EDITORIAL: The New Democratic Reactionaries

RIPON FORUM

MARCH, 1972 | Vol. VIII No. 5 | ONE DOLLAR

The Embattled Multinationals

Articles by James W. Vaupel, Raymond Vernon, and Peter G. Peterson

LETTERS

Legalizing Gambling

Ripon is to be commended for publishing, and Peter Baugher for writing, the excellent and cogent essay on "Crimes without Victims" (February FORUM). His thesis is well taken, namely that the criminal code should not attempt to regulate morality, mainly because it is totally inept in this field.

Regarding the benefits that would redound from the legalization of gambling, however, I must take issue. The idea goes that the legalization of gambling would reduce the enormous profits organized crime realizes from illicit operations, thereby curtailing the influence Cosa Nostra wields in communities.

There are several things wrong with this premise and the reasoning behind it. For one, there is reason to believe that should casinos and bet-taking parlors spring up like gas stations, then organized crime would infiltrate and control a substantial portion of these legalized operations. The cases of Nevada, England and the Bahamas are convincing in this respect.

It takes large amounts of capital and technical skill to conduct gambling operations, legal or illegal. The government could supply the capital, but it is questionable whether any government could supply the skill or the real control to keep legal gambling from the grasp of organized crime.

There is little reason to assume, in any case, that legalized gambling would dissipate the profits from illegal gambling sponsored by underworld cabals.

State-run lotteries are adequate proof of this, as is the off-track betting operation in New York. Illicit gambling would continue to flourish, and Cosa Nostra would continue to get its fair share. Perhaps this is because a gambling operation run by civil servants, with the attendant regulations, is oppressively dull.

Finally, in a point which Mr. Baugher does touch upon, to legalize gambling is simply impracticable. To convince 50 states to legalize gambling (disregarding "local options," which would surely crop up) is a fine concept. However, to legalize it in New York and New Jersey alone would merely drive illegal operations to more fruitful territory.

Despite limitations, the proposal to curtail organized crime by legalizing gambling has great value. No one can knock the premise that, since people will gamble, let them gamble without the stigma of acting criminally. The problem is extirpating organized crime from gambling and all other aspects of American society.

DAVID A. BRADY
Camillus, N.Y.

GOP Secret Fundraiser

It was with considerable interest and irony that I read your December 15 lead article on the GOP Secret Fundraiser and the statement that "it is unlikely that any further scandal can be uncovered."

At that very time, we had already completed an article on the Nixon money man behind the whole undercover fund-raising scheme — Herbert W. Kalmbach — had picked up his name from a Republican National Committee source, and had most of the details on how his operation worked.

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THE RIPON FORUM is published semi-monthly by the Ripon Society, Inc., 14a Eliot Street, Cambridge, Massachusetts 02138. Second class postage rates paid at Boston, Massachusetts.

Correspondence addressed to the Editor is welcomed.

In publishing this magazine the Ripon Society seeks to provide a forum for fresh ideas, well-researched proposals and for a spirit of criticism, innovation, and independent thinking within the Republican Party. Articles do not necessarily represent the opinion of the National Governing Board or the Editorial Board of the Ripon Society, unless they are explicitly so labelled.

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EDITORIAL

The New Democratic Reactionaries

"The primary economic conflict, I think, is between people whose interests are with already well established economic activities and those whose interests are with the emergence of new economic activities." — Jane Jacobs, *The Economy of Cities.*

The Democratic party is on the verge of assuming a thoroughly reactionary stance on the crucial economic issue of the 1970s: world economic integration. A strange alliance, joining Ralph Nader with Hubert Humphrey — and the New Left, in principle opposing capitalist expansion, with old labor, seeking a subsidized shield from progress — is making an attack on the most important new instrument of international economic growth: the multinational corporation. In addition, they are assaulting the one most indispensable condition of world economic solidarity and expansion: international trade. If the dual attack succeeds, the United States will assume an isolated and beleaguered role in the world, the American economy will provide fewer and less remunerative jobs for everyone, including organized labor, and American politics will undergo strains in coming decades that neither party may be able to contain.

The principal vehicle for this drive is the Burke-Hartke bill, currently before Congress, a blunderbus assault on imports and foreign investment. Although co-sponsored by 65 Congressmen and four Senators at present, endorsed by organized labor as its chief legislative goal of the year, backed by Hubert Humphrey, and contemplated seriously by the other Democratic Presidential candidates, one cannot imagine that such a reactionary monstrosity could be enacted in its present form. But even in compromised (or Muskied) terms, the proposal would be a disaster.

In brief, the bill would attempt to save U.S. jobs by abruptly and drastically curtailing international commerce. All manufactured imports would be subjected to quotas designed to reduce inflows to an absolute level lower than the average between 1965 and 1969: a total import retrenchment of nearly 40 percent. Resulting foreign retaliation, of course, would commensurately diminish U.S. exports. As fully discussed in the article by James Vaupel beginning on page 5, the proposed legislation would also drastically restrict overseas investment by multinational corporations, preventing the transfer of both capital and technology. The consequence would be the short term loss of perhaps a million jobs in American businesses dependent on trade, the loss of perhaps half a million jobs in U.S. facilities of multinational corporations, a long term and probably irretrievable reduction in our standard of living, an inflationary trend unmanageable without ever more severe controls, and, of course, U.S. abandonment of its position of world leadership. The limits on export of technology, moreover, would produce an export of technicians and laboratories instead — a governmentally stimulated brain drain from the U.S.

From Automation to Trade

World and U.S. economic growth is promoted in two principal ways. One is expanding productivity through technological advance; the other is improvement in the international division of labor through increasing trade and product specialization. Labor reactionaries until recently have focussed on halting automation; now they are attacking international trade.

The assumption underlying their position is that the present specific pattern of U.S. employment must be preserved regardless of whether particular jobs can be more cheaply or efficiently performed overseas or by machines. Abandoning progress toward creation of more productive and interesting jobs — a feasible and important goal of the labor movement — the bill would promote industrial schlerosis. The American economy would be domesticated and deprived of the stimulus and ultimately the ability to compete internationally. Worker alienation and unrest would be exacerbated as jobs would be routinized, upward mobility contracted, and living standards undermined.

The reasons for this posture are not less reprehensible for being easy to understand. Simply stated, labor and its Democratic and business allies are afraid of economic progress. The U.S. economy is shifting from standardized or mature product industries, with heavy blue collar employment, into advanced product and service industries where labor has largely failed to organize. Service employment is already more than double manufacturing employment, and within manufacturing industries themselves the job pattern is changing to the detriment of unions even as it benefits most workers. An ever larger proportion of manufacturing employment comes in white collar and female assignments. Research and development, secretarial, executive, managerial and marketing jobs are now four times as numerous in these industries as the most unionized jobs.

These changes are overwhelmingly advantageous to all but a small and decreasing minority of Americans. Since younger workers usually can find other and better jobs, most of the real victims are men between 50 and 60 in blue collar work. Their problem should be addressed by government job programs, by campaigns against discrimination because of age, by enactment of the Family Assistance Plan, and by more flexibility in providing part time employment and leisure pursuits for the elderly. It is social and economic lunacy to preserve a few of the jobs at the expense of the U.S. standard of living, total employment, worker job quality and upward mobility, and the U.S. role of world leadership.

The rationale for Burke-Hartke is in fact so slovenly and retrograde that it will inflict permanent discredit on any politician who accepts it. Those many members of the labor movement who in the past have displayed some sensitivity to social and economic realities should hasten to preserve their reputations today by repudiating the bill and the myopic labor leadership it symbolizes. Businessmen with a continued interest in a free and growing economy should sternly dismiss the demands of colleagues seeking special protections that would jeopardize the system which enabled their earlier successes.

The real U.S. economic problem today is stagnation. The solution is increasing economic growth and progress. The best method to achieve these goals is through more, not less, productivity, trade and investment; more, not less, participation in the world economy. Progressives in labor should join with Republicans to promote economic policies consistent with U.S. prosperity in the years ahead.

The Administration Role

The outcome of the coming struggle over economic policy will be deeply influenced by events in the coming electoral campaign. The success of the Administration in overcoming its past protectionist tendencies will be crucial. The executive must be appraised by far harsher standards than are applicable to Congress on this issue. Congressmen, and to a lesser extent, Senators, are necessarily responsive to specific industries in their constituencies and are necessarily inclined to favor existing economic patterns over emerging ones. Even when they privately recognize that the national interest dictates economic change and progress, they will often subscribe to protectionist legislation in the interests of their own political survival.

Usually these bills consist of a bluster of protectionist rhetoric accompanied by delegation of real decisionmaking authority to the executive, which has a national constituency and perspective and can afford to assert and protect the real interests of the public. The vast majority of Senators and Congressmen realize that a real protectionist siege would be an unmitigated catastrophe and expect the executive to protect them from the ostensible purposes of the legislation they are forced to support.

The Administration made a grave mistake, therefore, when it cited such Congressional posturing as evidence of a deep national demand for insulation from the world economy and as a justification for compromises with the protectionists. By advocating textile quotas for political purposes, moreover, the Administration lent respectability to such absolute import restrictions and seemingly vindicated the claims of the numerous American industries that are more threatened by foreign products than is the still growing U.S. textile industry. In addition, Administration rhetoric, particularly from Democratic Treasury Secretary John Connally, strengthened the false public impression that the United States has been victimized by unscrupulous foreigners in the world economy, that we have lost rather than gained from expanding international commerce. One result of these Administration blunders was to open the way for the Burke-Hartke bill.

The Administration thus incurred a deep and inescapable obligation to fight all new attempts to restrict trade and investment. In this effort, it will greatly benefit by taking the offense and the initiative. By cogently demonstrating the national stake in world economic growth — with special emphasis on the real interests of U.S. workers — the Administration can ally the Republican party with those unions and businesses which have the greatest growth potential, and form a progressive national coalition that can dominate U.S. politics for years to come. The alternative is a futile effort to compete with the Democrats for the favor of the current labor leadership — thus allowing the Democratic party to maintain its increasingly spurious reputation as the most genuinely progressive of the two parties; and thus forfeiting a real opportunity to move toward a new Republican majority.

The Embattled Multi-Nationals

by James Walton Vaupel

Multinational enterprise is beleaguered by enemies and endangered by misguided friends. The most serious assault comes from what a few years ago was the least suspected quarter, namely the U.S. government. The Hartke-Burke bill pushed by the AFL-CIO would sharply curtail multinational activity by U.S. firms. The Mandatory Capital Restraint Program, enacted by the Johnson administration and still in force, limits use of U.S. capital for foreign investment. President Nixon's promise to cut off foreign aid to any country that expropriates U.S. assets without prompt and adequate compensation threatens to expose multinational corporations to more virulent attacks and greater expropriation losses. Since multinational enterprise is a powerful engine of economic progress, these three policies threaten U.S. and world prosperity.

The Hartke-Burke Bill

The primary congressional goal of the AFL-CIO is passage of the Fair Trade and Investment Act of 1972, sponsored by Sen. Vance Hartke (D-Ind.) and Rep. James Burke (D.-Mass.). The Hartke-Burke bill seeks to preserve present U.S. jobs that can be more efficiently or less expensively performed abroad. The most widely discussed provision would set quotas on imports. But other provisions of the bill, aimed at curtailing foreign investment, pose an equally serious threat to our future prosperity. The key provisions involve:

1. *Double Taxation*: The foreign earnings of U.S. firms would be taxed by the United States, whether or not these earnings were also taxed by foreign governments, and whether or not these earnings were remitted to the United States.

2. *Capital and Technology Restrictions*: U.S. firms would be prohibited from directly or indirectly transferring capital or patented technology abroad if such a transfer is appraised as decreasing employment in the United States.

