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Nikolaos Karagiannis

Research Scholar, Global Institute for Sustainable Prosperity

Professor of Economics, Winston-Salem State University

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Abstract

This paper seeks to frame a new economic strategy for the United States while taking into account a range of development-related impediments to the country's recent macroeconomic performance. It is argued here that three important themes need to come to center stage: (1) a discourse on the "appropriate" development policy action by the federal government, (2) the importance of adopting a long-term perspective, and (3) emphasis on strengthening local production lines. The first section outlines the present context of the United States by discussing economic, socio-cultural, and politico-institutional aspects. Following sections discuss an alternative interventionist development paradigm for the country's economy, and offer strategic policy recommendations. Some brief conclusions end the paper.

Keywords
Developmental intervention, industrial targeting, the strategic approach, the United States

JEL codes
O, O1, O2, H, H1, B5

Introduction

This paper seeks to outline a new economic strategy for the United States while taking into account a whole range of development-related impediments to the country's recent macroeconomic performance. In a reality dominated by "the far-reaching and often negative consequences of financialization and associated [economic] crises" alongside deleterious effects of its "propagation mechanisms […] at the economic, institutional, [political], and ideological levels" (Epstein 2005, 10), it is argued that three important themes need to come to the center stage: 1. a discourse on the "appropriate" developmental policy action by the federal government, 2. emphasis on strengthening local production lines, and 3. the importance of adopting a long-term perspective. The first section outlines the present context of the U.S. by discussing economic, socio-cultural, and politico-institutional aspects. Following sections discuss an alternative interventionist development paradigm for the country's economy, and offer strategic policy recommendations. Some brief conclusions end the paper.

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[1] This paper elaborates on previous writings by Karagiannis (2002), and by Karagiannis and Madjd-Sadjadi (2007, 2012, and 2013).

I. The Present Context of the United States

1. Economic Aspects

There has been much talk and debate on the recent economic downfall of the United States. Causes for concern include persistent fluctuations in output, job creation and productivity; massive federal budget and trade account deficits; and issues associated with "capital flight" and industrial decline. Besides, the economic effects of the recent financial crisis are complicated and far-reaching because of simultaneous shocks in the stock, housing, and labor markets. Actual spending, unemployment, home equity, well-being, emotional and physical health, and expectations about the future have all been affected by a significant slowdown in endogenous productive activity and various problems associated with financial markets. These problems have been exacerbated by an increasing reliance on international markets for growth, making the US economy more susceptible to the vagaries of the global political economy. Annualized growth rates of GDP (at constant prices) were 3.3%, 3.8%, and 2.3% during the periods of 1981-1990, 1991-2000 and 2001-2010 respectively while the rates of unemployment were 7.1%, 5.6%, and 5.4% over the same periods (U.S. *National Economic Accounts*, various years) (Harwell, Karagiannis and Madjd-Sadjadi 2013, 116).

Furthermore, contractionary fiscal policy and restrictive measures gave rise to a spiral of debt, recession, and austerity, which blocked out real growth prospects and increased inequalities and social misery. Today, large parts of the U.S. population "can't breathe" financially and socially.[2] As the "American dream" has become a production nightmare, the country's much praised model of Western capitalism has been seriously challenged. Americans do not have the highest incomes in the world, and income distribution in the U.S. –among States and within States– is highly unequal (CIA 2011; Schneider and Tavani 2015). "The USA is barely in the top 10 of nations in standards of living" (UNDP 2010) and continues to be "the only advanced country without an institutionalized national health and insurance scheme." "These facts point to a serious disconnect between perception and reality." This vexing situation is compounded by factors related to the country's culture, social values, local psychology, political economy and international relations, which are briefly discussed in the next sections (Harwell, Karagiannis and Madjd-Sadjadi 2013, 117).

