaiming the American Dream," October 1988, WRL, Donald Ephlin Papers, Box 23, Folder 21: Council on Competitiveness, Commercial Challenge, 1988.

need for high R&D budgets when the United States no longer faced a military adversary in the Soviet Union. Thus, by the November 1989 Executive Committee meeting, Young reported that the Council would funnel its resources and attention more specifically into the issues of promoting and directing the nation's technological investment.⁴³²

<u>Council on Competitiveness</u>	
AGENDA ANNUAL MEETING November 29-30, 1989 The Madison Hotel Fifteenth & M Streets, NW Washington, DC 20036	
<u>Wednesday, November 29</u>	
9:00 a.m. - 4:00 p.m. Executive Board Room	Executive Committee Meeting
4:30 p.m. - 5:15 p.m. Executive Board Room	National Affiliates Meeting
<u>Council Annual Meeting</u>	
5:30 p.m. - 6:15 p.m. Executive Chambers	Roundtable Discussion Vice President Dan Quayle
6:15 p.m. - 6:45 p.m. Executive Chambers	Chairman's Report and Discussion of Council Activities
6:45 p.m. - 7:30 p.m. Monticello/Arlington Rooms	Reception
7:30 p.m. Dolley Madison Ballroom	Dinner Speaker: Senator Albert Gore
<u>Thursday, November 30</u>	
7:30 a.m. - 8:45 a.m. Mount Vernon Salon	Breakfast Speaker: James Fallows Washington Editor <u>The Atlantic Monthly</u> Author of <u>More Like Us: Making</u> <u>America Great Again</u>

Figure 6.3: November 1989 COC Meeting Agenda

This exemplary agenda from the Council's November 1989 meeting demonstrates how the Council sought to build ties with both Democrats (like Senator Al Gore) and Republicans (like Vice President Dan Quayle).⁴³³

⁴³² John Young to Council Executive Committee, 6 November 1989, WRL, Al Shanker Papers, Box 72, Folder 32.

⁴³³ Agenda, Annual Meeting, Council on Competitiveness, 29-30 November 1989, Walter Reuther Library, Donald Ephlin Papers, Box 72, Folder 32.

In other words, departing from the Council's earlier efforts to tackle the perceived competitiveness issue fully (in terms of trade, fiscal, and economic policy broadly), the Council in late 1989 narrowed its focus to this issue of investment with a high-tech guise. To understand the Council's impact over the "critical technologies" definition, we turn to two reports released in the spring of 1990 from the DOD and DOC on the issue in response to their respective mandates from the Omnibus Trade Bill.

The Department of Defense, with the advisement of the Council on Competitiveness, crafted its critical technologies list under mandates in the Omnibus Trade Bill and the 1989 Defense Authorization Act. The Task Force's goal was to advise on the list of militarily critical technologies, producing a report that would guide DOD investments. The Department of Defense Task Force on Critical Technologies, convened in the winter of 1990, exemplified the Council's pervasive influence over national industrial policy strategizing – and the ongoing influence of labor unions affiliated with the COC over questions of industrial policy.

Indeed, the Council on Competitiveness' members became pivotal in steering the Department of Defense's Task Force towards its list of critical technologies. In May 1989, the Under Secretary of Defense Acquisition directed the Defense Manufacturing Board to create the "Critical Industries Task Force," as stipulated by the Omnibus Trade Bill.⁴³⁴ While the DOD's task force was designed to operate independently, it functioned under the de facto guidance of the Council on Competitiveness. Leaders from top corporations like Motorola, McDonnell Douglas, Corning Glass, and Cummins Engines, who also played roles in the Council on Competitiveness, brought their influence to bear on the task force.⁴³⁵ The DOD Task Force

⁴³⁴ Report of Critical Industries Task Force, February 1990, Water Reuther Library, Owen Bieber Papers, Box 63, Folder 27: Critical Industries Task Force, 1989-1990.

⁴³⁵ Report of Critical Industries Task Force, February 1990, Water Reuther Library, Owen Bieber Papers, Box 63, Folder 27: Critical Industries Task Force, 1989-1990.

utilized the McKinsey & Company report on critical technologies, which was commissioned by the COC, and they sought the counsel of Michael Porter from Harvard Business School in crafting the report.⁴³⁶

Howard Samuel of the AFL-CIO became chairman of the DOD Critical Industries Task Force. Perhaps Samuel's appointment to lead the DOD Task Force was the result of a political strategy among business elites in the COC; after Samuel voiced his opposition to Young that the COC was undercutting labor interests in its deficit-cutting scheme, Young perhaps sought to regain the support of industrial union COC members. Industrial labor leaders seized at the opportunity to serve on the DOD Task Force, viewing it as an opportunity to advance their industrial policy by capitalizing on the DOD's power and substantial budget for R&D. COC union representatives such as Lynn Williams (United Steelworkers) and Owen Bieber (United Autoworkers) also joined the DOD task force.⁴³⁷

Internal correspondence from the DOD Task Force reveals how industrial union leaders saw the political possibilities in serving on the group. Bieber, in a letter to the DOD's Martin Libicki, underscored in February 1990, "the [critical technologies] report serves a useful purpose in calling attention to the adverse consequences for our nation's defense of the worrisome erosion of the U.S. industrial base, and the related increase in dependence on foreign suppliers."⁴³⁸ UAW researcher Sheldon Friedman, reviewing a draft report, commented to Bieber, "There is some other fairly useful verbiage in the report, regarding the importance of

⁴³⁶ Report of Critical Industries Task Force, February 1990, Water Reuther Library, Owen Bieber Papers, Box 63, Folder 27: Critical Industries Task Force, 1989-1990.

⁴³⁷ Report of Critical Industries Task Force, February 1990, Water Reuther Library, Owen Bieber Papers, Box 63, Folder 27: Critical Industries Task Force, 1989-1990.

⁴³⁸ Owen Bieber to Martin Libicki, 31 January 1990, Water Reuther Library, Owen Bieber Papers, Box 63, Folder 27: Critical Industries Task Force, 1989-1990.

preserving and strengthening the nation's industrial base.”⁴³⁹ Yet, he posed probing questions about the repercussions of international industrial policies and the consequent responses required from the Department of Defense to protect American manufacturing.⁴⁴⁰

Labor's sway within the Council on Competitiveness was diminishing, yet on the subject of industrial policy, union leaders found common cause with the Council's corporate leaders. However, as their political leverage ebbed, the labor contingent saw their priorities increasingly eclipsed by those of the broader COC. In March 1990, Bieber voiced his concerns to Martin Libicki about the DOD Task Force's critical technologies list: “I regret ... that the solutions proposed in the report do not get to the root of the problem” and listed his grievances:

1. “The report criticizes ‘Buy America’ policies as being ‘inefficient and expensive;’ this criticism is gratuitous and wrong.”
2. The report should “focus on industrial base, not just defense-critical industries.”
3. “I am not comfortable with the proposed tax subsidy to fund research, patent, and supplier consortia. How much tax revenue would be lost, and how would it be made up?”⁴⁴¹

Though Samuel, Bieber, and Williams ultimately backed the report with their signatures, their endorsement came after a period of tension and reluctant collaboration.

In a parallel development, the Department of Commerce (DOC) unveiled a critical technologies list; likely also in collaboration with the Council, given the “revolving door” between the Council and the DOC. The architect of the DOC report hailed from TRW Inc., a company with deep ties to the Council on Competitiveness. “The Department of Commerce—not the Department of Defense—should play the convener role in determining the long-term and national agenda for a joint government-industry technology investment,” Dr. Arden Bement,

⁴³⁹ Sheldon Friedman to Owen Bieber, 2 February 1990, Water Reuther Library, Owen Bieber Papers, Box 63, Folder 27: Critical Industries Task Force, 1989-1990.

⁴⁴⁰ Sheldon Friedman to Owen Bieber, 16 March 1990, Water Reuther Library, Owen Bieber Papers, Box 63, Folder 27: Critical Industries Task Force, 1989-1990.

⁴⁴¹ Owen Bieber to Martin Libicki, 31 January 1990, Water Reuther Library, Owen Bieber Papers, Box 63, Folder 27: Critical Industries Task Force, 1989-1990.

Vice President of TRW Inc., explained in 1990 Congressional hearings which reviewed the findings of the DOC list.⁴⁴² However, despite the longstanding DOD-DOC power struggle for influence, earlier disagreements were giving way to a mutual pursuit of commercialization of federal R&D in the late 1980s. By the spring of 1990, therefore, the Council on Competitiveness had worked to foster its business-labor consensus and ostensibly had substantially shaped the listed critical technologies of government agencies, under mandate of the Omnibus Trade Bill (which the COC had also played an important role in shaping).

III. Young Faces Criticism & Resigns as COC Chair (Fall 1990)

Although the Council on Competitiveness was increasingly unified on the issue of technological investment, Young began to face ever-increasing pressure from both labor and the Bush administration in the spring of 1990. Various COC actions made industrial unions increasingly skeptical of Young's true aims; meanwhile, Boskin remained adamantly opposed to industrial policy as proposed by the COC. This section will discuss the period from the spring of 1990 to the fall of 1990, culminating in Young's resignation from the Council in November of that year.