The import-quota provision would also result in curtailment of U.S. multinational corporations, since foreign countries would probably retaliate against U.S. import quotas not only by restricting U.S. exports but also by restricting the foreign subsidiaries of U.S. firms.

The AFL-CIO is trying to sell these provisions of the Hartke-Burke bill by charging that multinational corporations cause the loss of U.S. jobs and

Mr. Vaupel, a consultant on multinational corporations for the Hudson Institute, has served four years on the Harvard Multinational Enterprise Project.

are therefore responsible for the high level of U.S. unemployment. This is nonsense.

First, the high level of unemployment is more attributable to a sluggish economy and resultingly inadequate job creation than to the loss of specific jobs because of economic change. The rate of job loss in the middle '60's was as great as it is today, but unemployment was low because expanding firms eagerly sought out and trained workers.

Second, few U.S. workers who lose their jobs lose them because of the shift of production abroad. Far more important is the loss of jobs because of technological advance, and product innovation.

Third, only a small fraction of the shift of production abroad has been carried out under the aegis of U.S. multinational corporations. The loss of U.S. jobs to foreigners — a relatively small problem in terms of the economy as a whole — largely comes from increased imports in mature-product industries, such as steel, shoes, and textiles: the very items with the least U.S. foreign investment. Overall, less than a quarter of U.S. imports of manufactured goods is produced by the foreign subsidiaries of U.S. firms and four-fifths of this amount is imported from Canada.

Fourth, few workers employed by U.S. multinational corporations lose their jobs even if the tasks they are performing are shifted abroad. Instead the workers are usually retained and retrained for new tasks. U.S. multinational corporations tend to be dynamic product-pioneering firms that are expanding in the United States as well as abroad. In fact, a recent Chamber of Commerce survey found that the domestic employment of multinational corporations increased 31 percent from 1960 to 1970 while domestic employment of all manufacturing firms only increased 12 percent. The strength behind this growth — strength based on technological, marketing, and managerial know-how — gives the U.S. multinational corporations the ability to operate abroad in spite of severe obstacles and risks.

Fifth, any jobs lost because a U.S. multinational corporation establishes a foreign manufacturing subsidiary will be in jeopardy regardless of whether such investments are permitted. If a product can be more efficiently or less expensively produced abroad, the territorial confinement of U.S. concerns will serve as an invitation to enterprising foreign national firms or European or Japanese multinational corporations that scan the globe for opportunities. In almost all cases it is competitive pressure that triggers the decision of U.S. firms to locate production facilities outside the familiar and secure U.S. environment.

Sixth, if U.S. multinational corporations are not permitted to establish foreign manufacturing subsidiaries, U.S. jobs will be lost. A ban on U.S. manufacturing investment overseas would not merely fail to preserve present U.S. manufacturing jobs, it would also cause loss of headquarters, service, and supply jobs that remain in the U.S. with U.S. ownership but move abroad if a foreign concern makes the investment. Such jobs are largely attributable to U.S. exports of technological and managerial services to foreign subsidiaries and U.S. exports of raw materials, intermediate products, and capital equipment that foreign-owned firms would procure from foreign sources.

Seventh, the establishment of a foreign manufacturing subsidiary by a U.S. multinational corporation almost always results in the creation of new U.S. jobs. 92 percent of the production of the foreign subsidiaries of U.S. multinational corporations is sold in a foreign market, usually the local foreign market. Supplying a foreign market from a foreign base almost always results in a large growth in sales of a product previously exported from the United States, because the product can be sold at lower cost due to labor, tariff, and transportation savings; because minor adaptations of the product are commonly made that increase the product's local acceptability; and because foreign subsidiaries are well-placed and motivated to push sales of the product. Even in the small minority of cases when a foreign production facility is established to supply the U.S. market, there is usually an increase in sales because the product can be sold at a reduced price.

Therefore, the establishment of a foreign manufacturing subsidiary commonly results in increased U.S. exports of raw materials, intermediate products, capital equipment, and technological and managerial services. In addition, foreign subsidiaries usually increase foreign sales of parent-company products still manufactured in the United States. Various estimates indicate that these increased U.S. exports of goods and services have created some 500,000 jobs currently held by U.S. workers.

In sum, the AFL-CIO charge that U.S. multinational corporations cause the loss of U.S. jobs and therefore are responsible for the high level of U.S. unemployment is drastically erroneous, and provisions designed to curtail foreign investment, such as those proposed in the Hartke-Burke bill, would destroy many more jobs than they would preserve.

Policy of Punishment

Despite the facts, the AFL-CIO's charge and the Hartke-Burke "solution" seem plausible to most people. By the usual "devil" and "post hoc propter hoc" theories of explanation, if a U.S. worker loses his job after a U.S. firm establishes a foreign subsidiary, then the firm is to blame and should be punished. As long as a high rate of unemployment persists, multinational enterprise will be unjustly threatened, as will, for that matter, those other engines of economic progress, international trade and automation.

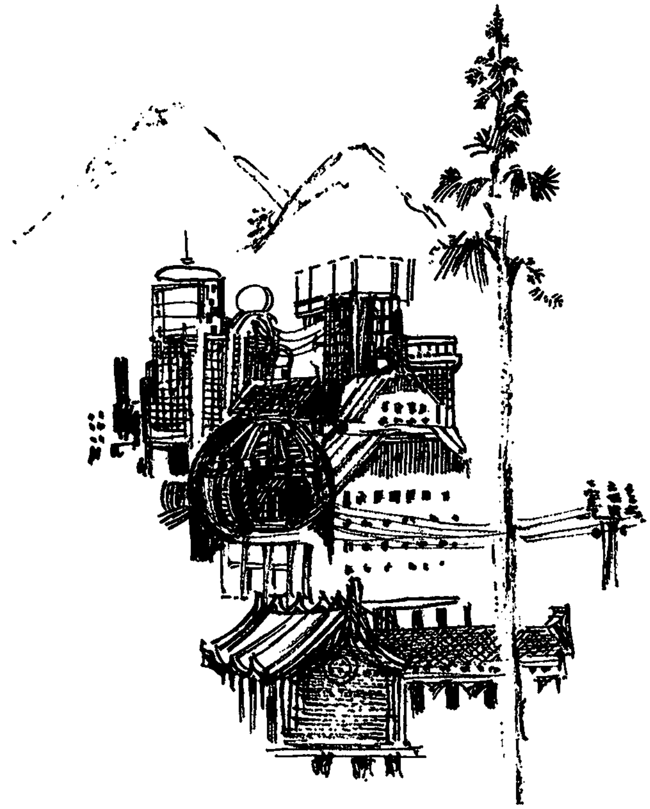
But even if the new economic program succeeds and unemployment is cut, unions will probably continue to oppose multinational enterprise. Although a ban on foreign investment would cost many more jobs than it would preserve, a few present jobs might be preserved for a few years. These jobs would largely be those held by blue-collar workers in mature-products industries, that is, among unionized workers. On the other hand, the new U.S. jobs created by multinational enterprise are largely white-collar jobs in advanced-products industries, that is, among non-unionized workers.

Unions furthermore fear a decline in their relative power vis-a-vis large corporations that diversify multinationally. A multinational corporation may be able to play the unions of one nation against the unions of another by threatening to shift production to the lower-wage nation. Multinational corporations may also be able to withstand strikes longer if strikes only affect one nation of their operations. The potential strength of multinational corporations in these situations has been exaggerated and multinational corporations rarely exploit what discretionary power they do have. Certainly the recent wage increases won by unions indicate no diminution of union bargaining power. If unions do feel threatened by multinational enterprise, it would be better for society as a whole if they worked toward multinational cooperation among the world's unions and toward unionizing white-collar, service, and advanced-product workers rather than toward cutting the United States off from the benefits of international trade and investment. It is a hopeful sign that some union energies are being so directed.

Mandatory Capital Restraint Program

The position of multinational enterprise is not threatened only by proposed new programs. Treasury and Commerce Department concern over the balance of payments led during the Johnson Administration to imposition of the Mandatory Capital Restraint Program. This scheme limits use of U.S. capital for foreign investment — but, as it happens, does not in fact aid our balance of payments. None the less it is still in effect under President Nixon.

An investment by a multinational corporation in a foreign production facility decreases the U.S. balance of payments in two obvious ways. First, capital is exported. Although the amount is in general considerably less than the value of the investment — since half or more of the capital required is usually raised from foreign sources — there nonetheless is apt to be some capital outflow. Second, if the foreign production facility serves foreign markets that were previously served from the United States, U.S.



exports of the product decline. And if, as in a small minority of cases, the foreign production facility serves the U.S. market, U.S. imports of the product increase.

Offsetting these two negative effects are two positive ones, that contribute to our balance of payments. First, debt capital invested abroad earns interest, and equity capital earns profits. Second, foreign investments tend to increase exports of:

(a) raw materials and intermediate products,
(b) capital equipment and machinery,
(c) products that can be more easily sold abroad when the investing firm has a foreign base, and
(d) technological and managerial services.

These are just the most obvious and immediate consequences. In order to precisely calculate the effect of a foreign investment on the U.S. balance of payments the indirect and dynamic impact of the investment on, for example, interest rates, income levels, information gaps, and other countries' policies must be weighed.

A number of theoretical studies based on a variety of simplifying assumptions have tried to sort out these effects and have arrived at differing conclusions. If it is assumed that a foreign firm will seize an opportunity to make a profitable foreign investment a U.S. firm is denied (and there is strong evidence that this is generally the correct assumption), then the theoretical models usually indicate that restrictions on U.S. foreign investment hurt the U.S.

balance of payments. The most careful empirical research to date, conducted by Prof. Robert Stobaugh of the Harvard Multinational Enterprise Project, confirms this conclusion.

Thus, contrary to intention, the Mandatory Capital Restraint Program probably increases the balance of payments deficit.

This is reason enough for repeal, but the program can be strongly criticized on two further grounds.

First, the program severely discriminates against foreign investment by small firms and firms that are not already established abroad. Large firms and firms already multinational can readily circumvent the restrictions by borrowing capital or by retaining earnings abroad. Such unequal treatment is unjustified.

Second, even if the program did help our balance of payments, there are better tools at hand to achieve this goal. Over the last few months it has become clear that national currencies can be realigned with less pain than expected. Now that the dollar has been devalued, the job the program was supposed to do has probably been done. If the United States ever wants to decrease a future balance of payments deficit, currency realignment is to be preferred to bureaucratic intervention against foreign investment.

In sum, the Mandatory Capital Restraint Program ought to be repealed because contrary to intention it probably increases the U.S. balance of payments deficit; because it discriminates against smaller firms; and because its goal probably has been and certainly can be better achieved by currency realignments.

President Nixon's Threat

There are encouraging signs that the Nixon Administration will soon act to repeal the program. But this positive measure, if it comes, will be counteracted by Administration measures that tend to treat multinational corporations as vessels of U.S. sovereignty.

On January 19th, President Nixon promised that except in extraordinary cases foreign aid would be cut off to any country that seizes U.S. assets without prompt and adequate compensation and that the United States would "withhold its support" from loans to such a country by international agencies such as the World Bank and the Inter-American Development Bank.

The President's threat was based on the premise that the foreign subsidiaries of U.S. firms are in effect (if not legally) U.S. firms themselves and that the United States has an obligation to aid and protect them. U.S. policy has long been based on this premise. But today rather than sending in the marines, we send in the ambassador, and instead of threatening to shell the Capital, the United States threatens to cut off capital transfers.

The Nixon threat was also rationalized as a way to keep less developed countries from hurting themselves. Most of the Nixon administration believes that multinational enterprise accelerates economic progress and that by expropriating the subsidiaries of U.S. firms less developed countries are slowing their own development. This belief is almost certainly correct. The beneficial impact of raw material extraction may be less certain than of manufacturers. But Theodore Moran shows in the Winter issue of *Foreign Policy* that even the multinational extractors, if properly taxed and regulated, can probably contribute more to the prosperity and economic progress of a less developed country than alternative arrangements of local private or governmental ownership.