2. Socio-cultural Aspects

America is ''deeply divided, witlessly vulgar, religiously orthodox, militarily aggressive, economically savage, and ungenerous to those in need, while maintaining a political stability, a standard of living, and a love of country that are the envy of the world –all at the same time'' (Schuck and Wilson 2008, x). Furthermore, America's agrarian roots and immigrant traditions further shaped the national psyche. Yet, in many ways, America is quite ordinary, and ''American Exceptionalism'' does not convincingly prove that the U.S. model is fundamentally

[2] See, for example, U.S. Census Bureau, "Dynamics of Economic Well-Being: Poverty 2009-2012," and "Income and Poverty in the United States: 2013." http://www.census.gov/hhes/www/poverty/

superior to those found in other countries. Although the United States likes to consider itself a "melting pot" society, it is, in fact, a deeply fractured society in which immigrant populations have not been blended together into a harmonious whole, and where "the racial and ethnic divide has not been unbridged" (Karagiannis and Madjd-Sadjadi 2012, 136). The characteristics below help further describe American culture:

1. Americans like change, fast food and consumerism.
2. Education, social contacts and relationships tend to be more work-related. Family isn't as important as in most cultures.
3. Employment is not tied to companies or location. Social mobility is related to money, job achievements or business success, not social standing or ties in a family. What's more, the principle of "minimum effort maximum gain" (for example, "work smart not hard") has been embedded, to a large extent, into the American way of thinking. All these socio-cultural aspects affect the volume and composition of employment, wages, productivity, skills and competency.
4. Might, power of all types, and individualism are extensively emphasized.
5. Most Americans actually pay their taxes.
6. The United States is a legalistic society.
7. The understanding of other cultures is low as is the understanding of non-American history.
8. ''Life is a gamble''; ''get-rich-fast syndrome''; ''something-for-something'' or ''something-for- nothing''; ''eat, drink, be merry and live for today''; are all expressions of a highly short-term viewpoint, which can negatively affect decisions by businesses and people. Cutthroat competition has seen the "Walmartization" of America.
9. Undisciplined behavior affects all levels of society.
10. The USA has a history of philanthropy and voluntary organizations (i.e., private initiatives for public good, focusing on quality of life) (Karagiannis and Madjd-Sadjadi 2012, 139).

Despite the durability of these observations, certain aspects of the American culture have already started to backfire as Americans increasingly abandon old notions of self-responsibility, diligent work, and achievement. This change has led to a reduction in trust, which can lead to unethical behavior. During the past thirty years or so, "temptations and opportunities to defraud have risen excessively; legal, moral, and ethical barriers to business dishonesty and abuse of trust have fallen, leading to a "win-lose" formulation of exchange." "America's culture has been moving in a new and [precarious] direction as Americans become more tolerant [towards] dishonesty, financial abuse," and "psychological Machiavellianism" (Harwell, Karagiannis and Madjd-Sadjadi 2013, 120).

3. Politico-institutional Aspects

In the United States, the federal government is composed of three distinct branches: legislative, executive, and judicial, whose powers are vested by the U.S. Constitution in the Congress, the President, and the federal courts, including the Supreme Court, respectively. The President is the head of the country's federal government and leads its executive branch. Because the 535 representatives in Congress work on behalf of their constituents, long-term planning proves difficult as “policies may be developed in short segments by one elected government, and conflicting policies may be enacted in subsequent short segments by the next elected government” (Karagiannis and Madjd-Sadjadi 2012, 159).

Although, voting is the general way for the U.S. public to elect its government, lobbying proves a more specific, targeted effort because it focuses on a narrower set of issues that seek to advance the interests of a specific association or client. Since the federal government makes the rules in the complex U.S. society, various organizations, businesses, nonprofits, trade groups, religions, charities and individuals seek to exert as much influence as they can in order to have rulings favorable to their causes. Thus, there is general consensus that lobbying has been a significant corrupting influence in American politics, although its criticism is not universal (Woodstock Theological Center 2002; Sachs 2011, 112).

Moreover, the American way of thinking has adopted a pro-individualistic, but anti-government planning outlook by focusing on the opposition between the market system and government while laying great emphasis on the dynamics of the market forces. A regulatory and reactive stance has been the traditional focus of policy intervention in the U.S. economy. The government is supposed to act to correct market failures by providing or investing in areas with “public goods” characteristics, by dealing with negative externalities and imperfect competition, and by addressing coordination and information failures.

II. An Alternative Interventionist Development Paradigm

Evidently, certain policies with strong developmental impacts were deployed by the U.S. federal government in the 19th and 20th centuries (e.g., tariff protection, research institutes, government land policy, increases in public education investments and literacy ratios, and transportation infrastructure). Even after World war II, it is important to recognize that the role of the U.S. federal government in industrial development has been substantial (defense-related R&D funding, National Institutes of Health). However, industrial policy has not been developed in a systematic or coherent fashion by the U.S. federal government.

