Better Planning of Less

By HERBERT STEIN

The idea of cycles of regular duration is no longer fashionable in economics. But I think that deep down every economist would like to find a cycle to call his own, and to immortalize his name. After all, how many people would be able to identify Juglar or Kondratieff if they were not associated with particular cycles? Probably not one in a hundred.

I offer here my own candidate: The cycle, approximately 13 years in duration, of interest in economic planning.

This cycle reached one peak in about 1930-32. Obviously the steep decline of the economy precipitated this, but the idea that something called planning was the remedy was influenced by the Russian and Italian "experiments," by German rationalization of industry, and even by the native American idea that the collection and dissemination of information would coordinate what would otherwise be the wasteful behavior of firms in the market. The interest in planning at that time was supported not only by intellectuals and radicals of one kind or another but also by many businessmen. The brief implementation of these ideas was in the National Recovery Administration.

The planning cycle reached another high after the end of World War II, when there were many questions about how we would avoid returning to the miseries of the 1930s and some people found the answer in the continuation of the war-time controlled economy. This wave left little behind it except some classics of the anti-planning literature, such as Hayek's "The Road to Serfdom" and Jewkes' "Ordeal by Planning."

The cycle peaked next in the early 1960s, when the U.S. economy seemed to be performing less well than the economies of Western Europe and Japan. In some circles there was a fascination with French planning, since the French, with their usual finesse, had apparently found a way to get everyone to do what the plan said without ordering anyone to do anything. President Kennedy in 1962 invited the Trustees of the Committee for Economic Development to the Rose Garden of the White House and suggested that they should go to Europe and find out what secrets of economic management they had there. The CED did go to Paris, talked with many government officials, businessmen and economists who knew all about Le Plan, and returned mystified about what was going on and rather doubtful that anything was going on. Anyway, the whole subject blew over as soon as another injection of demand got the American economy moving again.

Sen. Mansfield's Concern

Now we have another wave of planning talk. Undoubtedly the 1974-75 combination of unemployment and inflation stimulates this interest, but it is heightened by the belief that something more is happening to us than can be explained by conventional economic fluctuations or cured by conventional stabilization policy. A year ago, before the recession was recognized, Senator Mansfield and Senator Scott wrote to President Nixon expressing their concern that there was something fundamentally wrong with the organization of the American economy. Upon examination it turned out that what they, especially Senator Mansfield, had in mind was that the system did not foresee shortages and we needed a new government agency to exercise foresight and plan to avert the difficulties it would foresee. In response to this an act was passed providing for the establishment of a National Commission on Shortages, which is just now being constituted.

This concern of Senator Mansfield was symptomatic of the basis of much of the present interest in planning—the thought that we have entered a period of scarcity different in some unexplained way from the life we have always known. Thus, Henry Ford II has recently discovered that we have been making automobiles out of scarce materials—with a surprise like that of the man who discovered that he had been talking prose all his life—and has called for more planning to deal with the consequences of the unprecedented situation.

The most explicit formulation of the case for more planning today comes from The Initiative Committee for National Economic Planning, of which Wassily Leontief, Nobel Laureate in Economics, and Leonard Woodcock, president of the United Auto Workers, are co-chairmen. Senators Humphrey and Javits have just introduced a bill to put the Leontief-Woodcock proposals into law. Their argument rests on the belief that, in addition to the obvious unemployment and inflation, we suffer from shortages of "housing, medical care, municipal services, transportation, energy, and numerous other requirements of pressing importance." The reason for these shortages is that "no reliable mechanism in the modern economy relates needs to available manpower, plant and materials."

The cycle I have described is not exactly regular, but the variation in duration is not greater than many other recognized cycles.

Board of Contributors

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In all of its waves the distinguishing characteristic of planning, as described by its proponents, has been that it consists of the neutral application of information, intelligence, science and foresight to the making of decisions. It did not enter into the realm of "Who? Whom?"—the realm of who has power to do what to whom. The picture is of an economist in a white smock standing at the terminal of his computer which prints out the options among which the populace, led as by an Invisible Hand, chooses the right one.

This conception is transparent, and plenty of critics have seen through it. The motivation of the planning movement is not simply the desire for a different process but is also the desire for a different result determined by different people than now determine the pattern of economic activity. The intended and inevitable result of the planning prescription is a transfer of power from people acting in the market to people acting in government, and, within the government, from elected representatives to experts. Seeing this face of planning, liberal critics have shunned it. (I use "liberal" in the old-fashioned sense of supporter of the free economisc system.)

How superficial is the notion of economic planning as being the pure application of science, free of value implications and power implications, is clear from the statement of the Leontief-Woodcock Committee. As already noted, the committee starts with the proposition that we have shortages of housing, medical care, etc. If this means anything more than the tautological proposition that there is a shortage of all good things, it means that the committee has made a judgment about the goals of the society, a judgment to which no amount of science could lead. We are not being offered a system for determining better where we want to go and how to get there; the committee already knows where we should go. The committee proposes establishment of an Office of National Economic Planning. This office "must be in a position to perceive our country's economic and social needs now and or many years to come."

But economic and social needs cannot be perceived by planners; they must be chosen, and who chooses is all-important. The committee explains that "democratic planning" does not "replace the millions of private decisions that are in the market every day." However, it "influences" those decisions to reach democratically chosen objectives, which is insignificantly different from replacing them. The planning, of course, is to be democratic, which means that the Congress will be involved. But the Congress clearly cannot operate at the level of detailed decision-making involved in a national economic plan; what this can mean at most is that a couple of committee chairmen are moderately informed. As assurance of "democracy" the committee proposes that there should be "representatives of all important economic and social interests in every phase of planning."

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And yet, there is a point in the planners' argument which should not be ignored.

The issue of power, of the scope and detail of government control and of who within government exercises control, is the big issue, and the liberal critics have, in my opinion, come down on the right side of it. But there is another issue in the debate, less fundamental but still important, and neither side has dealt well with it. That issue is how to bring more intelligence, consistency and foresight into the decisions that government does make. Under the guise of doing something about this problem the planners propose to increase the decision-making responsibility of government, a proposal which is both illogical and devious. On the other hand, liberals, being greatly impressed with the inadequacy of government intelligence, propose to solve the problem by cutting down the responsibilities of government. That is good as far as it goes, but it cannot go so far as to eliminate the need for better-informed decisions. Even if government functions are trimmed down as much as is conceivable or desirable, there will be plenty of room for gain from a better-informed decision-making process.

Improving Economic Statistics

The obvious place to start would be the improvement of economic statistics. We operate for too long with money-supply statistics that later turn out to have been seriously in error. We obviously were quite ignorant of what was happening to business inventories during much of 1973 and 1974. The relation between real GNP and industrial production statistics is often baffling, as is the relation between employment as measured by the survey of households and as measured by reports from employers. The Consumer Price Index is obsolete. We have no useful index of wage rates. We know nothing about the conditions on which the unemployed would be willing to work. Dozens of other important gaps could be listed. The simple fact is that we are trying to get by too cheaply in the field of economic statistics. To double the present annual federal expenditure of about $200 million a year would probably be a good investment.

More resources could also be devoted to improvement of forecasting in some areas where the intellectual difficulties do not look too formidable. One such is the forecasting of food production, where errors have been disturbing in the past. Another is the forecasting of federal revenues.

The problems become more difficult when one gets beyond the areas where more money can be counted on to yield more results. Obviously it would be better if we knew more economics, but aside from providing better statistics there may be little we can do about this but wait the results of private initiative.

A Long Way to Go

We suffer from our lack of knowledge, but also we don't do as well as our knowledge would permit. That is partly because we are not organized to do so. For example, one continuing problem of government economic policy is that we are always making commitments to future expenditures which, when the future comes, we wish we hadn't made. In recognition of this, the Office of Management and Budget has been publishing each year five-year projections of federal receipts and expenditures, in greater or less detail. However, I doubt that any decision has ever been influenced by these estimates. Neither the President nor the Congress in making fiscal decisions is restrained by the likely consequences five years away. We have no regular procedure which forces the decision-makers to confront those consequences.

We also suffer from the inadequacy of procedures in government for getting a comprehensive view of relevant information and balancing relevant interests within the orbit of necessary government responsibilities. The newly-established budgeting procedures in the Congress are encouraging in this respect. While much remains to be seen, the new relation between the Congress and the Federal Reserve in monetary policy is promising. There have also been intervals when the process of coordinating economic policy in the adminstration seemed to work well; I think particularly of the two years when George Shultz was the leader. These examples only suggest that better management of government economic policy is not hopeless. But clearly there is a long way to go.

The "planners" are right in saying that government decision-making is unplanned, shortsighted and uncoordinated. They are wrong in concluding that the remedy is for the government to make more decisions. If the planners have anything to tell us, they should tell us how the government can do better in making the decisions government has to make, rather than seeking to force the government into making (badly) more decisions it doesn't have to make.

Letters to the Editor

A Low Blow

Editor, The Wall Street Journal:

Regarding your page-one article "State of Neglect?" by John Pierson (Apr. 28):

This low blow directed at such an out-[illegible]ing loyal American as Gov. George

A Political Donation

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As a direct result of your article I am sending Gov. Wallace a $20 campaign contribution and I am resolving to support him as much as I possibly can alization of industry, and even by the native American idea that the collection and dissemination of information would coordinate what would otherwise be the wasteful behavior of firms in the market. The interest in planning at that time was supported not only by intellectuals and radicals of one kind or another but also by many businessmen. The brief implementation of these ideas was in the National Recovery Administration.

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Dr. Stein is the A. Willis Robertson Professor of Economics at the University of Virginia and former chairman of the Council of Economic Advisers under Presidents Nixon and Ford. He is also a member of the Journal's Board of Contributors, five distinguished professors who contribute periodic articles reflecting a broad range of views.

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... news media may well ...his corner ...hen he ...s out ...in

A Political Donation

Editor, The Wall Street Journal:

As a direct result of your article I am sending Gov. Wallace a $20 campaign contribution and I am resolving to support him as much as I possibly can.

WM. L. TIMMONS

Dallas

Helpful

Editor, The Wall Street Journal:

I enjoyed Mr. Pierson's article. A true and accurate report such as this on other candidates as they are announced would be very helpful to the citizens in making a comparison so that they will select the least evil of all candidates.

A. J. SAUCIER

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THE WALL STREET JOURNAL.

Published since 1889 by

DOW JONES & COMPANY, INC.

Editorial and Corporate Headquarters
22 Cortlandt Street, New York, N.Y. 10007
Telephone: (212) 285-5000

WASHINGTON NEWS AND SALES OFFICE
245 National Press Bldg., Wash. 20045
(202) 783-0164

This edition printed at 11501 Columbia Pike, Silver Spring, Md. 20910

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New Wave of Business Regulation

The following is excerpted from a speech by Murray L. Weidenbaum, given yesterday at American University on the occasion of the 20th anniversary of the university's School of Business Administration. Weidenbaum a former assistant secretary of the Treasury, is director of the Center fo the Study of American Business at Washington University, St. Louis.

A massive expansion of government controls over private industry is clearly under way. Government officials are playing an ever larger role in what traditionally has been internal business decision-making. Yet the new wave of government regulation is not merely an intensification of existing activities; in good measure, it is a new departure.

The traditional notion of government regulation of business is based on the model of the Interstate Commerce Commission. Under this approach, a federal commission is established to regulate a specific industry, with the related concern of promoting the well-being of that industry. Often, the public or consumer interest is subordinated, or even ignored.

In some cases—because of the unique expertise possessed by the members of the industry or its job enticements for regulators who leave government employment—the regulatory commission becomes a captive of the industry which it is supposed to regulate. At the least, this is a popularly held view of the development of the federal regulatory process. In addition to the ICC, other examples of this development which have been cited from time to time include the Civil Aeronautics Board, the Federal Communications Commission and the Federal Power Commission.

Although that type of federal regulation of business surely continues, the new regulatory efforts established by the Congress in recent years follow, in the

See REGULATE, M2, Col. 1

Rapping the New Wave of Government Regulation of Business

REGULATE, From M1

main, a fundamentally different pattern. Evaluating the activities of these newer regulatory efforts with the ICC type of model is inappropriate and may lead to undesirable public policy.

The new federal regulatory agencies are simultaneously broader in the scope of their jurisdiction than the ICC-CAB-FCC-FPC model. Yet, in important aspects, they are far more restricted. This anomoly lies at the heart of the problem of relating their efforts to the national interest.

In the cases of the Environmental Protection Agency, the Equal Employment Opportunity Commission, the Consumer Product Safety Commission, the Federal Energy Administration, and the Occupational Safety and Health Administration, the regulatory agency is not limited to a single industry. In the case of each of these relative newcomers to the federal bureaucracy, its jurisdiction extends to the bulk of the private sector and, at times, to productive activities in the public sector itself.

It is this far-ranging characteristic that makes it impractical for any single industry to dominate these regulatory activities in the manner of the traditional model.

Yet in comparison with the older agencies, the newer federal regulators in many important ways operate in a far narrower sphere. That is, they are not concerned with the totality of a company or industry, but only with the segment of operations which falls under their jurisdiction. This limitation prevents the agency from developing too close a concern with the overall well-being of any company or industry. Rather, it can result in total lack of concern over the effects of its specific actions on a company or industry.

If there is any special interest that may come to dominate such an agency, it is the one that is preoccupied with its specific task — environmental cleanup, elimination of job discrimination, establishment of safer working conditions, reduction of product hazards and so forth.

Thus, little if any attention may be given to the basic mission of the industry to provide goods and services to the public. Also ignored may be cross-cutting concerns or matters broader than the specific charter of the regulating agency, such as productivity, economic growth, employment, cost to the consumer, effects on overall living standards and inflationary impacts. At times, the process may seem to be epitomized by that proverbial dentist who sees his patient as merely two rows of teeth surrounded by a mass of miscellaneous material.

The result of the new approach to government regulation of business may be the reverse of the traditional situation. Rather than being dominated by a given industry, the newer type of federal regulatory activity is far more likely to utilize the resources of various industries, or to ignore their needs, in order to further the specific objectives of the agency. My personal study of the activities of these new regulatory agencies reveals many negative aspects of considerable importance.

To begin with, it is difficult to criticize their basic approach. One must possess the personality of Scrooge to quarrel with the intent of the new wave of federal regulation — safer working conditions, better products for the consumer, eliminating discrimination in employment, reducing environmental pollution and so forth. And the programs established to deal with these problems have at times yielded significant benefits.

But no realistic evaluation of the practice of government regulation comfortably fits the notion of benign and wise officials making altogether sensible decisons in the society's greater interests. Instead, we find waste, bias, stupidity, concentration on trivia, conflicts among the regulators and, worst of all, arbitrary and uncontrolled power . . .

The agencies carrying out federal regulation are proliferating . . .

The administrative cost of this army of enforcers (approximately $2 billion a year to support a regulatory work force in excess of 63,000) represents but the tip of the iceberg. It is the costs imposed on the private sector that are really large, the added expenses of business firms which must comply with government directives, and which inevitably have to pass on these costs to their customers.

A direct cost of government controls is the growing paperwork burden imposed on business firms: the expensive and time-consuming process of submitting reports, making applications, filling out questionnaires, replying to orders and directives, and appealing in the courts from some of the regulatory rulings. There now are 5,146 different types of approved government forms. Individuals and business firms spend over 130 million man-hours a year filling them out. . .

Another hidden cost of federal regulation is a reduced rate of technological innovation. The longer that it takes for some change to be approved by a federal regulatory agency—a new product or a more efficient production process—the less likely that the change will be made . . .

The private costs of government regulation arise in good measure from the attitudes of the regulators. To quote a member of the Consumer Product Safety Commission, "When it involves a product that is unsafe, I don't care how much it costs the company to correct the problem." Nobody can fault the commission for not putting its money (and the public's) where its big mouth is.

In one recent case where an offending company had not posted a label on its product bearing the correct officialese ("cannot be made non poisonous"), it was forced to destroy the contents. With little concern about costs, the commission apparently did not think about such economical solutions as pasting a new label on the can.

An expected result of the lack of attention to the costs of regulation is the opportunity for bureaucrats to engage in all sorts of exercises in trivia and on occasion sheer nonsense. What size to establish for toilet partitions? How big is a hole? (it depends where it is). When is a roof a floor? What colors to paint various parts of a building? How frequently are spittoons to be cleaned? . . .

Consider the plight of the small businessman who tries to deal with the Occupational Safety and Health Administration rules without paying for expensive outside assistance. The results stagger the mind. Start with a supposedly simple matter, the definition of an exit. The dictionary tells us that exit is "a passage or way out." For OSHA enforcers, defining exit is a challenge to their bureaucratic instincts and they are not found wanting. To OSHA, an exit is "that portion of a means of egress which is separated from all other spaces of the building or structure by construction or equipment as required in this subpart to provide a protected way of travel to the exit discharge."

Obviously, you have to find out what is "a means of egress" as well as an "exit discharge." Exit discharge is defined merely as "that portion of a means of egress between the termination of an exit and a public way." But OSHA defines "a means of egress" as "a continuous and unobstructed way of exit travel from any point in a building or structure to a public way and consists of three separate and distinct parts: the way of exit access, the exit and the way of exit discharge. A means of egress comprises the vertical and horizontal ways of travel and shall include intervening room spaces, doorways, hallways, corridors, passageways, balconies, ramps, stairs, enclosures, exits, escalators, horizontal exits, courts, and yards."

Unlike the dictionary, OSHA is unable to provide a definition of exit which does not contain the word exit in it. And exit is a comparatively easy one. Try ladder, where the reader literally has to cope with three renditions of the same tedious set of definitions plus one trigonometric function . . .

The operation of the Occupational Safety and Health Act provides a pertinent example of how government regulation can lose sight of the basic objective. A company, particularly a smaller one without its own specialized safety personnel, which invites OSHA to come to the plant to tell the management which practices need to be revised to meet the agency's standards instantly lays itself open to citations for infractions of the OSHA rules and regulations. The law makes no provision for so-called courtesy inspections.

In order to get around the problem, one regional office of OSHA has come up with a beautifully bureaucratic solution. They suggest that companies take photographs of their premises and send them to OSHA for off-site review. After all, if the inspectors do not actually "see" the violations, they cannot issue citations for them! . . .

It is perhaps inevitable, but the proliferation of government controls has led to conflicts among controls and controllers. In some cases, the rules of a given agency work at cross purposes with each other. OSHA mandates back-up alarms on vehicles at construction sites but also requires employees to wear earplugs, to protect them against noise, that can make it extremely difficult to hear the alarms. More serious and more frequent are the contradictions between the rulings of two or more government agencies . . .

The simple task of washing children's pajamas in New York State exemplifies how two sets of laws can pit one worthy objective against another, in this case ecology versus safety. Because of a ban on phosphates in detergents, the mother who launders her child's sleepwear in an ecologically sound way may risk washing away its required fire-resistant properties.

In 1973, New York State banned the sale of detergents containing phosphates, in an effort to halt water pollution. Less than two months later, a federal regulation took effect requiring children's sleepwear to be flame-retardant. New York housewives now face a dilemma, because phosphates are the strongest protector of fire-retardency. They hold soil and minerals in solution, preventing the formation of a mask on the fabric that would inactivate flame-resistancy. What does a conscientious mother do in a phosphate-banned area to avoid dressing her child in nightclothes that could burn up. Smuggle in the forbidden detergent? Commit an illegal act of laundry? . . .

This is not a general attack on all forms of government action. A society, acting through government, can and should act to protect consumers against rapacious sellers, individual workers against unscrupulous employers, and future generations against those who would waste the nation's resources . . .

Because of the very substantial costs and other adverse side-effects that they give rise to, society should take a new and hard look at the existing array of government controls over business. A substantial effort should be made to eliminate those controls that generate excessive costs. Rather than blithely continuing to proliferate government controls over business, alternative means of achieving important national objectives should be explored and developed, solutions that expand rather than reduce the role of the market . . .

Meg Greenfield

Can Mr. Ford Break the Rules?

President Ford has been saying he intends to cut back the tangled growth of federal rules and regulations that are choking so many worthy enterprises in American life. I wish him well. I don't think he has a hope of succeeding.

This gloomy appraisal begins with the fact that the compulsive formulation of conflicting, irrelevant and unworkable rules is far from being an exclusive aberration of the federal government. It may reach its finest flower there, but the competition at all levels of American life is intense enough to suggest that what we are dealing with here is a national way of doing things.

Shortly before the President told a recent White House conference, for example, that it had taken 45,000 pages of small print just to list the federal rules and regulations promulgated last year, Governor Brown of California was making a similar point about conditions in his state: he compared the several hundred thousand words it had taken the authors of the Old Testament to say what they had to about acceptable human behavior with the 5 million words it had taken the state-federal welfare establishment to spell out the rules for receiving public assistance in California.

In municipal affairs, things are hardly different. Only very small children do not know that police, fire, health and housing department corruption in many big cities rests in part on payoffs made against official threats to enforce a welter of city regulations that are archaic and immobilizing. And in labor-union life, the threat of invoking the fine print is equally ominous: "working to rules" means more or less ceasing to work at all. It is worth noting that the U.S. Senate, which harbors some of the most outspoken critics of all this, can itself only get down to business in the morning by selectively suspending its rules.

Plainly Ford is up against something more complicated than a mere encrustation of old federal regulatory and bureaucratic orders that are working against new needs—as, for example, the ICC rule that obliged some truckers to take out-of-the-way routes during last year's gasoline shortage. For one thing, the increasing federal role in practically everyone's affairs continues to create a strange combination of opportunity and obligation on the part of federal agencies to establish rules of conduct.