None the less, despite this favorable economic calculus, the interventionist and paternalist character of the Nixon threat jars the sensibilities of less developed countries. More than anything else, a developing country wants to be master in its own house. This is difficult enough when a substantial proportion of the country's industrial sector is in the hands of corporations that command more economic resources than the government or even the country. The problem is exacerbated if the United States government allies itself with these corporate behemoths. The Nixon threat stirs up public and governmental resentment against the United States and against multinational corporations.

The cost of such resentment might be bearable if the Nixon threat resulted in fewer expropriations. However, the threat has *increased* the likelihood of expropriations. In nearly all cases, expropriation of U.S. property is not a rational policy but an act of nationalistic defiance. Publicly promised U.S. retaliation is more likely to inflame jingoistic emotion than to tip the balance of careful economic profit-and-loss calculations.

Furthermore, if businesses realize that they are dependent on the good-will of the country in which they are operating and will not be protected by the United States, they may be more likely to cultivate local good-will. Often good citizenship involves little more than telephoning national officials to ask their opinions and promoting well-qualified local citizens to positions of corporate responsibility. It is the firms that do not take the interests and preferences of the host country into account that most fear expropriation. The United States should not try to protect such unenlightened firms against a less developed country that is trying to solve its desperate problems.

Because the Nixon threat increases resentment against the United States and against multinational corporations and increases the likelihood of expropriations and the overthrow of governments favorable to the United States, the Nixon threat damages the interests of the United States, of less developed counries, and of multinational corporations.

The second major thrust of the Nixon administration's investment-protection program is OPIC, the Overseas Private Insurance Corporation. OPIC uses public money to compensate firms for foreign expropriation losses. As of October 1971, OPIC had contingent liabilities of $3.5 billion and authority from Congress to go to $13.9 billion. All policies issued are backed by the full credit of the U.S. government and OPIC has authorization for appropriations as needed to meet liabilities.

A business should not be compensated with public money, however, for the buffets of a risky world. If a business wants insurance it should buy it itself. In general, a public subsidy is only justified if it serves some public goal. OPIC can only be justified as a kind of foreign aid that helps less developed countries attract U.S. investment which will speed the countries' development. But if this is the motive, OPIC has been set up strangely: its expenditures are not considered foreign aid, it is a unilateral U.S. program, and its payments are made not to the countries we wish to aid but to businesses that have been expropriated and compensated less than they think is adequate by countries that may have been provoked into expropriation by the businesses' bad conduct.

A multinational investment-guarantee program based on the following principles can achieve the goals of the Nixon threat and OPIC without the severe drawbacks. Nations should respect the right of other nations to exercise sovereignty as they see fit within their national boundaries. Such sovereignty includes the right to expropriate local firms, whether or not they are foreign-owned, without paying the investors what the investors deem to be adequate compensation. However, nations eager to attract foreign investment may be willing to bind themselves to a multinational investment guarantee program. If there is a dispute between a foreign investor and a government over the amount of compensation that would be fair, the dispute would be adjudicated by an international court. If a country refuses to pay the compensation the court requires, then foreign aid previously directed to the country would be diverted to compensate the investors. Countries would be free to join or leave the investment-guarantee program. But if a country leaves, any investments made while the country was a member would be continued to be covered by the program's guarantees. It is important to note that unlike superficially similar programs rejected by Latin American countries in the past, this program only covers new investments and is based on absolute local sovereignty. Under this program the U.S. government would no longer aid foreign investors in disputes with host countries. The Nixon administration ought to work with foreign governments to set up a multinational investment-guarantee program along these lines.

The Basic Danger

This analysis has challenged the three major U.S. threats to multinational enterprise on a variety of grounds. A key common fault of the policies is that their intention runs counter to their effect. The Hartke-Burke bill is intended to save U.S. jobs, but it would cost far more jobs than it would save. The Mandatory Capital Restraint Program is intended to decrease U.S. balance of payments deficits, but it probably exacerbates such deficits. President Nixon's threat to cut off foreign aid is intended to reduce risk of expropriation, but it increases the risk. This alone is a damning indictment.

But the most important reason these policies ought to be opposed is that in threatening multinational enterprise they threaten U.S. and world prosperity. There are two great processes of economic progress at work in the world. The first is the development and diffusion of advanced technology, while the second involves increasing international exchange based on the specialization of nations in the tasks they perform most efficiently. The product-pioneering multinational corporations are key forces in both processes. It would be tragic if the economic progress multinational enterprise yields were slowed by policies as foolish as the Hartke-Burke bill, the Mandatory Capital Restraint Program, and the Nixon threat.

A Skeptic's View

Is There Really A Payments "Crisis"?

by Raymond Vernon

When President Nixon slammed down the U.S. gold window last August 15, a new era in international monetary relations was opened. This is a period that promises endless debate and protracted negotiations among the big economic powers of the world, aimed at devising a new system.

The old system could not work forever. Under that system, the U.S. dollar had played a very special role. It had been the money which countries most commonly used in their international transactions; yet at the same time, it had been the domestic currency of the biggest economy in the world. In this double role lay the seeds of intolerable conflict. What was right policy for the U.S. dollar as a domestic medium of exchange could be thoroughly wrong policy for the U.S. dollar as an international medium.

If the U.S. authorities opened the spigot to create more dollars in order that more Americans would be employed, that action could affect the terms on which an Italian financed his purchases of meat from Argentina. And if Germany decided that it had more dollars than were necessary to finance its international business, Germany's measures could affect the interest rate on mortgages in Rahway, New Jersey.

It was not only the dual role of the dollar that threatened the system; it was also the role played by gold. Any country which possessed dollars formally had the option of demanding gold for those dollars from the U.S. Treasury. With so many dollars floating around the world as the favored medium of exchange, that option was a Damocles' sword over the head of U.S. policy-makers.

Robert Triffin and others of his persuasion were right, and had been for many years. The unbridled capacity that each major nation had for placing pressure on the others was simply too great. As the volume of international transactions kept growing and the concomitant international uses of the dollar kept expanding, the stresses were bound to become intolerable.

The highly developed American capacity for self-flagellation, however, has led us to place a curious cast upon the problem. According to the conventional wisdom of the moment, it is the U.S. economy that has somehow failed to measure up. The U.S. balance-of-payments performance has been "weak," and being "weak," has shaken the world's confidence in the dollar. The loss of confidence, according to common impression, has been the *prima causa* in pulling down the international monetary system.

This view of the situation, as it happens, sits very well in the psyche of the Europeans. For decades, the Europeans had been obliged to suffer the smug affirmations of superiority of the Americans; there was a special satisfaction, therefore, in seeing the mighty humbled. So the view that U.S. weakness was to blame has been picked up, elaborated, amplified, and re-broadcast, gaining in persuasiveness as it goes.

Now, there are many respects in which the U.S. economy has failed to measure up over the past decade. But the conventional view of the U.S. balance-of-payments performance rests on wobbly foundations. The facts on which that perception is based have generally been incomplete and the inferences drawn have commonly been unwarranted.

What is a balance-of-payments problem, anyway? Metaphors are always a bit dangerous; but in this case they may shed a little light on a complex issue.

Picture a going business that has built up a series of claims on the rest of the world and that has allowed the rest of the world to acquire a series of counterclaims upon it. The going business has claims in the form of bank accounts and trade receivables; and even its building and inventories represent claims because in a pinch they can be sold in the open market. On the other hand, the business owes money to a variety of creditors. One needs no highly developed intuition to be aware that when the counterclaims of the rest of the world on the going business exceed its claims running the other way, serious trouble may be brewing.

But that is distinctly *not* the situation of the United States. Suppose that Uncle Sam were to add up all the claims that the U.S. government and U.S. nationals have upon the rest of the world; then suppose that it were to compare those U.S. claims with the counterclaims that the rest of the world has upon the United States. What would the figures show?

Every year-end, the U.S. Department of Commerce grinds out its official estimate of an answer to the question. An abbreviated version of the latest tally offers the following figures for year-end 1969 (see Table 1).

Since gold is the ultimate means by which one country can make a claim upon another or pay off another, holdings of gold may be added to both sides of the table.

Professor Vernon's latest book, Sovereignty At Bay, *is the most complete and timely study of multinational corporations.*

This brings the U.S. claims to $158 billion and the rest of the world's counterclaims to $119 billion.

One thing is clear: If the United States could be pictured paying off the claims of the rest of the world upon it, the nation would still have a huge net claim remaining. Stated otherwise, if the rest of the world tried to pay off the claims of the United States, the rest of the world would run out of assets long before it could liquidate those claims. What is more, the unbalanced relationship between the United States and the rest of the world has been gradually intensifying. Although U.S. gold holdings declined all through the decade of the 1960's, the amount by which total U.S. claims on the rest of the world exceeded their counterclaims continued to rise. In 1960, with gold holdings included, the balance in favor of the United States had been $21 billion; by 1965, it was $34 billion; and by 1969, it was $39 billion.

Table 1

	Claims of the U.S. and its nationals on the rest of the world	Claims of the rest of the world on the U.S. and its nationals
	(in billions of dollars)	
Bank accounts, currencies and similar highly liquid claims	$ 19	$42
Stocks, bonds, and similar claims with limited liquidity	$ 56	$37
Investments of enterprises in their overseas subsidiaries and branches	$ 71	$12
Total claims	$146	$91

What, then, is all the fuss over the U.S. balance of payments? The answer is straight-forward enough. It isn't the total claims position of the United States that is bothersome; it is the composition of those claims. Looking back at the array of figures, one notes that in 1969 U.S. claims on foreigners in highly liquid forms, such as bank accounts and currencies, are only $19 billion. To policy-makers, that sum plus $12 billion in gold seemed all that was available immediately to pay off foreigners' short-term claims of $42 billion. The threat that foreigners might immediately demand that their liquid claims be converted into gold could not be disregarded.

This is not so disconcerting as the figures might suggest. After all, many foreigners have been placing their liquid assets in the United States for their own safety and convenience, just as if the United States were a depository bank; and there are few banks in the world that would be able to pay off all their depositors with the cash they have lying in the till. But what was troublesome to those who followed such esoteric matters was that the balance between liquid claims and liquid counterclaims seemed to be deteriorating.

In 1965, for instance, the United States had $26 billion of gold and liquid claims with which it might satisfy the world's liquid counterclaims of $22 billion. And in 1960, the United Stated had $24 billion against the world's counterclaims of $22 billion. As if these trends were not troublesome enough for the U.S. dollar, another trend also could be discerned: the liquid claims of the United States on the rest of the world were moving from U.S. government hands to U.S. private hands. If the U.S. government actually wanted to avail itself of those liquid assets, it would first have to find a way of getting its hands on them. So it is hardly surprising that, at this level of analysis, most observers should become acutely uneasy.

Tin Cup In Hand

Why, then, do I take the skeptic's view? Isn't this a case in which the conventional wisdom has something to be said in its favor? My conclusion is no; not much. What the United States has been experiencing, in my view, is a run on the bank induced largely by the fact that the banker has kept insisting, repeatedly and stridently, that his institution was going bankrupt. That insistence began on the day in 1959 when President Eisenhower sent his Secretary of the Treasury urgently to Europe, tin cup in hand, to solicit contributions from the Europeans. It continued through the Kennedy and Johnson Administrations, fortified from time to time by the diagnoses of many American economists that the United States was "pricing itself out of world markets."

By the time Nixon occupied the White House, the die was probably cast. Anyone who sought to dispel the thickening psychological gloom over the prospects of the U.S. dollar would have had a hopeless task on his hands and would have been dismissed as a Pollyanna. By this time, Uncle Sam's depositors, for their own deep-seated psychological reasons, were eager to believe his repeated affirmations of impending doom. Accordingly, some of them did what any provident depositor would do. They refused any longer to maintain their dollars on deposit, and they demanded to be paid off in gold. In short, they took Uncle Sam at his word and induced a run on the bank.