Moreover, contrary to current orthodoxy and the “post-industrial era” view, it would not suffice to continue emphasizing only certain services (e.g., ITC, financial services), which may benefit very narrow sectors and generate limited resources. These services by their very nature neither maximize benefits of economic activity to the economy as a whole nor impart the momentum necessary to drive other economic sectors up as they expand. The aim should be to improve competency and efficiency of the economy, the level of technological infrastructure it relies on, and the quality of workmanship and service, so that more activities may become increasingly competitive (Karagiannis 2002).

Clearly, construction of an alternative development paradigm for the United States will be a deeply political and social process. Effective statecraft and new government-societal alliances as well as a combination of plan and market are required. Even though the obstacles are quite challenging, planned reforms have to take place, and a more government-directed comprehensive development agenda needs to be articulated. Yet, to dismiss concerns that policy intervention will be hijacked by vested interests, the government must provide the “national purpose” framework and a strong domestic platform, while competent and efficient technocrats must supply planning and overview. This is controversial and problematic in the US context, given "constraints of elected sequential political leadership, the difficulty in establishing long-term planning, the absence of political will, and the difficulty in having such views channeled through political avenues" (Karagiannis and Madjd-Sadjadi 2012, 142).

Production growth needs politico-institutional reforms bringing into power visionary political leaders, forward-looking entrepreneurs, progressive intellectuals, and competent technocrats. These social and political forces ought to possess the necessary "nationalist incitement to development" (Johnson 1982) along with the "moral ambition" (Loriaux 1999). These forces should be able to meet enduring political and economic challenges, and accept that government influence and policy,with effective levers of action, play a key role in economic restructuring, raising the quantity and quality of industrial investment, and fostering links with civil society. In order to effectively face problems that could arise, a sound development approach should complement short-run measures with a thorough plan for the future. This plan should include a long-term industrial strategy aimed at expanding production lines, strengthening technological capabilities, and promoting skills and innovation. A broad-based consensus is also required, and could afford scope for strategic planning that should be limited to selected policy arenas. But if such long-term policy action is to solve such problems, it assumes participation. Participation guarantees that sufficient motivation, creativity, and human effort are forthcoming to ensure that technically proficient strategies and policies can be successfully executed. What's more, participation by social partners can improve the organization of production lines and help restrain the power of interest groups and lobbyists (Karagiannis 2002).

Devising the necessary policy interventions to stimulate local production growth and industrial rejuvenation seems to be a more sensible way to confront the future. Such an approach is a better one for sustained growth, competency upgrading, and overall competitiveness of the U.S. economy than a frantic search for accelerated, neoliberal-type solutions. The alternative and more realistic development paradigm requires the pursuit of a thorough strategic industrial policy (Karagiannis 2002). This is what the U.S. economy urgently needs.

1. Issues of Selection

The changes that have swept through the world economy during the last 30 years have had a profound impact on policy formulation requirements for economic restructuring and diversification. Consequently, construction of such a national purpose framework requires rigorous consideration of all the critical elements of a thorough long-term strategy (i.e., demand-based considerations; resource utilization, modern technology, and competitiveness considerations; competency upgrading and structural transformation factors; and pragmatism and different or better policy choices). But such a policy change that places particular emphasis on a stronger economic structure could be in conflict with both short-run measures dictated by pressing problems and the adoption of an *ad hoc* approach to development (Karagiannis 2002).

In contrast to Porter's (1998) theory on "clusters" (geographic concentrations of inter-connected companies and institutions) and competition, and the supply-chain management analysis (Mentzer *et al.* 2001; Jacoby 2009), based largely on microeconomic notions, an industrial targeting approach requires a detailed discussion of industrial planning and an accurate analysis of the selection process that clearly specifies benefits from certain economic engines: effective stimulus for industrial growth, rejuvenation, repositioning, and competitiveness. Decisions relating to particular activities could have broader implications for the U.S. national economy as a whole and require a clear examination of the nature of support policies for strategic sectors and their impact at the national level.