To cite a case, Congress has enacted legislation permitting married couples to deduct a given sum from their taxes for the cost of child care that permits both parents to work. Fine. Only the IRS—understandably—wants no cheating, no writing off of maids and the rest. So it has felt obliged to formulate rules and guidelines governing—yes—the amount of house cleaning the deducted baby-sitter may perpetrate. Tomorrow's headline all but writes itself: SITTER CHARGED WITH EXCESSIVE VACUUMING/ EMPLOYER CLAIMS WORK-RELATED CLEANUP/CHILD JAILED.

Still, much more than a mere enlargement of the federal capacity to busybody seems to me to be involved here. I think there is a dynamic at work among both federal government officials and the affected public that puts a premium on framing impossible new rules and preserving impossible old ones. It begins with a desirable goal or public policy, moves on to a bureaucratic decision to transfer the onus of enforcement from individuals to ostensibly fair and immutable pages of written rules and builds up a body of regulation that acquires a political, symbolic and legal life of its own. The result may be awful, but you can bet that at least six citizens' groups, two federal judges and 30 senators will be ready to come between the agency and any attempt to revise ("weaken," "gut") such rules.

We had an example of how the thing works in Washington recently when some university chancellors challenged a set of conditions HEW was trying to impose on them as the price of receiving federal contracts. The agreement they had been asked to sign concerned their schools' taking "affirmative action" to overcome racial, ethnic and sexual discrimination in employment practices. The document itself, however, did not mandate action that would have directly resulted in making their practices more fair. Rather, it required them to make up to an estimated 100,000 separate statistical analyses concerning their employees at a cost of several hundred thousand dollars—and report the findings back to HEW. It was the nearest thing to an insane government publication that I have ever read.

What made this episode especially interesting to me was that in the course of looking into it I could not find a single official who was responsible for the document who had anything good to say about it. It appeared to be the product of assorted political, interagency, legal and citizen-group pressures. Nor was there anyone who could readily turn it off: five days elapsed between the stated commitment of the Secretaries of HEW and Labor to revise the government demands and their ability to do so. Finally, even among the various rights

> ***"Plainly Ford is up against something more complicated than a mere encrustation of old federal regulatory and bureaucratic orders that are working against new needs."***

groups who had been pushing for tougher government action, there was [illegible] acknowledgment that this approach [illegible] little to do with overcoming discrimination.

Why do the bureaucrats [illegible] in the first place? I think I know. When I try to imagine how HEW or any other government agency would deal with Solomon's most familiar administrative challenge, I come up with two different conclusions that have one thing in common. Either they would invoke federal regulation CR (03X-14) and actually cut the baby in half, or his contending mothers, under regulation DL-9B (15), would still be filing documents before an interagency proceeding when he had reached the age of 43. But either way, the government officals in question would have avoided judgment, responsibility, the burden of using their wits and a particular kind of trouble. By formulating endless rules, we put the problem on "automatic," and there are very few officials in this town who are willing to take the heat that goes with trying to make common-sense rulings—instead of just more rules.

And why do the rest of us go along? Probably because we have an abiding fear of discretionary government and a misplaced belief in the capacity of written regulations to ensure fairness and to prevent our officeholders from treating us in capricious or tyrannical ways. Now the regulations themselves have become tyrannical, but this comes at a moment when government officals are feeling anything but audacious and when the public is awash in suspicions concerning both their competence and good faith.

So I don't think the President is going to get very far with his admirable intentions. The bureaucrats don't have the guts to substitute good judgment for bad rules. And the rest of us don't have the confidence—either in them or in each other—to make the bureaucrats try.

(This column is reprinted from Newsweek.)

Plots That Failed

ESSAY

By William Safire

SAN FRANCISCO, April 30—Most of the citizens of the nation's largest state are enjoying the way their new young Governor appears to be setting the bureaucracy on its ear.

Edmund G. "Jerry" Brown, Democratic successor to Ronald Reagan, jolted some of the liberals who supported him by "out-Reaganing Reagan" with an austere state budget. He followed this up with the ostentatious symbols of thrift, spurning the Governor's mansion for a modest bachelor pad, waiting until other state officials had chosen their limousines before ordering a small Plymouth, and now grumbling loudly about the potential cost to the state of Vietnam refugees.

Some of the publicized frugality causes old-timers to smile. Governor Brown posted a savings by doing away with his predecessor's private aircraft; eight years ago, Governor Reagan did the same by getting rid of the jet used by his predecessor (Jerry Brown's father) until hijack-conscious airline officials prevailed on him to stop jeopardizing passengers' lives by his presence on commercial flights.

Young Brown, however, has concentrated on a central problem facing governmental executives today: How to appear to be on the taxpayer's side as the cost of government relentlessly mounts. More significantly, he shows signs of understanding the basic question facing all government today: How can an elected executive take charge of a powerful, self-protective alliance of civil servants and special interests?

Most elected executives enter office determined to "clean out the dead wood" and wind up on a political Boot Hill, having presided over the swelling of the bureaucracy. Governors do not govern any more than chief executives execute; as long as the permanent part of the executive branch can use both legislature and media to protect its amalgum of baliwicks, there is no way truly to administer an administration.

Two short books published this month come to grips with this question. One is "Watchmen in the Night: Presidential Accountability After Watergate" by Ted Sorensen, who was counsel to President Kennedy. He finds disturbing "the recent sudden conversion of many American liberals to a preference for a weak Presidency—after supporting a strong Presidency as long as the office was occupied by a liberal committed to the policies they favored."

Enough limitations on Presidential administrative power already exist, argues Mr. Sorensen—"the rest of the executive branch, the press, Congress and the judiciary"—and as a result "any chief executive of a private ... corporation ... power over his subordinates than does the President of the United States."

To add to the accountability of Presidential powers, he would cut out the current practice of making department heads "counselors" unreachable by Congress, but Mr. Sorensen's major point is that a President must have the power to shake up and direct the establishment he has been elected to run.

In the aftermath of Watergate, with the bureaucracy preening for having dragged a foot for democracy, Mr. Sorensen makes all the necessary anti-Nixon obeisances, condemning the former President for "relentlessly centralizing all decision-making in the White House and installing puppets in the domestic departments and agencies."

But, of course, that was the only way the Nixon men could penetrate the bureaucracy, which was leaning hard left while the rest of the country was pulling right. The idea of making government responsive is described in "The Plot That Failed: Nixon and the Administrative Presidency," a provocative and courageous book—about five years ahead of its time—by Richard Nathan of the Brookings Institution.

Mr. Nathan was a Nixon Administration welfare reformer, who fought the good fight against the bureaucracy and lost. Today he thinks the unthinkable: that the desire of the Nixon men to actively manage the Federal bureaucracy was timely and necessary, and that one day the infiltration and reorganization which now seems so villainous will be carried out by more principled people under the banner of reform.

Coming at the subject from totally different orientations, both Messrs. Nathan and Sorensen see the need for a stronger domestic President to superimpose the national interest on the alliance of special interests that feed and protect Big Government.

Here in California, a new politician tries to penetrate the bureaucracy so that he may "restore public confidence in government." In Washington, at the same time, a veteran legislator-turned-President inveighs against strangulation by regulatory agency, the most unreachable part of the bureaucracy.

Both Governor Brown and President Ford are likely to be frustrated because public dismay at government is focused—after Watergate—on the broom rather than on the mess. But one day, the focus is sure to shift.

Former speechwriter Sorensen, in a most familiar style, puts the case for chastened but renewed executive power this way:

"We cannot endlessly add to the powers of the Presidency with a Lincoln in mind without increasing a Nixon's opportunity to do harm. But we cannot unduly weaken the office with a Nixon in mind without hamper- ... President's power t...

Key! Question is how?

Needed: A Turnaround in Ideas

By JOHN A. DAVENPORT

By a curious fluke the ink was scarcely dry on President Ford's much debated tax-cut bill when the Bureau of Labor Statistics released figures showing a new rise in unemployment during March. Predictably, AFL-CIO President George Meany delivered a blast calling the unemployment situation appalling and advocating still larger federal deficits as a spur to the economy—a view shared by such Keynesian economists as Walter Heller who has long pressed for greater "fiscal stimulus."

Careful examination of last month's BLS statistics, however, suggests quite a different picture of the economy than that trumpeted by the news media, and certainly different conclusions as to how we may better our circumstances without, in the process, suffering more ruinous inflation. True, in March the most widely publicized indicator of unemployment did move up to 8.7% of the so-called labor force. But this is at best a rubbery statistic which counts as unemployed not only those who have been actually discharged from factory jobs, but millions of "occasional" workers who *say* they would like to work and are looking for work.

The really *hard* evidence issuing from the BLS points in a radically different direction. It showed that the actual employment of men and women in the U.S. fell in March by a smaller amount than in any month since the present recession began to bite, and that despite the recession there are still nearly 84 million persons in productive jobs. Chew on that enormous aggregate for a bit and one will scarcely conclude that the U.S. economy is going to the dogs! Or that we need madder music and stronger wine in the matter of deficit financing as advocated by Messrs. Meany and Heller.

Building Trade Figures

What is very badly needed is the avoidance of an explosive rise in wage costs which would abort recovery, and here the March BLS figures are less reassuring, showing a sharp jump in hourly earnings, particularly in the building trades where nearly one-fifth of all workers are out of work. This rise in wages in the teeth of real, not phony, unemployment is a sure sign that powerful union monopoly forces are at work within the most important market in the economy—the labor market. The freeing up of this market is the *missing ingredient* in President Ford's program and the thinking of the present academic establishment. It is a crucial condition for achieving what most Americans want, namely high levels of employment and a stable dollar.

This is the essence of the teaching of the great economic tradition, dating back to Adam Smith and carried forward in our day by Nobel Prize-winning Friedrich Hayek. It is also curiously implicit in the doctrines of the late John Maynard Keynes whose misinterpretation has done so much to corrupt our economic thinking. At the very opening of his celebrated "General Theory of Employment, Interest and Money," published in 1936, Keynes stated that he has no quarrel with classical economics in holding that if wages are pushed or held above the marginal product of labor, unemployment will be the result.

What Keynes did argue was that in view of world-wide deflation and, incidentally, the power of British trade unions, wage cutting was not the proper or feasible way to restore a profitable relationship of costs and prices. He therefore proposed a different way round. Let the government engage in deficit spending which would drive up prices *faster* than wages (thus temporarily cutting real wages) to the end of restoring profitability and the expansion of investment, which Keynes rightly saw as the key to recovery.

The trouble with this politically popular prescription was, and is, that workers and more especially union leaders have never taken kindly to the cutting or at least stabilization of real wages while profits expand. Contrary to the general impression, New Deal government spending never did restore full employment in the '30s (there were over nine million men out of work in 1939), due in no small part to the rapid unionization of workers and one of the fastest bid-ups of wages (both monetary and real) in our history. During World War II massive government spending did finally put all our resources to work but only by adopting a controlled, "command" economy of the type which J. K. Galbraith, a wartime price controller, seems to hanker for but which President Ford has so far rightly and courageously resisted.

> ***The rise in hourly wages, particularly in the building trades, in the face of high unemployment is a sure sign that powerful union monopoly forces are at work in the labor market. The freeing up of this market is the missing ingredient in President Ford's program.***

Since World War II and the passage of the Employment Act of 1946, mounting levels of government spending have produced, to say the least, mixed results. We have enjoyed periods of great prosperity but we have also been afflicted by no less than five recessions from which a hard-pressed Federal Reserve Board has rescued us by fresh injections of money. Meanwhile, neo-Keynesians have been subtly shifting ground. Yesterday they were promising us full employment with little or no inflation. More recently they have been telling us that we must choose between the two since there is a predestined "trade-off" between the attempt to increase jobs and the degree of inflation we must suffer. In 1974-75 as a result of such advice we managed to harvest the worst of both possible worlds—a high degree of inflation *cum* unemployment, or stagflation!

In view of the record we are entitled to conclude that Keynes' General Theory of Employment was a misnomer. It is a very *special* theory, plausible in the desperate circumstances in which the book was written but unsuitable for the longer pull. What is needed is to shift attention away from pumping up so-called "aggregate demand" through constant monetary debasement and to reaffirm the inherent wisdom of Say's famous Law of Markets that in general supply will create its own demand if the factors of production—labor, materials and capital—are correctly and competively priced.

In business this task is not too difficult, for despite much noise to the contrary, competition in business is intense both nationally and internationally. (Ask Chrysler or even IBM.) And in any case we have the antitrust laws to protect the consumer. In the case of organized labor we have forfeited such protection and in addition have given unions other unique exemptions and privileges: exclusive bargaining rights where a union commands a bare majority of workers in a plant or factory; legalization of compulsory union contracts, and the toleration of mass picketing, intimidation and violence. Morally reprehensible in themselves, these privileges and practices have far-reaching economic consequences, though they are different from what all union leaders and many businessmen suppose.

The Union Factor

It is elementary that unions, comprising something less than 25% of the working force, cannot possibly fulfill their promise of bettering the lot of *all* workers, for real wages began to rise long before unions became powerful and are basically the result of increased business investment and advancing technology. What unions can and do do is to raise the money wages of some workers in the more remunerative trades at the expense of workers in the less remunerative trades. This distortion in wage rates, plus minimum wage laws which prevent some of the poorest members of our community from working at all, has a powerful "unemployment effect," setting the stage for still more government fiscal and credit expansion, according to Keynesian prescriptions. As the late Jacob Viner predicted years ago the result is "a race between labor demands and the printing press."

It should be a primary plank of any libertarian and conservative platform to call a halt to this race, not by denying the right of workers to organize but by insisting that unions become what they started out to be, namely purely *voluntary* associations on a par with any other private association. That is admittedly a long-term job not apt to be even touched by the present Congress, but a necessary one for all that. Nor is it the only one that needs doing. The survival of enterprise requires other major reforms; notably a cut in that most self-defeating of all taxes, the corporate income tax, and the slowing down of enormous government transfer payments from the productive to the non-productive sector of the economy.

In none of the fields should we look for miracles. What is important is to establish a new direction in our thinking. The job ahead is not just to turn the economy around from slump to short-lived boom. It is to effect a permanent "turnaround" of our *ideas* as to what makes for a free and prosperous commonwealth: namely, sound money and open markets. As Keynes himself wrote with remarkable prescience: "Soon or late it is ideas, not vested interests, which are dangerous for good or evil."

Mr. Davenport is a former editor of Barron's and Fortune.

The Russians Are Coming—Again

PETER J. ROSENWALD

New York

...let is back in America ...

the 19th Century classics to fit Soviet ideology as he does in crea... a happy ending to "Swan Lake."

... m of the com- ...

Nina Timofeyeva and S... what seems a cast ... dancers is not an ...

To see the ... "Swan Lake" ... haps in ... satisfy ...

George F. Will

Is It Kissinger's Fault?

We are sliding into one of those tedious Washington debates that begin wrong and go downhill from there. The debate is about Henry Kissinger. To what extent is the state of the world—from Lisbon to Saigon—his fault?

It is another debate about a particular statesman, rather than the more troubling debate we should be having about the limits of democratic statecraft.

Kissinger's critics see him as the pilot in the following story:

A ship plying the coastal waters off Ireland picked up a pilot to guide the ship through the treacherously rocky waters. The ship's captain was appalled to learn that the pilot was drunk, but the pilot said: "Sir, I know every rock in these waters"—at which point there was the crash of hull hitting rock—"and, Glory be to God, there's one now."

Kissinger's critics tend to argue that if U.S. foreign policy is frustrated, some U.S. official must be to blame. This is unfair.

But Kissinger is partly to blame for the unreasonable expectations that he has raised and cannot fulfill. His direct, personal involvement in the short-run tactics as well as the long-run strategy of foreign policy encourages people to think that he expects his statecraft to subdue events.

For his own part, Kissinger feels like the 16th-century woman who was charged with witchcraft and was sentenced this way:

"The accused woman is to be thrown into the river—bound and gagged. If she sinks to the bottom and drowns, this will be proof of her innocence and she is to be given a proper burial; if she floats on the surface and breathes, this will be proof of her guilt, and she will be fetched immediately from the water and burned at the stake."

Kissinger has been criticized for an anti-institutional, over-personalized diplomatic style. And now that events beyond his control (beyond his congressionally diminished control) are unfolding unpleasantly, he is held personally responsible for them.

In fact, Kissinger's problems today are a web of paradoxes.

Political forces have their own physics: Kissinger's vanity has provoked a matching force from those he considers his tormentors, the insurgents in Congress. What Napoleon said of the French Revolution is true of Congress' revolution against Kissinger's domination of foreign policy-making: "Vanity made the Revolution; liberty was only a pretext."

Kissinger does not have humility in the face of Congress because, increasingly, he has humility in the face of history. Congress believes that when its members say "aye" to (say) a "model cities" program, model cities should result. Kissinger lives day-by-day with an even more turbulent world than the one which frustrates Congress' will for "model cities."

Kissinger is a strategic pessimist and a tactical optimist.

He knows that, strategically, time is not on the side of the bourgeois societies of the West. Totalitarian regimes, for all their stupidities, have one strength—staying power. Open consumer societies, devoted to the manufacture and gratification of appetites, have no appetite for the disciplines and deferred gratifications that protracted international competition entails.

But Kissinger, like a Confederate cavalry officer, believes that tactical daring in the short-run can partially compensate for the long-run weakness of a strategic position. This explains the fact that he is more ardent than discriminating in seeking agreements—pieces of paper.

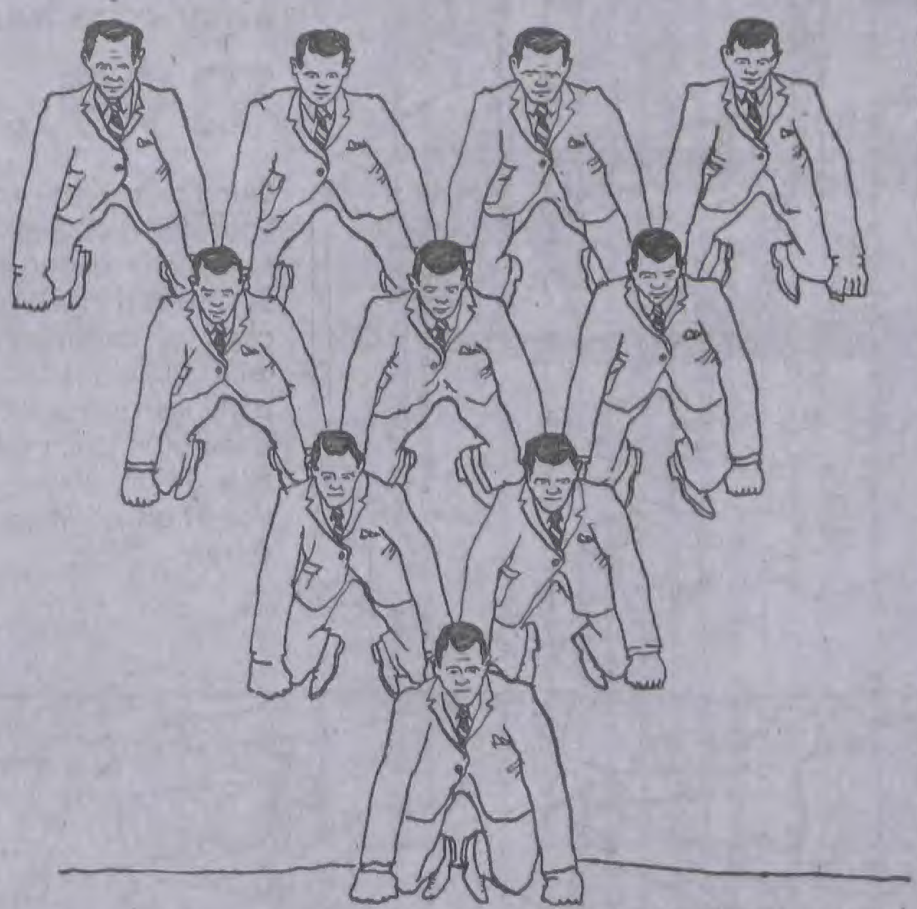
The sobriety and pessimism of Kissinger's vision is, strictly speaking, un-American. It also is broadly correct: throughout history free societies have been short-lived rarities.

Kissinger's view also is, literally, unspeakable. No official of a democratic government can express such skepticism about the long-run toughness and wisdom of his society.

The gathering strength of the totalitarian movements substantiates Kissinger's unspoken strategic pessimism, but seems to contradict the tactical optimism that is his only permitted public posture. This poses the ultimate paradox:

The dangerousness of the world, from Lisbon to Saigon, may produce the sobriety and cohesion without which no democratic nation can have a purposeful foreign policy. If you remember Lewis Carroll's poem "Hunting of the Snark" you know that nervousness has its uses:

But the valley grew narrow and
narrower still,
And the evening got darker and
colder,
Till (merely from nervousness, not
from goodwill)
They marched along shoulder to
shoulder.



By Stuart Leeds for The Washington Post

Poster

In Hopes of Avoiding a Crashing End

A Commentary

By Nicholas von Hoffman

A few weeks ago New York magazine ran a cover depicting someone whom it was impossible to take as anybody else but President Ford in a clown's costume replete with the traditional red, rubber-ball nose. This piece of art elicited a certain number of tsk-tsks in this city of bland pomposity, but off-camera there was general agreement with the magazine.

The more spirited members of both parties have been dismissing Mr. Ford as a bumbling do-nothing It occurs to no one that a bumbling do-nothing may be preferrable to a bumbling do-something.

Before he was pressured into flapping his arms in front of the TV cameras, Mr. Ford's nonprogram had more to be said for it than what the do-something-do-anything crowd have in mind. Over the long haul, activity for its own sake can't replace knowing what you're doing, which is where the people get lost who're demanding tax cuts, price control, deficits, and one-time-only thises and ad hoc emergency thats.