As the previous chapter also discussed, Boskin opposed industrial policy out of fundamental philosophical principles; over the course of 1990, Boskin intensified his anti-industrial policy effort. Although Bush's Council on Competitiveness had formal leadership from Vice President Dan Quayle, it was Michael Boskin who steered the priorities of this group from behind. With its list of policies and topics in hand, the Bush group explicitly disavowed industrial policy and instead favored a purportedly "free market" approach to competitiveness. The "free market" approach included various efforts to cut down bureaucratic "red tape" by

⁴⁴² Statement of Dr. Arden Bement, Committee on Science, Space, and Technology, House of Representatives. *Department of Commerce Technology Programs*. 101st Cong., 2nd sess., 1990, 138.

decreasing government regulation, cutting corporate taxes, and proposing policies to diminish American industry's litigiousness (which supposedly led to high lawyers' fees all-around, thus diminishing international competitiveness). The Bush group created a strategy for "Out-Reach" on these and other positions, with target organizations including the American Enterprise Institute, the Heritage Foundation, and the Cato Institute, among others.⁴⁴³ Such conservative think-tanks "can be counted on to provide enthusiastic reviews of the paper," an internal Bush group memorandum to Vice President Dan Quayle assured.⁴⁴⁴

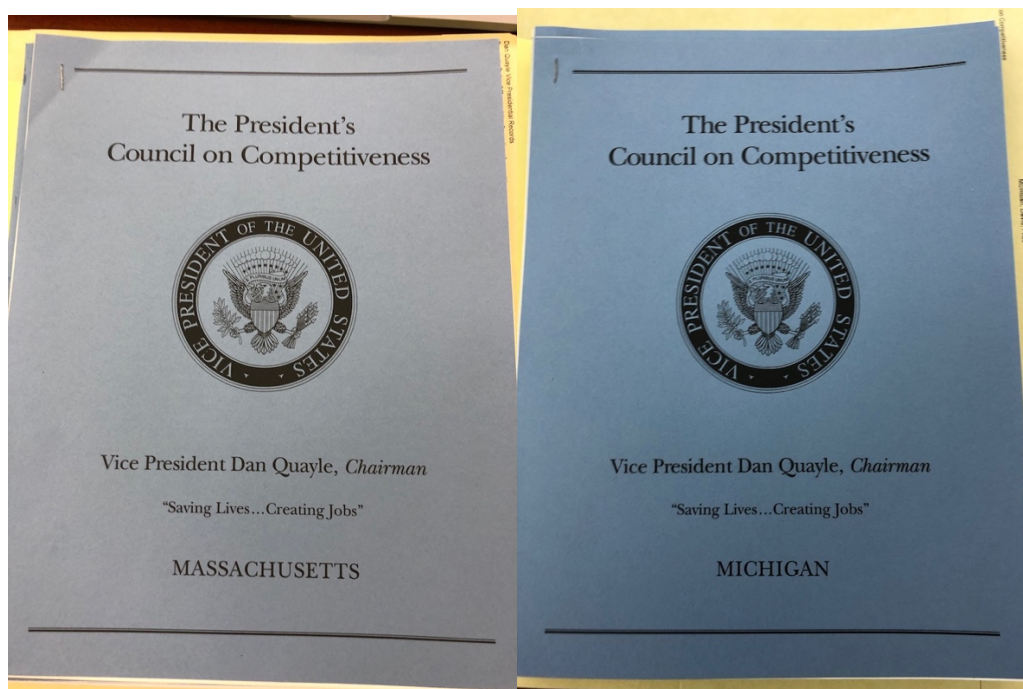


Figure 6.4: The President's Council on Competitiveness, Report on Massachusetts and Michigan

George Bush's Council on Competitiveness also saw certain states as exemplars of how the nation could similarly achieve its goals when it came to U.S. competitiveness. Here, the covers of the Bush Council's reports on the competitiveness of Massachusetts and Michigan.⁴⁴⁵

⁴⁴³ "Topic: Deregulation Paper," n.d., Media Affairs, Series Title: Maria Eitel Files, Folder Title: Competitiveness Council Meeting [OA/ID 06815], GHWBPL, Council on Competitiveness.

⁴⁴⁴ "Topic: Deregulation Paper," n.d., Media Affairs, Series Title: Maria Eitel Files, Folder Title: Competitiveness Council Meeting [OA/ID 06815], GHWBPL, Council on Competitiveness.

⁴⁴⁵ George HW Bush Presidential Library, Records of David McCintosh, Folder: State-By-State Reports [21]: Massachusetts and Michigan [OA/ID 22260].

Under Boskin, in addition to publishing papers on its alternative “free market” vision of competitiveness, the Bush Council on Competitiveness orchestrated a significant PR campaign against industrial policy. “Thank you for all your support for the Council’s work, especially keeping our ‘i’s’ dotted and our ‘t’s’ crossed on no industrial policy!,” one Bush Council on Competitiveness member wrote to Boskin, thanking him for his input on their policy recommendations in October 1990.⁴⁴⁶ As the DOD and DOC published their list on critical technologies, John Young and other COC members sought to coax Boskin into supporting various policy measures to foster these specific sectors. The COC’s attempts to sway Boskin, however, proved futile; Boskin remained unyielding in his free-market convictions and his determination to avoid endorsing industrial policy throughout 1990.

Meanwhile, the business elites on the Council found that their relationship with the industrial union interests continued to fray over the course of 1990. In the spring of 1990, Young commended the Congress on passing a deficit reduction bill which cut substantial social welfare benefits (benefits which the industrial unions strongly supported).⁴⁴⁷ Upon receiving copies of the letters which Young sent to various congressional leaders urging social spending cuts, Samuel and Donald Ephlin seemed to decide this was the last straw.⁴⁴⁸ Although labor had been willing to stick with the Council as a way to push through industrial policy, Young’s outright praise of these controversial deficit-cutting proposals drew harsh rebuke from them. After the fall of 1990, Samuel’s and Ephlin’s correspondence with the COC slowly tapers off, and by 1992, neither man was listed on the COC’s letterhead.

⁴⁴⁶ “Memorandum for Chairman Boskin, Council of Economic Advisors, from Allan Hubbard, Executive Director, the Council on Competitiveness,” 10 October 1990, GHWBPL, Council on Competitiveness, Council of Economic Advisors, Series Title: Michael Boskin Files - Subject Files, Folder Title: Council on Competitiveness [1] [OA/ID 08070].

⁴⁴⁷ Shanker alerted Samuel of Young’s support for Representative Daniel Rostenkowski’s (D-IL) budget deficit proposal. Al Shanker to Howard Samuel, 20 March 1990, WRL, Al Shanker Papers, Box 72, Folder 33.

⁴⁴⁸ Howard Samuel to John Young and Kent Hughes, 26 March 1990, WRL, Al Shanker Papers, Box 72, Folder 33.

Labor was not alone; other once supportive voices of the COC's plans and programs began to voice their disapproval. In particular, the growing divergence of opinion between "smokestack" and "sunrise" contingents became clear during 1989 discussions on government-sponsored healthcare – an issue which divided the heavily unionized and non-unionized sectors. Thus, when the COC asked for General Motors to renew its membership dues after the COC's initial three-year trial period, GM refused to pay.⁴⁴⁹ After GM refused to pay, and even requested to be removed from the Executive Committee, Magazine wrote a follow up, pleading GM to stay on. It was likely not about the dues, a small sum given GM's volume of profits. Rather, GM likely backed out of the COC coalition because it no longer saw the group as representing its interests.

Facing growing criticism from Boskin, the labor union members, and even manufacturing interests in the COC, Young decided to resign from the COC in the fall of 1990, recounting his decision in the Council's newsletter, *Challenges*. Young summarized his accomplishments as chair but acknowledged, "I also feel some disappointment and a growing impatience with the policy gridlock in Washington. We need to return our national focus on the importance of long-term economic growth."⁴⁵⁰ Following Young's exit, Motorola CEO George Fisher took the reins of the COC; meanwhile, Young shifted his focus to cultivating a political rapport with the Clinton-Gore campaign. For now, however, we turn our attention to the late fall of 1990 and how the COC's lobbying evolved after George Fisher took control of the organization.

⁴⁴⁹ Kent Hughes to Executive Committee, 12 July 1990, WRL, Al Shanker Papers, Box 72, Folder 33.

⁴⁵⁰ "From the Chairman," *Challenges: Magazine of the Council on Competitiveness* III, no. 12, Nov. 1990, WRL, Al Shanker Papers, Box 72, Folder 33.

IV. Fisher Takes the Helm of the COC

Under George Fisher's leadership from the fall of 1990 onwards, the COC recalibrated its focus from a sweeping economic policy agenda to a more specialized emphasis on technology policy. Fisher categorized this period as a shift "from exploring different aspects of competitiveness to an agenda for action and implementation."⁴⁵¹ As Fisher remarked, "We are finding that our technology initiatives have hit a very responsive chord, both in Washington and around the country, and we are widely regarded as a key source for thinking on technology, as well as for the broader issues of competitiveness."⁴⁵² While specific economic policy debates had polarized the Council, with labor dissent growing, consensus around industrial policy endured, encapsulated in shared appeals for investment in critical technologies by the early '90s. By the fall of 1992, as this section will analyze, federal agencies and other governmental entities found common ground on critical technologies lists, recognizing the need to rally lobbyist and policymaker endorsement. The significance of these lists extended beyond the specific technologies listed; instead, these lists embodied a broader shift in post-Cold War science policy priorities – military R&D was to bolster commercial technology, and civilian R&D funding was to be more strategically funneled into market-ready technologies (Figure 6.X).

In the late fall of 1990, the State Department, for its part, saw an advantage to working with the Council, eager as it was to introduce policies that would foster US national security through economic strength and diplomacy – thus increasing the power of state. Amidst the Cold War's decline, strategic thinkers within the State Department emphasized diplomatic engagement as a primary tool of power rather than pure military might. The State Department,

⁴⁵¹ George Fisher to Al Shanker, 12 February 1991, WRL, Al Shanker Papers, Box 72, Folder 34.

⁴⁵² George Fisher to Council Members, 1 October 1991, WRL, Al Shanker Papers, Box 72, Folder 34.

eager to exert greater control, strategically assigned COC affiliates to advisory positions over foreign economic policy.⁴⁵³

The Council also picked up on the scientific community's longstanding support of its mission, appointing Erich Bloch to lead its critical technologies task force in December 1990.⁴⁵⁴ After stepping down from his role as NSF head in 1990, Bloch by 1991 moved full time into lobbying for technology policy in the name of industry interests. In this role, he likely accrued a higher salary, and he continued to benefit from the status that his insider knowledge and connections to the nation's largest civilian science agency had endowed him. Under Bloch's leadership, the COC prepared its own report in 1991, a sequel to its 1988 report on the subject. The new report, entitled "Gaining New Ground," mirrored the DOD's and DOC's lists but attracted greater public relations fanfare. The Council's timing of the report's release was strategically set against the backdrop of the 1992 election.

⁴⁵³ State Department Initiative to Improve the Capabilities of US Embassies Abroad, December 1990, WRL, Al Shanker Papers, Box 72, Folder 33. The memorandum recounts that "Deputy Secretary of State Lawrence Eagleburger met with the Council's Executive Committee on July 26th (1990) to exchange ideas on how to enhance the State Department's ability to support the American business community in an international setting. Mr. Eagleburger observed that the State Department was in the process of restructuring to better meet the needs of a post-Cold War, economically more competitive world. A major part of this revision entails a new approach to training U.S. Foreign Service Officers." After the meeting, "Mr. Eagleburger explicitly invited Council members to help the State Department in its drive to create a more commercially attuned U.S. Foreign Service."

⁴⁵⁴ Council on Competitiveness Names Erich Bloch First Distinguished Fellow, 12 December 1990, WRL, Al Shanker Papers, Box 72, Folder 33.