Thus, it is imperative to aggressively pursue advancement of selected dynamic sectors of high potential and achievability (solar, renewable and alternative energy, biotechnology, pharmaceutical, aerospace, information technology and computers, entertainment, and food and beverage) as there is potential to market opportunities for their growth, and these can open up possibilities and set up incentives for a wide range of new industrial activities. In the execution of this framework, strategic action incorporates investment-related policies, industrial human capital and technology policies, fiscal and financial policies, and trade-related measures.

Modern production techniques make it possible to manufacture in small series on a viable basis. Targeting and flexibility are also possible, especially if they can draw on modern industrial planning. Assuming predominance of clear focal areas and initiatives carried out by both a competent administrative machine and dynamic local firms, a large part of the additional goods produced will be devoted to exports. Given the growth of production of local industries and improvement of national competitiveness, demand for imported capital and goods could decline and exports of local products expand. Consequently, the country would make a greater and better use of its productive resources and capacity, while at the same time easing its balance of payments constraint.

2. Strategic Policy Requirements

The United States has not generally seen itself as being involved in the promotion of specific sectors and the issue of government guidance to economically strategic activities has become a major bone of contention in the country's policy-making. Such a much-needed strategic guidance combines the cooperation of government, private sector, research institutions and funding institutions to create dynamic competitive advantages (Karagiannis 2002). While such a strategic partnership is viewed by some as a serious impediment to the creative dynamics and efficiency of the US industrial economy, others argue that this production-oriented approach is a more feasible and realistic national choice since decision makers who blindly support failed neoliberal policies are those who reject the concept of national development in the United States, and seek to maintain the economic and political *status quo* by siding with backward-looking segments, politicians, officials and policy makers. These conservative socio-political forces further engage in unwise experiments that result in deteriorating terms of trade amidst astonishing technological developments taking place worldwide. However, only under such a national strategic planning system and well-conceived and vigorously implemented development programs would trade serve a different function because the economy itself would be reoriented to serve different purposes.

As the U.S. economy operates at well below its level of physical and human capacity, policies to increase aggregate demand can result in substantial gains. Active fiscal policy must help improve supply conditions of industries and support the other spending associated with the selective policy. Monetary policy ought to ensure sufficient financial resources are channeled to enterprises and intermediary agencies at reasonable interest rates (i.e., “directed credit programs”). In allocating credit, preference should be given to strategies that will increase total output and translate into higher profits and savings (Karagiannis 2002; based on Kalecki 1971 and Kaldor1978).

However, barriers at the firm or macro level can hamper a more efficient capacity utilization. These impediments necessitate addressing several issues simultaneously and, accordingly, a medium and long-term development strategy should have as a basic requirement a close link with a deliberate industrial strategy. Such planned government action should single out key selected sectors that have favorable prospects for growth, be selectively designed to support a group of dynamic industries managed by modern entrepreneurs, and be directed towards expanding the national industrial core and upgrading overall competitiveness. These propulsive firms can be instrumental in emphasizing the accelerators of industrial growth and competency, exert pressure to adapt on other supply firms, and introduce modern concepts of policy making and labor relations. The various spheres of policy should seek to consolidate focal areas, smooth the path for industrial growth, correct imbalances which continually emerge in the wake of restructuring and repositioning, and reconcile contradictory elements therein.

Part of the increased production and income in the U.S. would go to higher spending on modern factors of industrial competency and lead to faster development of labor force skills. Higher profits will allow additional investments and will spur a transition to a more structurally efficient economy. Consequently, it would be easier to incorporate more modern technology and increase productivity, while at the same time raising capital accumulation rates (Karagiannis 2002, and for further analysis see Kaldor 1978).

III. Policy Recommendations

1. Modern Aggregate Demand and Aggregate Supply Combination

As alternatives to neoliberal prescriptions, mainstream economists (e.g., Stiglitz 2012) support that the “right” macroeconomic policies combined with a safety net would suffice to address the current situation in the United States. On the other hand, “old fashion” Keynesians (correctly) emphasize aggregate demand management policies for sustained growth, higher levels of employment, and good macroeconomic performance. Indeed, Keynesian aggregate demand policies are absolutely necessary today given the magnitude of the impact of the recent financial crisis and continuous stagnation. The assumption here (incorrectly) is that the aggregate supply will respond well and “everything else will fall in place.”

