Governors release reports on the economy: They don't know what to do

by Marcia Merry

On July 25, the National Governors Association conference released two reports making recommendations on how to revitalize the economy and create job opportunities. Meeting in Traverse City, Michigan July 24-27, governors associated with producing the reports made a big effort to publicize the contents. The reports present summary statistics on how the United States is declining in technology, output, and trade; and how debilitated the population has become—illiteracy, teenage pregnancy, joblessness.

The prevailing sentiment at the meeting was that Washington is doing nothing, so initiative must come from the state level. Governors Association head James J. Blanchard said, "Very little has been done in Washington. These reports will set the agenda."

However, the nature of the recommendations showed that the governors may mean well, but they have no idea what distinguishes a healthy economy from a sick one. So, they don't know what to do.

One of the featured speakers, Chrysler Chairman Lee Iacocca, warned the governors, "Without a coherent national policy, you are competing for a smaller and smaller piece of the pie. I fear that eventually you may be fighting for crumbs."

The names of the two reports—under the banner title of the conference, "Making People Work: Productive People, Productive Policies"—are: "Bringing Down the Barriers," and "Jobs, Growth and Competitiveness." Together, the reports are 216 pages long, and present an array of state-level initiatives in areas ranging from education to tourist industry employment, that probably total over 100 different programs. For example, there is the Ben Franklin Partnership in Pennsylvania, to encourage small business; California has the "Rural Renaissance" program to promote economic development in rural areas; Florida has the Model School Adjustment Program, to develop ways to prevent school dropouts.

The reports were produced by six task forces, made up of governors from all 50 states and from Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Northern Marianas. The governors' official press statement on the reports said, "The governors believe that the states have a unique role in the quest to revitalize America's economy and prepare America's people. The states have been laboratories for change and experimentation in our country. Increasingly, the impetus for domestic policy is shifting back to the states. They have been on the front line in developing, implementing, and adapting the policies needed to respond to the new economic reality. . . . Not all ideas are appropriate or even possible for every state. 'Making America Work,' provides ideas for states, with individual components that can be combined in new and innovative ways to address critical issues." Arkansas Gov. Bill Clinton, chairman of the Governors Conference, said, "Together, these components will help us prepare our people for jobs, at the same time we are preparing jobs for our people."

The "components" referred to—the various programs and initiatives—unfortunately amount to nothing because they are not part of a realistic view of a healthy economy that is based on a foundation of physical output in agriculture, industry, and infrastructure. The governors' unstated viewpoint is that a "post-industrial society" now prevails, and jobs and trade can be encouraged in this environment—no matter how low the pay, or backward the conditions. They never criticize the devastation caused by the "Reagan recovery." Instead, they praise the fact that 10 million new jobs have been created in the last five years, even if they are underpaid, fast-food wonder-jobs.

In other words, the governors are recommending ways that people should "adjust" to the deterioration in the U.S. economy.

Without realizing that there is a connection between the decline in the physical economic base of the nation, and the decay of people's lives, the governors can merely state their opposition to teen pregnancy, school dropouts, and joblessness—in a vacuum.

The same naive view prevails in their recommendations for state and federal action internationally. The reports recommend that the international exchange rate and monetary relations be stabilized, and that foreign debtor nations be aided by the United States to stabilize their debt. The report ignores the fact that the United States is the biggest debtor nation in the world, and that all world trade is shrinking drastically under the austerity, terms-of-trade, and debt service, imposed by the International Monetary Fund. The report never mentions the IMF. It simply repeats the homily that the federal deficit should be reduced, without mentioning the fact that the economy and tax base themselves are shrinking.

Because of this view of the condition of the United States and other Western economies, the report unintentionally advocates coolie-labor as the way to "get competitive" on the national and international scale. To solve joblessness, the recommendation is that welfare mothers should go to work when a child is six weeks old. Training and child care facilities should be provided, but welfare roles can be cleared in this process. Programs should exist to "dry-out" the individual should they get on drugs or alcohol.