Having spent summer and fall ineffectually fighting inflation, they're now switching over to encouraging it in hopes cheap money will put people back to work. It won't. "A sustainable low level of unemployment cannot be obtained for the 'purchase price' of a higher rate of inflation," writes Darryl Francis, the president of the St. Louis Federal Reserve Bank in the November issue of his institution's Review.

The St. Louis people have a history of challenging the unproven truths Washington and economic orthodoxy take for granted. Thus Mr. Francis and his research staff have gone over the economic history of the past 20 years and what they've found is that, save for short-run transitory fluctuations, trying to stimulate employment by inflationary attempts to increase

See COMMENTARY, B3, Col. 1

In Hopes of Avoiding a Crashing End

COMMENTARY, From B1

purchasing power, i.e., quickie tax cuts, doesn't work. In fact over the last decade as inflation rates began their dreadful zoom, the permanent level of unemployment has kept edging upward, not downward.

Mr. Francis and his associates would have to be categorized as rather conservative, laissez-faire economists. But people on the left have also been pointing to the fading effectiveness of blowing up new whooshes of money—as aggregate demand policies or macro-economics are called in the trade.

Thus it's only the people who're running the country who don't realize the classic dilemma of having to choose between inflation and full employment is a false one. Francis writes, "If there is no trade-off, but policy makers act as if one exists, any attempt to use aggregate demand policies to achieve unemployment below the rate dictated by the force of supply and demand will result in accelerating inflation."

That accelerating inflation won't be too long in coming either. Price rises should begin to slow up by late winter, but with the misguided programs and policies being put together now they may be climbing out of sight by fall. Then comes price control again which is one reason why outfits like U.S. Steel are raising their prices even in the face of slackening market.

For this costly turmoil we can anticipate only a minimal improvement in the job situation. To tackle unemployment, Francis argues, we must go after it directly.

There's no end of work to be done in America but much of it isn't getting done because some workmen's wages are too high and others are too low so that some tasks are too expensive to pay for and others are too cheap to get anybody to do. Others are out of work because unions and other occupational monopolies won't let them work. Still others lack marketable skills.

These aren't ductile problems susceptible to rapid resolution, but while we put our backs into solving them it would make matters easier if we could learn to fight off the fidgety imprecations of the do-something-do-anything hysterics. It would also help if we could find the fortitude to pursue any set of policies long enough to let them have some good effect.

This is a big, complicated society, and unless we want to crash it, we've got to stop running it like a demolition derby.

Bus Govt file

THE WALL STREET JOURNAL, THURSDAY, FEBRUARY 15, 1979

Political Economy

By Paul Craig Roberts

Instability: Cui Bono?

Somehow economic instability persists in the face of strong public support for its eradication. This is remarkable when you consider all those public institutions that have been created to conduct economic policy in the public interest. The Fed, the President's Council of Economic Advisers, the Congressional Budget Office, and House and Senate committees on the budget are all charged with protecting the public from unemployment and eroding purchasing power. Yet all this commitment has not only failed to prevent inflation and unemployment, it has managed to achieve both simultaneously. Such outstanding public failure needs explanation. It is as if NASA had failed to put a man on the moon.

* * *

Economists are not much help in understanding the persistence of economic instability. They attribute instability to policymakers having the wrong policy target, such as an interest rate target instead of a money supply target or a full employment target without an incomes policy. They are too busy arguing among themselves about the appropriate policy target to think about whose interests are served by public policy. Instead, they take the failure of public policy for granted, and that may be where they go wrong. What appears to the economist as a failure may appear to the politician as a success.

It is, after all, unemployment that provides the rationale for deficit spending—Congress's "something for nothing" method of giving handouts. Politicians could not build all their spending constituencies if they had to legislate higher taxes to pay the bill. And without the need to fight unemployment, more people would have perceived politicians using public monies to build power bases. If economists thought about the number of political spending programs that have a stake in unemployment, they would understand that everybody doesn't see unemployment as a failure.

For the government, economic instability is like a two-headed coin. If it lands with its inflation side up, Washington wins as well. And they know it. The congressional Joint Committee on Taxation has made it clear that inflation increases government's income faster than its expenses. If prices rise by 10%, the government's revenues go up by 16%, so even if all government costs rise with inflation there is still a net gain with which to fund new spending.

Inflation brings the government power as well as money. Wage, price, credit and exchange controls all originate in inflation.

These controls give politicians and bureaucrats tremendous power to affect decisions and elicit cooperation. It is crisis, not stability, that puts in place whole new bureaucracies such as the Council on Wage and Price Stability and, some believe, the Department of Energy.

The DOE owes its origin to crisis, or at least to the public's belief in one. The box may be empty, but the government wrapped it well enough to sell it. Once you get an energy department you are in for it, because you have a policymaking body with no interest whatsoever in abundant, reasonably priced energy. DOE simply can't be as disturbed as the rest of us about turmoil in Iran, which gives high officials reason to talk of closing gasoline stations on weekends, seeing lines back at the pump and even possibly pulling those gasoline ration coupons out of DOE's drawer. Each of these actions expands DOE's power over American life. And while the coupons have been printed, the strategic oil reserve program is 18 months behind schedule. This result is entirely consistent with an incentive structure in which the prosperity of DOE is directly proportional to the shortage of energy.

If we come right down to it, there is a great deal of government that is inconsistent with economic stability. Put simply, economic stability does not increase the demand for bureaucrats and their services or for pork-barrel legislation to deal with the consequences of instability. It doesn't increase the demand for economists either.

This is not to say that government and the economics profession are busily pursuing economic instability. But it is to point out that the private interests of policymakers don't coincide with the public's interest in economic stability. There is a conflict of interest here that in a private context would raise eyebrows. No matter how public-spirited and good-intentioned, how can so many policymakers with such a large stake in instability achieve the opposite?

* * *

Both conservatives and liberals have strong reactions when someone talks about the self-interest of government. The former believe it is unpatriotic to talk about one's government in such a way, and the latter resent the implication that the road to progress is not paved with government programs. They dismiss the iconoclast as conspiratorial minded.

It is odd to my mind that conspiracies are widely thought to be unique to the private sector—where, according to some public officials, big banks drive down the value of the dollar and big oil companies drive up the price of energy. But I am not suggesting a public sector conspiracy; I am merely pointing out that the rewards from economic stability do not accrue to the policymakers.

The incentive and reward structure confronting public policymakers is a challenge that democracy has so far ignored. It goes way beyond putting a public official's private wealth in a blind trust. That doesn't get at his use of public policy to make himself politically successful.

Perhaps the conduct of public policy could be contracted out to private firms, with large monetary rewards for successful performance and no rewards for failure. If economic stability carried a payoff to policymakers, whether public or private, I'm sure they would achieve it.

8-D

GOVERNMENT REGULATION AS PLANNING AND MANAGEMENT

The following is a condensation of the June 27, 1979 remarks of THE HONORABLE GEORGE C. EADS, MEMBER, PRESIDENT'S COUNCIL OF ECONOMIC ADVISORS, *before the Town Hall General Luncheon, Town Hall West Forum.* BARRY RUTH, *Vice President, Holwick Constructors, Inc.; and Vice President of Attendance for the Town Hall West Advisory Board, introduced Dr. Eads whose speech, entitled* "THE REGULATED SOCIETY: IMPLICATIONS FOR GOVERNMENT, BUSINESS, AND THE CONSUMER," *discussed 4 important changes in the character of government regulation and outlined the significance of the decline of the legal model of regulation and the growth of government planning and management.*


DR. GEORGE C. EADS

Today I should like to discuss with you the costs and benefits of government regulation. However, I shall not present any figures purporting to represent either the costs or the benefits that government regulation imposes on the economy. Instead, I should like to explore the changes occasioned as a consequence of our becoming a regulated society —changes that will have an impact far beyond any short-run costs or benefits.

I must emphasize that the views I shall be presenting are my own. My views are not necessarily shared by my colleagues on the Council of Economic Advisors (CEA) and, most emphatically, they are *not* presented as the official views of the Carter Administration.

New, Broad-range Regulation

Government regulation has entered a new era. The new era began in the mid-1960's with the passage of a series of laws aimed at such objectives as protecting the environment, ensuring worker health and safety, and assuring the safety and performance of consumer products. Industries such as chemicals, steel, and autos have not come under the exclusive purview of any single, new regulatory agency; but, they have become "regulated industries" during the past decade. That change is not the result of simple growth in the *level* of regulatory activity. Instead, it reflects a new regulatory approach that can be characterized usefully along 4 dimensions, including the *jurisdictional boundaries* of the new regulatory agencies, the *goals* those agencies are directed to achieve, the *evidence* they utilize in deciding whether and how stringently to regulate, and the *instruments* they use when they do regulate.

In the past, the "natural" jurisdiction of regulatory activity was a particular industry or a group of related industries; e.g., transportation. Consequently, a regulated industry was subject to oversight and control by a single regulatory agency authorized by a single, comprehensive legislative or administrative action.

In contrast, the majority of new regulatory agencies have been mandated to resolve social or economic problems wherever they are perceived to arise. In some cases, mandates have resulted in regulations to which all or a very wide range of industries are immediately subject. In other cases, agencies have focused on a few industries at a time but with the clear prospect that all industries might be subject to future action.

Important Implications

This change in jurisdictional definition has 3 important implications for business and industry. First, business and industry have been burdened with the major responsibility of assessing the broader implications of policy actions and reporting those assessments to government agencies. They cannot rely on regulatory agencies to have a well-versed understanding of the economic and social roles played by particular firms or their competitors.

Second, there is much uncertainty about the kinds of issues that may be raised by an agency with a particular mandate or precisely when or by whom new issues will be raised.

Third, business and industry must become accustomed to dealing with inter- and intra-agency conflicts. It is often the case that government agencies are totally unaware that they are working at cross-purposes. In those instances, firms find themselves in the awkward position of explaining to government what government itself is doing.

Regulatory Goals

The goals of the traditional regulatory agencies required them to assure the long-

TOWN HALL *Journal* (USPS 635-380) Second-class postage paid at Los Angeles, California. Published weekly by TOWN HALL, 523 W. 6th St., Los Angeles, CA 90014. ROLLAND D. HEADLEE, Executive Director/Publisher. RHOBERLY H BLYTHE, Associate Director/Editor. ROBERT STURGEON, Writer/Town Hall-Haynes Foundation Intern. Subscription rate: $4 per year, included in membership dues. POSTMASTER: Send address changes to TOWN HALL JOURNAL, 523 W. 6th St., Los Angeles, CA 90014.

term existence of the industries and firms they regulated. In some instances, a promotional responsibility was written directly into the statute that created the agency. Unfortunately, the same statement cannot be made about the new regulatory agencies. For example, the Environmental Protection Agency (EPA) was created to prevent damage to the environment. The EPA strives toward that goal by limiting harmful emissions, but its success does not require the survival of the industry doing the emitting.

Similarly, the Occupational Health and Safety Administration (OSHA) must protect the health and safety of workers. OSHA is prepared to sacrifice those firms that employ unsafe practices and are perceived as a hindrance to that agency's goal attainment.

To a degree, Congress has recognized the difficulties inherent in such mandates and has placed limits on them. The problem is that those limits are necessarily vague.

Standards & Evidence

Traditional regulatory agencies dealt with issues that were largely financial or commercial in character. Those issues faced by the new regulatory agencies have been of a more scientific or technical nature. Like most questions addressed by scientists and engineers, those issues have been subject to a high degree of speculation and uncertainty. The standards and evidence used to make decisions in those issue areas have distressed both businessmen who are being regulated and certain scientists who fear the intrusion of politics into their "community of science."

By and large, it appears as though regulatory agencies are dealing with such issues exactly as Congress intended them to. Congress recognized the uncertainties involved with many of the hazards that the regulatory agencies were ordered to control. Further, Congress admitted that the regulatory agencies would have to base decisions on evidence that often would be ambiguous. But the risks of waiting until all the evidence was in was felt to outweigh the harm caused by an occasional unnecessary regulation. Thus, the "new regulators" are required by law to make decisions that by nature preclude absolute certainty prior to action.

Regulatory Instruments

The fourth area in which the new regulation represents a break with tradition is in the instruments it uses to achieve its goals. Old-line regulatory agencies, such as the ICC, FCC, and CAB, relied primarily on their power to approve or disapprove specific requests relating to such matters as pricing, entry and exit, and mergers. But their power to influence specific conduct of a firm was constrained severely by statute.

In contrast, new agencies like the EPA and OSHA dictate the most minute details of how a production process shall be carried out; what inputs, outputs, and intermediate products will result; and what the precise characteristics and uses of the final product will be. Of course, such activities require the new regulators to understand the details of individual firms' operations. Despite the fact that the new regulators do not have such an understanding, they struggle on anyway.

National Economic Planning Rejected

Now permit me to tell you of a paradox. At the very time Congress was erecting the regulatory apparatus I have just described, it was also debating the wisdom of embarking on something called "National Economic Planning." The major proposal was that the government would use that planning apparatus to establish broad targets for certain key industries—such as steel, autos, chemicals, and energy—that would serve as a guide for investment planning. "The plan" would also have incorporated employment and inflation targets for the nation as a whole. Government actions, primarily constituted by monetary and fiscal policies, would have been measured against their impact on the plan.

Skepticism concerning the government's ability to produce a meaningful plan and to coordinate its policies sufficiently to abide by it were partly responsible for the plan's rejection. In addition, the idea of a National Economic Plan ran afoul of the traditional American dislike for government planning—a dislike stimulated in part by visions of Soviet-style activities.

The irony in all this is that the effective management of the regulatory apparatus we *did* decide to put into place during that period requires a significantly *greater* capability to understand complex interactions and to make detailed, long-term projections of effects than was ever envisioned by proponents of National Economic Planning. In fact, part of the reason why we ended up in this state of affairs is our refusal to view the task of regulating business as a problem in planning.

Legal Approach

To date, social regulation has been viewed in legal terms. We have responded to particular conducts or problems with the creation of government agencies, written laws, and ever-expanding rulemaking authority for regulators. That approach might conceivably work as long as the impact of rules and regulations are sufficiently peripheral to the main business of firms.

Once the degree of governmental influence begins to exert such a pervasive influence on the key decisions of business and industry that it becomes controlling, then the legal approach breaks down. At that point, it becomes necessary to think of regulation as a planning or management problem, with government exercising a degree of managerial responsibility for the affected firm or industry. We have now reached that point in America and it behooves us to consider the implications for the way government organizes itself to deal with regulation, the techniques it uses to regulate, and the legal mandates on which regulation is based.

Organization Changes

Certain organizational changes made by the Carter Administration during the past few years seem to reflect a recognition that regulation must be viewed as a planning and management problem. Executive Order 12044 and the creation of the Regulatory Analysis Review Group (RARG) were intended to assure that agencies give appropriate weight to the costs their proposed major regulations are likely to impose on the economy. In performing their regulatory analyses, agencies are required to examine less costly routes to the same goal and to state why less burdensome alternatives have been rejected. The RARG reviews those analyses and files its own comments on them.

Another recently created body is the Federal Regulatory Council, which consists of the heads of all federal regulatory agencies. The Regulatory Council already has published the first compilation of contemplated federal rulemakings, entitled the *Regulatory Calendar*. The Council has also commissioned studies of the cumulative impact of regulation on a number of important industries—such as steel, copper, and automobiles—and has established formal coordination between the agencies primarily responsible for motor vehicle regulation—the NHTSA and the EPA. These are extremely important first steps.

Problems will arise if we proceed too far in the direction of industry-specific regulatory bodies. Reorganizing regulation solely along those lines would inevitably set up targets for industry "capture." Further, it is not certain that such a structure would solve the problem of considering the *inter*-industry effects of regulation any better than do the issue-specific agencies.

Hybrid Organization Structure

Eventually, we will see a hybrid organization structure developing that will be composed of both issue-specific and industry-specific elements. Basic regulatory programs will continue to be organized along issue lines and those agencies will bear responsibility for developing basic regulatory programs. However, at a very early stage in the development of each major regulatory decision, the industry and *inter*-industry perspective will be brought into the picture. Those who are charged with running that coordination process will also be responsible for identifying and involving other issue-specific regulatory agencies that are affected. Such a "planning" process will ensure that major individual proposed regulations are judged in relation to what the government as a whole is doing with respect to a particular industry and that each regulation is measured against a set of broad goals for that industry.

A number of eminent economists have called for an increased reliance on economic incentives as opposed to detailed "command and control" regulations. Economic incentives are not applicable everywhere, but a fundamental prerequisite to that highly desirable shift is a movement away from the legal model of regulation. By making the *prevention* of undesirable activities profitable, regulators can put the inventive genius of the businessman to work at helping to achieve regulatory goals. Such an approach is far more acceptable in a system that admits openly that the primary goal of regulation is to *alter* incentives, not merely to punish wrongdoers.

Broader Statutes Needed

As we move away from the legal model of regulation and toward the planning and management model, it will become necessary to reevaluate the basic statutes under which our regulatory bodies operate. Some of the inconsistencies between regulations imposed by different regulatory bodies have become notorious. However, less well known and far more serious are the inconsistencies in the factors that agencies consider in their rulemaking, the regulatory tools they use, and the degree to which specific quantitative targets are specified by law or left to the discretion of the agency. Those inconsistencies become painfully apparent when the regulatory activities affecting an industry or sector are viewed as a unit.

Eventually, regulatory statutes will have to be recast in a much broader form and harmonized. To avoid total chaos, Congress will have to grant the President a broad degree of discretion in achieving regulatory goals and the ability to make explicit tradeoffs among such goals. Appropriate requirements for consultation and public treatment of reasons will, of course, have to be established.

Impact on Public

What does this mean for the public? Our transition to a regulated society carries with it dangers far more important than the mere waste of resources by government agencies. The use of the regulatory process by "public interest" groups to achieve their goals has been well documented. Less well known or understood is its use by individual business firms to create or enhance the market for their products or to disadvantage a competitor.

For example, a recent article in *Fortune*

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magazine estimated the subsidies created by Congress for small refiners through the oil entitlements program at $2.5 billion per year. Those subsidies, plus the fact that the magnitude of the per-barrel subsidy is inversely proportional to the size of the refinery, have caused a boom in the construction of otherwise highly inefficient units. We are now paying the price in the form of reduced gasoline production capacity.

Similar examples were encountered in our work at The Rand Corporation regarding the economic impact of potential controls on nonaerosol flurocarbon emissions. Certain firms would be disadvantaged by such controls, while others would stand to profit handsomely by them. Indeed, that ability to profit from the current chaotic state of the regulatory process has been suggested as a reason why some businessmen adamantly defend current regulatory techniques.

Dangerous Path

If government does not improve its ability to understand its actions in the regulatory arena, it will face a threat of "capture" far more significant than was the case for the traditional regulatory commission. Industry will adapt to the challenge of dealing with government regulators just as it has adapted to other changes in its environment. At the same time, business will shift increasingly away from producing quality products at the lowest possible cost toward manipulating the political variables to ensure that the regulatory environment will be favorable. In such a world, the test for a new product will be: "How can we get government to assure a market for it?" Governmentally mandated cost increases will serve as a focal point for industry price increases. A businessman's major concern will be to see that his competitor does not make out any better than he did in dealing with Washington.

We need to confront the paradox that lies on our current path of government regulation. I cannot guarantee that a new path would be without its own pitfalls. But, if we do not want to abandon the broad social goals we have embraced so fervently in recent years, we must consider seriously a midcourse correction.

REPRINT № 98

June 1979

Our govt file

Regulation: Asking the Right Questions

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from the *National Journal*
April 28, 1979, vol. 11, no. 17

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In recent years, a vast literature on regulation has emerged, a literature to which many professional disciplines have contributed. Historians have chronicled the circumstances under which existing regulatory systems were established. Political scientists have described (often incorrectly) the political and institutional dynamics of regulation. Lawyers have analyzed the legal rules that govern the procedures and substantive policies of regulatory agencies. Economists have measured the economic performance of regulated industries and the costs and benefits associated with regulatory activities. And politicians, whose intellectual effusions fill countless volumes of their professional journal (the *Congressional Record*), have debated the merits of regulation in general and of regulatory proposals in particular.

Very little of this analysis, however, bears upon the question that policy makers most need to answer: How well is a regulatory program likely to be *implemented* in the real world? To be sure, economic theory has analyzed "market failure" (i.e., market conditions, such as external effects, inadequate consumer information, the "free rider" problem, inadequate tort remedy, monopoly, etc., which may justify regulatory intervention on efficiency grounds), and the efficiency and distributional consequences of particular regulatory proposals or programs ("cost-benefit analysis"). But the "market failure" and "cost-benefit" criteria are *minimal* ones, necessary but not sufficient to justify a regulatory intervention. Virtually all markets, after all, are imperfect to some degree, especially consumer markets in which, among other market flaws, the information possessed by consumers is often inadequate. Third party effects (called "externalities") which impose costs of activities upon persons who do not fully benefit from them (or vice versa) are also pervasive in a crowded, interdependent society, particularly one in which equity considerations (e.g., the income distribution and the fate of low-income groups in the marketplace) have increasingly come to affect the preferences of voters-consumers.