In the past, American aggregate demand policies created additional demand, expanded productive capacity and provided an environment conducive to growth, which allowed American businesses to respond successfully and creatively to implemented policies. Yet, this was not always the case; American businesses were only successful during certain times and under specific circumstances, especially during the “golden ages of capitalism.” Nor did this happen in most countries (or cases) worldwide. Sawyer (1989) put it accurately when he stated, “the growth of [aggregate] demand provides the opportunities for the growth of [aggregate] supply, but the growth of supply may or may not be forthcoming. Therefore, supply-side considerations are also necessary, are needed, and may themselves be influenced by aggregate demand."

Appropriate fiscal, monetary, and exchange rate policies can contribute much towards enhancing the performance of the U.S. economy and facilitating industrial growth and development efforts. A prudent fiscal management should seek to "crowd in" private productive investments and promote national purpose goals within budget constraints. The objectives of monetary policy, on the other hand, must promote longer time horizons, encourage financial stability (i.e., reduce "capital flight," prevent asset bubbles and speculative attacks), and maintain an interest rate policy that allows small firms to acquire necessary capital. Policies may also be directed towards removing imbalances between private savings and investments (in order to raise the level of domestic savings and finance higher levels of productive investments) and easing balance-of-payments constraints (Karagiannis and Madjd-Sadjadi 2012, 150).[3]

2. The Need for Strategic Planning

The US economy moves at random, depending on the varying features of international competition rather than long-term planning. The future of the nation appears to have been left in the hands of transnational corporations since no thorough development strategy exists at present in the United States. However, the interests of these powerful large companies and the interests of the nation do not seem to be in alignment (Karagiannis and Madjd-Sadjadi 2012, 152). In addition, the market and financial institutions usually adopt a short-term outlook. This is especially true for small firms lacking the ability to generate funds internally and must rely on the market or financial institutions for financing (Chen, Kiani and Madjd-Sadjadi 2007).

[3] More specifically,

> [Y]ou can even tax to alter your comparative and competitive advantages since all that matters is the relative price ratio. Thus, a strategy that leads to both a reduced fiscal deficit and a growing U.S. economy would be to tax services and other non-traded goods (such as land) while reducing taxes on manufacturing (Karagiannis and Madjd-Sadjadi, 2007). In this way, the U.S. can alter its competitive advantage in such a manner as to reduce the trade deficit without causing a ballooning of the fiscal deficit. This is similar to the argument for the single tax on land as proposed by Henry George (1912) or post-Keynesian contributions on tax incidence by Mair (1992; 1994), and Laramie and Mair (1996). Since many personal services cannot easily be relocated and are not as subject to reductions in their provision as manufactured goods, this is a more optimal tax policy and reverses the current implicit fiscal advantage given to services in the United States, due to their exclusion in most states from sales tax provisions. In addition, since capital is taxed through tariffs and other mechanisms and service companies have lower levels of capital consumption than manufacturing, they are often taxed at differentially lower rates. This fiscal advantage for services, at least in part, may have been a role in the diminishment of the importance of manufacturing in the U.S. economy and is one reason why the service trade still maintains a surplus in U.S. financial accounts. Still, international trade in services is less than one-third that of manufacturing despite its far greater presence in the U.S. economy and, although services can move (as witnessed by the outsourcing of computer technical support), it is much less likely to move than manufacturing. After all, one can import a car from overseas but one cannot import a haircut! (Harwell Karagiannis and Madjd-Sadjadi, 2013, 132-133).

Both facts provide a strong basis for recommending a framework of, and establishing a role for, strategic planning in selected policy arenas in the United States. This is also a rationale for the U.S. government to act as a developmental state. In fact, this line of argument is not a knock on the creative dynamics of the market but merely recognizes that the "governed-market view" is not only a valid perspective, but a necessary one. The market and government can successfully coexist and can act as strategic partners with one another to establish their own spheres of competency and influence while sharing in benefits from their mutual collaboration (Karagiannis and Madjd-Sadjadi 2007).

3. Mixture of Domestic and Competitive Developmentalism

Developmentalism in the U.S. context could be best understood as consisting of a range of technically proficient strategies and policies that place promising dynamic sectors at the center of economic development. The key is to ensure industrial development serves the national interest, and this requires a *dynamic* and *flexible* mixture of "inward focus" (to take care of the human, material, financial, and politico-institutional requisites deemed necessary to boost local production lines) and "outward orientation" (to expand productive capacity and boost export growth).