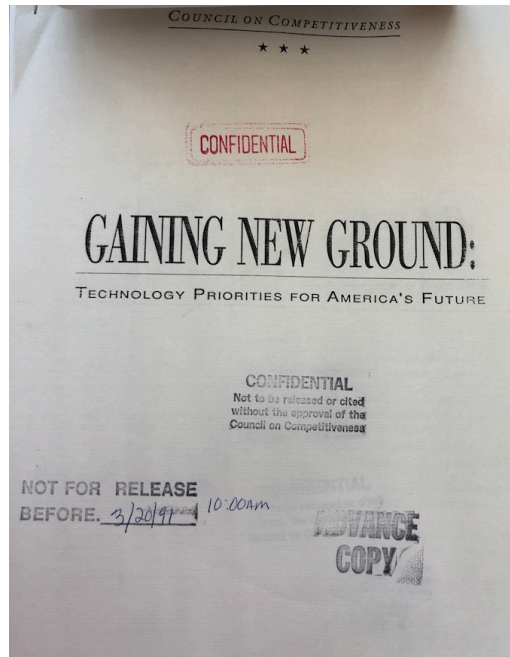


Figure 6.5: Cover of “Gaining New Ground” Report
The COC’s reports were confidential until their scheduled public relations release (in this case, March 20th, 1991 at 10AM).⁴⁵⁵

⁴⁵⁵ “Gaining New Ground,” National Archives at College Park, OSTP Technology Division, FRC 359-93-98, Folder: 1989-1992, Administration Accomplishments.

MATERIALS AND ASSOCIATED PROCESSING TECHNOLOGIES				
TECHNOLOGY	U.S. POSITION			
	Strong	Competitive	Weak	Losing Badly or Lost
Advanced Structural Materials				
Advanced Metals				
Metal Matrix Composites				
Polymers				
Polymer Matrix Composites				
Structural Ceramics				
Electronic and Photonic Materials				
Display Materials				
Electronic Ceramics				
Electronic Packaging Materials				
Gallium Arsenide				
Magnetic Materials				
Optical Materials				
Photoresists				
Silicon				
Superconductors				
Biotechnologies				
Bioactive/Biocompatible Materials				
Bioprocessing				
Drug Discovery Techniques				
Genetic Engineering				
Materials Processing				
Catalysts				
Chemical Synthesis				
Membranes				
Net Shape Forming				
Precision Coating				
Process Controls				
Environmental Technologies				
Emissions Reduction				
Recycling/Waste Processing				
Source: Council on Competitiveness				

ENGINEERING AND PRODUCTION TECHNOLOGIES				
TECHNOLOGY	U.S. POSITION			
	Strong	Competitive	Weak	Losing Badly or Lost
Design and Engineering Tools				
Computer-Aided Engineering				
Human Factors Engineering				
Leading-Edge Scientific Instruments				
Measurement Techniques				
Structural Dynamics				
Systems Engineering				
Commercialization and Production Systems				
Computer-Integrated Manufacturing				
Design for Manufacturing				
Flexible Manufacturing Processes				
Flexible Manufacturing				
Integration of Research, Design and Manufacturing				
Total Quality Management				
Process Equipment				
Advanced Welding				
High-Speed Machining				
Integrated Circuit Fabrication and Test Equipment				
Joining and Fastening Technologies				
Precision Bearings				
Precision Machining and Forming				
Robotics and Automated Equipment				
Source: Council on Competitiveness				

ELECTRONIC COMPONENTS				
TECHNOLOGY	U.S. POSITION			
	Strong	Competitive	Weak	Losing Badly or Lost
Microelectronics				
Logic Chips				
Memory Chips				
Microprocessors				
Submicron Technology				
Electronic Controls				
Actuators				
Sensors				
Optoelectronic Components				
Laser Devices				
Photonics				
Electronic Packaging and Interconnections				
Multi-Chip Packaging Systems				
Printed Circuit Board Technology				
Displays				
Electroluminescent				
Liquid Crystal				
Plasma and Vacuum Fluorescent				
Hardcopy Technology				
Electro Photography				
Electrostatic				
Information Storage				
Magnetic Information Storage				
Optical Information Storage				
Source: Council on Competitiveness				

INFORMATION TECHNOLOGIES				
TECHNOLOGY	U.S. POSITION			
	Strong	Competitive	Weak	Losing Badly or Lost
Software				
Applications Software				
Artificial Intelligence				
Computer Modeling and Simulation				
Expert Systems				
High-Level Software Languages				
Software Engineering				
Computers				
Hardware Integration				
Neural Networks				
Operating Systems				
Processor Architecture				
Human Interface and Visualization Technologies				
Animation and Full Motion Video				
Graphics Hardware and Software				
Handwriting and Speech Recognition				
Natural Language				
Optical Character Recognition				
Database Systems				
Data Representation				
Retrieval and Update				
Semantic Modeling and Interpretation				
Networks and Communications				
Broadband Switching				
Digital Infrastructure				
Fiber Optic Systems				
Multiplexing				
Portable Telecommunications Equipment and Systems				
Digital Signal Processing				
Spectrum Technologies				
Transmitters and Receivers				
Source: Council on Competitiveness				

Figure 6.6: Decision-making Matrix Behind Critical Technologies List
The COC's 1991 report on critical technologies provided rationale for the technologies selected based on the US' competitive position in each of these various areas.⁴⁵⁶

⁴⁵⁶ "Gaining New Ground," National Archives at College Park, OSTP Technology Division, FRC 359-93-98, Folder: 1989-1992, Administration Accomplishments.

Democrats, keen on embracing the COC's agenda, tied their political aspirations to the Council's goals as laid out in the "Gaining New Ground" report. In March 1991, during congressional hearings on U.S. technology policy broadly and the COC's recommendations in particular, Democratic Senator Ernest Hollings of South Carolina remarked, "We have won the Cold War and the Gulf War. Now we must win the 'market war.'"⁴⁵⁷ "This one is not just a report. It is a project to change the country," Gore explained of *Gaining New Ground's* findings that day.⁴⁵⁸ With the Cold War drawing to a close, the Democrats were eager to champion a technology-driven vision for America, where economic security took precedence over military concerns. As the US plunged into economic recession in 1991, the Democrats painted the Republicans as technologically backward. "Whether leaders in industry and Government will respond," Hollings raised as "the question" with his accusatory glance directed towards the White House.⁴⁵⁹ "Unfortunately, we have not had the leadership in the White House to direct this effort. It is just that simple," Gore rejoined of the critical technologies debate.⁴⁶⁰ To Hollings and Gore, technological competitiveness once again allowed for a convenient attack on their Republican opponents.

⁴⁵⁷ Statement of Chairman Ernest Hollings, Senate Committee on Commerce, Science, and Transportation, *Hearings on New Priorities for US Technology Policy*, 102nd Cong., 1st sess., 1991, 10.

⁴⁵⁸ Statement of Senator Al Gore, Senate Committee on Commerce, Science, and Transportation, *Hearings on New Priorities for US Technology Policy*, 102nd Cong., 1st sess., 1991, 11. This call for a new post-Cold War vision of the government's role was in some ways similar to the debates surrounding the formation of the National Science Foundation in the immediate postwar period. See Daniel Kevles. "The National Science Foundation and the Debate over Postwar Research Policy, 1942-1945: A Political Interpretation of Science--The Endless Frontier." *Isis* 68, no. 1 (1977): 5-26.

⁴⁵⁹ Statement of Chairman Ernest Hollings, Senate Committee on Commerce, Science, and Transportation, *Hearings on New Priorities for US Technology Policy*, 102nd Cong., 1st sess., 1991, 2.

⁴⁶⁰ Statement of Senator Al Gore, Senate Committee on Commerce, Science, and Transportation, *Hearings on New Priorities for US Technology Policy*, 102nd Cong., 1st sess., 1991, 11. This call for a new post-Cold War vision of the government's role was in some ways similar to the debates surrounding the formation of the National Science Foundation in the immediate postwar period. See Daniel Kevles. "The National Science Foundation and the Debate over Postwar Research Policy, 1942-1945: A Political Interpretation of Science--The Endless Frontier." *Isis* 68, no. 1 (1977): 5-26.

INTERNATIONAL COMPARISON OF CRITICAL TECHNOLOGIES				
COUNCIL'S TECHNOLOGIES	OTHER ORGANIZATIONS			
	DOD	DOC	MITI	EC
Materials and Associated Processing Technologies				
Advanced Structural Materials	■	□	■	■
Electronic and Photonic Materials	■	■	■	■
Biotechnologies	□	□	■	■
Materials Processing			■	□
Environmental Technologies				
Engineering and Production Technologies				
Design and Engineering Tools	□	□	■	□
Commercialization and Production Systems	□	■	□	■
Process Equipment	□	□	■	■
Electronic Components				
Microelectronics	■	■	■	■
Electronic Controls	□	■	□	
Optoelectronic Components	■	■	■	■
Electronic Packaging and Interconnections	□			
Displays		■		■
Hardcopy Technology				
Information Storage		■		■
Information Technologies				
Software	■	■	■	■
Computers	■	■	■	■
Human Interface and Visualization Technologies		□		
Database Systems	■			
Networks and Communications				
Portable Telecommunications Equipment and Systems				■
Powertrain and Propulsion Technologies				
Powertrain				□
Propulsion	■			■

Notes: ■ = direct correlation.
□ = indirect correlation, i.e., included as part of a larger category.

Source: Council on Competitiveness

Figure 6.7: Comparison of US & Foreign Non-Defense R&D Expenditures Published in “Gaining New Ground” with data from the NSF, this table exemplifies the COC’s claim that Japan and Germany were spending a greater portion of GDP on non-defense R&D than the United States. Notably, the US GDP between 1972 and 1988 was considerably larger than those of Japan and Germany.

As the Democrats rallied around critical technologies, Michael Schrage of the *Los Angeles Times* emerged as a solitary critic amidst widespread enthusiasm. Schrage’s skepticism was palpable: “come on! This is techno-pabulum being served up as meaningful analysis. Saying that ‘software’ is a critical technology is precisely like saying that physics is a critical science. It’s true, but so what?”, Schrage continued, “by the way, don’t think that it’s simply a happy

coincidence that federal funding for most of these ‘critical technologies’ just happens to have been increased. These lists aren’t just obvious, they’re also politically correct.”⁴⁶¹ Schrage’s dissent notwithstanding, the Democrats maintained a united front on the critical technologies issue, juxtaposing themselves against the Republicans – who soon, it turned out, embraced “critical technologies” too.

In 1982-1983 and 1987-1988, Reagan embraced the issue of technological competitiveness, concerned that he would otherwise lose political traction with his business supporters; in 1991, Bush underwent a similar decision-making calculus. Like Reagan before him, Bush was susceptible to industrial policy demands when his reelection prospects were uncertain. Under the Omnibus Trade Bill, the DOD and DOC had converged on their lists of “critical technologies”; and under the leadership of Democrats like Hollings and Gore, Congress was holding hearings and reviewing bills that funneled government R&D into these areas. The question remained as to whether or not Bush would sign off on the OSTP report in the leadup to the 1991 election.

