he's supported the North American Free Trade Agreement—which would open up Mexico to American capital under conditions of low wages, no environmental protections, no safety protections and so on. This in turn would undermine all those standards here and result in massive loss of employment in the high wage industries. So there are contradictory elements in his platform. The real question is going to be the balance of political forces in the next few years; who's going to be pushing him harder, and what forces are going to be operating in Congress. Moreover, Clinton's going to be pursuing his agenda for industrial renewal under very difficult circumstances. The budget deficit is very large, the national debt is extremely large, and it's not going to be easy to turn that around without raising taxes on working people—something which he has promised not to do and which, were he to do it, would be the end of him as a politician.

To his credit he has acknowledged that we face very deep problems and they are not going to be solved overnight. I don't think anybody expects that he can do it very quickly but I do think that we are going to be in for a period of rising popular expectations and that that does create a lot of pressure to make changes more rapidly than he might otherwise be inclined to do.

Bill Clinton has an industry policy, but not much room to move.

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In the election campaign Bill Clinton produced a fairly comprehensive industrial and economic plan for the new administration. How do you assess that plan, and what chance of success do you think it has?

I think if they're able to implement their industrial strategy, virtually all of it is worthwhile. I also think the bulk of it is relatively uncontroversial. US investment in material infrastructure from about 1948 until the late 1970s was about 2 per cent of GDP, but that fell by about a half during the 80s. So we've really been starved of infrastructure in the 1980s. The mainstream of the economics profession and many other observers believe that significant increases in infrastructure investment are entirely appropriate given historical norms in the US. And everyone believes that sort of investment will have long-term economic payoffs. So there's no great controversy there.

On education and training it's widely agreed we need to make substantial improvements in the stock of human capital in the US. The present system of education has bad effects on inequality. Again, everyone agrees we need to substantially increase the capitalisation of American industry, and that present rates of business investment in plant and new equipment are historically quite low. So the investment tax credit that Bill Clinton has proposed is not a particularly controversial item. Nor are the manufacturing extension services or advanced technology centres—everybody wants to get better and newer equipment into the economy faster, and to diffuse its use among small and medium-sized firms, as well as larger industry leaders.

Where controversy begins is with more deliberate efforts to string firms together, to pick winners and losers—in other words to do something other than facilitate the provision of broad public goods or increased access to them. Here Clinton's advisors are very cautious and, given the experience of other countries, maybe properly so. They are interested in supporting basic research in different ways—creating a civilian equivalent of the defence research and development agency, for instance, and creating industry consortia for research on generic technologies, like batteries for electronic cars. But they're not going to pick winners and losers in the way that those hostile to industrial policy have characterised the process.

The problem is one of magnitude. We have an approximately $6 trillion economy, with an ap-
proximately $290 billion deficit at the moment. Bill Clinton is proposing additional expenditure of $20 billion a year on infrastructure. The idea of that $20 billion making a significant impact on employment is therefore somewhat remote. Most growth projections for next year are about 2.5 per cent. When you have growth at that level you get increased revenue from tax receipts, and that will bring the deficit down at the rate of around $20 billion a year. But in order to get a really substantial deficit reduction through growth alone, you've got to be at much higher levels—around 4 or 5 per cent. So the question becomes, can you get to that level of growth by spending an additional $20 billion? Nobody thinks that you can.

You could conceive of a program which would stay within the budget constraints, if Clinton made much deeper cuts in military spending than he seems ready to contemplate at the moment—if you freed up say $50-80 billion a year from defence cuts, that really would have a significant effect. And I think they'll be more prepared to cut defence the more successful they are in their short-term program.

Nearly all the things you've mentioned are things that the Australian governments made their priority in the '80s. And a lot of the shortcomings you’ve mentioned are precisely the same shortcomings we experienced. They have, for instance, been criticised for placing an overemphasis on training, without—so it’s argued—creating appropriate jobs for trainees to take their training to.

There are two parts to that problem. The first is the general problem of job creation; the other is pushing the structure of existing jobs up the human capital ladder in such a way that you're not just creating jobs for ditch-diggers, but generating jobs for skilled engineers or skilled blue-collar workers, or whatever. And both of those involve interventions that I think the new administration will be reluctant to make.

The easy way to create the necessary jobs is to spend a lot of money, and really heat up the economy—but the existence of the deficit makes that unlikely. Clinton's advisors are already extremely skittish about financial markets and long-term Treasury rates. The other problem—that is, increasing the value content of jobs in firms—is constrained by the absence of the microeconomic mechanisms to force change at the plant level. You don't get significant industrial upgrading through a movement to so-called high-performance work organisation unless you have some pressure inside firms for it. A lot of firms will make no more extra money by upgrading than they can by deskillling work and sweating labour. And the only way to get beyond that is to build a significant floor to wages and to get some sort of disciplined force inside the firm that is effectively forcing upgrading.