Although it is difficult to emphasize certain sectors over others, there are three reasons why this must be done. The first is the most obvious: subsidization of everyone can quickly result into fiscal constraints. The second is less obvious but far more important: only unequal subsidization can alter or extend a competitive advantage (Karagiannis and Madjd-Sadjadi 2007). The third stems from the harsh reality that the government of the United States must address systemic deficiencies manifested in key macroeconomic imbalances (massive national debt, the imbalance between savings and domestic investments, and massive trade deficit) by implementing a strategically focused production-oriented approach.

Moreover, U.S. economic policy has emphasized strategic alliances and higher levels of foreign direct investment (FDI) without consideration of any other plausible direction to activity. FDIs and strategic alliances can be used to expand industrial infrastructure, technology, and business acumen, of which domestic firms may be reluctant, while significantly promoting local production. This also means the U.S. government should not take a "one size fits all" approach to FDI, contrary to neoliberal recommendations. Instead, policies need to be fine-tuned for each sector depending on national needs, and policies towards each sector may change over time as conditions dictate (Chang 2003; Karagiannis & Madjd-Sadjadi 2007).

Most importantly, strategic alliances and FDIs that do not serve the needs of the nation should not be actively encouraged, especially when they come with the stipulation of providing concessions or government subsidies. "This often occurs in so-called megaprojects that are politically palatable because of the perception that the government is actively engaged in job creation and they appear to create hundreds or thousands of jobs." However, "these jobs often come at enormous cost to the public purse and more jobs would have been created, albeit across many companies, if public funds were better stewarded. In addition, such schemes often sacrifice the environment for the growth of local economy when no such trade-off is needed to occur in the first place" (Harwell, Karagiannis and Madjd-Sadjadi 2013, 133).

4. The Need for Industrial Growth

The expansion of industry represents a net addition to the effective use of resources and contributes to a higher degree of capacity utilization. Industrial policy has a role and industrial targeting is an important component of that policy. The U.S. government should adopt a strategic view of future industrial growth in the economy and provide a range of support mechanisms to those sectors deemed to have a key role to play in the future. The government's role at the national level should be limited to strategic oversight of endogenous development efforts "which are essential in the case of a limited array of key industries or sectors – many activities being left to market processes without strategic guidance" (Cowling 1990, 18). This is clearly a process of industrial targeting, properly involving nurturing of prioritized economic sectors that leads to product differentiation. Targeting and supporting the selected sectors also requires detailed information on the quantity (*how much*) and quality (*what type*) of modern factors needed by these key sectors so that the quantitative and qualitative parameters of planned industrial investment are thoroughly taken care of.

"Central choices for implementation are sectors that are closely aligned with modern technology: solar, renewable and alternative energy, aerospace, biotechnology, pharmaceutical, information technology and computers, entertainment, and food and beverage. These dynamic economic engines are expected to be supply-chain partners for the country's other sectors. So long as these production lines are indigenous, product differentiation will, more likely, prove successful. These key sectors will increase benefits to primary production and services [since they can] enhance complementarities and forward and backward linkages, and would allow for product differentiation on the international stage" (Harwell, Karagiannis and Madjd-Sadjadi 2013, 134).

Such a framework seeks to link endogenous technological capabilities and technical progress occurring in the targeted sectors to growth and change in the economy as a whole. These prioritized sectors can rejuvenate the whole national economy, with essential forward and backward linkages in terms of material and knowledge inputs, and transform this knowledge into new technologies and products. As profitability depends upon continuous technological advancement and R&D, technical progress can influence the volume of investments and can open up new and more profitable opportunities. Moreover, the government may emphasize selected "growth poles" as an important component of its strategic industrial policy. The effects of these hubs will be to bring together key players in industrial growth, upgrade technological infrastructure and skills, accelerate learning and innovation, induce the exchange of important technical and market information, improve managerial capacity and entrepreneurial skills, stimulate the formation of new businesses, reduce investment risks, and increase profit margins and economic growth rates (Karagiannis 2002).