But if markets are almost always flawed, so are regulatory interventions by government. However inadequate consumer information may often be, information in the political marketplace (where there is no FTC to police claims) is probably worse. A consumer purchasing a product may know little about its performance, safety, durability, etc., but that pales in comparison to what the Consumer Product Safety Commission (CPSC) does not know but would have to know in order to prescribe a safety standard that would maximize the welfare of millions of consumers while taking into account the dynamic economic and technical realities of hundreds of firms. Much the same is true of externalities: Market transactions in an unsafe product will often harm third parties (e.g., those injured in accidents or compelled to pay higher insurance premiums) without compensation, but the potential for uncompensated, unforeseen harm to consumers, workers, stockholders and other third parties resulting from uninformed economy-wide or industry-wide regulations may be far greater. Other aspects of what might be called "regulatory failure"—for example, protracted, legalistic and expensive proceedings; a chronic tendency to lump differently-situated persons or firms into broad, unrefined regulatory categories;

discouragment of long-term investment; discouragement of innovation—must also be weighed against the inevitable imperfections of the market.

Cost-benefit analyses are also invariably flawed. The reasons for this are well-known: the difficulty of identifying and quantifying many costs and benefits; the inevitably arbitrary nature of valuations of human life or health; the special difficulty of evaluating extremely low risk but catastrophic events (e.g. a meltdown of a nuclear reactor); the problem of interpersonal and intergenerational comparisons of utility; and many others. These limitations imply that cost-benefit ratios, whether favorable or unfavorable, should (like analyses of market failure) constitute only the beginning of the inquiry, not its conclusion.

To begin to address questions of regulatory *implementation*, one must first possess a theory not only of how markets work but of how regulation—whether of markets *per se* ("economic" regulation) or of other market-related phenomena, such as pollution, pensions or civil rights ("social" regulation)—works. Such a theory must be grounded not only in a knowledge of economics but in a knowledge of law, of politics and of history; in short, it must be interdisciplinary in nature. Perhaps for that reason, no such theory yet exists. And given the complexity, diversity and value-laden nature of the phenomena to be explained, any such theory is not likely to be a rigorous one. Nevertheless, this article suggests some modest hypotheses as a starting point.

Most of the propositions that follow must be qualified by the condition "other things being equal." In the regulatory world, of course, this condition is never really met. Nevertheless, such generalizations can help us to identify additional criteria or points of reference that can stimulate policy makers to think critically about the likely effects of regulation in real world situations, and decide what form or forms the regulation ought to take. These criteria will be grouped into five general categories relating to: (1) the structure of the market or other phenomenon to be regulated; (2) the informational needs of the regulator; (3) the objectives of the regulation; (4) the enforceability of the regulation; and (5) the political support for the regulation.

THE STRUCTURE OF WHAT IS TO BE REGULATED

The relevance of the structure of the market or other regulated activity to the probable efficacy of regulation extends well beyond the possibility of market imperfection.

Number of Regulatees: Other things being equal, the more numerous the firms, people or processes that must be regulated, the less likely it is that regulation will be effective. This generalization, while perhaps more true of what Charles Schultze has termed "command-and-control" regulation, tends to be true of "incentives" regulation as well. First, if scarce regulatory resources must be spread over a large number of entities, inspection and monitoring become sporadic, thereby diminishing the credibility of regulatory sanctions. The Occupational Safety and Health Administration (OSHA), for example, purports to regulate some five million workplaces. Although OSHA devotes four-fifths of its staff to enforcement, its inspections during 1976 covered fewer than 2 per cent of the workplaces. A probability of inspection for the average workplace of only once in several decades, coupled with very low fines for violations ($37.49 on average in 1976), means that the regulatory sanction is unlikely to be an important factor in and of itself. While private enforcement of a regulatory standard could supplement agency resources (e.g., the anti-fraud provisions of the Securities Act), private remedies are normally not authorized where the administration of a complex regulatory scheme is delegated to a regulatory agency.

Second, the number of entities may be so great as to make it difficult or impractical for the regulator even to *identify*, much less regulate, them all. The jurisdiction of several federal civil rights laws, for example, extends to all recipients and sub-recipients of "federal financial assistance;" no one has ever compiled a list of them, but it would probably include a half million or more entities. Similarly, the FCC has licensed some 13 million CB operators using about 25 million transmitters; with an enforcement staff of 100, it can only respond to the most extreme violators, such as transmissions involving criminal conduct. Finally, as the number of regulated entities increases, their diversity tends to increase as well, creating difficulties to which we now turn.

Diversity of Regulatees: As an artifact of law, regulation manifests what are perhaps the basic tensions of law: the inescapable conflict between uniformity and diversity, between rule and discretion, between certainty and uncertainty, and between the "rough justice" of broad categories and justice tailored to the equities of individual situations. Regulation almost invariably opts for the former of each of those dualities, for several reasons: limited resources; the importance to economic enterprise of predictability; the danger to effective regulation of delay and stale data; and the sheer enormity of the regulatory task.

The experience of the Federal Power Commission furnishes a dramatic example of this phenomenon. When the FPC undertook regulation of producer rates for natural gas in 1954, it began by determining "just and reasonable" rates for each of the more than 3,000 individual producers. By 1960, the sheer number of backed-up rate proceedings had swamped the Commission, and it was compelled to simplify the process drastically by lumping all producers together into fewer than a dozen "areas." Each producer in a given area was required to sell gas at or below the same "area rate," regardless of the cost and profit profile of the particular producer. Because even area data were difficult and expensive to compile, "area rates" were themselves determined by the Commission on the basis of area or nationwide *averages*, further attenuating the relationship between an area rate and the economic profile of any particular firm. Even area-rate regulation, however, proved too complex—the Southern Louisiana area rate was not affirmed by the Supreme Court until 1974—and the Commission in 1974 issued a single "national rate" applicable to all but the smallest producers. Within six months, this "single" rate had been increased by almost 20 per cent, and had been repeatedly encumbered with regulatory exceptions, exclusions and amendments.

To an even greater extent than its predecessors, the national rate was an artificial construct, bearing about as much resemblance to the economic profiles of the individual producers as the "average American" does to the diverse society that he or she is said to exemplify. In 1978, Congress enacted a *statutory* rate, but in order to provide flexibility found it necessary to provide for some 17 different rate categories. Many similar examples from the area of "social" regulation (such as FDA's attempts to regulate large numbers of over-the-counter drugs for safety and efficacy) could also be adduced.

Regulators cannot reasonably be faulted for adopting such "rough justice" strategies, given the regulatory tasks Congress sets for them and the meager (relative to such tasks) appropriations Congress votes for them. Nevertheless, its inevitable result is that people or firms in radically dissimilar circumstances are treated as if they were alike, producing competitive distortions and gross inequities. The use of the "base year" concept in price regulation, for example, ensures that some firms will enjoy substantial pricing latitude while others will be severely constrained, depending upon how each firm happened to fare in the base year and how typical that year was for each.

Similarly, the notion that the small firm is simply a large firm in miniature ignores the very real differences between them with respect to mode of operations, access to capital, accounting systems and many other aspects of economic activity. Yet most regulatory requirements do not—and, as a practical matter, probably cannot—fully take account of such differences. Indeed, when an agency tries to do so, the administrative problems can be immense; one ERISA provision elicited more than 220,000 individual requests for exemption, some taking more than a year to process.

Where a regulator has jurisdiction over only one or a relatively small number of firms in an industry—for example, state public service commission regulation of public utilities, FCC regulation of interstate telephone service, or some state hospital cost review commissions—the problem of creating competitive inequities through regulation is reduced somewhat (although not entirely, since regulated firms must compete with unregulated firms in capital and other markets). The problems of acquiring adequate information, political support and other resources, however, will remain formidable ones, as the FCC's chronic difficulty in regulating AT&T demonstrates.

The Dynamism of the Particular Market: Some activities (say, telecommunications) are more subject to rapid technological, economic, or other changes than others (say, the practice of law). In general, regulation is most problematical when it is attempting to employ "command-and-control" techniques to regulate firms, industries or activities that are relatively dynamic.

Any regulatory system will tend to develop a political momentum (or inertia) reflecting the power of those groups that have or acquire vested economic, bureaucratic, ideological or political interests in the maintenance of the regulatory *status quo*. Whether it be the interest of trucking interests (and their unions) in cartelization under the auspices of the ICC; of small refiners in regulation of oil prices; of environmental groups in enforcement of anti-pollution laws; or of the congressional small business committees in the enforcement of the Robinson-Patman Act, these commitments make it quite difficult for a regulatory system to respond to changes in its environment. Thus, when rapid technological transformations or dramatic perturbations in the potential competitive situation occur, they create strong pressures for fundamental adjustments which the regulated firms (and their allies) strongly resist. That resistance may be successful (as with the banking industry's use of regulation to prevent competition across state lines) or unsuccessful (as with airline deregulation, the relaxation of certain FCC controls over specialized telecommunications services, and the demise of "fair trade" laws), depending upon a number of political and economic factors. The banking industry, for example, consists of a large number of firms distributed in every congressional district; it tends to be well-connected politically at the local level; it can play the several bank regulatory agencies off against one another; and it is often protected from competition even within the borders of its own state. But even when regulation does adjust to the new technological and competitive realities, it tends to do so only after considerable delay (or "regulatory lag").

A second reason why regulation, especially the "command-and-control" variety, does not sit easily in the saddle of change has less to do with regulatory politics than with the nature of legal rules. Many, perhaps most, regulatory standards are "input," "design," or "process" standards; they prescribe what one must do (or, in the case of credentialling, be) or how one must go about doing it. Yet the technical reality which they describe changes (or should change) constantly; indeed, the very essence of innovation is to alter the nature or mix of inputs and processes to deliver a product or service to consumers more efficiently. For that reason, a "performance" standard is less subject to this objection. Unfortunately, as discussed below, there are limits on the extent to which performance standards can be, or ought to be, employed. And even a performance standard is often undermined by technological change and advances in learning. Many of the "consensus" standards which OSHA adopted in 1971, for example, were performance standards, yet many of these had been rendered obsolete long before 1971, either because the state of the engineering art permitted equally effective but less costly standards or because the state of knowledge concerning the health and safety effects of certain equipment, processes and substances had changed. Nevertheless, many of these are still on the books due to the laborious and controversial process required to develop new ones.

The Existence of Countervailing Interests: While the economic interests of consumers will sometimes coincide with those of regulated firms, they often will not. The interests of polluters, for example, will usually diverge from those of persons living nearby. In such situations, the ability of regulation to protect affected third parties will depend to a considerable extent upon countervailing interests with a stake in challenging and countering the assumptions, data and policy arguments regulated firms press upon their regulators. In some cases, such adversariness inheres in the regulatory program. Regulation of the collective bargaining process by the National Labor Relations Board, for example, systematically pits well-defined, well-organized economic interests—management and labor—against each other. This is sometimes true under OSHA as well. In some cases, the structure of a regulated industry naturally generates some degree of adversariness. For example, the International Trade

Commission presides over a process in which pressures by domestic industries for protection through trade restrictions are sometimes (though not always) countered by importers and manufacturers favoring liberalized trade. In still other cases, environmental, consumer or other "public interest" groups may help fill the void; EPA, the FTC and the CPSC, among others, have encouraged this approach. Two formidable forces—the regulatory agencies themselves and congressional committees—have (in recent years, at least) often attempted to perform this adversarial function, with varying success. Taken all together, these countervailing interests have helped to subvert the conventional wisdom about the inexorable, irreducible pro-industry bias of regulation, especially (but not exclusively) in the case of "social" regulation.

Even when one of these countervailing forces is operating in a regulatory system, of course, inequalities in information, technical skills, political support and other resources will advantage one interest or another; in the nature of the case, it is difficult to see how it could ever be otherwise. Nevertheless, a regulatory system in which adversariness, through one or another of these mechanisms, is a reality is more likely to generate policies that take into account the wide variety of interests implicated by important regulatory decisions.

THE INFORMATION NEEDS OF REGULATORS

One of the principal justifications for regulation is the market failure that results from inadequate consumer information. Yet regulation does not obviate the need for such information; it simply shifts the locus of that need from the consumer to the regulator, while vastly increasing the quantity, quality and types of information needed.

The Availability of Information: Regulators ordinarily need a great deal of information in order to make sound regulatory decisions—information concerning costs;

benefits; consumer preferences; quality-cost trade-offs; effects of alternative decisions on the environment; employment and competition; and on many other subjects. Almost invariably, much of that information is in the exclusive possession of the regulated industry and some of that (e.g., cost data or trade secrets) may be legally protected against disclosure to the public. Nevertheless, the extent to which regulation-relevant information is already in the public domain or can be obtained through legal process by the regulator does vary. The Equal Employment Opportunity Commission (EEOC), for example, has access to most of the occupational, salary and other such information it needs to construct a *prima facie* case of employment discrimination against a firm, and the CPSC can obtain much data on the incidence and cost of consumer injuries, the engineering of regulated products and the cost of proposed safety requirements. On the other hand, the FPC (and its successor) was almost wholly dependent upon producers of (and drillers for) natural gas for the basic information upon which its rate formula was based despite the fact that the industry data were demonstrated to be highly questionable. Access to needed information, of course, does not assure that it will be used either intelligently or fairly, but an agency that cannot even obtain it is almost certain to make poorly-supported decisions.

Finally, "economic" regulation often undermines the valuable information implicit in costs and prices; this may be intentional (as with Regulation Q, which in effect mandates that small savers subsidize homeowners) or not (as with "regulatory lag" in public utility regulation). On the other hand, much "social" regulation is designed to enhance the availability and value of cost and price information by making such information reflect the full, "true" costs of doing business.

The Quality of Information: The quality of information, of course, is related to its availability to the extent that it is open to challenge by someone other than those who have supplied it. Beyond the question of its availability to the regulator, however, its quality may vary considerably depending upon a number of factors. Data may be "soft" due to the primitive state of scientific knowledge (e.g., the environmental and health effects of certain chemicals at various levels of exposure), or to the irreducibly subjective nature of the phenomenon being regulated (e.g., the relationship between staffing ratios and "quality" day care). It may be suspect by reason of the self-interested character of its source (e.g., the American Gas Association's data on gas reserves); or the incapacity of third parties to evaluate it either as a legal matter (e.g., confidential wage and price data submitted by industry to the Council on Wage and Price Stability) or as a practical matter (e.g., data submitted to USDA under the incredibly complex program of dairy price supports). And it may be stale due to the protracted nature of many regulatory proceedings (e.g., one proposed merger of a major railroad gained final ICC approval only after 12 years, by which time the line was bankrupt).

The quality of regulatory information, moreover, may be affected by the distribution of the benefits and costs of a regulatory proposal. Robert Reich has pointed out that cost-benefit analysis is more likely to be demanded and supplied by both opponents and proponents of a proposed regulation in those instances (e.g., much environmental and safety regulation) in which its costs are highly concentrated and its benefits are widely dispersed, than in those instances in which the reverse is true. Other things being equal, the quality of information available to the regulator as a result of those analyses is likely to be better than in their absence.

The Quantity of Information: Regulation through economic incentives tends to require far less information on the part of the regulator than regulation through "command-and-control" techniques. Since regulatory information of high quality is often difficult to come by, that is no small virtue. A regulator designing an effluent tax, for example, need not know in detail the technology or the cost profiles of firms; he need only know the benefits that particular reductions in effluent level will generate and then set the tax accordingly. Moreover, if experience suggests that the tax is too high or too low, its level can be adjusted far more easily than can a regulation which mandates certain specified inputs or processes and on which firms have relied through large investments in plant or machinery. A performance standard shares some of these attributes of incentives, but because it does not (as the tax does) give a firm the freedom to pollute at any level it wishes (so long as it is willing to pay the social cost), the regulator cannot rationally set the level of the standard without knowing what the cost of compliance will be to firms. On the other hand, *enforcing* "incentive" regulations may require more information than enforcing input, design or process requirements, a possibility discussed below.

THE NATURE OF THE REGULATORY OBJECTIVE

The particular task that Congress sets for the regulatory agency will not necessarily control its future behavior, for the agency is inevitably transformed over time from an instrument of legislative policy into an institution with an organic life and purposes of its own. Moreover, most regulatory statutes are exceedingly ambiguous (and sometimes even contradictory) in defining the regulatory objectives. Thus, the CPSC must eliminate "unreasonable risks of injury;" the ICC must set "just and reasonable" rates; and civil rights statutes typically proscribe "discrimination" without defining it. And particular regulatory objectives, such as occupational health and safety, are ordinarily mitigated by other regulatory objectives (such as "feasibility") with little or no guidance given as to how these values should be traded off against one another. Nevertheless, an agency's formal objectives are important in establishing a regulatory "mood;" they define the outer boundaries of its principal mission and other institutions, especially the courts, will be called upon to enforce that mission once it begins to stray. Two dimensions are especially important to a regulation's efficacy: the substantive content of its objectives and the direct measurability of their achievement.

The Content of the Objective: Some regulatory objectives are more easily achieved than others. To a great extent, the strengths and limitations of regulatory agencies correspond to the strengths and limitations of law itself. Thus, regulatory agencies, like the law, tend to be better at regulating procedures and the flow of information than at regulating market characteristics (e.g., the price, quality and health and safety effects) which require at the margin a tradeoff of important economic and social values. That is certainly not to deny that regulating such characteristics is often essential in order to protect the public. It is only to say that this kind of regulation tends to be far more difficult—and errors far more costly to society—than regulating information and procedures. To be sure, the distinction between these types of regulatory objectives will not always be clear-cut: The proper functioning of markets depends upon information and procedures, and both are themselves commodities which are often marketed (as the durability of *Consumer Reports* and labor arbitration demonstrate); moreover, the regulation of procedures and information generates costs and often implicates important values and interests. But it remains the case that what the SEC, NLRB, Commodity Futures Trading Commission and Federal Elections Commission (FEC) attempt to do tends to be quite different from—and far more manageable than—what the ICC, OSHA, EEOC and energy regulators attempt to do.

The most important differences relate to what Dahl and Lindblom have called the "problem of calculation" and the "problem of control." The quantity, type and quality of data that the SEC needs to determine what kinds of information investors should have for the efficient functioning of the securities markets; that the NLRB needs to determine what is an appropriate bargaining unit or whether an unfair labor practice has been committed; or that the FEC needs to determine whether a particular activity by a candidate constitutes a campaign "expenditure," are very different from that which the ICC needs to calculate "just and reasonable" rates for competing modes of transportation; OSHA needs to devise health and safety standards that will protect workers while not unduly jeopardizing their jobs; the EEOC needs to determine whether employers are engaging in discrimination or merely reacting to labor market conditions that confront them; or the Department of Energy needs to price and allocate scarce gasoline supplies. The information required for the former tasks, while often imperfect, tends nonetheless to be manageable, available and reasonably stable over time; moreover, it possesses few of the infirmities of information discussed earlier. In contrast, the latter tasks tend to require enormous quantities of information; much of this is obsolete by the time it is ready to be used, much is impossible to come by at any reasonable cost, and that which is available will often be of low quality.

If the problem of calculation is especially formidable with respect to regulation of price, quality and other market characteristics, the problem of control is no less so. Compliance with the SEC's disclosure requirements, the NLRB's procedures, or the FEC's strictures is relatively easy to monitor. Consequently, there is less likelihood of competitive distortions, black markets or other forms of evasion. In the case of "economic" and much "social" regulation, however, non-compliance is more difficult to detect, for several reasons: the economic incentives on the part of buyers and sellers to evade requirements are especially great; what constitutes compliance is far more ambiguous; and there tend to be fewer countervailing interests capable of enforcing compliance. To establish that a firm failed to make certain financial disclosures to the public or failed to follow prescribed procedures is one thing; to establish that it discharged pollutants in excessive quantities, sold a substance that is carcinogenic, discriminated in hiring or engaged in an anti-competitive merger, is quite another. Institutional investors, labor unions or opposition candidates are well positioned to try to police the former; ordinary consumers, workers or small businesses will have little incentive or opportunity to police the latter.

The Ability to Measure Performance: The extent to which regulatory objectives are in fact achieved can be measured more directly with respect to some objectives than others. OSHA, for example, can gauge the extent to which it has improved occupational *safety* far more readily than it can with respect to occupational *health*. Thus, the number and/or severity of industrial accidents per man-year is a reasonable measure of the former, for an "accident" is a relatively well defined phenomenon whose cause is usually (though not always) ascertainable. (Even here, of course, the accident rate clearly is affected by factors other than OSHA, as evidenced by the recent increase in lost work days and serious industrial accidents). Many occupational diseases, however, possess neither of these attributes; their symptoms are generalized, may not even appear for a generation or more and have uncertain causes.

The extent to which performance can be measured directly is often a matter that the regulator cannot control; as the example of occupational disease suggests, it may be inherent in the particular regulatory task. In this case, the regulator will usually be obliged to devise operational substitutes for the regulatory objective, proxies the achievement of which *can* be measured directly. These proxies generally take the form of "input"requirements (e.g., that only licensed physicians may perform certain tasks), "process" requirements (e.g., that certain procedures be undertaken) or "design" requirements (e.g., that certain types of machinery be used). Even when "outcome" or "performance" requirements are available, they may be impractical because of the administrative difficulties of actually measuring or enforcing them. It is far easier, for example, to enforce affirmative action requirements (at least in the first instance) by counting the proportion of minority employees in a firm than by attempting to evaluate its subjective "good faith" in seeking such employees. Similarly, an OSHA inspector can easily measure the distance between a cutting machine and a guard rail, but measuring the safety performance of such a machine directly would require that the inspector wait until after the damage had been inflicted, thereby defeating the regulatory objective.