One way of doing that is through a revived labour movement—but that doesn't seem to be on the horizon. Another way is to introduce government mandates of various sorts in terms of purchasing contracts—requiring firms to meet certain quality standards or environmental controls. The Clinton-Gore plan has a little bit of all those things: they do favour increasing environmental requirements; they will increase the minimum wage; they've talked about government purchasing a bit. But the crux of the matter is getting some kind of pressure inside the firms themselves, and in general we don't have that in the US.

You mentioned that there's a certain amount of scepticism in the Clinton ranks about the 'picking winners' approach, and that's a scepticism that's obviously not totally without foundation. But in Australia and elsewhere there's been some movement in the industry policy debate towards different models which rely less on picking winners and more upon a different role for the state, which is less directive and more facilitative.

The Clinton camp certainly talk the language of a facilitative state, as opposed to a command and control state. However, I don't think they've thought very carefully about how to encourage the appropriate institutional basis in the private economy. My impression is that they haven't been looking at the interventionist policies used in, for example, Italy or Denmark, although there are lots of people in the Clinton administration who are well aware of those examples.

At present there is an incredible degree of uncertainty about just where the new administration will place their bets. However, I cannot imagine the kind of industrial policy you've outlined being a major focus of policy. I think their major focus will be on basic infrastructure expenditure on one side, and education and training on the other. They may be open to alternative forms of worker representation, which would be a welcome step towards some of the forms of institutional infrastructure that you would need. But so far they're not talking of a concerted policy to develop networks of firms or a regionally-based economic policy. Those kinds of initiatives, if they happen, will happen in the shadow of national policy. There are in fact several different state experiments—but at present it's being pursued on a piecemeal basis.

You and COWS have been involved in work around industrial regeneration at a regional level. What sort of lessons would you draw from your experience as to the possibilities and pitfalls, given the American environment, in trying to generalise those experiences?

The general lesson I would draw is that it involves a lot of time. It involves a slow 'low politics' of building trust among people who hate each other and getting co-ordination among people who are really not used to co-ordinating at all. No
'It's hard to appreciate how highly fragmented America is'

matter how much you read it in a book, it's hard to appreciate existentially, I think, how liberal a society America is, how highly fragmented. We don't have anything like the level of associative action you have among labour and capital even in Australia. We have an incredibly decentralised labour movement, which covers a very modest fraction of the workforce. And employers are, by and large, very weakly grouped. If you want to get serious concertation of interests in regional economies, you need to have some structures of co-ordination both among and between firms and unions. And then—given the extraordinarily low rates of unionisation in the US—you need to build links between those parties and the non-unionised workforce. At present those links are simply not there.

In Milwaukee we were able to create such structures after long negotiation and deliberation.

If it takes off it'll be one of the most advanced; and certainly the largest, of such labour/capital partnerships in the US. But the very fact of its novelty tells you something of the problem. And the co-ordination that we've achieved so far has been the relatively easy part. We've been able to get firms and unions to agree to talk about common credentialling systems, a re-ordering of their internal labour markets, and the provision of training in those markets. But we have not, by and large, gotten to the hard issue of what obligations follow from people getting increased training.

We're not at the point of, say, the German system which requires that once you get increased training you have to get paid more for a certain period of time—a system which concentrates employers' minds on better exploiting the more advanced human capital that it has as a result of this training. I don't want to exaggerate in any way what we've done—it's very promising, it's extremely advanced, relative to national practice in the US, but it's still extremely modest and tentative.

Given those obstacles, how do you think the kind of process that you've gone through in Milwaukee could be nurtured on a federal level? Is it that is simply beyond a national administration given institutional inadequacies in America?

Let's take the issue of training. The largest federal training right now is some thing called the Job Training Partnership Act (JTPA), which allocates something in the order of $4 billion per year for the training of displaced workers. Clinton advisors are talking about substantially increasing that amount of money. But the JTPA is administered locally through what are called Private Industry Councils (PICs). And these PICs are, by law, dominated by business. Labour enjoys very modest de facto representation, perhaps one person on a 20-member PIC. The experience with PICs has been, by common consensus, extremely unhappy. They are given to all manner of corruption and inefficiency, they are not well staffed, and it's not clear why they spend the money at their disposal in the way they do.