5. Selective Incentives, Disincentives, and Investments on the Accelerators

Investments in the USA have recently been inadequate in providing sufficient resources for future production or bringing about a higher degree of resource/capacity utilization. Entrepreneurs have been reluctant to invest in longer-term projects and have developed a rentier-like appetite for short-run gains, while financial markets have encouraged endemic short-termism and various speculative ventures (Karagiannis 2002). In addition, neoliberals argue that high wages (and, consequently, high total cost of economic activities) in the United States are a serious barrier that discourages productive investments. Loans and financial schemes are seen to be unsuccessful policy measures. Traditional incentive policies offer only marginal solutions, which often encourage rent-seeking, clientelism, favoritism and squandering, and usually recommend temporary assistance, without getting at the root of the problems. The answer is twofold: (1) special emphasis on capital accumulation and on government finance and guidance of higher levels of investment; and (2) selective incentives to key favored firms and disincentives to disfavored industries and services (Karagiannis and Madjd-Sadjadi 2007).

(1) Planned investments on specific knowledge, technological innovation, specific training and research, must provide industrial requisites to thoroughly support prioritized sectors and activities; increase the total quantum of skills and expertise; and boost industrial competency and overall competitiveness of the American economy in the direction of "high wages and high productivity." Investment responsibilities should be closely tailored to the needs of the business sector with the view of loosening the fetters and accelerating the pace of private investment (private sector investment on *real* production – instead of merchant-type activities – and on the "accelerators" of endogenous growth and competitiveness is also highly desirable and essential).

(2) Selective incentives/disincentives provide important benefits and must be considered as one tool in the industrial policy arsenal. Disincentives to disfavored and unsuccessful businesses or services, such as imposition of higher licensing fees or duties for such enterprises, can release capital for industrial development either through revenue enhancement or by channeling investment into targeted sectors. Selective disincentives are somewhat impervious to international challenge, as they confer no perceivable unfair advantage to the country utilizing them. This approach has the additional benefit of simultaneously adding sectors that are being emphasized. In the face of trade agreements and competition among nation-states, this option also enables industrial policy makers to justify gradual ratcheting down of incentives to force disfavored and unsuccessful businesses or services to stop "suckling the mother's milk of subsidies" (Karagiannis and Madjd-Sadjadi 2007).

6. Emphasis on Quality

For the U.S. to succeed, it must do so as a quality *value-based* producer, as opposed to a low-cost one. The United States simply cannot compete with other low-wage labor markets, so it must improve quality and provide good value for consumers. Good value must clearly be a recurrent theme throughout the supply chain and requires the institution of modern management techniques such as total quality management. This new model requires constant retraining of workers, an emphasis on purchasing high-quality machinery, and having an adequate supply of labor to configure and maintain machinery. It also requires a rigorous quality control and testing in addition to an understanding of proper inventory control procedures and minimization of transportation costs.

The government and society must realize that actions of individual businesses will reflect on all firms in the country. American companies must realize that, in order to be globally competitive, they must achieve on both quality and price, providing the most "bang for the buck." Products that do not live up to these standards will not only backfire against the companies that produce them but also against other American businesses, causing a further deterioration in the terms of trade and the balance of payments (Heizer and Render 1996, 79-80).

7. Politico-institutional Reforms

Features of the American political system, the short-term dimension in policy making, and the fact that government institutions are limited in their abilities to perform certain tasks, all can constrain the pursuit of developmental strategies and policies in the USA. For these important reasons, and perhaps for others, strategic developmental action in the United States requires wide consultation, broad political consensus, a strong sense of realism, and commitment to "national purpose" goals in order to ensure such thorough, technically proficient strategies cannot easily be reversed, but are simply ratifying plans already established. Such a radical proposal requires a set of circumstances favorable to it, and would be a long-term project requiring multi-dimensional change. The key is that appropriate and enabling political, economic, and other social institutions have to be in place (Harwell, Karagiannis and Madjd-Sadjadi 2013, 136-137).

A central core is needed, a Bureau of Industry and Trade – a powerhouse dedicated to raising the quantity and quality of industrial investment towards identifying targeted sectors. This core planning staff should consist of a small, entrepreneurial team rather than a vast bureaucracy; we must avoid squandering people and resources over a whole range of bureaucratic activities. The team should be recruited partly from within the civil service (choosing bright and highly competent members), but also from business, professionals, and the academics. A "new look Bureau" would need some well-educated, well-trained and efficient technocratic planners. The U.S. government must also establish politico-institutional links between government and industry, and form a broad consensus on the best policies to pursue (Cowling 1990, 24).