In many cases, however, performance or outcome standards or economic incentives are preferable. EPA, for example, is increasingly attempting to regulate the amount of permissible effluent rather than regulating the pollution control technology; similarly, HEW has devised new outcome-oriented performance measures for the Head Start program. Such standards are superior in several respects. First, they prescribe only the desired result, leaving to the informed discretion of the regulatee how best to achieve that result. This division of responsibility recognizes the comparative advantages of both regulator and regulatee, and increases the likelihood that the most efficient solutions will be devised. (On the other hand, the regulatee may select a solution that is efficient but may nevertheless be deemed objectionable. Thus, firms may require workers to wear uncomfortable personal protection devices rather than install more expensive engineering controls). Third, they avoid involving regulators in the minutiae of industrial engineering, management science, applied chemical research and the like, except to the extent necessary to prescribe the desired outcome. Finally, they provide measures against which the performance of both regulator and regulatee can be judged because the measures relate directly to the real purposes of the regulation, rather than to some imperfect proxy. Indeed, regulators and regulatees often resist performance standards for this very reason (although the stated complaint will often be not that performance measures are objectionable *per se*, but that the particular standard chosen is not an appropriate measure of the regulatory objective).

THE ENFORCEABILITY OF REGULATIONS

The disposition of people to obey a legal requirement depends upon many factors (including the costs of compliance, the clarity of its meaning and the extent to which it is perceived to be reasonable or just), but a critical one is the anticipated cost of non-compliance. For this reason, the enforceability of a regulatory scheme is an important determinant of its real-world effectiveness.

There may well be few legal requirements for which some loophole or evasion cannot be devised by a regulatee with both a strong incentive to do so and a creative lawyer to help; even under ordinary circumstances, regulations often cannot be effectively enforced. Nevertheless, some regulations are more readily enforceable than others; enforceability depends upon a number of factors, many of which relate to points made earlier. First, the resources of the regulator will often simply be inadequate to the tasks of identifying non-compliance and mobilizing the administrative apparatus, especially when the regulatees are numerous and not highly visible. Federal day care regulations have long gone unenforced for this reason (among others); it is simply impossible to identify, much less monitor or inspect, the tens of thousands of formal and informal day care arrangements subsidized by federal dollars. Second, a regulation's ambiguity, often desirable for policy or political reasons, may be so great as to preclude enforcement, either as a matter of law (as a federal appeals court recently found with respect to Department of Energy pricing regulations) or as a matter of fairness (as with the federal day care regulations). Third, certain regulations penalize what the price system rewards, thereby realizing the often considerable potential for black markets in the prohibited activity, discrediting the regulation itself and calling into question the fairness of selective enforcement. The regulation of marijuana, the rationing of gasoline and state taxation of cigarettes are examples. Finally, enforcement may not be feasible for political reasons, another way of saying that many people find the prohibited activity profitable or otherwise desirable.

THE POLITICAL SUPPORT FOR REGULATIONS

Regulation is not simply a legal, administrative and technical phenomenon; it is ultimately and inescapably a political one as well. Our decentralized, fragmented political system assures that no important regulatory program can be put in place without the mobilization of significant political resources. Once established, a regulatory agency must find sources of continuing political support in order to retain the integrity of its authorizing legislation, obtain adequate appropriations, pursue its own policy priorities, control the management of its internal affairs and sustain its enforcement efforts. While the apparent immortality of virtually all regulatory agencies attests to their success in developing such support, agencies do vary considerably in the strength and durability of that support. For example, the older agencies primarily concerned with "economic" regulation of particular industries long achieved notable success in conventional political terms, yet some, such as the CAB, FCC and ICC, have seen their autonomy and support erode under the impact of new political forces and coalitions. Others, such as the FTC, SEC and the bank regulatory agencies, have received ever more authority and influence. Even among the newer agencies charged with "social" regulation, political strength is highly variable: EPA and the Food and Drug Administration have demonstrated great ability to resist incursions on their autonomy and authority, while the CPSC and the Office of the Civil Rights have been more vulnerable.

Although there is no simple explanation for these differences, certain generalizations seem plausible enough. It seems clear, for example, that regulation significantly benefitting a well-organized constituency dispersed among all congressional districts while spreading the costs over a large number of people in ways that are not highly visible, will tend to generate substantial political support; regulation that distributes benefits and costs in the opposite way will not. Certainly, the political strength of the agencies engaged in "economic" regulation can be explained in such conventional political terms. (What is more difficult to explain in such terms is the growing strength of their opponents.) Many "social" regulators also derive their support from relatively well organized and widely dispersed interests (such as environmental groups and labor unions) and their allies in Congress, the agencies and the media. Still, it remains intriguingly unclear why, for example, some health and safety regulators, such as FDA, EPA and the National Highway Traffic Safety Administration, manage to sustain public support for their activities while others, such as the CPSC, do not. Such differences may reflect factors such as the political skills of the agency's leadership which cannot be systematically analyzed. Whatever their cause, however, these differences are highly relevant to the ability of each agency to achieve the regulatory tasks that are set for them or that they set for themselves.

CONCLUSION

The criteria that have been discussed do not exhaust those that are relevant to deciding whether, or to what extent, or in what form, to regulate. Certainly, there is nothing arcane or particularly technical about them; indeed, once one reflects upon them, they appear quite obvious. Yet with a few exceptions, such criteria are rarely discussed in public debates concerning regulation. Indeed, even the current mood of skepticism concerning regulation, as manifested in the Administration's regulatory reform proposals, has failed to accord much significance to these questions, preferring instead to focus upon the more systematic use of cost-benefit analysis (a matter which, as discussed above, should be regarded only as a threshold inquiry, only rarely decisive).

It is important that we attempt to understand why this should be so. One answer—that it is in the interest of powerful political forces that these questions not be seriously addressed—begs the most important questions and is, in any event, almost tautological. A more useful explanation may be that our political system has come to be dominated by two views: that a public policy is to be justified less by its consequences than by the motivation animating its proponents, and that concerns about implementation in the *real* world of regulations spawned by the *political-bureaucratic* world are niggling details that can safely be deferred until after the regulations have been signed. If this explanation is correct, then the remedy can come, if at all, only through a change in public views as refracted by the political process. Questions, after all, are not likely to be asked unless people truly desire the answers.

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The fight for $60,000 a half minute

How NBC decided what millions will—and won't— see on their TV screens this fall.

By Jeff Greenfield

A Sunday evening in mid-May at the Century-Plaza Hotel in Los Angeles. Two floors below the modern, opulent lobby, in the massive Los Angeles Room, 2,000 people mill about, taking champagne from flowing fountains, munching *coquilles St. Jacques*, meats, cheeses, salads and thick, rich desserts served out of a hundred chafing dishes by more than 50 waiters from a huge, X-shaped table under a massive chandelier. Enormous clusters of pink and white flowers suspended from the ceiling, under which mill starlets in skimpy gowns, well-tailored men with hair styles as impeccable as their suits. There is the occasional deeply tanned face of a Star—those whose clothes seem to fit without effort, and whose smiles never waver. Hard by these glittering people is another group; their jackets are double-knit, their shoes inevitably bright white, their stares ill-disguised. These are the affiliates—the people from the more than 200 local stations from Alexandria, Minn., to Midland, Tex., who are here to witness the most public rite of an American television network—the unveiling of the fall schedule.

For the affiliates, it is two days of endlessly flowing food and drink, presentations punctuated by canned music and live marching bands, speeches with well-worn, quasi-political rhetoric ("We see the past as a steppingstone for the future," proclaimed NBC president Herbert S. Schlosser), and firm proclamations of victory ("We will be No. 1 this season, and will remain No. 1 for a long, long time to come," asserted another executive).

For most of us, television is an enterprise suited to such frivolity. It is our national obsession, the single most pervasive enterprise of our land. But it is also casual: a pleasant diversion between supper and bedtime, usually tolerable, occasionally amusing, once in a while gripping, moving or offensive, and we make our choices of what we watch with no more effort than a flick of the wrist on the way to the kitchen. But for those on the other end of the signal—for the executives of the three television networks who design the fare which diverts us, the parties and the speeches in Los Angeles are the wrappings of a deadly earnest business, a multibillion dollar sweepstakes affecting the careers of some of the most powerful men in America—if, by power, we mean the capacity to reach the minds of tens of millions.

For some of us, the questions we will answer for these people who run our broadcasting corporations may seem trivial to the point of exasperation. Half the world starves, the other half grapples with an increasingly threatening future, and we are asked to care whether a Mexican-American garage mechanic will prove more appealing than an irreverent group of Army surgeons cavorting through the Korean war; or whether laughing at a loud, brawling Italo-American family will be more diverting than weeping through the Depression with the Waltons. Yet those choices count—if for no other reason than their massive financial consequences, which can inflate or depress the value of 30 seconds of broadcast time by tens of thousands of dollars. And when these choices will also tell us what we, as a country, prefer for our diversion—when they tell us, also, what choices we, as consumers, are permitted to make—they are worth a closer look.

For several weeks last spring, I tried to put together the factors that shaped this fall's prime-time schedule of the National Broadcasting Company. I spoke with key executives in New York and Los Angeles; I watched the company present its schedule to its affiliated stations in California, and I spoke with writers and producers who had—and who had not—sold their shows to NBC for this fall. Apart from learning something about how television networks decide what we will see, I also learned something about the enormous pressures which force commercial television into its relatively narrow boundaries, and why those boundaries are not likely to widen in the foreseeable future.

The people with whom I talked were friendly, open and considerate. Apart from refusing to let me sit in at the actual scheduling meeting, the people at NBC seemed almost eager to explain their enterprise—one they found enormously exciting and challenging. And yet, much of what they said raised the most serious questions about the nature of network television.

Jeff Greenfield is an author and a political media consultant who writes frequently about television.

THE BACKGROUND

The 1974-75 season had been a good one for NBC, but not as good as it should have been. The network made lots of money. In 1974, its profits were $48.3-million on $725-million of revenues in the form of advertising time bought on its network and on the five stations it owns and operates in New York, Los Angeles, Chicago, Washington and Cleveland. But television, as a legal monopoly, almost always makes money, even in a year of deep recession. ("It's an uneven recession," explained senior sales vice president Mike Weinblatt. "Companies like Colgate and Procter, some food and beer companies, had great years, and even auto companies have to advertise because, if they lose their media place, it costs too much to get it back.")

More important to the network executives was the steady improvement in NBC's rating. A rating—by which television usually means the measurement of the A.C. Nielsen Company—measures the percentage of TV-equipped homes tuning into a show (with an estimated 68.5 million TV-households, each rating point equals about 685,000 homes). A show's survival depends, above all, on the "share"—i.e., the percentage of the *actual* TV audience watching a show in any given time period. For example, "Sanford and Son," NBC's highest-rated regular show, hit a 31.0 "rating" last January, meaning that 31 per cent of all homes possessing television were watching that show. Its "share" was 47—meaning nearly half of all sets turned on at 8 P.M. Friday nights were tuned to "Sanford." And its estimated audience was 21,240,000 homes. In network TV, a prime-time show which cannot hit a "30 share" is headed for cancellation. A show with a "40 share" is a solid hit.

NBC's "Today" and "Tonight" shows dominated the early morning and late evening hours last season; its Saturday morning children's shows and daytime programs had all but pulled even with CBS; and in the crucial prime-time hours (8-11 P.M. on the coasts, 7-10 P.M. in middle America), NBC had scored a 6 per cent gain while CBS had slid a point. (The American Broadcasting Company, perennial weak sister, with 30 fewer affiliates than the other two, had done so poorly that an industry joke claimed that "Patty Hearst was hiding out as the star of an ABC Friday night show.")

NBC had also established three clear hits from its 1974-75 schedule: "Little House on the Prairie," with Michael Landon husbanding a struggling but loving family, "Police Woman," with Angie Dickinson fighting crime in California, and "Chico and the Man," with Freddie Prinze and Jack Albertson in a third-world-youth-meets-old-cantankerous-but-lovable-bigot-in-garage. "Chico" was the single biggest hit of any new show last season, finishing the year as one of the three highest-rated shows.

These facts, however, hid as much as they showed. In the "second season," the rating period beginning in January, NBC had faltered. All of its new shows had failed, some of them embarrassingly: "The Smothers Brothers," expected to score big, fizzled out; "Archer," with Brian Keith portraying Ross Macdonald's detective, was yanked off the air after only four shows; "The Bob Crane Show" was a critical and commercial flop; "Mac Davis" was a weak variety show; "The Law," a highly realistic portrayal of the criminal-justice system, played only three times and—fairly or not—never found an audience. And "Sunshine," an attractive, gentle show about refugees from the counterculture, could not compete against CBS's "The Waltons." In the second season, NBC had finished first in the ratings on only one night—Friday. And what looked like a chance to unseat CBS as the long-time ratings winner went by the boards; CBS won for the 19th straight year.

The margin of differ- (Continued on Page 55)

TV fight

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ence was nine-tenths of a rating point. Trivial, so it seems.

"Yes, we lost the prime-time ratings by about a point," said business affairs vice president Don Carswell. "That's a spread of about 5 per cent. That spread meant about $17.5-million more to CBS in advertising rates—of which the network retains 85 per cent, because the costs we have are relatively fixed. That's one very good reason why we want to be No. 1."

"The bigger your audience, the bigger your share of the advertising dollar," Mike Weinblatt said. "And, like it or not, prime time is the showcase of your network."

In past years, NBC had tended to play down the ratings race; but, with the accession of Herb Schlosser as company president, a new group of top programing and sales executives had been assembled—most of them in their posts less than a year when the fall schedule was assembled — who were determined not to be a gentlemanly, less profitable second to CBS. It was this group that assembled early in April around a table in the wood-paneled conference room on the sixth floor of NBC headquarters at 30 Rockefeller Plaza in New York to piece together the fall line-up of shows. And it was this group that had as an acknowledged goal the winning of the prime-time ratings race in time to celebrate NBC's 50th anniversary in 1976.

THE PARTICIPANTS

At a television network, programing is done, logically enough, by a programing department, which hears out the hundreds of ideas that studios, producers, writers and busboys offer for consideration. (The last is not said flippantly; satirist Stan Freberg swears that years ago, the room-service waiter at the Beverly Hills Hotel told him, "I guess you won't be seeing me here any more; I just sold my pilot." "How much do you tip the guy?" wondered Freberg.) They approve the "step" deals that are part of the business: from an outline, to a script, to a pilot, to a place on the network schedule. And it is the programing people who have the major voice in determining the schedule.

Last April, Larry White, 49, who had been the senior programing executive at NBC since 1972, held the job of program vice president. White was known as a "tough, cynical guy who is a very hard sell," according to one former NBC executive. White, the only program chief of any network to be based in Los Angeles, had helped push NBC into a competitive position with CBS but, at the time of last spring's scheduling meeting, rumors were flying through the television industry (rumors in this business are lighter than air, but this one had more substance) that White was about to be replaced. His rival was Marvin Antonowsky, 46, a marketing and research expert who had been hired away from ABC two years earlier, and who was now vice president for program operations and promotion. Dark-haired, favoring tinted glasses, severely styled suits and a modified Zapata mustache, Antonowsky was a product of a poor New York family; his accent was tinged with the streets and playgrounds of the city. A bachelor, a loner who was a movie and theater fanatic (the walls in his New York office were lined with theatrical posters), Antonowsky described himself as a "very competitive person; I like to win."

"Marvin's very good at promoting stuff," an ex-executive said, "but I don't think he reads; it's impossible to get him to read a script. He's more interested in the name of something than in anything else."

"Marvin and Larry are like cheese and chalk," an NBC insider told me. "And it looks as if Marvin's persuaded Schlosser that he can get NBC into first place in prime time."

Buttressing the programing department were the senior vice presidents from the financial side of the network, the people who negotiate fees with producers and suppliers of programs; who oversee the sale of time to advertisers; and who supervise costs. While not programers, these men have enough experience at the network, and enough responsibility for selling and paying for the programs, to participate in the scheduling sessions.

Also playing a major factor was the research department, an autonomous subdivision of the company outside the network structure, headed by William S. Rubens, 45, a chubby, likable vice president for research and corporate planning. This department tests programs from their concepts through their pilots; its judgments on the appeal of prospective shows are of key importance in deciding whether shows are actually scheduled.

Bob Howard, 48, president

(Continued on Page 58)

Winner?—Marvin Antonowsky, NBC-TV vice president who was important in deciding the network's fall program line-up against the rival CBS, with actress Susan Clark. Antonowsky admits to being "a very competitive person. I like to win."

Continued from Page 55

of the network, and Herb Schlosser, 49, company president and chief operating officer of NBC, also participated in the programing discussions at critical times. These participants—all white, all male, all but one between 45 and 49 years old, all living and working in either the New York or Los Angeles areas, all earning between $40,000 a year (junior vice president) and $250,000 (Julian Goodman, NBC board chairman)—were not acting as judges. They were acting as surrogates for the audience.

"When you watch a pilot, you're not you," Larry White said. "You're putting yourself in the place of the general public."

"You have to separate what you like from what you think the *people* will like," explained Mike Weinblatt. "If you took a poll of TV executives, you wouldn't reflect the best-rated shows. I don't watch 'The Waltons,' and I wouldn't watch it, but I'd love to have it on my schedule."

But that is only the surface of the question. They were acting, too, as strategists, combatants, with a clear enemy—the other networks, and particularly CBS—and a clear set of problems and possibilities.

THE TASK

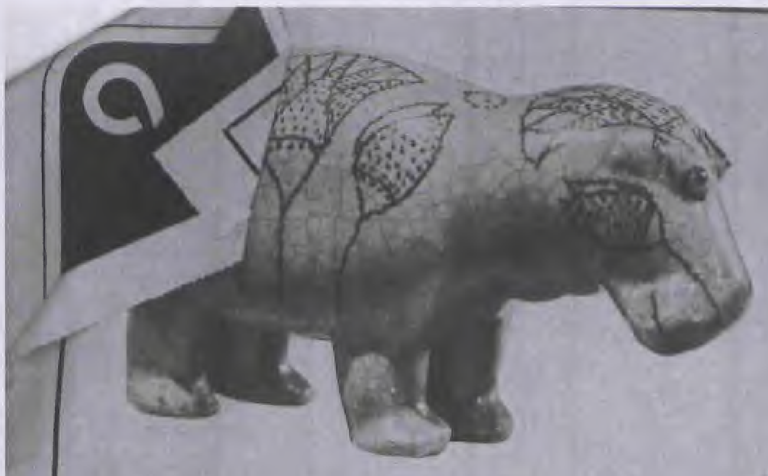
In the conference room—Room 610—a small, magnetized board was set up at the end of the table. Resting on the table were magnetized strips with the names of the 34 pilots authorized and paid for by NBC, and other strips with all the current shows with any chance of returning.

For three weeks, working from about 9:30 A.M. to 7 P.M. — with occasional, private discussions between and after hours — the executives pieced the schedule together, hour by hour, day by day.

The framework was clear. The weak shows were cleared out with almost no dissension. All of the second season shows were wiped out; none of them had performed well, including "The Law," about which the executives expressed deep disappointment ("That was one I was really hoping would get a 40 share," said Bob Howard). Also canceled was "Lucas Tanner," the David Hartman show about a sensitive teacher, which had limped through the year, and "Adam-12," the long-running show about patrol cops that had been crippled by the strong CBS Tuesday night comedy hour. "Petrocelli," the Wednesday night show featuring Barry Newman as a Harvard lawyer who sets up shop in the Southwest and has the incredible luck to find innocent murder defendants once a week, was a real question mark.

"We started out with a 30 share for 'Petrocelli' in the first season," said Marvin Antonowsky. "And we moved to a 33 share when "Christie Love" (ABC) and "Manhunter" (CBS) both collapsed. It looked to be gaining acceptance, and the demographics were good — young and urban." Still, "Petrocelli" performed marginally against weak competition, so the decision on whether to cancel or renew was held in abeyance.

Saturday night was locked in; there was no chance to challenge the CBS dominance with comedies from "All in



the Family" through "The Jeffersons," "Mary Tyler Moore," "Bob Newhart" and "Carol Burnett"; NBC's line-up of "Emergency" and movies was doing tolerably well with the leftovers, and a challenge simply didn't make economic or programing sense.

Friday night presented the reverse problem; it was the single strongest night of any network. "Sanford and Son" was the second most popular series of any network show, and through "Chico," "Rockford Files" and "Police Woman," NBC had a clear night. So clear, in fact, that the programers were seriously considering moving "Chico and the Man" to another night, and slipping in a new half-hour comedy in the "hammock" between two strong shows.

NBC was also operating on rumor: In years past, CBS had announced its schedule on Washington's Birthday, leaving it to the other networks to counterprogram; this year, NBC was going first, in an act of self-confidence. Rumor had it that CBS would move "The Waltons" to Sunday night at 8 and shift "Cher" to Thursday at 8. If that were true, the NBC brass thought, why not program into Thursday at 8 a warm, family show to pick up the audience abandoned by "The Waltons," who would feel betrayed by the sophisticated, flashy, sexy Cher? Universal-TV had developed a show called "The Family Holvak," with Glenn Ford and Julie Harris playing an impoverished, noble couple in the Depression South, complete with a small boy, a dog and virtuous homilies. It seemed perfect for Thursdays at 8.

Perhaps the most contentious decision about existing shows did not really involve a show at all, but the "NBC World Premiere Movies"—a weekly, 90-minute made-for-TV line-up that had (as had every network movie presentation) trailed its series opposition over a season. The movies were expensive—between $700,000 and $1-million, according to motion-picture vice president Stan Robertson—and there were other problems.

"It's much more difficult to make money on a World Premiere movie than on a moderately successful series," Don Carswell said. "A movie means higher production costs (you can't spread the cost of sets and crew over a year or two) and you can't develop a viewer-habit pattern. Once you've got them hooked on, say, 'The Rockford Files,' they'll come back like Pavlov's dog."

After a long look at the possibility of fusing World Premiere Movies with a series of network specials, the decision was finally made to cancel that third movie night and fold the World Premiere into a movie night with "theatricals" — movies shown in theaters and bought for T.V. That also made room on the schedule for two new series.