Second, there is an incredible number of federal training programs—approximately 130 or 135 separate programs. These programs are a real nightmare for consumers of the services, and indeed for many state training providers, because the rules by which they are required to spend their money often conflict. Each state has a multitude of different pots of cash, usually distributed between very different agencies which are not properly co-ordinated with one another. Its bare description is the province of experts, let alone its effective navigation.

But if you put those two problems together, a possibility suggests itself. One could devise relatively comprehensive labour market boards, defined in terms of the regional labour markets, which could assume significant responsibility in a revamped and streamlined national training system. This would amass quite a large pot of money—large enough I think, to excite employers to want to get their hands on it. And if you had that level of interest you would be able to impose various conditions on them getting their hands on it. For example: they might have to demonstrate that they were representative of the communities from which they came, and they would have to include representatives of business, labour,
public training providers and so on.

So, you would say to a reasonably savvy employer in the US: how would you like to have training simplified, and administered by a regional labour market board, which would have a general mandate to promote industrial upgrading in your region? However, as a condition of giving you training we want you to submit to a full-scale evaluation of your operation, we want to talk to you about how you might upgrade it, and so on—this approach has been tried with considerable success in at least a few states in the US. That is at least a plausible scenario. It wouldn't be a radical reform and would have, I think, rather substantial support from the key players, including the business community. It would be opposed by some bureaucrats and lobbyists from the existing training structure—but it's always easy for a government to go to war on one of its own bureaucracies.

If that model worked, all manner of things would become possible. The boards could set a tone for industrial policy on a regional basis; they could in turn be closely co-ordinated with the 170 or so manufacturing technology sectors that Clinton is interested in creating. I don't know if the new administration will have the wit to do that, or the political will to stand up to the bureaucrats. But I think it's certainly plausible.

You've also been working on a book on associative democracy and democratic governance. How do you see associative practice as contributing to this sort of model of industrial regeneration?

There are lots of problems where the answer to the question 'should we give this to the state or should we give it to the market?' is a double negative. This is where associative forms may be appropriate. By 'associations' I mean non-firm, non-state and non-political party organisations—employer associations or trade unions or community organisations.

There are lots of areas where enforcement mechanisms and information services can be provided through voluntary associations more effectively than through either private markets or public hierarchies. Again, given inequalities in access to information and resources, the pattern of associative action which arises 'naturally' under advanced or non-advanced capitalism is inadequate. And a lot of the organic solidarities that might have weighed against that distorted pattern of associations in the past—trade unions for example—are fast eroding. For those reasons, if you want an associative order which can complement the state and other institutions, you're going to have to have a deliberate politics of association. You're going to have to supplement nature with artifice. Otherwise, you're basically condemning yourself to a world with a choice only between states and markets, and you're going to condemn yourself to an associative order which is in many ways quite destructive of demo-

cratic norms.

In Australia in the 80s there was something of a revolution in the union movement over some of these issues. Unions found they had to become involved in a far wider range of industrial and workplace issues than ever before. How do you see the role of US trade unions in this process?

American labour is not very advanced on a lot of this stuff. Labour in the US does not have a particularly well-developed vision of how it should insert itself constructively into industrial upgrading. The typical union president, or member of a union local, has never heard of most of the terms we've been talking about. They would certainly never have heard about the high-performance work organisation, industrial upgrading and so on. And it's not only a difference of language, it's also a basic difference in the conception of what a trade union movement can do. These people have been kicked around for so long. They've been subjected to an unending assault in the 1980s, and they've had to fight just to staunch the flow of members out of the movement. They just don't have any time to think about this stuff. And that means that on the labour side of things, there's no alternative plan for economic development. That's a problem. If you set up a labour market board you've got to have union people and business people involved together. For that to be real there has to be some real debate—but the unions don't yet have the capacity to have that debate.

In four years time, when Bill Clinton runs for president again, what would you be happy with seeing achieved in the area of industrial policy?

If they actually establish the manufacturing centres I mentioned at the beginning, and have provided them with institutional linkage to local labour market boards, that would be a fabulous advance at the local and regional level. That by itself would make me quite happy. Again, if they can really open up higher education in a significant way to poorer sections of the population, that obviously would be a huge egalitarian gain. I am frankly sceptical of the ability of youth apprenticeships to change the skills base of the workforce: you've really got to change the practices of firms if you're going to train kids adequately on the job. But if they get something going in that area, that would be great. I have very low expectations, so I'll be easily satisfied.

DAVID BURCHELL is ALR's editor. February's ALR will continue our series on the new direction in US policy: we interview Charles Sabel, co-author of *The Second Industrial Divide* and originator of the debate around 'flexible specialisation'.