Perhaps it was just as well. The system had to go in any case. The illusion that the bank was on its last legs may have been needed as a way of getting on to the creation of a new institution. Now that the old structure has been swept away, however, one ought to be building the new institution with a much clearer view of why the old one failed.

The immediate cause of the failure, as I suggested, was a self-induced run on a bank whose underlying position was fairly strong. To be sure, depositors are entitled to grow uneasy when the money in the banker's till is draining away. But the justification for that uneasiness depends on the bank's capacity for replenishment. In the case of the United States, there are numerous possibilities for replenishment. Let me illustrate.

Turn back to the compilation of U.S. claims in Table 1 and note that the largest block of claims consists of the $71 billion invested by U.S. parents in their overseas subsidiaries and branches. This huge block is classified as long term, hence as a putatively illiquid investment. What does this figure stand for? In fact, what it stands for is a much larger bundle of assets, made up of all sorts of items: cash, accounts receivable, inventories, oil wells, factory installations, and so on. These assets probably come to well over $125 billion, measured by the conventional values at which they are carried on the parent books. Because they are offset by liabilities of various sorts, the net value appears as $71 billion.

What is not apparent is that U.S. control over these foreign enterprises can be exercised in such a way as to generate plenty of liquidity. My best guess is that the liquid assets of these enterprises exceeded their liquid liabilities by about $25 billion at the end of 1969. If one wished, he could restate the $71 billions as $25 billion liquid, $46 billion illiquid.

The reader could well demur, on the grounds that Uncle Sam's depositors would regard this source of liquidity as beyond the reach of the U.S. government. Certainly, the U.S. government in word and attitude has done little to dispel the impression that it regards such assets as beyond its reach. Yet, in actual policy, the U.S. government has had no hesitation about reaching for such assets. When the existing system of U.S. controls over foreign direct investment was instituted in 1968, it contained various requirements for the recapture of liquid assets from overseas subsidiaries; it could have contained more. Whether such a policy would be good or bad in terms of the totality of U.S. interests is quite another question. (My own guess is that in most conceivable situations such a policy would be adverse to U.S. interests in the longer term.) But that is not the issue here. What concerns us here is what the bank's depositors should know so they can assess the bank's capacity for meeting a run.

This small point opens up a very much larger one. As long as a nation has command over assets located overseas, there is always some possibility for its government to turn those assets into a liquid form. Governments as a rule have the constitutional authority to take over the foreign bank accounts and securities of their nationals. Subject to confirmation from my legal brethren, I assume that the United States could even oblige its citizens through appropriate legislation or regulation to sell their winter homes on the shores of the Mediterranean, and to return the proceeds to the United States. I cannot say whether the United States would find the political will to do any such thing. But other countries have taken measures of this sort, when the need was severe enough.

So long as assets with value exist overseas, therefore, the question of their liquidity is partly a question of national will, and partly a question of communicating the existence of that will to others. For a nation whose overseas claims exceed the counterclaims of others by over $50 billion, the issue of "enough liquidity" is altogether a question of state of mind. It turns on what the depositors think about the banker's will to squeeze the water out of the turnip.

The Current Account

I have suggested more than once in the past few pages that in long-run balance-of-payments terms the U.S. economy did not seem to be performing badly during the 1960's. That critical assertion, however, needs more than repetition to sustain it. How can one make such a claim for a country that is generally seen as pricing itself out of world markets?

If the United States were in fact finding it more and more difficult to sell its goods and services to the rest of the world, there would be no doubt about the need to worry. After all, the main way in which the United States can build up its net claims on other countries is by selling them its goods and services.

In recent years, there has been a considerable amount of analysis aimed at trying to discover how U.S. costs and price levels are affecting our exports of goods and services. Analyses of this sort are too arcane to be summarized here. As I read the evidence, however, it points to a Scotch verdict. There were years, such as 1966 to 1969, in which it almost looked as if the U.S. price performance was handicapping U.S. exports; but there were other years, such as 1970 and 1971, in which inflation and inefficiency in the United States were being nicely matched by inflation and inefficiency elsewhere.

In any event, the sources of strength of the U.S. economy in international trade have not centered in its ability to produce at low cost. For most products that sell strictly on a price basis, the United States seems to have been a high cost producer for a very long time. The country's capacity to sell its goods and services to the rest of the world has generally rested on its ability to differentiate those products and services from others, not to underprice them. Accordingly, the United States has been strong in the exportation of new and advanced chemicals, but weak in the exportation of well-established "mature" chemicals; strong in the exportation of complex metal alloys, but dismal in the exportation of standard steel products; and so on.

How then does one explain the dwindling export balance of the United States? How does one account for the fact that in 1965 the United States sold $4.9 billion of goods to the world in excess of the amount it bought, whereas in 1967 the figure was $3.9 billion and in 1970 only $2.1 billion? How is one to interpret the fact that the figure actually turned negative at times in 1971?

I shall not pretend to provide a complete answer here. My objective for the moment is simply to demonstrate that the evidence in support of the hypothesis of deterioration, such as the merchandise balance just cited, is quite incomplete. What a nation sells to the rest of the world — especially a nation like the United States — is not only goods but also services: services of the sort that are embodied in human labor, such as management and research; and services that are provided through the use of capital. The rewards to the U.S. economy from these activities are to be found not in the merchandise balance, but in sales of business services, in interest and dividends, and in the build-up of the earnings left abroad in subsidiaries and branches. When these are taken into account, the U.S. performance appears a good deal less bleak (see Table 2).

These figures, of course, do not pretend to tell the complete story about the forces affecting the U.S. ability to make claims and to absorb counterclaims in its monetary relations with the rest of the world. What is built up in overseas claims by the factors that have been covered in the figures below can be wiped out by the factors that have been omitted — by military expenditures, by foreign aid, and by one-way remittances of other sorts. But so far that hasn't happened; U.S. net claims in the aggregate, as pointed out earlier, have been steady or rising. And despite the rather bizarre experiences of the past few months in international monetary affairs, the situation shows no signs of changing.

Table 2
The U.S. Balance-of-Payments Surplus

	Balance from merchandise trade	Balance from merchandise, business services, and investment income	Balance from merchandise, business services, investment income, and from earnings left abroad
	(in billions of dollars)		
1960	+4.9	+4.1	+6.3
1965	+4.9	+7.1	+8.6
1969	+2.1	+3.6	+5.9

From data such as these, I infer that the intolerable character of existing monetary arrangements does not stem directly from U.S. weakness in terms of the size and character of the country's foreign claims. It arises rather from two other features of the present situation; from the fact that the system leaves so many other countries vulnerable to the exercise of U.S. power; and from the fact that the international role of the dollar inhibits the United States as it tries to manage its currency for domestic ends.

The Real Question

If this exegesis has not helped much to reduce the worries of many readers, it may have persuaded some to recast their worries in another form. Perhaps the U.S. dollar is not much weaker by objective measures than it was five or ten years ago. But the sources of its strength may have changed; and the change may have disconcerting implications. Instead of relying upon its strength as an international purveyor of goods and of business services that embody labor, perhaps the United States now is relying upon its strength as a capitalist and rentier.

If that were the case, it would be bad news. Few of us want to emulate Britain of the 1920's, for example, where jobs were scarce while the pound sterling was propped up by revenue from foreign investments. The issue may not be a balance-of-payments issue in the narrow sense of the term, but it is an issue of major social importance.

The concern that the United States may be headed in this direction arises, of course, mainly from the appearance of a decline in the net exports of merchandise and business services, coupled with a rise in the importance of income from overseas subsidiaries. But one has to take a closer look at that phenomenon before he can say what it really means.

Take the year 1969. In that year, the Department of Commerce figures indicate that U.S. parent firms derived the following rewards from their overseas subsidiaries and branches:

Table 3
Returns to U.S. Overseas Subsidiaries

	in billions of dollars
Royalties and other fees	$1.7
Interest, dividends, and branch profits	5.7
Undistributed earnings left overseas	2.5
Total returns	$9.9

If the Commerce figures could be taken at face value, the $1.7 billion of royalties and other fees could perhaps be thought of as payment for the export of the services of American managers and technicians. All the rest of the rewards from these operations would look like benefits paid for the use of capital, not labor.

But the Commerce figures cannot be taken at face value. According to various studies of the financial relations of U.S. parents to their subsidiaries, the separation that U.S. enterprises make between royalties and fees from subsidiaries and other forms of income from subsidiaries is very little influenced by the type of resources that are being provided by the parent to the subsidiary. Some U.S. firms send their U.S.-based engineers to visit a British subsidiary, without apparent cost to the subsidiary — simply because they expect the engineers' contribution to show up in larger profits for the subsidiary. Other U.S. firms draw their benefits from subsidiaries abroad in the form of royalties, even though the technical or managerial contributions of the U.S. parent to the subsidiary have long since ceased.

Classifications of this sort are determined by complex considerations inside the firm, such as the desire to minimize taxes or to placate local partners of the overseas subsidiaries. The freedom to classify may be constrained in some cases by the regulations of governments. But neither the internal considerations of the firm nor the requirements of governments allow one safely to assume that royalties and fees represent a measure of the human services provided by the parent to the subsidiary.

In order to separate the rewards that U.S. parents derive from subsidiaries between those earned by labor and those earned by capital, therefore, one has to reach beyond the official Commerce classifications. One way of making the estimate is to ask what part of the $9.9 billion, irrespective of the way in which it is reported, can reasonably be thought of as a return on the services provided by the people who work in the research laboratories, the engineering offices, and the central administrative offices of the U.S. parent.

The best of such estimates rests on tricky assumptions and incomplete facts. But as nearly as one can tell from the inconclusive figures, something like 200,000 U.S. jobs in central administrative offices alone seem to be associated with these overseas subsidiary and branch operations, generating annual pay-rolls on the order of $2.5 billion. The number of scientists and engineers in the United States whose employment might be attributed to overseas operations is anybody's guess. But several different ways of estimating converge on a figure of 50,000 jobs or so, involving an added annual payroll of, say, $800 million; and to that total, one probably should add an appreciable number of supporting workers at lower levels. In a situation where a one billion dollar change in the U.S. merchandise balance stirs the world's capitals, this muted and inconspicuous "export" of U.S. labor must be counted as a development of some real importance. Much more research needs to be done on this subject before one can feel sure of the long-run implications of developments of this sort. But they are far too large and important to be disregarded.

What Now?

This contribution, I fear, may seem to leave the debate over the U.S. balance-of-payments position in more disarray than ever before. If the argument is as persuasive as I intend it to be, it urges many readers to modify or abandon some of the starting assumptions with which they address certain critical questions of the moment — questions such as the wisdom of a floating rate for the U.S. dollar, the desirability of a 10 percent surtax, the need for a new international reserve currency, and so on. It says, in effect: Consider these issues well. But in considering them, do not take it for granted that the U.S. balance-of-payments performance has been weak in any basic sense, or that the U.S. economy is finding itself increasingly less able to sell its products and services to world markets.

Still, the United States confronts a critical problem, that of settling on a national policy for the reconstitution of the world's monetary system. It cannot wait on the outcome of more studies. What do my earlier observations mean for the formulation of such a policy?

What those observations imply to me is that the Administration has its apparent priorities dead wrong. As far as one can tell from the public print, the prime objective of the U.S. government is to force a change in the value of the dollar relative to other currencies. The result of that change, it is thought, will be to sell more goods abroad, build up U.S. claims on the world at an even faster rate and generate a larger pool of liquid claims in U.S. government hands. That would put the U.S. dollar back in position as the key international currency, provided the U.S. government wanted to have it back in that role.