With the weak shows out of the way, and with "Petrocelli" in purgatory, NBC then turned to the business of slotting new shows and returning features into the schedule. It is an enterprise that cannot be understood without a grasp of the rules — official and otherwise — and the stakes of the game.

THE "RULES"

One rule for the coming season was official — the "family hour" voted by the National Association of Broadcasters under the unsubtle prodding of F.C.C. Chairman Richard Wiley and Senator John Pastore, who chairs the Senate subcommittee with legislative power over television. The idea was the brainchild of CBS president Arthur Taylor, who was persuaded that by ruling early prime-time television off-limits to "inappropriate" programing — the term has never been defined — the growing pressure on networks over excessive sex and violence would ease. The rule provided that the hours from 7 to 9 (6 to 8 in the central and mountain zones) would be "family" hours. No one knew what this would do to established shows such as "All in the Family" and "M*A*S*H" which dealt explicitly with once-taboo subjects; but for NBC, which lacked this kind of adult comedy show, the problem was to program its new schedule without slotting "adult" fare into the early evening.

The other rules, really part of network strategy, were understood by every programing executive. You programed for "audience flow," knowing that the audience character shifts with the night: very young and very old at 8, moving into middle-aged and young, and from rural to urban as the night goes on. Your 8 P.M. shows are "building blocks," designed to capture and hold an audience for the shows that follow. If, for example, you have two male - oriented adventure

Dissenter?—NBC vice president John J. McMahon, right, with actor Michael Landon. McMahon bluntly disapproved of several of the network's decisions for this season's programing.

shows, you don't interrupt them with a woman's comedy show, because your audience will simply switch the channel and stay switched. When you seek to win a new audience, the best trick is to "counterprogram"—put a comedy against two action shows, a crime show against two comedies, a variety show against two dramas.

But to an outsider, the most startling rule was expressed by Don Carswell. "Remember," he said, "we're not selling the program; we're selling the *audience* for the program." In any other entertainment medium, an audience is the object. But television networks gather audiences, and then "sell" that audience to advertisers at rates determined by their size, and by their desirability. So when a network programs, it isn't simply looking for a big audience, but for the right *kind* of audience; because an advertiser wants to know that he is reaching people with money, people with changeable buying habits, people who need the product.

"Demographics *are* sales," said Mike Weinblatt, and that means that all viewers are not created equal. Older, poorer and rural people are much less important than young-to-middle-aged, urban and suburban middle-class people. "Gunsmoke" was canceled after 20 years not because of the ratings — it was in the top 25, with a reach of nearly 36 million people — but because, as a CBS vice president explained it, "the show tended to appeal to rural audiences and older people. Unfortunately, they're not primarily the ones you sell to."

When Antonowsky was asked by a reporter why there were no Westerns on television any more (there were more than 30 fifteen years ago) he said bluntly, "We're talking about money. Audiences for Westerns are generally quite rural and generally older. You don't want 80 per cent of your audience over 50. You don't have Westerns for the same reason you don't put quiz shows in prime time — they don't appeal to the most economically active viewer."

This is an ironic twist, since older and more rural and certainly poorer people rely on television for entertainment more than mobile, youthful, affluent viewers. And not everyone is sanguine about it: Frank Price, president of Universal-TV, the biggest TV studio of all, says that "one of these days people over 50 are going to rise up and say, 'Wait a minute, what about us?' " Stan Kallis, executive producer of Columbia Picture Television's "Police Story," said, "We are basically bound, our hands are tied, by the fact that we're a medicine show. We're here to deliver the audience to the next commercial. The entire night's programing is a lift-off to the highest corporate profits." But for now, network programers — and especially researchers — are examining pilots and prospective returning shows not just for the numbers they will draw, but for the quality of the audience.

These rules were not abstractions; they were part of an enterprise every step of which is financially consequential. Indeed, nothing struck me in my journey into this medium so much as the enormous sums of money that were at play:

- A single half-hour pilot would cost the network at least $275,000.
- A one-hour pilot meant a commitment of about $600,000.
- Taken together, the 34 pilots cost NBC about $15-million.
- An unsuccessful one-

hour series could cost the network \$5-million just to wipe the show off the air, and the loss in reduced advertising costs could amount to another \$5-million.

■ Conversely, a big hit could mean millions of dollars more to a network, virtually all of it pure profit. Once the network makes a deal with a producer, that show is the network's for as long as it wants it, subject only to standard, or negotiated, increases in the fee; but the network can increase its ad rates to whatever the traffic will bear—more than \$60,000 for a single 30-second commercial in the case of a smash hit like "Sanford and Son."

These stakes, and the enormous profitability of network television (advertisers spent \$2-billion on network TV in 1974; the pretax profits of the networks have jumped more than 30 per cent since 1968, with new records forecast for the coming season), do not mean the financial freedom to break these rules once in a while; they mean the reverse.

"We're in a very competitive commercial business," said program development v.p. Terry Keegan, and that means something special for television; unlike a publisher, who can add more pages to an ad-rich magazine, or a movie producer, who can finance a small venture from the profits of a blockbuster, network television is limited by the inexorable force of time. NBC cannot create more evening hours; its function is to make as much money as it can in the time available to it. And that means that every segment of prime time—save for the prestigious specials dropped into the weeks when Nielsen isn't measuring the audience—must be devoted to those shows that will reach the widest, most desirable audiences. It is the ultimately ironic rule: The business is so good that it literally cannot afford to be different.

COMEDY TONGHT?

More than any other form, it is comedy that propels a broadcast network into leadership; and more than any other form, it is comedy that has been NBC's recent weakness. The network had pioneered alternatives to weekly one-hour dramas, with rotating 90-minute "long forms" (created by Universal-TV, NBC's chief supplier) such as "Name of the Game," "Bold Ones" and "Sunday Mystery Movie"; it had proved the potential of the anthology with "Police Story," but it had been unable to match CBS's comedy blocks, and that, more than any other reason, explained NBC's prime-time sag. (Significantly, Friday, the only night won by NBC through the second season, was sparked by its two unquestionable comedy hits—"Sanford" and "Chico.") It was comedy that made CBS dominant 10 years ago with rural-slanted shows like "Beverly Hillbillies" and "Green Acres"; it was sophisticated urban comedy—the shows of Norman Lear and Mary Tyler Moore Enterprises, along with "M*A*S*H" and "The Carol Burnett Show"—that kept CBS in first place. "NBC," one producer said, "is desperately, desperately looking for comedies."

For the fall schedule, NBC had commissioned a dozen comedy pilots, and the industry belief was that the network would add as many as four to its schedule. For Eddie Riessien, an executive at Playboy Productions, this was good news. Riessien, a former executive at ABC, was with Playboy's new independent production unit, headed by former CBS executive Sal Ianucci, in its fledgling stage; it was still trying to sell its first program to a network. This fall's candidate was "The Cop and the Kid," a show about a brusque Irish policeman who gets custody of an incorrigible black kid. Larry White had given the O.K. on the script in April, 1974, and late in 1974 NBC O.K.'d the pilot at a fee of "up to" \$285,000 (if it cost more, Playboy would pay the difference; if it cost less, NBC would get the difference back). Charles Durning, who was the mayor in the stage production of "That Championship Season" and the corrupt detective in "The Sting," played the lead.

In another part of Los Angeles, Norman Steinberg was also hoping that NBC was going big for comedy. The 35-year-old Paramount-TV executive and co-writer of "Blazing Saddles" was the executive producer of "Adventurizing With the Chopper," another half-hour pilot.

"It was the product of Jeff Harris and Bernie Kukoff," Steinberg said. "The idea was to do a black show that was fun, with no message and no soapbox. What developed was a crazy black private eye—a Shaft who was full of bull—a black Inspector Clouseau." Terry Keegan and John J.

McMahon, vice president for program operations, liked the idea, says Steinberg, but "Larry White was down on the show. He said, 'Chopper—it's a helicopter show, right?'" ("Chopper" is the name taken by the private eye to reflect his karate prowess—he's a blue belt, "which means he did well on the written part"). At the meeting, recalls Steinberg, "when I saw White's reaction, I jumped up and started selling—I felt like a vegetable slicer at Atlantic City." He persuaded White to O.K. the script, and when the idea went to pilot, Steinberg felt confident of his chances.

"It's the funniest thing we have," Schlosser said after seeing the pilot. Then a minute later, "Is it gonna be this crazy every week?" McMahon said, "I laughed louder at 'Chopper' than at any other comedy we had." But Larry White was dubious: "Even in the craziest comedy, people want a semblance of reality, not a cartoon."

"Chopper" dropped out of consideration early; besides White's objection that it was too much of a cartoon, critical research tests showed that audiences regarded the black lead, with his Shaft-like aspirations, as too threatening for comfort.

"The Cop and the Kid," however, went into the "comedy finals." "We showed the rough cut to the network people, who suggested some changes," Riessien said, "like making the first-act curtain more forceful, but they were very high on it. Then we shipped the corrected print to the network, and here is where the rumor mill starts to go crazy. People tell you, 'The projectionist who ran it for Larry White says he laughed three times and didn't take any phone calls.' It's a big plus if the network guy doesn't take phone calls during your pilot.

"But our biggest concern was how many half-hours NBC was buying. We tested well, at least in the theaters, but when they tested the show on cable systems, they found that the relationship between the Irish cop and this black street kid was bothering some of the audience. Anyway, like a lot of other producers, we went to New York during the scheduling meetings and listened to the rumor mill at '21,' which is the worst place in the world to be during the selling weeks. Guys come over to you, pull pieces of paper out of their pockets and say, 'Oh, yeah, you're on for Wednesday at 8:30.' Finally, we knew that we were one of three shows being considered for two spots."

Riessien was right. A "Sanford and Son" spin-off, "Grady," was put aside for another season, a Norman Lear pilot, "Hereafter," about three old vaudevillians who sell their souls to the devil's son for a chance at careers as rock stars, was considered too much of a young people's show. ("If we still had 7:30 to program," Antonowsky said, "I'd be a lot more interested in it.") That left "The Cop and the Kid" competing with "The Montefuscos," a loud, brawling show about a loud, brawling Italian family, and "Fay," a Mary Tyler Moore-style comedy starring Lee Grant as a 43-year-old divorcée finding her own individual self after years of subservience. Created by Susan Harris, a comedy writer, and producer Paul Witt, the pilot, directed by Alan Arkin, was a smash, "the funniest half-hour we had," according to several NBC executives.

Says Terry Keegan, "When we first moved 'Chico' to Wednesday at 9, that killed 'The Cop and the Kid' because it was much more of an earlier show; 'Fay' was clearly the better show for 9:30. Then, when it became necessary to move 'Fay' into 8:30, 'The Cop' became semi-alive again, because there was some doubt 'Fay' could play at 8:30."

Antonowsky adds: "What eliminated 'The Cop and the Kid' was that it was an 8 o'clock show, and we felt 'The Montefuscos' had better characters, an abundance of them. It was a show more easily sampled."

"Fay's" cocreator, Susan Harris, says, "We were a sure thing Monday, a 70-30 chance Tuesday, a 60-40 chance Wednesday, and Thursday we were off the schedule. We took the pilot and trimmed it to show NBC it could work in the family hour." With such resilience, "Fay" beat out "The Cop and the Kid" for the last comedy berth on the schedule.

Riessien remembers hearing the news about "The Cop": "It was 11 A.M. and I was in Sal Ianucci's office. I was saying, 'For Christ's sake, they're announcing the schedule today and we haven't heard anything. Something's wrong.' Just then the phone rang—it was Larry White calling. Sal said, 'Hi, Larry . . . oh . . . we didn't make it.' I felt like Tom Dewey. But NBC had ordered five scripts, and I think we'll be the first comedy to go in in January if they need one."

THE RESEARCH ROLE

The research role is key to the network's decisions. In an enterprise in which a single misstep can doom a show, destroy an entire evening, cost millions of dollars in revenue over the course of a season, decision makers want to know as much as they can, not simply about what a show looks like, but whom it appeals to and why—so that, if the show fails, at least it fails by playing the percentages.

Bill Rubens, head of research, talks about what NBC looks for, what determines the network's notions about its own shows. "The key," he says, "is whether they like people. On 'Joe Forrester,' the interplay between the cop on the beat and the people he relates to is important. ["People liked the idea of a very nice man in their neighborhood who would make them feel safe" one observer reported.] If you have a very strong story, and the audience doesn't like the characters, you have a lot of trouble. If you have likable characters, that can carry a show with weak scripts." ("The Rockford Files" is my own nomination for the NBC show which best fails into the latter category).

Research tests everything: whether New York is an attractive setting for a show, whether Cher appeals to older adults (she doesn't), whether concepts for shows are promising.

Most important are the results of program tests, gathered in a six-inch-thick loose-leaf folder, consisting of three- or four-page summaries of every pilot, plus a much longer demographic breakdown. The program tests are run in a theater, the Preview House in Los Angeles, where the audience sits in chairs equipped with dials, and turns them higher or lower depending on how interesting the program seems. (The formal name for this Preview House is Audience Study Institute, but some producers call it "Magoo House" because of its use of a 20-year-old "Mr. Magoo" cartoon to establish a benchmark audience response.)

Increasingly, says Rubens, NBC is moving away from theater tests, relying instead on cable systems in cities such as Akron, Ohio; San Francisco, Calif.; Wilmington, Del; Grand Junction, Colo., and other communities. TV-Guide-style fliers are mailed out, advising the audience of a prospective new show on the cable channel, and tests are run after the showing.

Looking at this fall's schedule, research found that on the new segment of the "Sunday Mystery Movie," with Tony Curtis playing "McCoy," a lovable con man, viewers were confused by the transition from straight drama to comedy and that when viewers were told it was a comedy, they were much more enthusiastic than when they had to figure the humor out for themselves.

Research is also a leveler—it can take the presumed power of name stars and reduce them to nothing. This year, for example, NBC rejected pilots starring Lorne Greene, Raymond Burr, Red Buttons, Shirley Jones and Patty Duke. Without research, program planners might be attracted by the names, but the tests wipe out those kinds of hunches. Of course, they can also wipe out instinct, particularly in comedy, where it takes time to develop new and unusual characters with comic possibilities ("'All in the Family' never tested well," said Norman Lear, "and 'Maude' still doesn't test well. She's a very contentious woman.")

THE DRAMAS

The first choices on a schedule are always relatively easy, according to the executives who sat inside the conference rooms for three weeks. "There are always 10 pilots you know will never make it from the minute you see them," said Don Carswell. "And there are two or three everyone knows will make it."

For this fall, "Medical Story," the new anthology developed by Columbia-TV (which developed "Police Story"), was by unanimous consent the best dramatic pilot, with Beau Bridges as an idealistic interne up against mendacity within the medical profession. Says J. J. McMahon, "'Medical Story' will make the other doctor shows look as trite as 'Police Story' did all the other cop shows." Despite the realization that an anthology show does not have the viewer-habit-power of a regular series, it went on the schedule virtually without debate.

The same was true of "Ellery Queen," a mystery starring Jim Hutton as the writer and David Wayne as his detective-father. The show, set

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in the nineteen-forties because, according to Antonowsky, "if you had a grown man living with his father today, everyone would think he was queer," was actually suggested to Universal-TV by Antonowsky.

"We'd done an unsuccessful 'Ellery Queen' four years ago," said Universal-TV president Frank Price, "and for two or three years, we'd been working on a whodunit anthology. It was Antonowsky who said to us, 'The right way to do a whodunit is with regular characters. Why not Ellery Queen?'" Partly perhaps because a key programing executive had suggested the idea in the first place, the show was a shoo-in.

And so was "Joe Forrester," starring Lloyd Bridges as a cop on the beat—a character first developed on "Police Story." For programing purposes, "Joe Forrester" was perfect. "Police Story" would move up to 9 P.M., and "Forrester" would follow—a classic case of audience flow. There was, says Larry White, "no debate at all about putting that show on the air."

"Invisible Man," starring David McCallum in an updated version of the H. G. Wells story, is curious. It seems to have been designed as a kid-oriented show for the family hour, and the special effects are impressive. But, in all the discussions I had with NBC executives, not a single one mentioned the show—whether out of personal indifference or a sense of futility over its chances against "Rhoda" and "Phyllis," another Mary Tyler Moore spin-off, with Cloris Leachman, I cannot say. But one Madison Avenue time-buyer thinks "Invisible Man" has a fair chance of cutting into the anticipated CBS lead.

"I like 'Rhoda,'" the time-buyer said. "But what happens to her in another year? She can't get married again. I think 'Invisible Man' may work." If she is right, it is one of the few expressions of enthusiasm from an outside source greater than that emanating from within the network.

The final dramatic choices came down to:

■ "Petrocelli," the marginal lawyer show.

■ "Doctors' Hospital," starring George Peppard as an older Ben Casey, a possibility buttressed by the presence of a former executive producer and head writer of "Ben Casey" as the key creative talent behind this show.

■ "McNaughton's Daughter," with Susan Clark as an assistant D.A., taking on rich, powerful, guilty defendants with rich, powerful lawyers ("A kind of Watergate quality," says Universal-TV president Price).

■ "Gibbsville," starring John Savage, based on John O'Hara's stories.

In the end, the decision was for "Doctors' Hospital" ("Petrocelli" was renewed because NBC could not find a suitable variety show, marking the first time in the network's history that a variety show was not represented for

Leveler?—NBC vice president William Rubens, whose research department can, . . .

a single hour on the schedule). It caused a serious breach in the programing ranks.

"I felt we should probably go slow on 'McNaughton's Daughter,'" said Antonowsky. "We ordered three shows on it, and I'll bet it winds up a weekly series. But she's a prosecutor, and a woman. It's a complete reversal of every lawyer show." And, he added at a later interview, "Doctor shows generally work better than lawyer shows."

J. J. McMahon was almost emotional about "McNaughton's Daughter." "That show should be on the air," he said flatly. What about Antonowsky's fear that it might be too soon to present a woman as prosecutor? "Bull," McMahon said. "She made no excuses for being a woman. It was nothing special. You just knew she was right for the job. Every week she's pitted against this larger-than-life villain and this giant defense lawyer, and this pipe-rack assistant D.A. whips them."

McMahon was unimpressed with "Doctors' Hospital," calling it "trite, clichéd, full of speech-making." (McMahon's judgment was supported by most of the critics who saw the pilot as a TV movie.) Both "Gibbsville" and "McNaughton's Daughter" are still alive at NBC; if any of the dramatic shows falter, "McNaughton" is likely to [illegible] the first replacement.

The uncertainty does not please Frank Price of Universal-TV, which produced "McNaughton's Daughter." He believes Universal's striking success with NBC — it supplied five of the eight new shows, and will be providing eight and a half of the network's 22 prime-time hours a week — hurt "McNaughton." "I'll bet," he says, "the reason 'McNaughton' didn't make the air was that they [illegible] they'd bought all they [illegible]uld from us. NBC's asked [illegible] to do two or three 'McNaughton' shows and when I objected—because they'd done the same thing with 'The Law' and I felt that had crippled the show before it ever had a chance—they said, 'After all we're buying from you, how could you do this to us?'"

THE SWITCH

"It's like a chessboard," network president Bob Howard said in describing the art of prime-time scheduling — except that NBC was playing without knowing what its opposition would be doing. As it turned out, it was CBS that played the aggressive game, forcing NBC into an embarrassing defensive posture. When NBC announced its schedule on April 22, "we assumed things that didn't happen," according to Antonowsky. "We thought 'The Waltons' would be moving to Sunday at 8, and that 'Cher' would move to Thursday at 8." When both these CBS shows held to their original days, NBC found itself with a potential disaster, programing a "Waltons" imitation, "The Family Holvak," directly opposite the original, and putting opposite "Cher" a mystery, "Ellery Queen," which would attract the same younger, urban audience. Instead of "Ellery's" carrying its demographically desirable audience into the "Sunday Mystery Movie," it risked failure in the competition with "Cher." So NBC slipped "The Family Holvak" into the Sunday 8 P.M. slot, hoping to draw strength from its 7 P.M. show, "The Wonderful World of Disney." It put "Ellery Queen" into Thursdays at 9, opposite ABC's "The Streets of San Francisco" and the CBS movies.

But if NBC was surprised by what CBS didn't do, it was shocked at what CBS *did* do. Taking an aggressive posture, CBS completely wiped out its Friday night schedule and moved almost all of its Tuesday night winners against NBC's strongest night, leaving only "Good Times" as a lead-in to an all-new night. "M*A*S*H" went to Friday at 8:30—the comedy slot which NBC's "Chico" was going to vacate for its new entry, "The Montefuscos" — to be followed by "Hawaii Five-O" and "Barnaby Jones." NBC thus faced the prospect of losing its Friday night audience to an established comedy hit, and also losing its 9-11 P.M. leadership. So it shifted "Chico and the Man" back to Friday at 8:30, hoping that "Sanford" would demolish the new CBS comedy, "Big Eddie," and feed its audience into "Chico," thus crippling "M*A*S*H" and the Tuesday-to-Friday programs. (The "Chico"-"M*A*S*H" contest, the most interesting of the new season, seems to be leaning to NBC because of outside factors: In addition to McLean Stevenson's departure as Colonel Blake, Wayne Rogers (Trapper John) quit the series in May, announcing he was disappointed in the size of his role. The loss of familiar characters may be as damaging to "M*A*S*H" as the competition.)