Given that the CPC boasted membership from the nation’s most powerful business leaders and lobbying groups, the Bush COC and wider administration felt increasingly obligated to meet their industrial policy demands. Upon the release of the Council’s spring 1991 report on critical technologies, the State Department became more heavily imbricated with the Council. Richard McCormack, Undersecretary of State for Economic and Agricultural Affairs, advised Secretary of State Larry Eagleburger that it was important “you receive these people [the Council on Competitiveness], and do a little more PR on behalf of the Department of State with the US

⁴⁶¹ “Meaningless Lists of ‘Critical’ Technologies,” *Los Angeles Times*, 9 May 1991.

business community.”⁴⁶² McCormack was explicitly dismissive of Boskin’s concerns about critical technologies measures as industrial policy:

“The fact is that we won World War II with ‘industrial policy.’ We launched our space program with ‘industrial policy.’ We are today living off the intellectual legacy of the post Sputnik efforts launched by the Eisenhower/Kennedy administrations. And in my view, we need to disengage ourselves from the knee-jerk, cliché ridden debate about ‘industrial policy’ and consider what we can do about the problems identified by [Bruce] Inman and his people. This will involve budgetary considerations, but in my view, they need to be undertaken.”⁴⁶³

Bush Science Advisor Alan Bromley wrote to McCormack, “your support in this whole matter of getting technology policy airborne without having it shot down in the guise of a dreaded industrial policy has been very much appreciated.”⁴⁶⁴

As the debate intensified, Republican and Democratic congressional leaders sought to broker a compromise. In the American Technology Preeminence Act of 1991, Democrats proposed approximately \$1.4 billion in investment, which represented a major science policy proposal since the entire NSF budget at that time was approximately \$2 billion.⁴⁶⁵ Republicans felt that instead of giving money to researchers, tax incentives should be provided for companies engaged in research on critical technologies, with Robert Walker (R-PA) spearheading an alternative bill to this effect.⁴⁶⁶ In the end, the Republicans and Democrats reached a

⁴⁶² “Richard McCormack (Under Secretary of State for Economic and Agricultural Affairs, Department of State) to Larry Eagleburger (Secretary of State), Re: The Council on Competitiveness Report,” 5 Apr 1991, GHWBPL, Office of Science and Technology Papers, Series: Alan Bromley Files, Subseries: General Science Files, Folder Title: Industrial: Economic Competitiveness [2 of 2] [1991] [OA/ID 62036].

⁴⁶³ “Richard McCormack (Under Secretary of State for Economic and Agricultural Affairs, Department of State) to Larry Eagleburger (Secretary of State), Re: The Council on Competitiveness Report,” 5 Apr 1991, GHWBPL, Office of Science and Technology Papers, Series: Alan Bromley Files, Subseries: General Science Files, Folder Title: Industrial: Economic Competitiveness [2 of 2] [1991] [OA/ID 62036].

⁴⁶⁴ Allan Bromley to Richard McCormack, 9 July 1991, GHWBPL, Office of Science and Technology Papers, Series: Allan Bromley Files, Subseries: General Science Files, Folder Title: Industrial: Economic Competitiveness [2 of 2] [1991] [OA/ID 62036].

⁴⁶⁵ “Partisan Feuding Scuttles Competitiveness Bills.” In *CQ Almanac 1992*, 48th ed., 301-3. Washington, DC: Congressional Quarterly, 1993.

⁴⁶⁶ “Partisan Feuding Scuttles Competitiveness Bills.” In *CQ Almanac 1992*, 48th ed., 301-3. Washington, DC: Congressional Quarterly, 1993.

compromise, authorizing \$348 million in 1992 and \$359 million in 1993 to critical technologies, which would be distributed through the Department of Commerce's National Institute for Standards and Technology (NIST).⁴⁶⁷ There was also bipartisan agreement on Walker's plan for tax incentives for companies investing in "critical technologies," with tax breaks aligning more easily with the concerns of proponents of free market economics. Though both parties were willing to support critical technologies (in specific terms) in 1991, the Republican support for scientific R&D and incentives would prove fleeting later in the decade.

In 1991, however, Republicans in the White House joined with congressional Republicans in voicing their support for critical technologies –with the purported stipulation that such subsidies fit within their free market principles. As Bush signed off on Alan Bromley's OSTP report on critical technologies (which was nearly identical to the COC, DOC, and DOD reports), the pro-industrial policy Republicans seemed to prevail over the forces supportive of free market economics. Bush's willingness to support industrial policy in part stemmed from the political pressure he faced amidst a growing recession in 1991/1992. Moreover, his administration hoped that vocal support for technology policy would allow the president to maintain voters' attention and support for high defense budgets. After the Gulf War had led to increased public optimism about the possibility of high-tech military technologies, Bush aimed to keep such support high.

The Bush administration's newfound support for industrial policy was also evident when in the spring of 1991, Bush agreed to make his four White House appointments to the federal Competitiveness Policy Council (CPC), mandated by the Omnibus Trade Bill. Between 1989 and the spring of 1991, Bush had refused to appoint his designated CPC members, claiming that the

⁴⁶⁷ "Partisan Feuding Scuttles Competitiveness Bills." In *CQ Almanac 1992*, 48th ed., 301-3. Washington, DC: Congressional Quarterly, 1993.

CPC was out of step with his administration's free market economic principles. Congress made its designated appointees, but under Boskin's advisement, Bush flat-out refused; thus, the mandated CPC could not begin its operations. However, as momentum and pressure grew for a business-led industrial policy, Bush eventually succumbed to pressure.

What was important about the CPC is not that it ultimately held great federal power as a centralized planning agency; rather, what made the CPC significant was the fact that in both its membership and its policy priorities, it mirrored the goals of the Young Council on Competitiveness and the "critical technologies" movement. In terms of membership, there was considerable overlap between the leadership of Young's Council on Competitiveness and this new CPC. Bush's appointees, for example, included Alexander Trowbridge – president of the NAM, and the architect of the CPC proposal in the Omnibus Trade Bill – and Al Shanker of the AFT. Other appointees included well-known policy entrepreneurs in the competitiveness arena, such as Fred Bergsten and Bruce Scott of Harvard Business School. Erich Bloch, former head of the NSF and COC Distinguished Fellow, was the head of the CPC's Critical Technologies Subcommittee.

Within the newly formed CPC, the definition of competitiveness – and the need to "sell" the idea – remained as urgent as ever. For example, in September of 1991, one CPC member wrote to chairman Fred Bergsten, explaining he could not define competitiveness, but he knew it when he saw it, reminiscent of the recent supreme court justice's statement on pornography.⁴⁶⁸ Meanwhile, Fred Bergsten, who had staked his career as a policy entrepreneur and published numerous books on the topic of competitiveness, likewise saw the CPC as an opportunity to advance his career.

⁴⁶⁸ Ed Vetter to Fred Bergsten, 11 September 1991, WRL, Al Shanker Papers, Box 50, Folder 5: White House Competitiveness Policy Council, 1991.

After the CPC began to meet and devise its final report between the spring of 1991 and the fall of 1992, therefore, its policy priorities mirrored those of the broader competitiveness movement, and with critical technologies, it produced another near-identical report to the previous iterations. When the CPC's report on critical technologies came out in the fall of 1992, it added even more political pressure on both candidates to support a targeted government-led industrial policy.

When the CPC report came out on critical technologies, the press heralded it as an example of a centralized, Congressionally and White House appointed entity calling for a national industrial policy. To Bergsten, this media interpretation of the CPC's findings was an unwelcome one: recalling his statement at the 1983 Industrial Policy Hearings, it had been Bergsten who had advised LaFalce to call industrial policy "industrial visions" in order to avoid charges of centralized planning. Nonetheless, media coverage to this end accelerated, and as the 1992 campaign drew near, it seemed likely that industrial policy would take hold as the central issue. In the next section, we turn to the 1992 presidential campaign.⁴⁶⁹ We will explore how Clinton embraced the competitiveness as the central component to this campaign, and how he attracted the coalition still championing this message.

V. Competitiveness & The 1992 Clinton-Gore Campaign

As political pressure was growing on Bush to embrace industrial policy in the leadup to the 1992 race, Bill Clinton rose in popularity as the preferred candidate of many business elites in the COC. In its first several years, the Council under Young's leadership had worked with policymakers across the aisle, seeing both Democrats and Republicans as potential purveyors of their agenda. Between 1990 and 1992, by contrast, it became increasingly apparent to John

⁴⁶⁹ Bruce Stokes, "Is Industrial Policy Now Mentionable?" *The National Journal*, 7 March 1992.

Young and other Silicon Valley executives that Bill Clinton would be a more reliable partner in enacting their agenda. In addition to courting business elites, Clinton also succeeded in winning over the American public writ-large: a key issue that won the day was Clinton's commitment to workforce competitiveness. However, as organized labor union's power diminished in the early 1990s, Clinton's rhetoric on education and training reflected a new willingness to admit that jobs in heavily unionized sectors would not ever be coming back to United States' shores. This section unpacks Clinton's competitiveness message on the 1992 campaign and how it reflected the changing economic power balance between labor and business.

In early 1990s, publications on the issue of "workforce competitiveness" increasingly claimed that workers in heavily unionized fields should not expect to find work in traditional manufacturing in the future. This change in tone was evident in the June 1990 report, *America's Choice: High Skills or Low Wages*. Commissioned by the National Center for Education and the Economy, the report was a highly-publicized iteration of the rising assumption that with strong education and training, American workers could transition into high-tech, high-paid work and out of traditional manufacturing.⁴⁷⁰ Ira Magaziner was the lead author of the report in 1990, and when the report first came out, it received major national press coverage.⁴⁷¹ The report claimed "this is our choice": Americans either needed to embrace high-skills-training, or succumb to the possibility that most would work in low-paid, low-skilled jobs.

By early 1991, Hillary Clinton, first lady of Arkansas, sought a leadership role in spreading the *America's Choice* message. Her lobbying for concrete legislation at a state and

⁴⁷⁰ Report of the Commission on the Skills of the American Workforce, "America's Choice: High Skills or Low Wages!" June 1990, WRL, Al Shanker Papers, Box 71, Folder 24.