Maybe a change in the value of the U.S. dollar would produce the hoped-for results; maybe not. It takes a very special form of arrogance or a considerable shield of ignorance to make a prediction of the sort with any assurance. In any event, if the anticipated results were realized, that outcome would not do much to solve the basic international monetary problem as I see it. The problem has not been the size of the U.S. claims; it has been a fear of others that those claims would not be used in a constructive way.

The day is past when the U.S. dollar, weak or strong, can provide a tolerable basis for a functioning international monetary system. The basic priority of the Administration ought to be that of helping to fashion a system in which nations can mutually tolerate the existence of vast claims and counterclaims across international boundaries. That objective does not require further increases in U.S. claims. But it will require greatly increased power of some international institution such as the IMF; and it will impose greater limits on the capacity of any one country unilaterally to affect the monetary conditions of another.

For a country such as the United States, acquiescence in such a regime is especially difficult. Our style is the style of a powerful nation; it borrows alternately from the examples of Lady Bountiful and Billy The Kid. Unless we learn to accept the need for collective action in fields where we once felt free, we shall be imperiling not only our friends but also ourselves.

Political Notes

Memphis Setback

MEMPHIS — The Shelby County Republican Party proved at its February convention that although the GOP in Memphis is commendably prepared to accept blacks it is not yet ready to accept Ripon members. Three blacks, relatively unknown within the Party, were elected to the Shelby County Steering Committee, one without opposition, while Ed Miller, the immediate past president of the Memphis Ripon chapter, was decisively beaten in his race for a post on the committee. The defeat followed a two week campaign against him waged in the local newspapers, climaxed by an emotional appeal on the convention floor for the expulsion of Ripon "ultra-liberals" from the local party.

The Ripon Society in Memphis has maintained a low profile in the local party since its inception almost two years ago, preferring to work behind the scenes and establish contacts within the party structure. This strategy was apparently beginning to pay off in the last few months when, among other signs of good will, the Memphis chapter was granted ex-officio membership on the party Steering Committee.

However, when the slate of officers and committee members, including Miller, was reported out of the Nominating Committee, immediate rumblings were heard from the conservative side of the party even though the slate was overwhelmingly conservative in its composition. It soon became apparent that Miller was the main target of the opposition when James Harpster, member of the State Elections Commission and local right wing personality, attacked Miller and the Ripon Society in the press. Harpster charged that the society has political ties with former Democratic Senator Albert Gore because of an exchange of mailing lists with the Council for a Liveable World. This astute piece of reasoning went as follows: (1) Ripon exchanged mailing lists, (2) Ripon members then received fund raising letters from the council signed by Gore, (3) Gore is sworn to defeat Republican Senator Howard Baker in his current bid for re-election, and (4) ergo — Ripon is working to defeat Baker. Although the charges were shown to be completely false, the witch hunt was on.

At the convention Governor Winfield Dunn made a strong plea for an open and flexible party, embracing the entire spectrum of Republican philosophy. Unfortunately the convention's collective mind had been previously closed.

The tone was set when the newly elected Shelby County Chairman, Dr. T. Kyle Creson, rather obviously failed to mention the Ripon Society when naming the various Republican organizations within the county. Included, however, was the local Republican Workshop which has disassociated itself from the National Workshop because of the "liberal" leanings on the national level.

From that point the course of events could be predicted. In speaking for the opposition candidate, a former YR President, ex-state representative William Huettel made an impassioned plea for the convention to stop Ripon "ultra-liberals" who were now "creeping into the party" and keep the local organization where it belongs — on a "moderate to conservative line". A number of local "moderates" were observed taking time out from reading *American Opinion* to applaud these sentiments.

The procedure was representative of the unreasoning fear many conservatives have of an organization or idea which they do not understand. However, in all fairness it should be noted that a sizable number of moderates and conservatives did support Miller's efforts, but these were limited to those who knew him and the other local Riponers personally.

Defense Polls

WASHINGTON — President Nixon's request for an enlarged military budget should please some of his most vocal critics on the right who feel he has not spent enough for defense. Recent polling data suggests, however, that such hikes will not be favored by the electorate as a whole.

According to Yale political scientist Bruce Russett, public opinion has dramatically shifted against increased military spending in the last few years. In 22 nationwide surveys from the late 1930s through 1960 the proportion of the population wishing to reduce military spending never, even in the isolationist thirties, exceeded 35 percent and usually totaled less than 20 percent. At the same time between 35 and 40 percent typically wanted to spend more.

But five surveys taken by the American Institute of Public Opinion since December 1968 show that approximately half the over-21 population wants to reduce military expenditures. Even among segments of the population considered well-disposed toward the military the proportion willing to cut the military budgets is high; for example, 37 percent among Southerners, 40 percent among Republicans, and 46 percent among people over 50 years old. Significantly, Russett reports, the strongest sentiment against military expenditures runs among the college educated (59 percent).

"Anti-military feeling is therefore concentrated in that part of the populace," Russett says, "most likely to vote, to express its opinion, to make campaign contributions, and to participate in some form of organized political activity." Russett presented his finding to the National Coalition for New National Priorities' citizen hearings on national security in Washington February 2.

Moore vs. Rockefeller

CHARLESTOWN, W. Va. — The line-ups for the two major West Virginia races — for Governor and for the Senate seat of Democrat Jennings Randolph — are emerging. Republican Governor Arch Moore is about to seek re-election and his opponent will be the Secretary of State, a Democrat, John D. (Jay) Rockefeller IV. Rockefeller was given a better than even chance of defeating Gov. Moore, but his persistent vow to end strip mining in the state has lost him much support from the mining community.

West Virginia, highly depressed, cannot afford to lose the jobs an end to strip mining would cost. Moore, chairman of the National Governors Conference, who recently gained attention as chief mediator in the settlement of a nationwide coal strike, is extremely popular. His popularity and the issue of coal give him a better than even chance of being re-elected in this 2 to 1 Democratic state.

In the Senate race Randolph has announced that he will seek re-election. His opponent will be, provided no other Republican files, State Senator Louise Leonard, R-Harpers Ferry, who is now serving as one Senator from the 16th Senatorial District. In announcing her candidacy, Ms. Leonard said: "I believe I am a qualified candidate and I believe more women should participate in state and national government. In order that women might be elected to these offices, they must campaign and give the voters a choice."

— *FRED O'BRIEN*

Cohen Imbroglio

WASHINGTON — Howard A. Cohen, Ripon member and Director of the Office of Legislation of the U.S. Environmental Protection Agency, has "resigned" his position.

On January 22, 1972, the New York *Times* published a memorandum leaked from Cohen's office and attributed to him. It said that President Nixon is in "an election year and needs some legislative victories." To get action, it said, the Administration is willing to accept weakening amendments, for example, on the pesticide bill — a hot issue in the Mid-west and the South — in order to mollify the bill's opponents and help elect the President and Republican candidates for the House and Senate.

The timing was extremely bad. William Ruckelshaus, Administrator of EPA, had criticized Senator Edmund Muskie for "political one-upsmanship that is going on regarding the environment" at a news conference just day before the Cohen incident.

Cohen insists that the memo was not written by him, nor endorsed by him, that he did not authorize its distribution at a meeting of EPA Regional Administrators on January 12; and that he did not forward it to Ruckelshaus as a matter of policy statement. He blames the incident on irresponsible reporting by *Times* reporter, E.W. Kenworthy, who unquestioningly reported that Cohen had written the memos.

Nevertheless, Ruckelshaus "asked for Cohen's resignation" and Cohen agrees that Ruckleshaus had to do so in order to preserve his agency's credibility. Ruckleshaus is now attempting to find out who leaked the memo.

A check with White House sources indicates that Cohen's cooperation in resigning without protest was appreciated. For example, Presidential assistant Fred Malek has let it be known that Cohen will not be blackballed.

Wisconsin Primary Preview

MADISON — If the Wallace performance in Florida obscures the significance of the Nation's first full-slated contest, then Wisconsin will become the first — and conceivably the last — decisive confrontation in the Democratic primaries this spring. To Senator Muskie it provides an opportunity to achieve a psychological advantage which will be almost impossible to overcome, especially if he does predictably well in New Hampshire and Illinois and makes a respectable showing in Florida. Furthermore it provides him with the opportunity to eliminate Hubert Humphrey from serious contention. If Florida destroys Jackson, and Wisconsin Humphrey, the Maine Senator will have to face opposition only from the left and his strategic position is thereby enormously simplified.

To Hubert Humphrey, Wisconsin is equally crucial — for it is there and there alone that he can stop Muskie. Humphrey's optimistic projections must envision a narrow victory over Muskie in Florida on March 14 (where the polls show the two running very close indeed), followed by a success of such magnitude in Wisconsin on April 4 that sufficient momentum is generated to break the race open three weeks later (April 25) in Pennsylvania and unhinge Muskie's dominant position in Ohio one week after that on May 2. Such a scenario might also include the hope that Lindsay, McGovern, or someone else embarrass the New England front-runner in Massachusetts on April 25.

But the lead domino is Wisconsin. Without that victory Humphrey's candidacy will no longer be credible and Muskie will have enough time to secure sufficient support to survive anything which Lindsay or others might do to him on the coast. Wisconsin is *supposed to be Humphrey Territory.*

But is it? There is certainly no doubt that Wisconsin regards Hubert Humphrey as its "Third Senator." His historic (and current) interest in farm legislation, his many campaign hours logged in the state, his enormous amount of political I.O.U.'s, his coverage by Minnesota media which penetrates the western tier of farm counties, and his ability to resurrect old campaign organizations within, while inundating the state with Minnesotans from without, give him many advantages.

Humphrey's assets, however, may not be as strong as they appear. His strength in farming areas may well be eroded by McGovern whose recent performance in Iowa must have been a source of concern to Humphrey strategists. Furthermore the farm and agri-business interests represent a declining percentage of the voting population. (Of the twenty Wisconsin counties which lost population over the last decade, Humphrey carried 15 in 1960 over Kennedy). A striking illustration of this trend is the recent re-apportionment of Congressional Districts. (The winner of each Congressional District receives between 5 & 7 delegates — see box — and the winner State-wide, 11.)

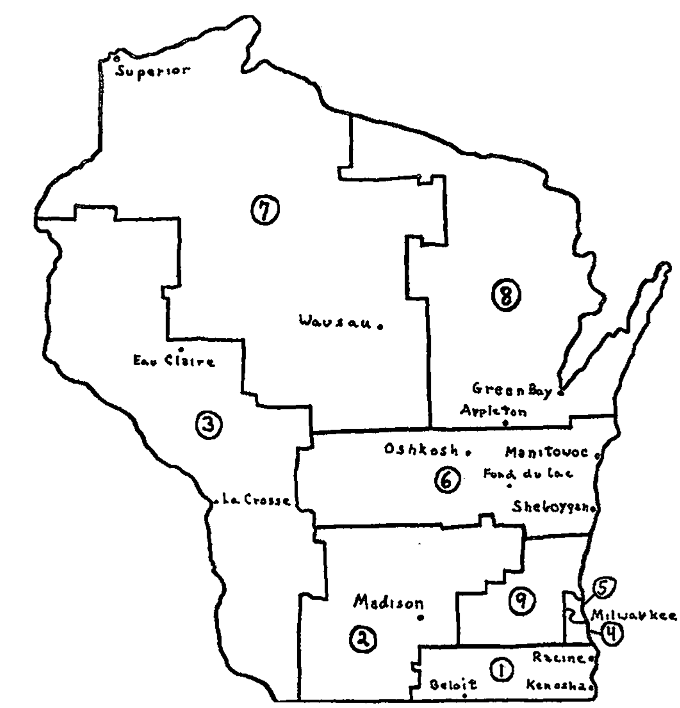
In 1960, under a similar scheme, Humphrey carried four out of 10 Congressional districts over JFK and almost carried a fifth. Had the current congressional apportionment been in effect then, however, his counties of strength would have been so located that he would have defeated Kennedy in only two Congressional Districts out of nine (the current 2nd and 3rd). To make it even worse for him, one of these (the 2nd), is dominated by liberal Madison where McGovern and Lindsay are strongest.

