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A Shattered Greenhouse

Oct 1, 1984

Last spring, Rhode Island appeared all geared up to show the nation what an "industrial policy" could do. Its Greenhouse Compact, a 1,000-page set of proposals to revive Little Rhody's torpid economy, was to be put to the vote of the people on June 12. Not since the 1930s had an American government, state or federal, set itself such a broad, trenchant, and imaginative agenda of economic intervention.

The Greenhouse promised high wage job-creation; business incentives to explore new products and markets; research facilities (the "greenhouses") to stimulate avant-garde industrial activity in such fields as robotics and thin-film materials technology; and much more. Its cost, \$250 million, was to be quite painless to taxpayers. Its means and ends had been hailed by virtually every elite group in the state -- by business leaders, by organized labor, by educators, by editorialists, by politicians of both parties -- and by many of their peers across the country. By last April, the plan had won overwhelming endorsement in both houses of the legislature, and enabling legislation had been signed by the governor. By June, it remained only for the voters to stand up and cry their yeas. They cried nay -- crushingly, four to one.

How could they?

For months, the compact had been billed as a program for improving the overall standard of living of state residents. Rhode Islanders earn less money at manufacturing jobs than workers in all states but Mississippi and North Carolina. Public opinion surveys showed that up to three weeks before the referendum, Rhode Islanders strongly favored the package by more than two to one.

There were, to be sure, less auspicious straws in the wind as the voting day neared. Organized opponents, including Brown University economists, attacked The Greenhouse Compact as ill-conceived government intervention in the economy. Others criticized it on populist grounds, as a program of, for, and by the rich.

Then, too, there was a brief flurry over "politics." The Strategic Development Commission, which was one of the groups that planned to take responsibility for implementing the new programs, was supposed to be nonpolitical. So Rhode Islanders snickered when two Democrats -- the House speaker and the Senate majority leader -- selected themselves to fill two slots designated for legislators. And it obviously didn't help matters when a Providence official was indicted the night before the election.

In the end, says Ira Magaziner, the business strategy consultant who coordinated and advised the commission, "voters felt very uncomfortable about who was behind the compact. They saw it as more politics as usual." Indeed, the exit surveys taken on referendum day showed that around 67% of those who voted against the program were actually voting against the bankers, big business, and politicians who favored it. The same survey indicated that 80% of the voters felt that government should play a major role in state economic development.

The resounding defeat of The Greenhouse Compact raises major questions about whether any state can sell a

complex economic development agenda to its citizens. One who has his doubts is Robert Reich, co-author with Magaziner of *Minding America's Business*, the manifesto of "industrial policy" advocates. "Calling something a blueprint or a plan with a capital 'p' and wrapping it up in a blue ribbon is very risky." Rhode Island's experience, he says, demonstrates that "one has to be extremely sensitive to questions of legitimacy."

For Magaziner, the Greenhouse defeat offered some very basic political lessons. We didn't realize the extent to which people distrust their leaders," he notes. "The leaders, it turned out, couldn't carry their constituencies." Equally important, "we never reduced what we were trying to do -- and how we were trying to do it -- into a few simple themes. We worried too much about getting across the substance."

Although Rhode Island voters said no to the package as a whole, Magaziner is hopeful that many of the Greenhouse programs soon will be adopted piecemeal by the legislature. He is pleased, too, that -- despite the defeat -- many states, including Wisconsin, Arizona, Maine, Washington, and Hawaii, have made recent inquiries about the program. So the obituaries on "industrial policy" at the state level, he believes, are premature.

"Those who are ideologically opposed to efforts like this are saying that the people don't want big plans," Magaziner notes. "But it's not the end of doing significant things in states. Maybe they won't be called greenhouses, but I think the ideas themselves will take hold."

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