⁴⁷¹ Every major newspaper reported on the report's release. See for example: "Work Skills Panel Urges Major Changes in School Education, Job Organization," *Wall Street Journal*, 19 June 1990.

federal level was an extension of her earlier advocacy work in the state of Arkansas.⁴⁷² In partnership with Ira Magaziner, she helped solidify Bill's position as the candidate with a concern for the issue.⁴⁷³ Writing in September 1991 to members of the Commission on the Skills of the American Workforce, Hillary Clinton recounted: "we find that state interest in the Commission's report continues to grow, particularly with the passage of comprehensive legislation in Oregon modeled on our recommendations." After recounting various efforts in different states and at the national level, Hillary concluded her letter, "I believe that if we continue to make a persuasive case for the Commission's ideas in the public and private sectors at the national, state, and local levels, we will surely see progress."⁴⁷⁴

When Bill Clinton officially announced his presidential bid in the fall of 1991, he sought to use the workforce competitiveness message to his advantage, increasingly invoking the idea in the leadup to '92. Let us take for example a Clinton speech which exemplifies this shift in tone about the future of work and national competitiveness. Indeed, as he looked ahead to the 1992, as in *The America's Choice* report, Clinton's rhetoric was increasingly forthright that manufacturing jobs were not coming back; and soon, organized labor viewed this shift as a full-on assault on their power. The speech that drew the most anger was Clinton's remarks at a General Motors plant in Texas. In the *Wall Street Journal*, Clinton was quoted as saying: "we are going to scrap these work rules. We are going to be flexible. We are going to change our jobs.

⁴⁷² Nelson Lichtenstein and Judith Stein, *A Fabulous Failure: The Clinton Presidency and the Transformation of American Capitalism* (Princeton: Princeton University Press, 2023), 28.

⁴⁷³ Magaziner and Hillary Clinton later partnered in developing Clinton's healthcare policy reform proposals.

⁴⁷⁴ Hillary Rodham Clinton to Members of Commission on the Skills of the American Workforce, 18 September 1991, WRL, Owen Bieber Papers, Box 63, Folder 15: CSAW: High Skills, Competitive Workforce Act, 1991 September.

We are going to save our jobs by having the courage to change. And that's what we are all going to have to do.”⁴⁷⁵

Clinton received fierce pushback from all major labor unions; but with his 1992 victory, it is evident retrospectively that his political gamble worked as his campaign did not suffer. Owen Bieber recounted a phone conversation with Clinton after Texas speech: “I let him know we were ticked off about that and I told him I regularly received mail from right wing conservatives referring to union bosses and I did not like it no matter who said it.” “Everyone knew that the *Wall Street Journal* is an anti-union paper,” Bieber continued, and “our people were concerned where the candidates were on Mexican trade, trade in general, their jobs, national healthcare striker replacement, just to name a few.” “He said several times he should not have said what he said,” Bieber recounted, but the damage was done and the message was clear. Clinton had adopted a new message on the issue of workforce competitiveness – and it was bad news for organized labor (themselves once supportive of the workforce competitiveness promise, as chapter 4 recounted). As Bieber continued, representatives from twelve unions “met at our office in Washington yesterday and we all agreed not to endorse any candidate at this time.”⁴⁷⁶

In short, Clinton made a bet: he was better off politically if he painted an optimistic future of work and workers who trained for the oft-predicted, little-scrutinized New Economy, while at the same time, explicitly distancing himself from unions and manufacturing. The twelve major unions did not need to support him, strategists suggested. Many in Clinton's emerging voter coalition appreciated how his candidacy made an explicit break from union “special interests.” In particular, Clinton gained the support of certain high-profile business elites.

⁴⁷⁵ Frank Joyce to Owen Bieber, 10 March 1992, WRL, Owen Bieber Papers, Box 159, Folder 215: Presidential Election 1992.

⁴⁷⁶ Owen Bieber to Officers and Regional Directors, 13 March 1992, WRL, Owen Bieber Papers, Box 159, Folder 215: Presidential Election 1992.

Here, we turn back to John Young, who by the fall of 1990 had resigned from his chairmanship role at the COC; instead, he devoted much of his attention to explicitly campaigning for Clinton. After his resignation from the Council, Young continued to endorse and promulgate their industrial policy agenda. For example, he outlined the findings of the 1991 “Gaining New Ground” report in a *Los Angeles Times* op-ed, exhorting: “Nurture Technologies That Will Pay Big.”⁴⁷⁷ Young sought the technology policy provisions that would nurture industries like his (with increasingly little regard for what labor thought); it turned out Clinton was right on board with the industrial policy message. Although willing to forego the support of traditional union leaders, Clinton was enthusiastic about industrial policy and the associated vision of future American high-tech prosperity in those years.

The partnership between Silicon Valley elites and Clinton blossomed, with both groups sharing a common concern for technology investment. Clinton’s selection of Al Gore (D-TN) as his running mate in July 1992 further solidified this partnership. In August 1992, around the dinner table at Sculley’s ranch in Silicon Valley, Young and numerous high tech CEOs, all lifelong Republicans, discussed supporting Clinton.⁴⁷⁸ Their unifying concern was the emphasis on competitiveness and critical technologies—a rallying point that coalesced high-tech interests into a Democratic alliance.⁴⁷⁹ “I am still a Republican but I am voting for [Bill Clinton] because I don’t believe America’s industries can survive four more years of President Bush,” voiced John Sculley, CEO of Apple Computer Inc., in September 1992.⁴⁸⁰

⁴⁷⁷ “Nurture Technologies That Will Pay Big,” *Los Angeles Times*, 13 June 1991.

⁴⁷⁸ “Silicon Valley Takes a Partisan Leap of Faith,” *NYT*, 29 October 1992.

⁴⁷⁹ “Silicon Valley Takes a Partisan Leap of Faith,” *NYT*, 29 October 1992. Not all high tech CEOs were on board with the Clinton ethos. David Packard, founder of Hewlett Packard, said in a statement: “Clinton talks about the future, but his ideas come from the past -- and his tax proposals will kill America’s technology companies.” To explain why his successor, John Young, supported Clinton, Packard told the media “if Mr. Clinton is elected, Mr. Young would have a chance at becoming head of the Commerce Department.”

⁴⁸⁰ “Silicon Valley Takes a Partisan Leap of Faith,” *NYT*, 29 October 1992.

On the 1992 campaign, Clinton promised that this vision of technology-led prosperity would create jobs and bolster competitiveness, ensuring rising standards of living for all Americans. Amidst the 1992 recession—where unemployment peaked at 7.8%— American voters were looking for a chance. When the Clinton-Gore campaign emphasized the themes of economic renewal and claimed the slogan “Putting People First,” many Americans hoped that the new president would indeed answer their economic concerns, ushering in a “New Economy.”

Conclusion

Clinton’s cabinet featured a virtual who’s who in the proponents of the competitiveness idea, which had worked closely with the Council on Competitiveness throughout the 1990s. Indeed, Clinton’s cabinet and inner circle mirrored familiar figures from the Council on Competitiveness and its cadre of affiliates, boasting names like Robert Reich (Secretary of Labor), Lloyd Bentsen (Secretary of the Treasury), Ira Magaziner (co-Chair of the Task Force to Reform Health Care), and Laura D’Andrea Tyson (Chair of the Council of Economic Advisors). Yet as Clinton’s first term unfolded, labor found itself alienated, and the once-promised business-labor partnership dimmed as a political possibility. By the 1990s, most Americans would forget that such a competitiveness consensus had ever existed.

For a time after the Clinton-Gore victory, industrial policy momentum notably did continue, and federal science agencies aligned their objectives to emphasize competitiveness and critical technologies. In late November 1992, the National Institutes of Health underwent a redefinition of its mission to fit the needs of the “competitiveness” and “critical technologies” moment.⁴⁸¹ Congress enacted legislation to require the Department of Defense, NIST, and

⁴⁸¹ Bernadine Healy, “The National Institutes of Health: Politics at Its Best, Presented to the Economic Club of Detroit,” 30 November 1992, National Library of Medicine, Bernadine Healy Papers, Box 30, Folder Title: The National Institutes of Health: Politics at its Best.

agencies with Small Business Innovation Research (SBIR) programs to use the National Critical Technologies panel list in developing policies related to development of technologies in these areas and to give preferential treatment to small business suppliers of US critical technologies.⁴⁸²

Between January and August 1993, numerous legislative efforts were introduced to support critical technologies, including: the Defense Economic Reinvestment Act of 1993 (HR 841), the Defense Workers Economic Reinvestment Act of 1993 (HR 1880), the National Aeronautics and Space Administration Act of 1993 (HR 2200), the Manufacturing Technology and Extension Act of 1993 (S4), the Industrial Innovation Act of 1993 (S358), the Aeronautical Technological Consortium Act of 1993 (S419), and the DOE National Competitiveness Technology Partnerships Act of 1993 (S473).⁴⁸³ While each initiative had its unique focus, funding mechanisms, and trajectory, their collective goal was to establish federally sponsored programs supporting critical technologies.

Soon, however, Republicans in Congress increasingly scrutinized critical technologies initiatives as a guise for industrial policy.⁴⁸⁴ In 1993, for example, the Democrats sought to capitalize on their Congressional majority to pass the National Competitiveness Act of 1993, which included funding for R&D earmarked for critical technologies. In congressional hearings, Democratic Senator Tim Valentine (D-NC) explained, “Today there is a much greater awareness

⁴⁸² Genevieve Knezo. “Critical Technologies: Legislative and Executive Branch Activities.” Congressional Research Service Report for Congress, 5 August 1993.

⁴⁸³ Genevieve Knezo. “Critical Technologies: Legislative and Executive Branch Activities.” Congressional Research Service Report for Congress, 5 August 1993.

⁴⁸⁴ Even though Clinton had claimed high technology policy central to his overall agenda on the campaign trail, science budgets (total defense and nondefense) decreased or stayed constant in each year of the Clinton administration. “Defense, Nondefense, and Total R&D, FY 1976-2020.” Data Provided by American Association for the Advancement of Science, Adjusted for Constant 2020 Dollars.

in our country that the government has a productive role to play in sustaining a growing economy and reversing the decade-old decline in U.S. manufacturing, jobs, and wages.”⁴⁸⁵

However, Republican opposition became fervent. Claude Barfield, Director of Science and Technology Policy Studies at the conservative American Enterprise Institute, explained, “I think the Government’s capability, even with the best of wills and the best of hearts, is limited of choosing modern technologies.”⁴⁸⁶ George Will, leading Republican journalist, explained “It would get government deeply into business as a venture capitalist... HR 820 could be a political slush fund for compliant companies.”⁴⁸⁷ “Venture experts,” Will explained, “are wrong more often than they are right. But surely they are right more often than Washington would be.”⁴⁸⁸ In 1994, Erich Bloch, former director of the National Science Foundation and consultant for the Council on Competitiveness, summed up the tenor of the debate as “acrimonious,” and the bill never passed both houses of Congress.⁴⁸⁹ Despite these setbacks, the Council on Competitiveness retained substantial influence within the White House.

⁴⁸⁵ Statement of Tim Valentine, Subcommittee on Technology, Environment, and Aviation of the Committee on Science, Space, and Technology, *Technology Policy and Competitiveness Legislation: Overview and Financing*, 103rd Cong., 1st sess., 1993.