APPORTIONMENT OF WISCONSIN DEMOCRATIC DELEGATES

At large			11
Congressional	District	1:	6
"	"	2:	7
"	"	3:	6
"	"	4:	7
"	"	5:	6
"	"	6:	6
"	"	7:	7
"	"	8:	6
"	"	9:	5
		TOTAL:	67

Therefore, although Humphrey has been on the ballot (in one form or another) in Wisconsin three times during the last three presidential contests, his historic areas of support are no longer sufficient for him to achieve the required impressive performance. He is therefore attempting to widen his base by enlisting the kind of labor union support which the Kennedy candidacy denied him in 1960, but whose nearly 500,000 Wisconsin membership might be a more promising territory in this election (which has an expected turn-out of 850,000).

Senator Muskie is currently regarded by reporters and political commentators as the state's front-runner, although no hard polling data is currently available (mid-February), and few will venture a guess about the magnitude of his lead. In Wisconsin, as elsewhere, Muskie has gone the endorsement route. Two Congressmen (Obey of the 7th and Reuss of the 5th districts) have endorsed him, and Zablocki of the 4th (who pulled away from an early endorsement because of Muskies liberalism) appears to be about to reconsider and support the Maine senator. Wisconsin's other two Democratic congressmen will probably endorse nobody. Muskie has also received the support of 30 of the state's 72 County Chairmen, and 30 of the state's 65 Democratic legislators. He is assembling a large, broadly-based and reportedly effective organization. Commentators in the Wisconsin press have suggested that his personal appear-



ances have been effective.

Much speculation has centered around his presumed appeal to voters of Polish ancestry who constitute somewhat over 20 percent of the Democratic electorate statewide and considerably more in certain Congressional Districts. Polish voters in the 1st, 7th and 8th Districts should give him a strong base in these areas, those in the 5th and 6th Districts a more modest one. Kevin Phillips suggested in a recent column that George Wallace might seriously reduce Muskie's strength with these conservative Democrats.

The record of the past shows, however, that Wallace did not do as well among *Wisconsin* voters of Polish ancestry as many political commentators have assumed. In the 1964 primary his performance in the "Polish Ghetto" (Wards 8, 12, and 14 of Milwaukee) was not anywhere near as high as it was in the more ethnically mixed and higher income suburbs north, south, and west of the central city. In out-state counties, such as Portage, which have a very high percentage of people of Polish ancestry, Wallace's performance was also not impressive. There are some areas of the state where the two factors correlate to some degree, but 1964 results should not alarm Muskie strategists.

Nor should 1968 results. Here there is a much better correlation between Wallace General Election votes and regions of Polish strength, but the increment is small. In Milwaukee wards 8, 12, and 14 the AIP candidate received 10-12 percent of the vote against 9.3 percent city wide, and out-state there are a few areas where Wallace received 10-13 percent of the vote and where there are a significant number of Polish voters, but in Portage county, which has the highest concentration of Polish-American voters outside of some Milwaukee wards, Wallace received only 5.2 percent of the vote — well below the state average of 7.6 percent.

Wisconsin commentators do not credit any other candidate with sufficient strength to win the statewide contest, although some are given a chance to win in some congressional districts. The McGovern forces seem to regard Wisconsin as their most important effort. They are well organized and have enlisted the support of many 1968 McCarthy supporters. Their prime territory is CD 2, comprising liberal Dane County (Madison) and five rich surrounding farm counties. McCarthy did very well in this area in 1968. No doubt they will also make strong efforts in CD 3 farming territory — and CD 8 where McCarthy achieved his best performance in 1968. This particular district is an enigma. Ethnically, it is very heavily German — with a significant Polish population. It is the center of traditional isolationist sentiments which might listen to McGovern's stand on the war. It is also an area of some unemployment. Kennedy buried Humphrey there in 1960. A possibility for McGovern — but a risky district for any candidate.

The outlines of Lindsay strategy are not yet clear — except that he is reportedly planning a $250,000 media expenditure in the state. If this figure is accurate it represents a respectable — but by no means saturation — effort. Will he carry a CD? Will his liberal and youth appeal defeat McGovern in CD 2? Will his appeal to Blacks enable him to squeak out a victory in Milwaukee's CD 5 (Reuss' District which contains most of Milwaukee's 100,000 Blacks — about 21 percent of the District's population). Or will Mrs. Chisholm receive a significant enough percentage to frustrate Lindsay's chances there?

The Wisconsin situation is thus a very complicated one with Humphrey and McGovern contesting for voters in some areas, McGovern and Muskie in other areas, Lindsay cutting into McGovern in some places, into Muskie in others, while Chisholm in turn cuts into Lindsay, and Wallace into Muskie. Above all is the contest between Humprey and Muskie over the labor vote — labor which allegedly would prefer Humphrey intrinsically but which allegedly really wants a winner. This contest may be most acute in CD 7, an area of chronic unemployment and generally nonliberal sentiment, (where McCarthy did not perform relatively well in 1968) but will also be fundamental throughout all the CDs in the populous eastern half of the state which Kennedy swept in 1960, and which will decide the issue state-wide. Jackson, Mills, McCarthy, etc., are not now considered significant in Wisconsin.

Finally, there is the problem of cross-over. The Wisconsin primary is completely open: any voter can select a ballot from either party and there has been much speculation about voters who normally vote Republican voting in the Democratic Primary. Some of this may have occurred in the past, but the mathematical evidence is overwhelming that those who voted in the Democratic primary in April voted for the Democratic candidate in November in 1960, 1964, and 1968. The correlation between the primary turnout and November turnout is almost exact — county by county — in a year when there was a significant primary contest. Even in heavily Republican areas (where you would expect the primary vote to exceed the November total if there were many crossovers) the increase is only marginal. This does not mean that there won't be crossovers this time — only that in the past their numbers have not been too significant. Furthermore, their size will be further limited if the President mounts an expected drive to poll a significant vote himself.

— *CLIFFORD BROWN*

NEW JERSEY: Speaker Kean Challenges a Deadlock

TRENTON — It is ironic that New Jersey's newly elected Assembly Speaker Thomas H. Kean, one of the few authentic reformers in the state's recent history, has of late been widely maligned as a wheeler-dealer.

After the 1971 elections produced a lower chamber consisting of 40 Democrats, 39 Republicans and one Independent, the Democratic Party proved itself incapable of organizing the Assembly. It had become deadlocked on the role to be played by outgoing Minority Leader David Friedland of Hudson County. When the Democratic majority refused to give a leadership position to Friedland, who had been suspended from the practice of law for his involvement in a loansharking case, he and three Democratic colleagues jumped the aisle, thereby enabling the GOP to organize the Assembly. In return, the dissident Democratic faction was awarded minor patronage jobs, committee chairmanships and a promise of increased state aid to ailing Jersey City.

The Democrats were quick to denounce the agreement, conveniently overlooking the fact that they had given Friedland their top Assembly spot in the previous session, even though the loan-sharking incident had already become public.

Ignored in the clamor of the leadership fight were the qualifications of the man elevated to the Speakership. Kean, 36, rose from a freshman assemblyman to Speaker of the House in four years, having served successively as spokesman for the Essex County delegation to the Assembly, Chairman of the Education Committee, Assistant Majority Leader and Majority Leader.

The son of former Congressman Robert Winthrop Kean, a progressive, Thomas Kean was first elected to the Assembly in 1967. From the outset of his legislative career, he became a leading spokesman for improved education, environmental and consumer protection, and increased urban aid. During his first term, Assemblyman Kean sponsored the Educational Opportunities Act, which provided for special scholarship assistance to minority students. When Rutgers — the State University — sought to open its doors to the economically disadvantaged, he urged his colleagues to ignore emotional cries to cut the University's budget, while he sought assurance from Rutgers officials that the University's high academic standards would not decline. Under his leadership, more community colleges came into being than in any other period.

In the most recent legislative session, Kean received national attention for his bill to prevent a glacial lake and the surrounding area near the Delaware Water Gap from being developed by a power company. Kean also introduced a bill to permit citizens to bring lawsuits to stop polluters. When this bill failed to move in the legislature, Kean launched an educational campaign in which law students polled legislative candidates on their position on the bill in order to produce sufficient commitments for passage.

As Majority Leader, Kean was instrumental in bringing about institutional changes that helped increase the effectiveness of the Assembly. His most important contribution was the abolition of the reviled caucus system, which had kept bills from reaching the floor until they cleared a secret session of the majority party. Concurrently, the Assembly adopted a stronger committee system with hearings and regular reports on legislation. As a result, more bills were successfully reported out of committee than had ever been cleared by the caucus. Kean was also responsible for bringing the benefits of professional staffing to the lower chamber.

Kean as Speaker joins with Governor William T. Cahill and Senate President Raymond Bateman in establishing in New Jersey a triumvirate of forward looking Republican leadership. Kean's successor as Majority Leader, Richard DeKorte of Bergen County, is another young progressive to watch. DeKorte, 35, authored the legislation passed last year which reformed New Jersey's obsolete divorce law.

Kean's own assessment of the present situation and its impact on future events may be indicative of the type of Speaker he will make. "The only justification for the deal," he said, "is that it broke a hopeless deadlock and got the legislative process going. If the stalemate had been allowed to continue, there would have been no chance of the Legislature's taking action this year on such major legislation as tax reform. How this Legislature performs will determine whether what we did was justified."

Kean couldn't have set a more difficult test for himself. Given top priority this session will be his anti-pollution lawsuit bill and a statewide rent-stabilization measure, both controversial pieces of legislation. Also to be considered are several highly partisan plans for Congressional redistricting. In addition, a state court decision that the property tax is unconstitutional compels the legislature to revamp the state's entire tax and school finance systems.

— *AL FELZENBERG*

An Emerging Independent Majority?

by Howard L. Reiter

THE TICKET-SPLITTER:
A NEW FORCE IN AMERICAN POLITICS
by Walter De Vries and Lance Tarrance, Jr.
William B. Eerdmans Co., Grand Rapids, Mich.
149 *pp.*, $4.95, *Also in paper.*

One of the salient political features of the last dozen years has been the growing volatility of the American electorate. Voters switch back and forth between the parties through the years, and split their tickets each year, creating chaos for the politicians. Pundits and scholars have only recently begun to analyze this phenomenon; *The Ticket-Splitters,* by two veteran GOP campaign specialists (De Vries from Michigan, Tarrance from Texas), is the most recent attempt.

The book is, first, an exploder of myths. First and foremost, it marshals impressive evidence against the political scientists' standard image of the voter who is uncommitted to either party as the least interested, least knowledgeable, least active, and socioeconomically lowest stratum of the electorate. De Vries and Tarrance argue convincingly that their ticket-splitters are more interested, knowledgeable, and active than the Democrats according to most measures, and even more so than the Republicans on some. (However, the authors don't control for education level.)

Second, they explicitly deny the claims of Kevin Phillips and others that the current period of upheaval will culminate in a solid victory for either major party. "We see a stabilizing of the two parties, with no large national shifts occuring from one to the other." The ticket-splitters will hold the balance of power in most elections. And third, contending that political advertising has very limited impact, they deny the arguments of Joe McGinniss and those who clamor for campaign spending limits. A careful reading of even *The Selling of the President* reveals that all the king's makeup artists and all the king's media specialists couldn't halt Dick Nixon's decline in popularity during the final months of the campaign.