"Chico's" remaining in the Friday at 8:30 spot led NBC to shift "The Montefuscos" into the Thursday at 8 P.M. spot vacated by "Holvak." And NBC did not want to sacrifice "Doctors' Hospital" against CBS's Monday night. "All in the Family" had been moved to Monday at 9 to avoid the family hour; by this move, CBS formed a strong new comedy bloc with "Rhoda," "Phyllis" and "Maude." So "Doctors' Hospital" moved to Wednesday at 9, while "Fay" went from Wednesday at 9:30 to Thursday at 8:30. But this, in turn, meant that the sexually liberated Fay would have to dwell in the midst of the family hour—and that meant, as Antonowsky said, "There's no question that the show will be slightly different at 8:30 than at 9:30."

"There are still plenty of comic possibilities," J.J. McMahon said of the move. "A 43-year-old woman on her own has to learn to cope with a lot of things, like paying the bills and taking care of repairs. But I will go to my grave convinced we made a major mistake in the scheduling of 'Fay.' I'm a voice in the wilderness, but I think we c[illegible] have moved 'Chico' and gotten away with it."

Then why wasn't it done?

"Fear and insecurity."

CBS's move of "All in the Family" and "Maude" to Monday at new times, coupled with ABC's Monday Night Football, meant that NBC could do nothing but move its one-hour dramas out of that slot and sacrifice it with a movie night. That left "The Invisible Man" to compete with "Rhoda" and "Phyllis" on CBS, and "Barbary Coast," a contemporary Western, on ABC. It was NBC's hope that "Invisible Man" would attract the teen-agers and male action-oriented viewers turned off by the "women's comedies."

THE SWITCH—II

The tenure of network programing executives is not always secure, but this year is unique. As the 1975 fall season begins, not a single network's schedule is being overseen by the programing executive who shaped it.

At ABC, Martin Starger resigned as president of ABC Entertainment (the equivalent to programing vice president at the other networks) in the wake of a disastrous prime-time season. Starger, who went into independent production, left with an ABC contract guaranteeing his shows a place on the schedule for the next two years.

Fred Silverman, 37-year-old programing vice president at CBS, the "boy wonder" who had taken the job at 32 and helped develop the new string of Norman Lear and Mary Tyler Moore comedies, quit to replace Starger at ABC. Industry sources said Silverman had won a contract for three years at $250,000 a year, stock worth up to $1-million, a $750,000 life-insurance policy, and cars, drivers and apartments in New York and Los Angeles. His reputation is measured by the fact that, within a week of the announcement of his move, ABC's stock increased by a total of $85-million. At CBS, Silverman was succeeded by 50-year-old Lee Currlin, a sales vice president.

And at NBC, Marvin Antonowsky was given the programing vice presidency shortly after Mike Weinblatt was promoted to executive vice president of the network, with over-all programing responsibility. Larry White had been offered a vice presidency but chose to leave NBC, with two years left in his contract, for a producing role with Columbia Pictures Television. Terry Keegan, a junior programing vice president, also left NBC, for a more lucrative job at Paramount-TV. Three weeks before White quit, he had told me in his Los Angeles office, "I do this job because I like it. I've been a programer, a producer, I've even survived as a freelance." After his resignation, he reaffirmed his view that the feud between him and Antonowsky had no effect on the schedule. "There really was a consensus," he said. ■

. . . through audience tests, reduce some name stars to obscurity. Above, Terry Keegan, until recently an NBC vice president. He says, "We're in a very competitive commercial business."

The dope sheet

What follows is a highly unrepresentative sample of industry opinion about the prospects for TV's new season.

Monday

CBS's comedy bloc will battle ABC's football for supremacy, while NBC takes the leavings. Unless NBC buys "Jaws" for its 9 P.M. film opener, there is no way it can compete with "All in the Family" and "Maude" on CBS and ABC's "Monday Night Football." The 8 P.M. slot, while more likely a CBS winner, is less certain; if the science-fiction gimmickry of NBC's "Invisible Man" attracts men and young watchers, it could cut into CBS's "Rhoda" and "Phyllis." But the odds favor a CBS win across the board.

Tuesday

This is the biggest risk night for CBS, since it has cleared out all of its winners and substituted an almost wholly new line-up. At 8 P.M., NBC has counterprogramed well, with "Movin' On" opposite "Good Times" (CBS) and "Happy Days" (ABC). Both other networks offer new comedies at 8:30. The NBC 9-to-11 bloc of "Police Story" and "Joe Forrester" is considered very strong by time-buyers and by NBC (last spring, the network was asking $5,000 more for a 30-second spot on "Forrester" than on any of its other new dramas). The biggest Tuesday night question is whether CBS's expensive, sprawling "Beacon Hill," the American version of "Upstairs Downstairs," will work. It is a "high-risk, high-gain" show and its success—or failure—will determine whether CBS has sacrificed Tuesday in an attempt to win Friday.

Wednesday

Once again, the network schedules reflect the fact that Wednesday is the least-watched television night. The only item of interest is a new show conceived in the fevered mind of Mel Brooks for ABC: "When Things Were Rotten" to be seen at 8 P.M. The Robin Hood spoof was greeted with explosive laughter at the ABC convention, but whether it can generate enough stories for a weekly series remains to be seen. "Little House on the Prairie" is almost certain to beat the CBS outing, "Tony Orlando and Dawn," for the hour. At 9 P.M., "Doctors' Hospital," the Ben Casey-gets-gray-hair series, goes up against "Cannon" (CBS) and "Baretta" (ABC). It is just conceivable that the uninspired premises of the first two shows may drive viewers to "Baretta" where, in Robert Blake, they can see the finest actor now working on television. The 10 P.M. hour is a straight toss-up: NBC's "Petrocelli" is not a strong show, but whether either new show—CBS's "Kate McShane," with Anne Meara as a lawyer for the defense, or "Starsky and Hutch," the ABC comedy—can do better is problematical.

Thursday

This could be trouble for NBC. The network slotted two new comedies into the 8-9 P.M. spot, finding itself opposite CBS's "The Wal-

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tons" and two ABC comedies, "Barney Miller" and "On the Rocks." At the affiliates' convention, Marvin Antonowsky drew hoots of derisive laughter when he described the Top Ten "Waltons" as appealing primarily to "older women in rural areas." Moreover, "The Montefuscos" is a loud, abrasive show, apparently attempting to substitute decibels for the meat of, say, a good Norman Lear comedy. "Fay," on the other hand—assuming the shows equal the pilot—is the funniest television comedy I have seen in a long time, with the basic strengths of a Mary Tyler Moore comedy: a relatively sane, appealing lead surrounded by cheerful lunatics. The question is whether "Fay" will ever get an audience. NBC's Boston affiliate has decided to drop the show in favor of local programing. "Ellery Queen," about which NBC is enthusiastic, has the advantage of the nineteen-forties setting and movie opposition from CBS at 9 P.M.; its success depends on whether ABC's "Streets of San Francisco" can retain its audience. "Medical Story," by far the best new dramatic series on NBC, should beat "Harry O" (ABC) and the CBS movies at 10 P.M.—*if* the comedy line-up doesn't collapse.

Friday

The most interesting contest of the week: Can CBS's once-winning Tuesday line-up find happiness on Friday opposite the NBC giants? The betting now is no. "Sanford and Son," at 8 P.M., should eat up "Big Eddie," the CBS comedy starring Sheldon Leonard; the ABC entry, "Mobile One," will succeed only if people decide they don't want to laugh Friday nights. At 8:30 comes the key battle—"Chico" vs. "M*A*S*H." NBC got a break when "M*A*S*H" was hit by lawsuits and departing actors. "M*A*S*H" is the best-written show on television but, between losing Wayne Rogers and McLean Stevenson and facing the constraints of the family hour, it has problems. From 9 to 11, with "The Rockford Files" and "Police Woman," NBC seems a sure winner against ABC's movies and CBS's "Barnaby Jones" and "Hawaii Five-O."

Saturday

Despite the move of "All in the Family" to Monday, CBS will almost certainly win this night again. NBC has kept its own adequate line-up intact, while CBS begins at 8 with "The Jeffersons," introduces a new M.T.M. comedy, "Doc," and continues with the 9-to-11 bloc of Mary Tyler Moore, Bob Newhart and Carol Burnett. ABC is offering a Howard Cosell Variety Show at 8, which will test the shaky premise that recog tion implies affection. Fro 9 to 11, blood is in the a at ABC—"S.W.A.T." and the new "Matt Helm," but their battle is for second place against the NBC movie.

Sunday

With all three networks taking advantage of the extra hour of programing allowed for children's shows, NBC starts off with a clear edge — the long-running "Wonderful World of Disney" at 7, opposite two new "family shows," "Swiss Family Robinson" (ABC) and "Three for the Road" (CBS). Eight P.M. is the key question mark—a clear cultural division between the straights ("Family Holvak") and the swingers ("Cher"). The "Holvak" entry will test how deep the public's taste for "Walton"-style drama runs. Early money is on "Cher," with ABC's "Six Million Dollar Man" a long shot. At 9 P.M., ABC concedes with movies, while "Kojak" takes on NBC's rotating mystery solvers, probably to a near draw.

The new schedules of the networks did not win enormous praise. Variety called the new season "a moveable famine . . . an awful lot of bread and butter will be available, but precious little fresh meat." And Bill Self, who stepped down after 15 years as president of 20th Century-Fox-TV, said, "I really think this coming season will be the worst we've ever seen. There seems to be a compulsion on the part of the networks more than ever to copy what has worked in the past . . . It's easier and safer to stick with the same old formats. The head of the network's programing has his job on the line, and he and the other guys in this position play it safe as a result. It's a copycat season." — J.G.

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Harper's

KNOWLEDGE WITHOUT WISDOM

The clatter of experts

by Erwin Chargaff

IT IS MY IMPRESSION that the rise and the institutionalization of the specialist, the expert, the professional have driven out and made impossible what used to be considered scholarship, and that mankind thereby has been made poorer. In other words, where expertise prevails, wisdom vanishes.

The concept of the scholar reaches far back in history, and there may have been no literate times from which it was absent. (In that respect, even the Middle Ages were far from dark.) Scholarship was highly regarded—often poorly recompensed, but in a few cases well remunerated—and it comprised not only the humanities but also what then was considered natural science. There were scholar amateurs and scholar pedants; there were great philosophers and historians, philologists and linguists, astronomers and physicists, botanists, zoologists, anatomists, and physicians. They erected imposing philosophical systems, like those of Descartes or Malebranche, Leibniz or Spinoza, Kant or Hegel. Others destroyed the destructible: with passionate irony, Kierkegaard; with millenarian fierceness, Karl Marx. Dreams of historical generalizations were followed, but not replaced, by the assiduous collection of historical sources. Many wrote with great difficulty, humble before the enormity of what they had to express. Others were great poets in prose, placing a fermata, as it were, over what they had thought and written, so that the chords still sound in our impoverished century.

Even if outdated in all its particulars, scholarship lasts as a total achievement; that is, it did so until not long ago. The institutionalization of all intellectual activities; a misunderstood and misapplied scientism; a crude reductionism exerted on what cannot be reduced; a galloping expertitis, degree- and prestige-drunk; the general persuasion that anything new automatically deposes anything old—all those agents have caused scholarship nearly to vanish after having been in a slowly accelerating decline for the past 100 years.

The onset of the decline is probably marked by the appearance of the names of those predators of scholarship—one could call them sapientivores—the expert, the professional, the specialist. There must have been professionals in all times; but they probably referred to themselves as craftsmen. I am sure there were bakers in Sumer, and that they baked bread and it was good to eat. Now that we have highly specialized baking syndicates, I do not know whether they still knead their dough; but what they produce is inedible. I have learned that an expert is someone licensed to do things he cannot do.

Knowledge factories

REGARDLESS OF whether we think of Erasmus of Rotterdam or Grotius, Hobbes or Bayle, Albrecht von Haller or Alexander von Humboldt, the products of ancient scholarship reached a much wider circle of educated readers than could be found now. Gibbon's great work was certainly received, read, and understood by a proportionately much larger audience than that of, say, *Cambridge Ancient History*. Long before there were communications satellites and when real news therefore spread faster, Dr. Johnson was sufficiently well known in distant Königsberg for Kant to make a few

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unfriendly remarks about him in his *Anthropologie*. The indexes to the diaries of the poets Coleridge and Novalis display an immensely wider erudition than even nonreaders of *Scientific American* could muster now. I do not wish to imply that specialization and barbarization go hand in hand—I have met too many barbarians without specialties—but there is a connection.

I should find it difficult to define the period in which this process of encapsulation—the scholar making way for the specialist—began. That process probably had something to do with a change in the speed at which new knowledge was accumulated, and perhaps also in the conception of what constituted new knowledge. The triumph of the natural sciences has made people insensitive to the qualities of knowledge, one bit of information being as good as another. Moreover, nature is supposed to be grateful for every secret torn from her. The old dispute about the relative value of a Madonna and a cabbage as the painter's subject does not pose itself to the scientist: he finds what he finds. (Of course, he may be wrong, and there are differences, even beyond the winds of fashion, between important and trivial; but that is beside the point.)

In any event, universities and institutes began to function as knowledge factories and to neglect their real task: the education of the young. They became bureaus for the issuance of professional licenses, and these required, in turn, the proof that one had produced new knowledge. Although the faded aureole of the scholar still encircled the hapless heads of the searchers for scientific truth, the real substance had vanished long ago: the change in quantity had produced poor quality. Sir Thomas Gresham, looking down from the bankers' paradise, smiled benignly.

TO THE PROPHET of doom, time accelerates: his quick-motion eyes sometimes do not distinguish between fifty and five hundred years. The fate of that backward prophet, the historian, is similar. The changes that I am trying to describe also took longer to manifest themselves than any definite date would indicate. Still, an inconspicuous event, marking more than the clash between two generations, may help us to perceive the summit of the watershed.

Jacob Burckhardt (1818–1897) worked during his last few years on a history of Greek culture. He had for several semesters lectured on that subject in the courses he gave at the University of Basel, but the writing went slowly, and finally he abandoned the whole thing. The old grumbler's letters are full of complaints about the hopeless task, which was indeed enormous. A reader of Burckhardt's best-known work, *The Culture of the Renaissance in Italy*, will know how much he subsumed under that designation. The pertinent portion of the Webster definition of *culture* sounds dry and remote: "the total pattern of human behavior and its products embodied in thought, speech, action, and artifacts." It meant extracting, clairvoyantly, the essentials from all surviving primary sources concerning the religious, social, political, intellectual, literary, and artistic life of that most gifted, high-spirited, and volatile of nations. I have emphasized the primary sources, which include, of course, the surviving works of art and architecture, for the old scholars—for me the only real ones—paid much more attention to those than to what other scholars had written about them. When they spoke, by the way, it was to a public considerably wider than their colleagues—something unthinkable to our culture, in which specialist addresses only specialist, with the people at large limited to carrying the cost of their lucubrations.

Burckhardt's course on Greek culture apparently was popular. He notes proudly in one of his letters that he had as many as fifty-three registered listeners; that, it is hard to believe, seems then (1873) to have been one-third of the total student body of the ancient and famous university. That his lectures found acclaim is not surprising, for he was a profound and illusionless thinker about man and his destinies. When Burckhardt died, he left the first half of the history more or less ready for the printer; the second half, including the particularly interesting end portion, remained in the form of elaborate and detailed lecture notes. The entire work, edited in an unusually tactful and reticent manner by Burckhardt's nephew Oeri, was published between 1898 and 1902. But times had changed: the expert had appeared. Burckhardt's unfinished masterpiece was "finished" (in the sense of being bumped off) by a man considered at that time the greatest specialist in Greek philology.

Ulrich von Wilamowitz-Moellendorff (1848–1931), thirty years younger than Burckhardt, was at the height of power and influence at the University of Berlin when he administered the coup de grâce. In 1899, soon after the appearance of Burckhardt's first volume, this is what he wrote: "Finally, I should consider it as cowardly not to say clearly that the *History of Greek Culture* by Jacob Burckhardt does not exist for the scholar."*

I should add that if now, eighty years later, you go to a bookstore in Vienna or in Zurich, you will find many of Burckhardt's books, but almost never one by his executioner. It simply is always so that the newest is a deadlier enemy of the new than of the sturdy old.

WHAT HAD MADE the great philologist so angry? Well, if you want a plain answer, I believe it was that Burckhardt had paid little attention to him and other great philologists of the time. The old historian had been content to read the Greek and Latin writers, sometimes in the antiquated editions of his youth, and certain emendations, corrections, and substitutions—and even a few newly discovered papyruses—may have escaped him. Great philologists are inclined to exaggerate the importance of their philology, just as molecular biologists tend to overrate their molecular biology. One of the most unlovable and stupid traits of the mediocre scholar or scientist has in all times been the conviction that he is at the peak of attainable perfection, that he knows all there is to know. It is true that every generation could write its own book, carrying the title *On All That Can Be Known —De omni scibili*—and it would always be a small book, and never the same small book for two generations.

Whereupon I hear the voice of my eternal interlocutor—a retired devil on a small pension—and the voice points out that in our times such a book would be enormous, of innumerable volumes, each much bigger than the largest encyclopedias of ancient China. This is not an argument in which I like to get involved, for I have no university diploma in thinking and I am, therefore, unable to discuss, in a manner acceptable to college philosophers, the true meaning of knowledge. Is it what you and I know, or believe we know? Is it what the computer knows? Is it what the best-selling omniwriter knows? Who knows?

The profound philosopher Ludwig Wittgenstein wasted, or sanctified, his life trying to gain certainty about the meaning of "certainty." His labors are lost on me. I am still sitting in the same fly-glass in which he found me in the beginning. There are skeptics, and there are born-again Baptists. They are presumably all endowed with some form of brain; but that important organ must be storing very different certainties in the one and in the other.

There is the kind of knowledge that is directly and immediately relevant to the individual who possesses it or can draw on it, and there is the kind of knowledge that is essentially irrelevant, though it may be nice to have. Most of the knowledge provided by the

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Perico Pastor

* Wilamowitz-Moellendorff actually employs the phrase "für die Wissenschaft nicht existiert." The term *Wissenschaft* is not easy to translate, as the corresponding word *science* now is preempted by *natural science*. It is worth noting that here the specialist hides behind a general designation, erecting *Wissenschaft* as the goddess rejecting poor, senile Burckhardt. Had one asked, "Which *Wissenschaft?*" what could Wilamowitz-Moellendorff have answered? Greek philology, history of culture, history of antiquity, philosophy of history? What is honey to one specialist is wormwood to another. It is probable that Vico, Montesquieu, or Gibbon would have much better understood what Burckhardt had attempted to do.

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natural sciences is of the second kind, glorious though the mental achievement may be in some instances. In this connection I must make a horrible confession. I have been a scientist all my life; I am, among other things, a member of the National Academy of Sciences and belong, hence, to what an assistant dean, introducing me once to a gibbering crowd of young ladies, called the "crème de la crème." But in my daily life I still live under the Ptolemaic system; Copernicus leaves me cold; the sun rises every morning. Of course, I know—I have been told it so often—that the earth rotates around the sun and that the Darwinian scheme of evolution is correct; but even my scientific work would not in the least have been affected had it been performed on a flat and stationary earth and with organisms produced according to the gospel of Lamarck.

This can also be put differently. The assertion "I know that my redeemer liveth" signifies an entirely different quality of knowledge from that expressed by the outwardly rather similar statement "I know where my redeemer liveth." With the present impact of science on society, that information would, however, probably take the form of "I know a fellow who says he knows. . . ."

Intellectual spectators

WHENEVER I come upon a definition of our time, it seems to contain the prefix *post*, as if all present were past and no future were waiting. We live in the "postindustrial" age, which is also "postideological" and "postcapitalistic," and for all I know also posthumous and posthuman. One thing I have not heard it called is "postbourgeois." It seems that the proletarians of the world, by losing even their chains, also lost their identity; and everybody now is a little bourgeois or studying to become one. The young Karl Marx, so much better at diagnosis than at therapy, saw the Hippocratic facies of a class, but like all good prophets he underestimated the duration of the agony.

In any event, the modern phase of science and of scholarship began, in my view, with the rise of the bourgeoisie. Exploring and exploiting became synonyms, the collection of knowledge another form of the accumulation of capital; experts became two-legged Consols through which invested knowledge bore high and perpetual interest. Just as bonds were deposited with bankers, knowledge could be stored in special brains, to be called on, when needed, by the entrepreneur. Knowledge was not just power but power infinitely augmentable; there were no limits, as there were to circulating money. Even now, as we are surrounded by it, most of my colleagues will deny that there exists such a disorder as intellectual inflation.

Fate favors the prepared mind; and so, as I write these lines, I receive a letter from the White House. My heartbeat quickens as I open the envelope. "Who knows?" I say to myself. "Maybe Brzezinski asks an old Columbia colleague for help with the difficult German of Clausewitz; he must be reading him preparatorily, for is not the Cold War the continuation of peace by nastier means?" But no, it is only a bit of electioneering fluff, a circular letter from the Science Adviser, outlining the provisions in the 1981 budget for "basic research," which, incidentally, cannot be inordinately basic, inasmuch as the largest increase (21 percent) goes to the Department of Defense. The last paragraph of the letter reads:

> *In a recent ceremony at the White House at which the President awarded the National Medal of Science, he indicated that one of our most important National tasks is the continuing strong support of the search for knowledge. The budget reflects his commitment to that goal.*

Platitudes have a hypnotic effect. Who can be against the search for knowledge? In goes \$5 billion and out come 50 billion pieces of knowledge. What is (with a misplaced capital) called the "National task" will make us ever richer. That knowledge produced on the assembly line is actually worthless does not seem to be a conviction shared by many. At any rate, it is a conviction of mine: wherever I go, I hear the senseless clatter of the knowledge industry.