⁴⁸⁶ Statement of Claude Barfield, House Committee on Science, Space, and Technology. *The National Competitiveness Act of 1993: Hearings on HR 820*. 103rd Cong., 1st sess., 1993, 167.

⁴⁸⁷ George Will, “Why Can’t Government Leave Business Alone?,” *Daily Record (Morristown, New Jersey)*, 10 June 1993.

⁴⁸⁸ George Will, “Excess of the 80s Meets Excess of the 90s,” *Burlington Free Press*, 10 June 1993. Will was also critical of the special interests driving the Act: this capital allocation would be done by the Commerce Department, currently run by Ron Brown, the former lobbyist and head of the Democratic National Committee.”

⁴⁸⁹ Erich Bloch and David Cheney, Memorandum to Critical Technologies Subcouncil Members, 31 March 1994, BCPL, Box 5, Folder Title: Competitiveness Policy Council [1] [OA 10672], OSTP Records, FOIA Request 2008-1524-F.

Conclusion

“Let’s start telling the truth. The obsession with competitiveness is both wrong and dangerous,” economist Paul Krugman critiqued in a 1994 *Foreign Affairs* article.⁴⁹⁰ Reflecting on policy evolutions since the early ’80s, Krugman highlighted how a group of policy activists had lobbied for federal resources to support certain high-tech sectors.⁴⁹¹ The press in the ’80s had heralded the arrival of a “New Economy”, an era of technological advancement and new forms of industrial growth.⁴⁹² “Yet economically, the news has been generally dreary: a typical American worker can buy less with his pay today than his father could when Richard Nixon was first inaugurated,” noted Krugman.⁴⁹³ *The Washington Post* summed up Krugman’s viewpoint: “‘Competitiveness’ is Just Clinton’s Voodoo Economics.”⁴⁹⁴ Publicly, the Clinton White House defended itself from Krugman’s attacks, with economic allies such as Lester Thurow publishing their own series of articles in response to Krugman’s.⁴⁹⁵ Yet internally, doubt festered as Clinton officials considered whether the president should pivot away from the competitiveness mantra. After Clinton’s inauguration, the Democrats began to conceptualize America’s role in the international economy through the lens of globalization.

⁴⁹⁰ Paul Krugman, “Competitiveness: A Dangerous Obsession,” *Foreign Affairs*, April 1994.

⁴⁹¹ Paul Krugman, *Peddling Prosperity: Economic Sense and Nonsense in an Age of Diminished Expectations* (New York: Norton, 1994), 63.

⁴⁹² Invocations of the coming “New Economy” became increasingly common in the 1990s. Lily Geismer analyzes “tech, finance, and real estate” as New Economy industries. Lily Geismer, *Left Behind* (New York: Public Affairs Press, 2022), 2.

⁴⁹³ Paul Krugman, *Peddling Prosperity: Economic Sense and Nonsense in an Age of Diminished Expectations* (New York: Norton, 1994), 206.

⁴⁹⁴ Michael Schrage, “To An MIT Maven, ‘Competitiveness’ Is Just Clinton’s Voodoo Economics,” *Washington Post*, 11 March 1994.

⁴⁹⁵ Lester Thurow, “Microchips Not Potato Chips,” *Foreign Affairs*, July 1994.

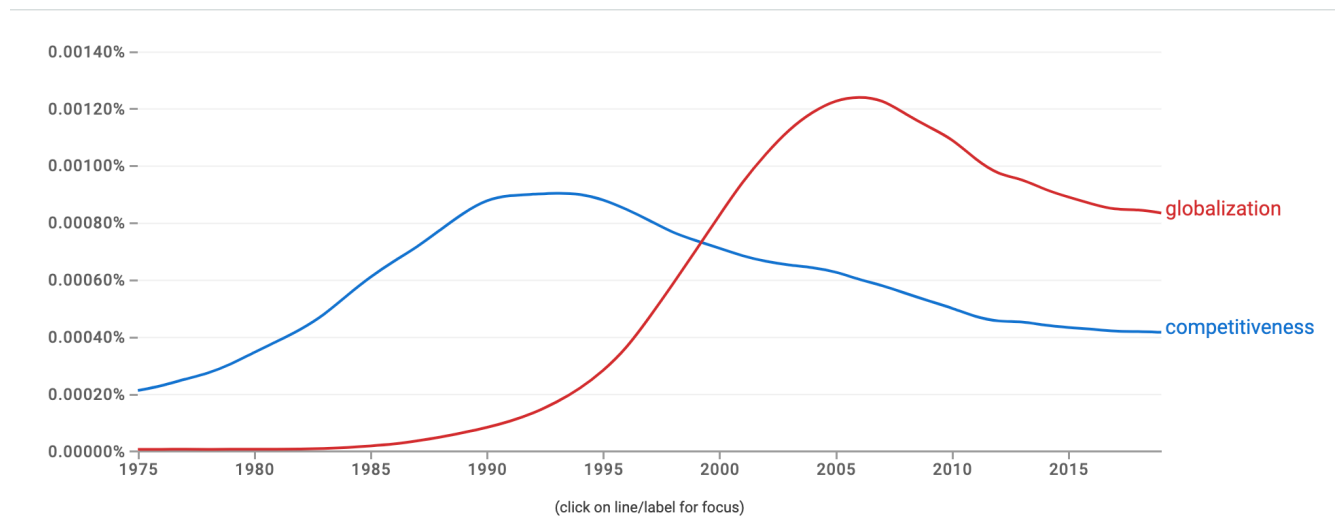


Figure Conc.1: GoogleNgram of Relative Frequency of Competitiveness and Globalization in English-Language Sources⁴⁹⁶

While Krugman had distanced himself from politics throughout the 1980s, the Democrats—out of perceived political necessity in response to the shock of Reagan’s election—had been sculpting an economic vision since 1980. The challenge was to forge a new, unifying slogan; they landed on competitiveness. With this slogan, Democrats hoped to satisfy both their traditional manufacturing base and the lobbying demands of burgeoning industries ranging from high tech firms, the financial sector, and nascent multinational corporations. In the mid-1980s, the Council on Competitiveness emerged as a hopeful harbinger for solidarity between business and labor as they (purportedly) jointly proposed policy approaches in response to the seismic economic shifts of the late twentieth-century. By the time Clinton was sworn in, however, it had

⁴⁹⁶ Google Ngram is a search engine that charts word frequencies from a large corpus of books that were printed between 1500 and 2019. The tool generates charts by dividing the number of a word’s yearly appearances by the total number of words in the corpus in that year. There are certain limitations to using Google NGrams as a research tool such as OCR errors, the overabundance of certain kinds of sources, and the capitalization and lower case terms generating different results. See Sarah Zhang, “The Pitfalls of Using Google NGram to Study Language,” *Wired*, 12 October 2015.

become apparent that the consensus around competitiveness was fracturing, laying bare a widening divide between the demands of workers and the objectives of corporate powerhouses.

In the early 1990s, it became evident that the once-touted goal of shared prosperity was a mirage. Throughout the previous decade, workers' advocates clung to the hope of a unifying economic cause, grounded in the quest for competitiveness. Yet, the so-called "jobless recovery" of the 1990s and divisive economic policy debates of that decade revealed that such a shared agenda was not possible as globalization had wrought winners and losers. Labor leaders, once key spokespeople of the Council on Competitiveness, began to recognize their status as token figureheads. During this period, industrial leaders like John Young steered away from a labor alliance, abandoning their onetime commitment to business-labor unity. Voices still arose in defense of the vital role of traditional "smokestack" sectors for the nation's welfare, but the prevailing winds of policy swept toward a tacit acceptance of manufacturing's decline amidst the shift toward the burgeoning, oft-predicted New Economy. Eventually, the pretense of economic solidarity fell away, and new economic sectors like finance, consulting, "Big Tech", and multinational chains claimed disproportionate influence. Since 2016, the election of Donald Trump has sparked a retrospective critique of the 1990s' abandonment of longstanding New Deal-era interests; former steel, auto, and textile communities felt left out of the political narrative, and many voted for Trump out of frustration with the political establishment.

The 1980s' "competitiveness era" sparked hope that shared prosperity could materialize through government investment, but ultimately, such promises never materialized. In the early 1980s, the Council on Competitiveness and other business lobbyists sought to reshape the American political landscape to suit their interests. John Young of Hewlett Packard, confronted with political hurdles as head of the Presidential Commission on Industrial Competitiveness,

deemed the integration of labor and manufacturing a savvy political maneuver. Business leaders like Young, Ruben Mettler of the Business Roundtable, and Alexander Trowbridge of the National Association of Manufacturers did not just take the stage; they set it up. With John Young as its public figurehead, the Council harnessed the growing narrative of high-tech hype, advocating a grab-bag of policy objectives purportedly in the name of New Economy competitiveness. Historian Nancy MacLean speaks of “stealth” ideas—ideologies introduced by the elite, gradually shaping public consciousness.⁴⁹⁷ The Council embodied such stealth influence, with its principles recalibrating policies and societal attitudes. Corporate leaders conjured fears of national decline, packaging their interests as a patriotic imperative, co-opting American policy.

As the Council on Competitiveness organized its efforts, a diverse coalition of politicians and special interest groups vied to wield the banner of competitiveness to bolster their own influence. In a landscape rife with partisan competition, business lobbyists stoked political rivalries, bestowing their blessings selectively to those who embraced their agenda. Democrats initially embraced the Council’s strategy as an antidote to Reaganomics; however, Republicans were often equally zealous in seeking its endorsement. Many economists and consultants, financed by lobbying entities like the COC, dedicated their expertise to shaping the national conversation on competitiveness. The media landscape, entangled in this web, became a conduit for the Council’s initiatives, with journalistic entities seeking to align with these powerful interests. It was a period marked by rule rigging, where business leaders reshaped the legislative arena to suit their agenda.

⁴⁹⁷ Nancy Maclean, *Democracy in Chains: The Deep History of the Radical Right’s Stealth Plan for America* (New York: Viking, 2017).

In the 1980s, manufacturing's grip on American political policy remained significant (though its influence was on the wane), buoyed by the agenda of the competitiveness coalition. Both Democratic and Republican factions recognized the decisive weight of the manufacturing interests' votes, thus putting substantial energy into securing them. This era was thus defined by the strategic integration of manufacturing within the broader goals of the competitiveness movement. Unions, finding themselves vilified by Reagan's policies, embraced the Council of Competitiveness, aiming to rehabilitate their public image and recast themselves as defenders of the national interest. The period was fraught with uncertainty; union leaders, workers, and venerable manufacturing institutions were reluctant to accept that their economic distress signaled a long-lasting deindustrializing shift. Yet, in the 1990s, the role of unions within the competitiveness coalition seemed to be more symbolic than substantial.

