

CHAPTER I

THE TRIPLE CONFLICTIntroduction

The involvement of American federal and state governments in industrial development is not new, but the intensity of activity has increased dramatically in the past decade and especially since 1981. At the national level, tax reductions that were to have rekindled investment in productive capacity seemed only to have created fiscal deficits and trade deficits based on increased consumer demand for imported products. These two deficits transformed a strong debate over 'industrial policy' in the early 1980s into a similar debate under the guise of 'competitiveness', something which is seen as a growing issue in the 1988 Presidential election.

The recession of 1981-82 was the proverbial straw that broke the camel's back for state governments. State responsibility for employment creation and the threat to state finances from the recession's impact on taxation combined to thrust economic development to the top of election campaign platforms in 1982. The call was uniform - "jobs, jobs, jobs" - and a host of new state administrations came into power determined to make good on their electoral promises.

This heightened governmental interest in economic development grew out of three long-term problems or conflicts. All three cascaded to intensify the effects of each over the decade of the 1970s. As the decade of the 1980s winds down, some aspects of the three conflicts are beginning to subside and the politics are beginning to change, but new problems await.

The first conflict was demographic and occupational, where a growing young labour force, supplemented by increased female participation, collided with an established labour force in a relatively stagnant economy, one filled