The governors fail to see that the reason for the degradation of human potential—which they document—is the decline of the productive base of the economy—which they also document, but they regard industry and agriculture as optional to service sector, tourist and related "post-industrial" activity.

The only conclusion to be drawn is, the governors don't know what they're doing, any more than Washington does.

The contents

In the report, "Bringing Down the Barriers," statistics are given that show millions of Americans now dependent on government programs for minimal subsistence, and how the family is disintegrating under the stress of economic and cultural breakdown.

In 1940, the Aid to Dependent Children Program gave benefits to 360,000 families. In 1986, the average monthly caseload for the program, now called Aid to Families with Dependent Children (AFDC) was 3,747,000. In 1969, 28% of AFDC adults were never married; in 1986, 46% were never married. In 1969, 43% of AFDC adults were divorced or separated and needed help; in 1986, 36% were divorced or separated. The family itself is disappearing. The increase in births to teenagers reflects this decline.

More than 1 million teenagers become pregnant each year and 470,000 give birth. Babies born to teenage mothers are more likely to have low birthweights than the general population (9.5 births per 1,000 versus 6.8 per 1,000). Lower birthweight babies are 20 times more likely to die in their first year of life than those of normal birthweight, and they have a significantly greater risk of developing permanently handicapped conditions, such as retardation, cerebral palsy, and autism.

More than one in seven youths fail to graduate from high school, and these dropouts are two-and-one-half times more likely to be unemployed than high school graduates. Ten percent of the workforce suffers from serious alcohol or drug abuse problems.

The current costs involved in some of the assistance programs are likewise growing. Federal and state governments spend almost $41 billion annually for Aid to Families with

Dependent Children, general assistance, Medicaid, state health programs, and food stamps to support families.

Presented in a separate part of the report, "Jobs, Growth and Competitiveness," it is stated that the real average weekly earnings of American workers peaked in 1973, and by 1986, had declined by 17% from that level. The Bureau of Labor Statistics estimates that total compensation of West German production workers is 20% above those in the United States. The compensation of Japanese workers, which was estimated to be 50% of that of U.S. workers two years ago, is now 80%. Other studies estimate that it exceeds the U.S. level.

Ten to fifteen years ago, there was no significant U.S. trade deficit. In 1983, it shot up to $69 billion. In 1986, the trade deficit jumped up 17% from a year earlier to $174 billion. The deterioration is most pronounced in manufactured products, which account for three-fourths of all recorded U.S. trade. In 1986, the United States registered the first deficit ever in high-technology manufactured products. Data released since the governors report show that in 1986, West Germany exceeded the United States in value of exports. The United States exported $217.2 billion of goods, and West Germany exported $243.3 billion.

The post-technology era

In a section entitled, "How Did We Get Here? Slow Productivity," the issue of technological decline is raised: "Both Japan and West Germany target a greater percentage of the gross national product on civilian research and development than the United States. Most important, the United States does not translate its scientific breakthroughs into commercially successful products as effectively as its competitors."

But the report then drops the issue, and nowhere defines the pathways of advanced technologies needed to restore economic growth. The governors implicitly rank technologies to make trinkets on the same plane as technologies to make steel.

Therefore, many of the proposals on how to deal with the shutdown of industrial manufacturing, simply advise that workers should be encouraged to buy bankrupt factories and run them themselves. Former industrial workers should be retrained for non-industrial, local crafts and other occupations. Parallel proposals are made for farm families, now being forced off their farms in mass numbers. The governors assert these newly unemployed should simply be "retrained," and work to create "rural development in alternative economic activities."

For the millions of those still on welfare, the governors propose drastic workfare projects, as in the new legislation by Sen. Daniel Patrick Moynihan (D-N.Y.). The federally mandated, obligatory workfare does nothing to promote the industrial and agricultural base of the nation. Oblivious to all this, New Hampshire Gov. John Sununu typified his colleagues by bragging that his state has reduced their welfare rolls by 46% under the new perspective.