In the place of the so-called "smokestack" economy, powerful and profitable throughout the Cold War, a new contingent of "sunrise" interests emerged. These new corporate titans of the decades-to-come included burgeoning high-tech, financial, and multinational chain corporations. In the 1980s, these powerful entities allied with their "smokestack" powerhouse peers and longstanding groups like the National Association of Manufacturing, thereby cementing their political clout. Pushing for competitiveness policies, the "sunrise" industries laid the foundations for their growth and dominance in the years to follow.

Metrics about declining competitiveness were perhaps a distraction from other transformations at work in 1980s American political economy. New communications and shipping technologies, lax regulations on multinational firms, and the aggressive relaxation of antitrust laws allowed for corporate influence to grow largely unchecked. Concern about the United States' relative competitiveness dominated the public policy discourse, measured by the

trade deficit, levels of R&D per capita, and so on. Meanwhile, other metrics like foreign investment in the United States or measures of rising inequality evaded press attention. The decade had also marked a significant uptick in corporate subsidies, as states entered a fierce competition to attract businesses, invoking the ever-expansive term of competitiveness. This development, too, generated little public pushback from voters. Profitable overseas investments, albeit lucrative for the investing class, started to undercut the American workforce, while lax labor regulations surrounding foreign corporate operations on American soil went unaddressed. Important questions – about the quantitative impact of foreign investment and of outsourcing on American job displacement – were sidelined, as the concept of competitiveness monopolized the discourse.

But in the 1990s, competitiveness began to fade as a political concern; numerous geopolitical, economic, and political shifts triggered the once-dominant narrative and policy agenda to begin to fall away. First, the Soviet Union’s unexpected collapse represented not just a geopolitical shock, but also ostensibly an ideological triumph of American free-market ideals. Simultaneously, Japan’s economic downturn—the bursting of its speculative bubble and the onset of its “lost decade”—cast a shadow over its once-lauded economic model and prompted reassessment of its so-called “economic miracle.” Moreover, the European Union’s formation in 1992 prompted policymakers to focus on fostering interdependence—with free trade rising tides and lifting all boats—amidst a network of powerful, interconnected markets, which now included a united Europe, East Asian, Russia, the United States, and nations of the developing world.

In the 1990s, business lobbyists from growing industries—once united under the competitiveness cause—declared the battle won and relegated the narrative of national decline to bygone yesteryear. “The once-hot topic has become cold, thanks to a healthy U.S. economy and

Asia's financial crisis," an editorial in *Science* explained of the business community's passé concern about foreign competition. Industrialists, who once reported their "grave concern" about decline in critical technologies and competitiveness, now "expressed their belief that the U.S. has regained its edge."⁴⁹⁸ Their lobbying efforts, once steeped in ominous warnings, transformed into exultant praise of free markets.

Partisan political shifts also contributed to competitiveness' diminished centrality. In the 1980s, the Democrats wielded competitiveness as a foil to Reagan's *laissez-faire* economics; however, the '94 Republican wave rattled the Democrats, making them beholden to the right's influence. In the 1980s, Democrats in Congress had placed pressure on Reagan, accusing him of lack of attention to declining competitiveness; Clinton, by contrast, found his administration constrained by the Republican takeover and Gingrich's influence. The Democratic Party found itself splintered, divided over the extent to which compromise was necessary in the shadow of Republican dominance. Their longstanding search for a counter-narrative seemed futile and elusive as-ever. As John Gibbons, Clinton's Science Advisor, pointed out in 1996, the "old paradigm of federal support of S&T is anachronistic and new paradigm (competition) has not jelled."⁴⁹⁹ The Clinton administration's foreign and economic policy strategy—dubbed "enlargement" by a speechwriter—signaled the beginnings of a different framework.⁵⁰⁰ "Enlargement" was envisioned as a means to a more prosperous and secure international order through the expansion of free states. Over time, rhetorical commitment to this new issue, increasingly known as "globalization", grew.

⁴⁹⁸ Elliot Marshall, "Not-So-Critical Technologies," *Science* 282, no. 5397 (1998): 2167.

⁴⁹⁹ John Gibbons, "Speech to Council of Scientific Society Presidents," 1996, NARA, RG 359, Entry P2, General Records 1976-2001, Container 246, Speeches November 1994-December 1996. By the "old paradigm," Gibbons was likely referring to appeals to "basic science" and "fundamental research," the rationale characteristic of Cold War science policy discourse.

⁵⁰⁰ Ambrose and Brinkley, *Rise to Globalism: American Foreign Policy Since 1939* (Penguin, 1971 [2010]), 405.

Though the discourse was changing, the policy shifts of the 1980s—executed in the spirit of competitiveness—had already laid the groundwork for the defining policy transformations of the 1990s. Indeed, American Political Development scholars have observed the phenomenon of path dependence: a government’s policy direction, once established, often endures, even amidst geopolitical and economic shifts—as exemplified by the policy continuities the 1980s and 1990s witnessed. Policies of the Reagan and Bush eras persisted and were enacted, even as Clinton’s administration scouted for fresh narratives to affirm their significance. And, even as competitiveness gradually slipped from the political consciousness, policymakers still brandished the term whenever it seemed advantageous.

First, 1990s trade negotiations, notably the North American Free Trade Agreement (NAFTA) and the overhaul of the General Agreement on Tariffs and Trade (GATT), were the offspring of the previous decade’s fixation on competitiveness. Specifically, “Fast Track” authority, enshrined in the Omnibus Trade Bill, allowed President Clinton to present trade agreements to Congress without an opportunity for committee debate or mark-up sessions, only a “yes” or “no” vote. Fast Track authority, in short, expanded presidential power and enabled faster shifts in trade policy than in previous decades.

There were also continuities in personnel between the competitiveness and globalization eras. For example, Senator Lloyd Bentsen (D-TX), among the chief legislative craftspeople behind the Omnibus Trade Bill as chair of the Senate Finance Committee, was also, in that same role, instrumental in NAFTA’s early negotiation during Bush’s presidency. Then, as Clinton’s Treasury Secretary (1993-1994), he championed NAFTA’s progression and eventual passage. When Goldman Sachs-veteran Robert Rubin took over as Clinton’s Secretary of Treasury in 1994, he became well-known as an unequivocal champion of trade liberalization. Ironically, he

wielded legislative tools and relied on policy changes rooted in the 1980s—originally designed for a competitiveness-centric era—to execute his sweeping free trade agenda. Onlookers characterized the 1980s Omnibus Trade Bill as protectionist, and 1990s reforms manifested as aggressive free trade; however, the fluid transition in policy and personnel between these eras elucidate that the boundaries between “fair trade” and “free trade” are sometimes nebulous. The pressing question is not over protectionism versus free trade, but rather who are the winners and losers of any given trade agreement.

In the theater of public debate between the predicted winners and losers, competitiveness—malleable as ever—was brandished as both a rallying cry and a defensive tactic. On the one side, President Clinton urged congressional leaders to endorse NAFTA. As he wrote to Senator Ernest Hollings (D-SC), “My principle (sic) economic goal is to increase U.S. jobs, growth, and competitiveness. The NAFTA is a key element of that strategy.”⁵⁰¹ Hollings disagreed. His South Carolina constituents were concerned that the free trade agreement would lead to a decline in factory jobs in the state’s strong textile industry—and these fears did eventually materialize. In his pamphlet in opposition to the bill, “NAFTA: NOT A FREE TRADE AGREEMENT”, Hollings explained:

“Contrary to popular notions, NAFTA won’t create a trading bloc to compete with Pacific Rim countries and the European Community. Instead, our competitors will move to Mexico to get a foothold in the American market. In turn, they’ll use the free market to bypass tariffs they would pay if they remained offshore. The Bank of Tokyo says it’s bullish on NAFTA. And South Korea is urging its companies to start investing in Mexico. The upshot is that NAFTA will be good for Mexico, but will give a backdoor to competitors who want to avoid U.S. tariffs. In the long run, that will cost American taxpayers and U.S. jobs.”

⁵⁰¹ Bill Clinton to Ernest Hollings, 27 May 1993, University of South Carolina Archives, Ernest Hollings Papers, Box 582, File: NAFTA (1 of 4).

“NAFTA will kill the American middle class,” Hollings warned, emphasizing, “there will be a widening inequality in America.”⁵⁰² Voices from other manufacturing laden-states voiced a similar call to arms. Thus, there emerged yet another rhetorical tug-of-war, with both sides striving to claim the mantle of competitiveness to argue for their respective causes.

Another implication of the 1980s competitiveness drive was the favorable policy environment for so-called New Economy industries. With John Young at the helm of this movement, tech interest groups sculpted federal policy in favor of an environment ripe for their industries’ expansion. With measures ranging from the easing of export controls to the solidification of intellectual property protections, and R&D tax credits-made-permanent to the amplification of federal research subsidies, tech interest groups transformed the landscape to their advantage. These companies rode the crest of globalization, expanding their market reach internationally, while basking in the advantages of minimal taxation and generous government subsidies.

The tech leaders who led the Council on Competitiveness continued their lobbying work in the 1990s, even as manufacturing union leaders and corporate interests resigned from the group. The COC of the mid-1990s mobilized their rallying cry as they sought to sculpt the regulatory framework for the burgeoning commercial internet. Throughout the 1990s, executives of the Council on Competitiveness emerged as key advisors to Al Gore and legislators. As the Council on Competitiveness framed it, the US launch of the commercial internet, with minimal regulation, was crucial to national competitiveness. The Council’s 1995 report, “Competition

⁵⁰² “NAFTA: Not a Free Trade Agreement,” 1993, University of South Carolina Archives, Ernest Hollings Papers, Box 582, File: NAFTA (1 of 4).