IT HAS NOT always been so. Although the Golden Ages I have known in my life have all been beastly, they differed in their attitudes toward scholarship and research. The claim that knowledge is power appealed to early imperialism; but there still existed many islands where a kind of knowledge was sought that was morally neutral or even laudable. Specialization had set in long before my time; but the individual scholar or scientist had, in his student days, received a broad education and was free, and, even more important, he was able to roam. The various nations did not yet consider it their obligation to function as forcing houses for the wholesale production of "new knowledge." I do not believe that there existed anywhere an officially, and shamelessly, proclaimed "National task" of this sort; and even so, the President may not find it easy to jimmy his way into the pantheon in which the names of a Pericles or an Augustus are preserved.

Thirst is a driving force only as long as it cannot be quenched. That applies also to the so-called thirst for knowledge. Nobody I ever met thirsted for knowledge. He may have been curious, ambitious, eager, imbued with a hunter's ardor, until finally *rigor vitae* set in, and he could not have done differently had he wanted it; but if he thirsted for anything, it was for the fame that goes with a reputation for having acquired knowledge, and he would have settled for celebrity and some cash. Real seekers of knowledge keep well hidden, and it is mostly not new knowledge they are after, but old and solid knowledge. I have always suspected Dr. Faustus of being a stage figure. In our times, all intellectual activities, all sciences (in the broadest sense), have become spectator sports, and the interest of the public is limited to knowing which fighter will slay which bull, and to hoping secretly that it will be the other way around. Had we been told in the newspapers that Relativity had revealed Dr. Einstein, we should have been satisfied equally.

Ours is about the most ignorant age that can be imagined. I should like to see our leading statesmen subjected to a simple placement exam like the one given to the hapless applicants for the New York police force. I believe even that most disillusioned of ancient Swedes, Count Oxenstierna, would shudder at the result, for he would hardly accept the excuse that with so many think tanks around, our politicians need do nothing but meet the press.

New shoes have to be manufactured, as do new telephone directories; the old ones can no longer be used. Similarly, Congress must go on making new laws, because the old ones have been broken. But that should not apply to most of what we call knowledge. Considering the good it did me, I should say that I could have learned my geometry in Euclid, my Latin in Donatus. In many respects the old editions of the *Encyclopaedia Britannica* convey more solid knowledge than the newest one. How many books could there be if every writer had to make a vow, an enforceable vow, of originality? There are, of course, reasons for so-called scholarly books to be written in redundant profusion, and those reasons are mostly economic. The existence, for instance, of multiple competing textbooks has nothing to do with the thirst, or the search, for knowledge.

I shall be told—and I am inclined to agree in part—that the kind of books about which I seem to be talking here has nothing to do with new knowledge or the search for it, and that it is, in fact, the success of the search that renders those books obsolete so soon. My answer will be that new knowledge is worthless if the old knowledge is lost on the people. They may sit, watching a screen on which a fellow does something to Mars that they do not understand, or hearing a celebrity making a fool of himself; but they know no history, no geography, no languages.

Wisdom is cheaper wholesale

THE PRINCIPAL general recipient of, and beneficiary from, new knowledge appears, therefore, to be the computer. That younger colleague of mine has given me a lot of worries, and I have always tried to stay out of its way. But what is the sense of blabbering about new knowledge if there is no money to repair the old subways, to rescue the old cities, to help the old people? We are being told that for this nation to stay on top, it must have the newest knowledge, the best science, et cetera, and that this would make it respected and even loved. Maybe so, although I always thought that he who declared he wanted to be loved was unlovely, and he who wanted to dominate was mediocre. Rome did not scream that it had to be No. 1: it was.

At the end of the second world war, exuberant when everybody else was prostrate, well-fed when everybody else was starving, the United States embarked on a crusade for knowledge and also, I am afraid, on the conquest of death. Later, fearing to run out of goals, America added the universe. It was the triumph of the Texas spirit: doing the impossible, with mirrors, on a cost-plus basis, and then calling a press conference. As the economic pressure that led to the creation of the short-lived paradise came mainly from the large number of scientists brought forth by the war effort, it is not surprising that the major attack was directed against nature. The private foundations that had done a reputable and reticent job in supporting small science were forced to relinquish the field, for gigantic spenders of federal billions had come into being: the National Science Foundation, the National Institutes of Health, the Atomic Energy Commission, the Office of Naval Research, and other agencies connected with

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Defense, Agriculture, and other departments. More recently, and for greater industrial diversification, smaller National Endowments for the Arts and the Humanities were created; and now there exists even a National Humanities Center.

We have, hence, for many years been geared up fully for the large-scale manufacture of intellectual goods; and since these are not perishable—although refrigeration helps—the storage space, I suppose, must soon be overtaxed. The production of scientific papers has indeed been enormous. Even now, when with inflation, the crash of the dollar, and general spiritual exhaustion the habitual rodomontades begin to sound a bit empty, American scientific papers amount to nearly half the world output. Whether the few important scientific principles discovered during that postwar period would not also have been found under the old provision cannot be decided, for one must keep in mind that too many acute thinkers thinking acutely at one time create a traffic problem. Moreover, an abundance of laws of nature, enthroned and deposed with exaggerated rapidity, confuses the mind.

THE MOURNFUL OBSERVER of human stupidity and greed never runs out of matter. Nowhere does the kaleidoscope of follies and vanities turn faster than in New York. Even the mailman, though no longer delivering letters, brings bills, solicitations, and announcements. I was, therefore, pleased not long ago to receive a brochure from the Grantsmanship Center in Los Angeles, inviting me to participate, for a fee of $325, in a training program. In my time I might have made a good student; but being much too hoary and dejected, I had to decline. And yet, the offer set me dreaming.

I thought about grants, about money and its mysterious lubricating effect on the mind. Money given, and no questions asked, can have a marvelous effect. Did Vergil have to submit a pink and a yellow copy of his application when he went to see Maecenas, that antique version of the National Endowment? Did he have to explain in what way his undertaking was novel or scholarly? Did he have to meet those Washington faces, iridescent with washproof sincerity?

Meditating about the fiscal way of creating culture where none will ever grow, I used to say that all money does is create takers, and much money, charlatans. What would have happened if van Gogh or Rimbaud had applied to the National Endowment for the Arts? If Baudelaire had put down the "title of the project" *Fleurs du Mal?* In the best of cases, Kafka might have been encouraged to apply for a grant in entomology, but he would not have passed the peer review.

Our lives are being governed by experts who may not be very bright but who know where to look it up. Specialists of the same discipline are usually of one opinion, except when being paid by the two sides in a lawsuit: then they are of two opinions. From birth to tomb we are the objects of research. The smallest fetus will not escape having its horrorscope cast from his chromosomes by cytogeneticists. When he grows up, despite the efforts of education experts, and receives his Social Security number, he becomes the object of statisticians, sociologists, political scientists, census takers, economists, and the like. In the later course of his life he will get into the hands of the biomedical profession; and when he finally reaches the other end, his agony will be studied by thanatologists. Ethicists will have deplored his morals, analysts will take apart his soul. Gurus, prophets, trendsetters, and politicians will have misled and confused him. He is the universal grist, and he will figure in innumerable papers, books, questionnaires, and study reports.

The low quality of our writing and our art is not redeemed by courses in art appreciation or the interpretation of poetry. Dr. Dryasdust will not become more imaginative when sprinkled with small amounts of public money. Hegel's *weltgeist* has assumed the appearance of a giant eraser, as if all memory of what the human spirit had created were to be extinguished before the final annihilation. In the meantime, academic chaff of all sorts—cultural, scientific—is being ground to powder day and night. Blake spoke of the "dark satanic mills," but now that we have unlimited nuclear energy, they are illuminated brightly and are doubly satanic. To say it in Diabolese, if the old knowledge has failed, new knowledge will make us happy. Let us make it by the ton, for wisdom is cheaper wholesale.

The absurdity of the knowledge industry was recognized a long time ago. There is an excellent anecdote that Kaiser Wilhelm I of Germany, Bismarck's old emperor, liked to tell. When he still was only King of Prussia, he once visited the Bonn Observatory and asked the director a jovial question. "Well, dear Argelander, what's new in the starry sky?" The answer came promptly, and it was another question. "Does Your Majesty already know the old?" Whenever the emperor told the story, he is said to have shaken with laughter. □

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Complexities and Ignorance

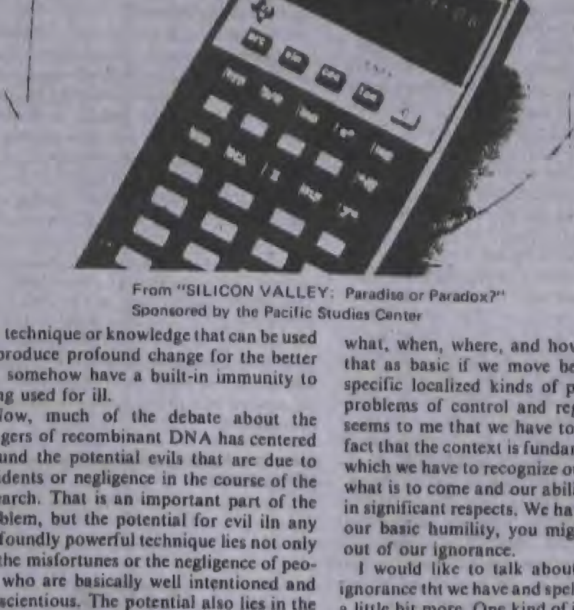
By Herbert Fingarette,
Professor of Philosophy, University of California, Santa Barbara
Presented at a colloquium,
"The Recombinant DNA Controversy, Public Policy at the Frontier of Knowledge,"
Sponsored by NEXA, the Science-Humanities Convergence Program,
San Francisco State University

The problems we are discussing here are enormously complex. As do so many of my other nonscientific colleagues, I feel so overwhelmed by these problems that I had to sit back and think to myself how I could come to grips with something here.

It is perfectly evident that there are many specific problems that need analysis in connection with the results of a particular piece of recombinant DNA research — in connection with regulations, with political processes, with estimating dangers, and with questions about moral obligations that exist in this or that respect. These are all extremely important in their way, but it seemed to me that there was a larger context that I had to come to terms with. This is what you might call a philosophical context, in some very broad sense.

I would begin with the fact that recombinant DNA research is portrayed to us not only as opening important new kinds of knowledge, but also as promising immense benefits because of the profound impact that the techniques can have in changing or reengineering the genetic material. And that starts the debate. It seems to me we should face a basic truth: namely, that any profoundly powerful knowledge or techniques that enable us to change radically the conditions under which we live must be double-edged.

That is, if we are able to change profoundly the conditions of life, then we will have the power to do so disadvantageously as well as advantageously. In general, the greater the potential for good, the greater the potential for evil. It is naive to think that any technique or knowledge that can be used to produce profound change for the better can somehow have a built-in immunity to being used for ill.



From "SILICON VALLEY: Paradise or Paradox?"
Sponsored by the Pacific Studies Center

Now, much of the debate about the dangers of recombinant DNA has centered around the potential evils that are due to accidents or negligence in the course of the research. That is an important part of the problem, but the potential for evil iln any profoundly powerful technique lies not only in the misfortunes or the negligence of people who are basically well intentioned and conscientious. The potential also lies in the prospect that these techniques will be used by those who are not well intentioned, whose views or values differ radically from the ones that we have. These techniques could be used by people who are amoral, who are unconcerned, or reckless, or even by those who are, in some very plain sense, evil. It's surely not an improbable fantasy to think that there are scientists who would cooperate and people who would use this cooperation for the purpose of mass destruction — abusing powerful techniques for that end, or for establishing tyrannies, or for remaking minds into compliant minds, or for producing profit at the expense of long-range damage to human beings or to the environment. So whatever the localized or limited precautions that we may take in the way of regulations to prevent or to limit the disadvantageous use of recombinant DNA, I think we must, if we are realistic, expect that there will be much good that comes from it and also much evil.

And we must realize that in the long run, and not too long at that, we are unable to specify where or when or how much of the good and of the evil will occur. Nor can we specify what the overall balance would be, if that phrase has any meaning when we're dealing with such large issues. We will ameliorate or resolve some problems, and we will produce some others; but we don't know what, when, where, and how much. I take that as basic if we move beyond the very specific localized kinds of predictions and problems of control and regulation. So it seems to me that we have to start from the fact that the context is fundamentally one in which we have to recognize our ignorance of what is to come and our ability to control it in significant respects. We have to recognize our basic humility, you might say, arising out of our ignorance.

I would like to talk about the *kinds* of ignorance tht we have and spell them out just a little bit more. One kind of ignorance that we have is obvious and very important, but we don't like to face it. We don't really know what the obvious outcome of these large-scale activities and enterprises will be. I have in mind a variety of situations that one can easily generate more of at will. For example, who would have predicted as an overt outcome of World War II that the defeated nations—nations in ruin, Germany and Japan—would, largely as a result of that defeat, come to be the two bright, prospering powers in the world, as contrasted with most of the victor nations? Unpredictable. Who would have predicted that the basic hygiene and other medical techniques that were developed in the late nineteenth and early twentieth centuries would have among their consequences the radical change in the population of the world, and radical social isolation and tension. As many or more human beings are suffering and starving now because there are that many more human beings than there were when we started out with the medical revolution.

Who is predicting the main course of our economic affairs today in this country or the world? Nobody, as far as I can see. Who can predict the main course of political affairs or even of important political moves that are made today? What will be the overt outcome in ten years? We have seen programs and politics initiated in the Thirties and Forties, and we've seen the very same people who initiated them discover that the outcome was different from what they had expected.

Who can predict the outcome of military ventures? The fact is that when it comes to the larger perspective in any of the major areas, history gives us no basis for optimism. We have no basis, even now, in our theoretical knowledge for supposing that we know or can control...An earlier speaker talked of using scientific research to effect our purposes. It seems to me that the point that one must keep in mind is that in these major enterprises we don't effect our purposes. We have purposes, and we act upon them, and things happen that often turn out not to be what we purposed. Or, even when they are what we purposed, much else happens that we hadn't expected that is also important. That's one kind of ignorance.

Another kind of ignorance that is more profound is, even if we do know what the overt outcomes will be, we are unable to assess the significance of them to us when they happen. We can't assess the meaning of them, because as we move along in time into a new world, things have a different meaning to us, a different significance. We are changed people.

A simple model of this is the growth of a child into maturity. The child who looks forward to the overt outcomes would probably plan a world in which everything was ice cream and toys. But on reaching the age of 25 and 30, we find that kind of world has a very different meaning for us, and we don't value it in the same way. People in the late 19th and 20th century looked ahead to science and technology proliferating and coming to be amazingly productive and successful enterprises. But what they didn't and couldn't take into account was what it would be like to live in that world, how it would feel, what the significance of those outcomes would be. In this case, the outcome was realized in more or less the way it was expected. Science and technology have grown, but the attitudes we have, and the feelings about them, are surely very different from what a late 19th century optimist would have thought.

So there are these two basic ways in which we are ignorant. We can't predict the outcomes or control them in major respects, and insofar as we can, we don't know what the value or significance of them will be. I ask, "What are the implications of this, especially in regard to the recombinant DNA controversy?" One thing we might presume would be — perhaps we shouldn't venture into such treacherous waters — that if we were to decide not to put our priorities into recombinant DNA but into some other very promising areas of scientific research, then if we make a good choice we will achieve a breakthrough in some other area. And when we achieve breakthroughs in basic scientific knowledge the practical implications are there and we will be back in a problem whose structure is the same as in the recombinant DNA controversy. The language will be different, but the substance of the issues will be the same. We could try to stop science entirely, but that seems to be something that is contrary to the thrust of our whole culture today and, in addition, to do so would insult values that have been basic to modern European civilization for so long. The question is, if we stay away from science, are we so clearly on a road that will *not* lead to catastrophe? Do we know that by going ahead with recombinant DNA or scientific inquiry we are moving to catastrophe or to danger, and if we don't that the world is going along safely? That would be naive, considering what we have seen of history.

So, on the basis of these presumptions, I would say that recombinant DNA research should go on — not because scientific research, the search for truth, is an absolute overriding value. Of course it isn't, as has been pointed out; in many ways we regulate it as soon as we see that the implications are dangerous in specific ways for human beings or even for nature. So of course we will and should have regulation, and this introduces many, many complicated problems. There is no reason whatsoever why science *should* have an absolute commitment from society. We should struggle to find some balance, and that means that lawyers and legislators and the public and ethicists will be frustrated and impatient. Of course, the others will be impatient with the scientists — that's the way it goes, that's part of the process and that's something we have to accept.

The only thing I would want to stress is that, while we have to do these things, we have to recognize that in the longer run, we are not actually in control of the situation. We don't know how much good will come and we don't know in what way. We don't know how much evil will come and we don't know in what way. To use a phrase that I heard used this morning in another connection, "It's a scary situation." Well, of course it's a scary situation!

But then that isn't new either, because if you go back to other times and other cultures, what do the myths and stories of people in all times tell us? They tell us that thoughtful people have realized that this whole enterprise is very scary and very precarious. People everywhere and in all times have been concerned with appeasing the gods; people who have had any thought for what it is to live have always done this. And we have our forms of appeasing the gods — we do planning and so forth. It is important to do these things because they are part of life and there are consequences in the immediate future that sometimes make life more humane.

But in the larger context, it does seem to me that we should not engage in specific analyses with the idea that this one has the solution or that one has the solution. We should look for the right way but with a somewhat more tempered and, if I may say so, a more humble approach. We should know that we're walking a tightrope and that this is a very exciting thing. But it's a very scary thing, and it's not new. It's not new with recombinant DNA, and it's not new with life, either.

By Donald Winks

Speaking out—with a forked tongue

Corporate officers arouse suspicion and antibusiness sentiment by trying to put a smiling face on things that are worrying them in private

The latest canon in public relations holds that the best way to combat public mistrust of business and encourage better economic understanding among the citizenry is for top executives to speak out and "tell it like it is" on behalf of corporate America.

"Telling it" is what corporate leaders are doing as never before, in press interviews, on talk shows, in speeches, and in advertising.

"Telling it like it is," unfortunately, they ain't.

Indeed, to one observer who has spent a good part of his career advising corporate executives on their public utterances, the vast majority of these communications appear to be precisely if unwittingly calculated to exacerbate antibusiness sentiments and discourage wider understanding.

At the root of the problem is a basic conflict between what businessmen know should be said (and regularly say to each other) and a countervailing desire to ensure that only the most positive things are said about their company.

For example, businessmen are well aware that real corporate profits are considerably below the levels of a decade ago, yet they go right on proudly trumpeting the glad tidings of progressively higher earnings. They know and deplore the fact that the individual shareholder is a statistical nullity in a market dominated by big institutions, yet they continue to assure him solemnly that it is "his" company, with management dedicated to increasing the yield of "his" investment. They point to "strong" balance sheets, yet fail to add that the depreciation account is accumulating nickels today to buy 25¢ Hershey bars tomorrow.

Not only do businessmen know all this, they worry about it, hold conferences on it, and complain to their wives about it. The one thing they don't do is tell their own employees, shareholders, customers, and suppliers about it.

Competition. Why do most business executives carefully avoid communicating the economic facts of life in terms of their own company's performance in any but the most general terms? The answer most frequently given is competition. If the chairman of Company X points out that six points of his 10% increase in earnings came not from astute management and more profitable operations but entirely from inflation, then his performance will compare unfavorably with Company Y, whose chairman chooses not to make this distinction.

The people in the audience may lack economic sophistication, but they know enough to suspect that something is fishy when businessmen speak out—and frequently down—to them. If earnings are so great, why all the complaints about foreign competition? If there is money available for multimillion-dollar expansions and mergers, why the objections to spending on social goals such as environmental quality?

These questions drive businessmen up the wall, but they are likely to persist so long as corporate leaders insist on presenting their companies' activities and performances in the most favorable light possible—while at the same time condemning such seemingly worthy proposals as cheaper imports (and lower consumer prices), higher minimum wages, and cleaner air as impediments to economic progress. It is hard to imagine how such tactics could be expected to dispose the public to listen sympathetically to business. And in fact they do not. This is regrettable because there are sound arguments—in public interest terms—in support of the business positions.

Inadequate communication. A further difficulty arises from the fact that the language used to portray present-day economic realities and describe business performance is simply not adequate to the task. Quite clearly, we no longer live in an era when management owns a goodly share of the business, when employees know firsthand how the product of their labors fits into the scheme of things, and when shareholders put their money into the company instead of exchanging it with a third party who feels like selling his stock. Yet in the main we use the language of this era in present communications. Naturally enough, since it accords poorly with what people see and hear in everyday life, they reject it.

But the real problem goes deeper than developing more believable business communications and thereby regaining a greater measure of public favor. It is that over recent years business appears to have lost a view of itself as a valid social institution—and, in the process, has yielded by default much of the public goodwill upon which social legitimacy is based. In the absence of perceived legitimacy, government regulation of the corporate sector has become the preferred choice of the public and of the politicians.

To be sure, there is also rising mistrust of big government among the citizenry, a salutary and somewhat overdue phenomenon, but it would be a mistake to attribute this trend to probusiness sentiments on the part of the public. On the contrary, government is seen as necessary but bad—that is, capable of reform through the democratic process—whereas business is seen as bad but necessary. Where does the ordinary man turn to dispel his mistrust of a corporate system whose economic power he does not doubt but whose social legitimacy he questions? What redress has he? Who speaks for the corporation?

These are complex and difficult matters, but perhaps a modest proposal is in order—that top executives resolve to speak unto others in public as they speak unto each other in the privacy of their boardrooms and offices. Social institutions that pretend to infallibility do not inspire public trust for the very good reason that they are seen as phony. ■

Donald Winks is an author and public relations counselor in San Francisco.

Drawing by Helen Tullen