There is a problem here, however, and it is that concentrating on the political fence-sitters tends to exaggerate their role. In his foreword to *The Ticket-Splitters,* journalist David Broder writes, "the evidence mounts that very little in American politics can be explained in party terms." This is a gross overstatement, for although the role of party has been declining, it ain't dead yet. In 1968, according to Gallup, 86 percent of Republicans voted for Nixon, and 88 percent of Democrats voted for Humphrey or Wallace; clearly party identification explained more than "very little" in *that* election.

Similarly, De Vries and Tarrance write that "Since World War II American voters might assume that it is a natural condition to have a President of one party and a Congress of the others." Only if they don't look at the facts. In the 28 years from 1945 to 1973, we will have had divided government for 12 years — less than half the period.

There has also been a lot of blather about the growth of the Independent bloc. Look at these Gallup polls:

	1940	1950	1960	1970	Change, 1940-70
Republican	38	33	30	29	— 9
Democrat	42	45	47	45	+ 3
Independent	20	22	23	26	+ 6

The Independents have grown by 6 percent in 30 years. Big deal.

Yet De Vries and Tarrance wisely avoid using the self-described "Independents" as their target group, but instead look at those people who, in reporting for whom they voted, reveal that they split their tickets. In other words, as John Mitchell might say, De Vries and Tarrance watch what they do, not what they say. This is shrewd, and a real methodological improvement over past work in the field.

But there are pitfalls. The authors never distinguish between an evenly split ticket and one in which the voter votes for every Republican except the Democratic Congressman who did him a favor last year. Are these both to be lumped into the "ticket-splitter" category?

Moreover, in documenting the rise in ticket-splitting, the authors rely on *outcomes,* not voting percentages. To illustrate what's wrong with that approach, look at the outcomes in Senatorial and gubernatorial races in Maine and Ohio in 1970:

	Maine	Ohio
GOP Senatorial percentage	38.3	49.7
GOP Gubernatorial percentage	49.9	45.8
Difference	11.6	3.9

There was probably more ticket-splitting going on in Maine than in Ohio, because the difference between the GOP percentages was greater. But De Vries and Tarrance consider Ohio a split-outcome state, since a Democrat won the governorship and a Republican won the Senate seat; whereas Maine is not considered a split-outcome state, because Democrats won both offices.

Perhaps most damaging is the fact that they do not heed their own advice consistently. To learn how the ticket-splitters make up their minds, De Vries and Tarrance rely on the respondents' own guesses. If they weren't willing to take the word of Independents that they are truly independent, why accept the guesses of the ticket-splitters regarding what influenced them most? One need not be a dyed-in-the-wool Freudian to suppose that the voter may be unaware of the most crucial factors that decided his vote; he may parrot campaign slogans or newspaper analyses rather than delve deep into his own psyche.

The authors are also murky about how to appeal to the ticket-splitter. A long discourse on the Milliken gubernatorial campaign in Michigan in 1970, in which De Vries played a role, reveals that the GOP emphasized "his *ability to handle problems* and his *ability to handle the job* of governor." (Their italics.) Platitudinous assertions like these don't help the rest of us much; presumably no candidate will claim to be *unable* to handle the job. With what issues are the ticket-splitters concerned? Are they liberal, conservative, or what? The authors note, "Today we especially need information on how the voter sees himself on a liberal/conservative continuum — not just on an ideological basis, but on a variety of specific domestic and foreign policy matters." But they don't provide this information to the reader.

Ultimately, the greatest failing of the book is that the authors do not provide a true *explanation* of the rise of the ticket-splitter, as Broder notes. For an analysis of the causes of this rise, we must turn instead to works like Walter Dean Burnham's *Critical Elections and the Mainsprings of American Politics* (Norton, 1970).

With all these criticisms noted, *The Ticket Splitters* still performs the invaluable service of directing our attention to this important segment of the voting population. It is also a growing segment, particularly with the inception of the 18-year-old vote. And the authors astutely point out that the only hope for Republican victories lies in successful appeals to the ticket-splitters; this is partly what is so galling about their failure to discuss issues and ideologies.

We might applaud the emergence of this group that fits so closely Ripon's portrait of the "frontlash" vote. But let it be noted that they are not an unalloyed blessing. De Vries and Tarrance relate that "the ticket-splitter had a higher level of alienation and distrust of politicians than behavioral Republicans and Democrats." The problem of trying to overcome the "alienation" (couldn't they have found a better word?) of this group is that in the attempt, we are likely to spread that "alienation" to the rest of the electorate.

This paradox may come about in two ways. For one thing, politicians are notoriously sheeplike in following momentary fads. One year it was Kevin Phillips, the next year Scammon and Wattenberg, and now it may be De Vries and Tarrance. Already, the authors report, there has been at least one seminar for campaign strategists devoted primarily to ticket-splitters.

Now let's project this onto the 1972 campaign. Everywhere in the country, politicians are appealing to the ticket-splitters. Everywhere we have a Republican Milliken running against a Democratic Milliken, each claiming to be a problem-solver and able-to-handle-the-job, whatever the office. Since 1960, we have had a sizeable increase in the extent to which the electorate sees no difference between the parties (except on racial issues); how much more will this increase as the parties compete on an issueless basis for the uncommitted?

And second, as Broder points out, an increase in ticket-splitting increases the likelihood of split outcomes, divided government, and hence stalemated government. The public is upset enough about broken political promises and political inaction; how much will this increase if we get more and more split outcomes?

As time goes by, the pressures for independence, or ticket-splitting, or what-have-you will increase. Groups like Common Cause and Nader's raiders will continue to impress on the public the idea that effective reform can only come about outside the party structure. And the parties themselves, which elevate the Muskies and the Humphreys and the Nixons of politics to the highest offices, will contribute to this disaffection.

It remains to groups like Ripon, and our counterparts in the Democratic party, to maintain a link between the reform spirit and downright partisan politics. The more one becomes frustrated with the parties as they are, the more it becomes apparent that the only viable alternative is parties as they should be. A political system dominated by those who have no ties to parties, who wait until the next campaign to decide who is the best problem-solver, is a system rife with disaffection that spreads the more politicians try to overcome it.

And it is high time that Americans stop being churlish about political power. To regard all of politics as corrupt *because* it involves power invites true alienation, i.e., dropping out, and keeps the misusers of power in office indefinitely. Let us recognize that to solve political problems requires giving political leaders the power to do so, which involves a commitment to parties entirely the reverse of the ticket-splitting trend.

Can a Young Man Find Happiness In The Nixon Administration

by Chester E. Finn, Jr.

Former White House aide to Daniel Patrick Moynihan

> BRING US TOGETHER
> *by Leon E. Panetta and Peter Gall*
> *Lippincott* (1971), $6.95
> THE PARTICIPATION PUT-ON
> *by Toby Moffett*
> *Delacorte* (1971), $6.95.

About two years into any administration, Washington bookstore patrons begin to see piles of memoirs, hastily penned by recently-departed officials. Normally they are the product of White House staffers and they sell because they are thought to contain juicy tidbits about the incumbent President.

Richard Nixon had not reached his third anniversary before three such works appeared. The best known, by former Interior Secretary Walter Hickel, followed the familiar pattern in that its author was a key appointee who reported — however infrequently — to the President. The other two volumes, however, are characterized by the fact, however much they purport to reveal about the Nixon Administration, they were written by men who, so far as the reader can tell, never so much as shook hands with the President who employed them. Both were staffers in the Department of Health, Education and Welfare, actors in the drama of Robert Finch and his luckless team.

Leon Panetta and Toby Moffett were young liberals. Each began his days at H.E.W. with high hopes and by May, 1970, each had left government, his hopes dashed. Both have now written of their experiences (Panetta with the help of his former H.E.W. associate, Peter Gall) in books embellished with provocative sub-titles ("The Nixon Team and the Civil Rights Retreat," "Reflections of a Disenchanted Washington Youth Expert"), and bearing frequent misspellings and $6.95 pricetags.

Both begin with the author's departure from Washington and then flash back to his arrival in the Nixon Administration. The rest of the book proceeds with a kind of inexorable logic through a string of frustrations and disappointments, dimming hopes and grim tenacity, culminating in the event that made the departure inevitable. As in a Greek tragedy, there is no real suspense here, however much drama one may find, for the outcome is ordained at the beginning, in addition to being perfectly familiar to anyone who has followed the "liberal flight" from the current administration.

Otherwise, the two books and their authors have little in common. Panetta was a Republican, he had some previous Washington experience, he held a critical post — Director of H.E.W.'s Office of Civil Rights — during a difficult time, and he was fired by the White House because he was thought too zealous, too outspoken, too unbending.

Toby Moffett held a minor position — director of the Office of Students and Youth — in the Office of Education. He was recently out of school, a holdover (though not in that job) from the Johnson days, and he resigned voluntarily to protest the invasion of Cambodia. At the time, Washington papers headlined "Nixon Youth Advisor Quits in Protest" while puzzled White House aides asked each other who was this colleague they had never heard of before. Moffett was virtually unknown in the Administration's inner sanctums. Panetta was, if anything, rather too well known.

Panetta writes nicely, and his tale holds together. As H.E.W.'s top man on school desegregation — a post noted for its high political mortality rate — for some 14 months he took part in one of the roughest battles within the new administration. As he tells it, the "Southern Strategy" that had just helped to elect Nixon had included a string of campaign pledges to ease up on school integration. Panetta tried to follow the guidelines and procedures he inherited from his Democratic predecessors, and quickly tangled with Presidential advisors somewhat more interested in Strom Thurmond and John Stennis than in civil rights workers and blacks whose votes they could never win. Panetta says that Secretary Finch tried to support him in these battles but was no match for John Mitchell, Bryce Harlow and Harry Dent. In time, Panetta had to go, as did Finch himself and education commissioner James Allen, another staunch integrationist.

It was inevitable that the early days of the Nixon Administration would bring a "retreat" on school integration if judged by the "punish the south" ideology that has characterized so much of the civil rights movement. Nixon sought to equalize the burden, to make the north subject to the same rules as the south, and to substitute the honey of "emergency school assistance" for the vinegar of fund terminations and deadlines.

In so doing, there is no doubt that he found himself on the wrong side of several major court tests, the most humiliating being the case of Alexander v. Holmes County, where the Justice Department joined southern segregationists in asking for further delays in integrating the schools of Mississippi. A unanimous Burger Court took only a week to reject the Administration's position out of hand. But with that deep and embarrassing bow southward, Nixon discharged the better part of his political debt, and his lieutenants have proceeded to rack up an estimable record in quietly abolishing the vestiges of the dual school system.

Never, though, did they desegregate with any appearance of conviction or enthusiasm, and that may have been the essence of Panetta's problem at the White House. Leon Panetta couldn't help but believe passionately in the rightness of integration; the Administration he worked for was willing to go along, law abiding but reluctant, to eliminate intentional segregation. The outcome may be similar, but in an area as politically sensitive as race relations, appearances count for much. Panetta couldn't stomach the appearance the White House insisted on; the President's aides couldn't stand Panetta's show of zeal. And the esteem in which they held him scarcely grew when the Civil Rights Director persisted in taking his case to the press, to his friends in Congress, and to the civil rights lobbies.

If the Nixon Administration values anything, it values "playing with the team." Or, as John Ehrlichman is reported to have advised a Panetta assistant, "You accept decisions from above and carry them out, although you may object strenuously when they are being formulated." Panetta seems not to have grasped the fact that leaking a story to the Washington *Post* might have short term benefits but was bound to diminish his credibility within the Administration over time. Had Lyndon Johnson been President, Panetta would have been fired before the ink dried.

It was probably inevitable that Nixon's first Civil Rights Director would in time be sacrificed. Had Panetta been a little blander, a little quieter, a little more "loyal," the execution might have been delayed, but not commuted. Yet in little more than a year, he did an impressive job of keeping faith with the suspicious civil rights community while helping the Administration through a difficult transition from administrative procedures to reliance on the courts — a transition which, in retrospect, many think eased and speeded the course of desegregation in the United States. Panetta worked tirelessly and effectively in one of Washington's toughest "advocacy" roles: H.E.W.'s man on civil rights, he was also in most eyes the civil rights groups' agent within the Administration. A double burden that, in 1969 and 1970, would have defeated St. Francis.