Policy: Unlocking the National Information Infrastructure,” was cited frequently in congressional debates undergirding on the subject.⁵⁰³

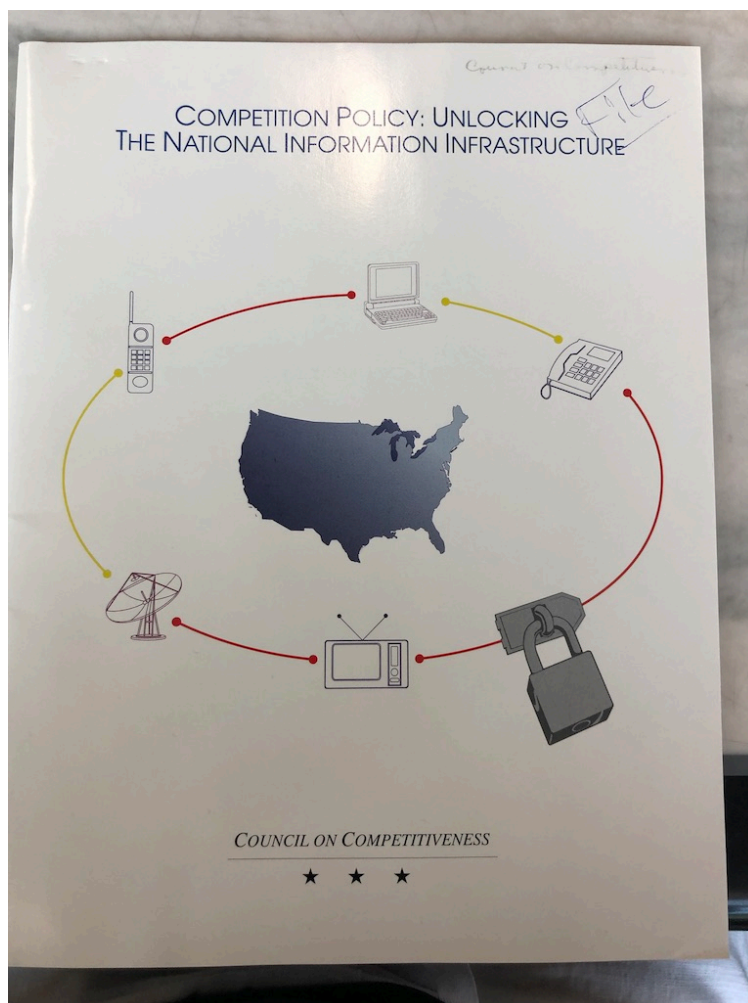


Figure Conc.2: Cover of “Competition Policy: Unlocking the National Information Infrastructure”

By 1994, high-technology firms and universities dominated the leadership roles within the COC, as labor leaders Samuel and Ephlin had resigned from the Council. Nonetheless, the COC claimed to provide a “consensus framework” on creating a “fully competitive U.S. communications market.”⁵⁰⁴

⁵⁰³ Council on Competitiveness, “Competition Policy: Unlocking the National Information Infrastructure,” December 1993. The Council’s report was cited widely in congressional hearings on the formation of the internet. For more information about the business-government partnership driving the commercial internet, see: Janet Abbate, “Government, Business, and the Making of the Internet,” *Business History Review* 75 (Spring 2001): 147–76.

⁵⁰⁴ National Archives at College Park, RG307 – National Science Foundation, Office of the Director, Entry P8: Subject Files of Director Neal Lane, Container #3, Council on Competitiveness – 1994.

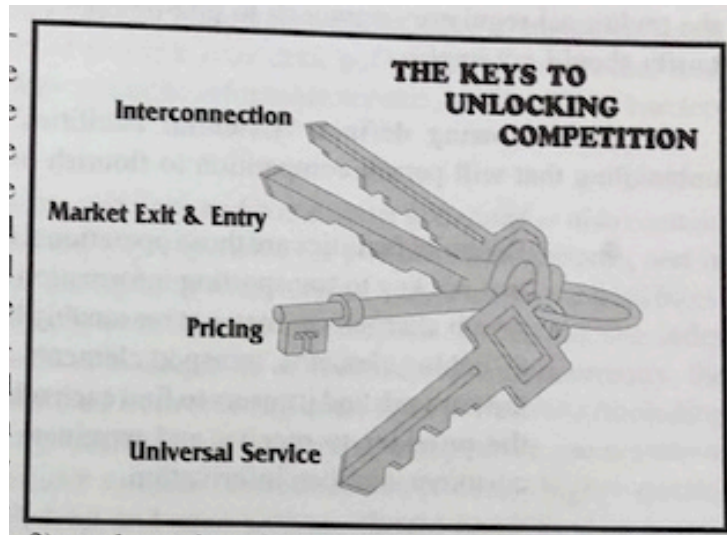


Figure Conc.3: “The Keys to Unlocking Competition,” “Competition Policy” Report
This infographic demonstrates how the COC lobbied for limited regulation in the name of “unlocking competition” when it came to the structure of the early commercial internet.⁵⁰⁵

The commercial internet’s dawn helped trigger the “Dot Com Boom.” Although Hewlett Packard continue to grow, the 1990s witnessed the rise of other giants: Apple and Microsoft, and later Google and Amazon. The competitiveness era of the 1980s was predicated on the belief that in the next wave of prosperity, manufacturing would still be at the heart of the economy. Most had failed to predict that with the internet, many of the “Big Tech” giants’ prosperity in the 1990s would rest a new kind of product: software, not hardware.

The promise of education and worker training – that such policies would engender a bounty of jobs and opportunity – also proved not to materialize. As Secretary of Labor, Robert Reich believed in this vision and introduced policy measures to foster the growth of so-called “High Performance Workplaces”, as outlined by economists like Ray Marshall and others concerned about declining workforce competitiveness. However, by the early 2000s, an increasing number of the working class advocates, who had once supported retraining and

⁵⁰⁵ National Archives at College Park, RG307 – National Science Foundation, Office of the Director, Entry P8: Subject Files of Director Neal Lane, Container #3, Council on Competitiveness – 1994.

education measures for workers, began questioning whether the benefits touted would ever materialize.

The 1980s and 1990s shared another significant continuity in policy: governmental investment in burgeoning sectors, although “industrial policy” remained taboo in the public policy debate. As the Cold War ended, defense contractors and high-tech firms had lobbied for “critical technologies”, worried that government investment in R&D would dwindle (as chapter 5 explored). Under Clinton, a common Cold War trend persisted: government R&D investment remained significant, though policymakers scantily acknowledged the commercial windfalls from such large-scale federal subsidies. The 1980s represented a blip in rhetoric around governmental R&D investment; for a brief period, it was politically expedient to claim such government spending would help rectify declining national competitiveness.

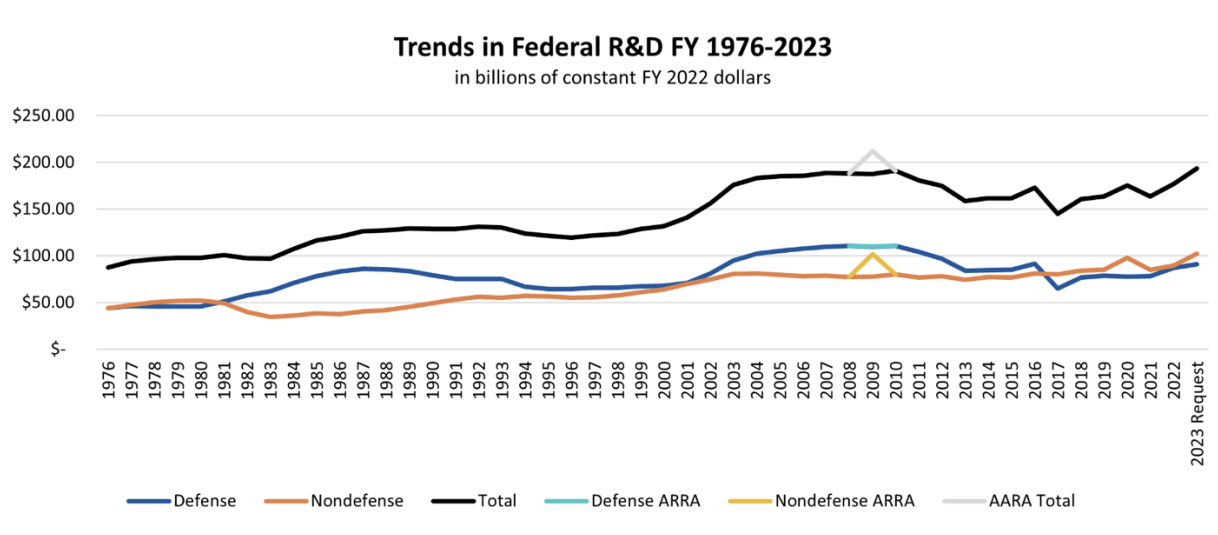


Figure Conc.4: Trends in Federal R&D⁵⁰⁶

Early in his presidency, Clinton still held out hope that positive government investment in technology and training could lead to shared prosperity; as Nelson Lichtenstein has shown,

⁵⁰⁶ “Defense, Nondefense, and Total R&D, FY 1976-2022,” Data Provided by American Association for the Advancement of Science, Adjusted for Constant 2022 Dollars.

“Clinton’s expansive agenda ended in failure.”⁵⁰⁷ Unlike in the 1980s, where lobbyists shared a politically expedient narrative of decline, rhetorical optimism in the 1990s arose as booming industries sought to trigger speculative investment. Growing industrial powers of the 1990s avoided acknowledging any reliance on government funds, preferring to be seen as pinnacles of free-market achievement. All in all, the corporate and policy elite of the ’90s heralded America’s economic and technological ascendancy—pushing the narrative of declining competitiveness aside in favor of the optimism.

In 1999, the streets of Seattle became a widely publicized stage for dissent as protestors rallied against China’s proposed accession to the World Trade Organization. This moment marked a stark rejection of the prevailing techno-optimism and the gospel of free trade that dominated the decade. The protestors’ dissent illuminated a stark reality: the benefits of integration with China’s burgeoning economy were unevenly distributed, and for many American workers, the promise of globalization had proven illusory. All in all, in the 1990s push for globalization, American policymakers’ decisions helped facilitate China’s rise; in 2023, policymakers on the right and the left have labeled China, not Japan, as the United States’ “strategic competitor.”

In the 1980s, competitiveness, though simplistic and politically malleable, served as a shared framework for addressing the challenges of globalization, financialization, and deindustrialization. While the American public never fully bought into the 1980s competitiveness vision, business lobbyists took control of the policy agenda, molding public priorities to their advantage. The political salience of the “competitiveness” idea – then and now – should remind us of the political power that ideas may hold. In politics, certain ideas – like

⁵⁰⁷ Nelson Lichtenstein and Judith Stein, *A Fabulous Failure: The Clinton Presidency and the Transformation of American Capitalism* (Princeton: Princeton University Press, 2023), 6.

competitiveness – can, in the words of Dan Rodgers, “impel loyalty, action, even love.”⁵⁰⁸ Yet national keywords that command attention are not always the most valuable or truthful.⁵⁰⁹ Looking to the future, the 1980s may offer instructive lessons as we consider new ideas and policy directions that serve the common good.

⁵⁰⁸ Rodgers, “Reply, Fault Lines, The Uses and Abuses of ‘Neoliberalism,’” *Dissent*, Winter 2018.

⁵⁰⁹ Paul Krugman argues against such “zombie” economic ideas, which have become irrefutable in public policy debates. *Arguing with Zombies: Economics, Politics, and the Fight for a Better Future* (New York: Norton, 2020). Harold James also emphasizes that “in the battle ideas,” the best ideas do not always win out. Harold James, *The War of Words: A Glossary of Globalization* (New Haven: Yale UP, 2021), 15.