Economic policy will be built around the twin pillars of Treasury and Industry: the former with a relatively short-term demand perspective; the latter with a longer-term supply perspective. The new Bureau should be organized as a strategic planning agency with a long-term commitment and the powers to intervene decisively and take necessary policy action (Cowling 1990, 24). However, without fundamental reform of existing government institutions, the results will likely be stillborn. Government intervention requires a technocratic but managerially competent public sector that can thoroughly formulate and properly execute policy, and can ensure a transition to a higher trajectory development path. "It has to be reminded that by promoting the interests of the few over the needs of the many, the American society has suffered from an overemphasis on the needs of special interests" (Karagiannis and Madjd-Sadjadi 2012, 161).

Undeniably, the U.S. has suffered, and continues to suffer, from an erosion of confidence in political institutions owing to changes in the structure of class relations. This must be dealt with if developmental action is to be successfully pursued. At the same time, a technically competent public administration that is well-insulated from harmful political interference needs to stay focused on carrying out strategies and policies that have been introduced. Just as important, functions of various governmental agencies need to be arranged so that spheres of operation are not overlapping so as to eliminate interdepartmental conflict that retards the ability to successfully implement policies in the USA (Karagiannis and Madjd-Sadjadi 2007).

In order to be effective and achieve success, the politico-institutional structure must be altered to allow for a pathway to successful production-oriented selective interventions. Indeed, unless politico-institutional conditions are reformed, any attempt to promote endogenous development will be stifled. These reforms are to facilitate a national development plan that is consistent with the realities that currently exist in the United States– to be developed and implemented successfully (Karagiannis 2002).

Therefore, the following preconditions must be met: (1) the government must credibly commit to pursuing a production-oriented strategy; (2) the government bureaucracy must be streamlined and insulated from political and industrial pressure, and the skill base of government employees must be upgraded; (3) government employees must be given greater power to implement policies as well as greater responsibility for consequences of these activities; (4) a long-term development view must replace the current focus on the short-run in both government and the financial sector; and (5) the government sector must have its incentive structure changed so as to dissuade pursuit of lobbying and other corrupt behavior (Ahrens 1997, 116-17). Without these preconditions, such a radical development strategy will founder on short-term expedients, the deficiencies and conservatism of the civil service, the existing configuration of socio-economic power and certain interests, or the mindset of politicians and people.

Conclusion

This paper has sought to establish the U.S. case for selective government action by: describing the form an endogenous development strategy should take; proposing certain sectors and industries as key propulsive engines of high potential; and outlining the way to create appropriate institutions. Necessary policy suggestions were made to support this alternative national development framework for the United States.

The pursuit of orthodox and neoliberal economic policies since the 1980s suggests the “invisible hand” alone cannot be relied on to promote the required economic adjustment. For this reason, we must expose and challenge both the complacent orthodoxy and the failed neoliberalism. A strategic framework that brings “the government back to business” and encompasses thorough, technically proficient developmental action and industrial targeting ought to be seen as necessary in the face of the unprecedented changes in the international political economy. To be successful will require wide consultation, broad consensus, government intervention of high quality, determination, and special emphasis on production-oriented growth.

There is no need for vast bureaucratic machinery and procedure because the approach is clearly entrepreneurial. Such a radical approach will utilize and maximize productive resources available for endogenous development; promote cross-sectoral links, and create economies of scale across a range of industries and firms; place emphasis on the accelerators of competency and development; and, finally, identify inefficiencies and gaps to adequately develop and use new products and processes – enabling both government and private policy-making to be better targeted. Such an alternative framework will have to be underpinned by a strong commitment to national development, and collaboration among government, business, and civil society.

Current conditions in the world economy could increase the potential advantages of pursuing "governed-market" policies. Contrary to the "current orthodoxy," the accomplishment of these strategic development goals requires better government action, which is most likely achieved from developmental state-type policies. What really matters to the future success of the U.S. economy is not the "extent" of government intervention but rather the "quality" of such intervention.

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