If Leon Panetta labored mightily to bring the Administration and civil rights groups together, Toby Moffett worked to avoid laboring on behalf of everything with which he did not fully agree. His rambling book is full of an extraordinary number of outright refusals to do what he was asked, and grumblings about the irrelevance and uselessness of those missions he did agree to.

In addition to insubordination and sulkiness, Moffet seems to suffer from hypocrisy bordering on real personal confusion. He spent quite a lot of time ensuring at the outset that his Office of Students and Youth would be "free from political manipulation and meddling." He did not want to be "used" to defend or justify policies he did not fully subscribe to. But he evidently spent a lot of energy trying to get Commissioner Allen and Secretary Finch to take stands in opposition to Presidential policy on matters such as the Vietnam War. In short, Moffett took a highly political view of his job, despite the civil service status he so carefully obtained for himself, but his politics were not those of the Administration he served.

Doomed to Frustration

Moffett was doomed to frustration. His was the kind of job where quiet, professional competence and lots of hard work would, in time, have won him a hearing. Perhaps not on foreign policy, but certainly on the range of H.E.W. activities affecting young people. Instead, he elected to take his signals from the students and youth for whom he saw himself as the advocate, and simply refused to do assignments for Finch and Allen if he didn't agree with all the possible uses to which his work might be put.

To be effective as an "advocate" within government requires a special ability to balance off the interests of one's outside reference group against the needs of the Federal administration. Washington is full of men and women whose long careers are testimony to their success in that balancing act. Although most are civil servants, many high political appointees also play that double role.

If one is young, idealistic and relatively unknown, the job gets harder. For idealism tends to preclude the series of compromises that divided loyalties constantly call for. And being young and little known means that one has neither the stature nor the backers on either side to secure him from the assaults of the other. The Secretary of Agriculture has the farmers to protect him from the politicians, and the President to protect him from the farmers. But a youngster named Toby Moffet running an obscure Office of Students and Youth has no one to protect him from anything. And if he is lazy and disagreeable about doing his job, his tenure is likely to be short.

Moffett and Panetta both found themselves in "advocacy" jobs with complex dual loyalties. Each represented a constituency suspicious of Richard Nixon and everything he did. Indeed, the college student and civil rights groups were probably the two elements least likely to win the fond respect of a Mitchell or a Dent.

Robert Finch was another story. Doubtless the most "liberal" member of the Cabinet, he tried to preside over a Department that had among its 100,000 employees few admirers of the new President. Finch strove to balance the White House's political requirements off against the wishes of H.E.W.'s workers and outside beneficiaries. That he failed to please all these exacting masters is testimony not to his intentions but to the difficulty of the task. With him failed Leon Panetta and Toby Moffett.

Can it be said, then, as Moffett insists, that a young liberal is best advised not to go to work for the government, certainly not the government of Richard Nixon? Can it be shown, as Panetta suggests, that a man of principle is doomed to find a vacuum of principle within the White House? Can it be believed that Washington's leading morning newspaper ran a review of Moffett's book by ex-Johnsonian Roger Wilkins asserting that "It should be made a primer for all young people entering government?"

Effectiveness within government — any government, any level — calls for frequent compromise. Of that there can be little doubt. Effectiveness is not the same as high principle. Loyalty may matter as much as nobility.

To the extent that a man or woman is an ideologue and unwilling to make any allowances or exceptions, he or she will find a tour of duty in government — or any other enterprise larger than a one man firm — painful if not intolerable. But for one who can keep hold of his principles while enjoying the twists and turns that characterize most government activity, the experience can bring rewards that more than balance the costs.

Seemingly the Nixon Administration has found hundreds of such people, young as well as old. A dozen feature articles have touted the Administration's success in hiring young people. A number of agencies and departments, notably still including H.E.W., rely on remarkably youthful men and women for most of their serious thinking. Without even looking to the callow youngsters on Capitol Hill, it can be said that the Federal establishment is in ways the institution in American society that is *most* receptive to able performance by young and inexperienced individuals. Perhaps it is because the pace is so fast and each administration so short-lived that anyone who will roll up his sleeves and plunge in, may in short order find himself shaping national policy.

The illusion of power that follows is just that. The power is all derivative, the glory all reflected. And the come-down is substantial when, having been the President's key staffer on African policy or environmental affairs, one enrolls in business school or joins an Omaha law firm in order to earn a living. If one left on good terms, the temptation is great to capitalize on "connections" and take advantage of remaining ties to national and world affairs. If one left in anger, the lure of revenge may be even stronger, the blandishments of publishers may be irresistable, and the desire to make some money may be heightened by the prospect of witnessing the squirmings of those increasingly evil folks who evicted one from his place in the sun. How better to sustain the illusion?

The Advocate's Dilemma

The government jobs most likely to be proffered to young people are staff positions of a relatively anonymous sort. They may raise questions of personal principles, but seldom do they actually call for the complex dual allegiance of an "advocate," seldom are they exposed to the scrutiny of interest groups and pressure groups and the Washington press corps.

For the young person, even the young idealist, in a staff job, hiding behind his boss's signature and unknown except to few dozen other "special assistants," the inevitable bedtime question is, Did I satisfy my boss and my conscience with my performance today? It's not an easy question, and the more rigid one's principles the tougher it is to say yes without gagging. But it pales beside the daily dilemma of the advocate-in-government. For him, the quandary is greater, the loyalties more complex: Did I satisfy the Administration that pays me, *and* the constituency that expects much of me, *and* my own conscience?

That was the question Leon Panetta and Toby Moffett had to answer, and in time the answer for both was no. Each had been cast in the role of an "advocate," Panetta for civil rights, Moffett for students and youth. Panetta's was a highly visible, exposed position, with real and conflicting pressures from two very different directions. Moffett was more a self-proclaimed spokesman, but he seems to have *felt* the same pressures within himself. Neither could settle for simple loyalty to his boss and, inevitably, both soon had to go.

But to conclude that a young person, a liberal or an idealist should eschew government service — even advocacy-in-government positions — would be a tragic misinterpretation of the sorry tales of Leon Panetta and Toby Moffett. Better, perhaps, to ask where but in the Federal government could men of their age and background have had the experiences they did, fought the battles they fought, and acquired the prominence to persuade reputable publishers to issue generously-priced memoirs of men whose careers have scarcely begun?

LETTERS *continued from page 2*

The resulting article appeared in the Washington **Star** on February 20.

I can't resist adding, however, that I was surprised by the number of factual errors in a publication of your prestige. Allow me to nitpick:

— the Kalmbach-Gleason operation didn't raise $12 million, so there is no missing money. The true figure was slightly under $3 million. (I've talked to people with access to the books.)

— none of the Kalmbach-Gleason money went directly into the Buckley campaign in New York. That was a separate operation involving more than $400,000 moved through phony committees in Washington set up by Buckley's AA, David Jones (see AP article, Dec. 28, 1970).

— re the $85,000 in milk money for Nixon, the true figure uncovered so far is $422,000. Only the first $100,000 moved through the Kalmbach-Gleason setup. The latest $232,500 this past summer and autumn went into 93 dummy committees created by Sen. Wallace Bennett's son (articles in Wall Street **Journal**, Washington **Post**, Washington **Star**, Sept. 27, 1971; Jan. 27, 1972).

JAMES R. POLK
McLean, Va.

EDITOR'S NOTE:

We are grateful for the letter from Mr. Polk, whose coverage of the fundraising scene has been unexcelled and who, because of other commitments, was understandably unable to do the story for us (we asked him in the middle of 1971). None the less we would point out that we did not directly report the $12 billion figure; rather we said the figure had been reported and that Gleason was allegedly its source. We do not believe the issue of retained funds is closed. It would be difficult to account even for $3 billion from Washington in 1970 Senate races, particularly if Buckley money, raised in an affiliated effort, is excluded. A survey of money spent in Republican Senatorial campaigns, minus reported contributions, leaves little room for such huge Gleason-Kalmbach bequests.

Irish Problem

History has caught up with — and made to look rather foolish — persons such as Doris J. White, who used a review of a chronicle of the I.R.A. as the springboard for a few cheap shots at the Kennedy-Ribicoff resolution of October 1971. Published in your December 1971 issue, Ms. White's non-review opens and closes with cliché-ridden criticism of the idea of withdrawal of foreign troops from Irish soil. You could not afford space for a point-by-point refutation of her Anglophile propaganda, but I might at least stress the point so commonly overlooked by opponents of Irish unification: that many thousands of Irish Protestants live at peace with their neighbors and enjoy full civil rights in the liberated 26 counties.

My real criticism should not be directed at that writer, so much as at the Society itself. A group that holds itself out as a reservoir of new ideas for forward-looking Republicans, and that has broken ground more than once that Aunt Ada has feared to tread, should kick itself around the block for ignoring the issue of Irish freedom and unity, and for failing to point out the empty stupidity of a State Department and Administration whose affection for Stormont is no less reprehensible than its loyalty to the Greek Colonels and its devotion to Yahya Khan.

HOWARD N. MEYER
New York, N.Y.

DORIS J. WHITE replies:

At no time in the article did I 1) approve of forced internment or use of live ammunition by the British troops, 2) disapprove of the civil rights movement (as opposed to the militant IRA), 3) find Great Britain blameless for the present situation and past suffering of all of Ireland, 4) declare any affection whatsoever for the Stormont (Ulster) Government or its policies. As for the "thousands of Protestants living at peace" in southern Ireland, keep in mind that thousands more Protestants in Ulster feel that the infamous Sunday in Derry "wasn't Bloody Sunday but good Sunday," that "there weren't enough of them in that pub in Belfast where fifteen Catholics were killed; that "up to our necks in Fenian's blood" is an amusing ditty to sing on the way to work. With the murder of the thirteen Catholics on Bloody Sunday, the British troops abandoned their pretense as a peace-keeping force. Unless there is a change in tactics and attitude British occupation cannot serve the peace. Nevertheless, self-appointed guardians of Ireland's fate should be prepared to take some responsibility for the many deaths that will result from hasty implementation of a radical solution, such as summary unification of Ireland, that is viewed with absolute dread by a majority of the people involved.

Rural Development

Without attempting to offer a detailed rebuttal of Professor Oscar Cooley's scorched earth policy for rural America (February 1972 FORUM), I should like to set your readers straight on the composition of the Coalition for Rural America.

According to Professor Cooley, the Coalition for Rural America (also referred to by Prof. Cooley as "Senator Humphrey's Rural Development Coalition") is a political front group behind which one may, upon even the most cursory inspection, locate the wily Senator from Minnesota, lusting for the country vote.

The fact of the matter is that Hubert Humphrey had noting to do with the formation of the Coalition for Rural America, other than appearing at the Coalition's first meeting as a guest speaker, along with Republican Senator James Pearson of Kansas. Also present was Agriculture Secretary Clifford Hardin, bearing a congratulatory message from President Nixon.

In fact, at one point in the organizational proceedings of the Coalition so many Republicans were evident that chairman Edward T. Breathitt, former Democratic Governor of Kentucky, had to embark on a special recruiting mission for Democrats to maintain some semblance of impartiality and bipartisanship.

Among the prominent Republicans in the Coalition are former Governors Norbert Tiemann (Nebraska; Coalition President); Winthrop Rockefeller (Arkansas; Executive Vice President); Dewey Bartlett (Oklahoma); Frank Farrar (South Dakota) and Harold LeVander (Minnesota); and GOP national committeeman Robert O. Anderson of New Mexico.

Professor Cooley may be the leading economist of Ada, Ohio (pop. 3918) but the acuity of his political perception leaves much to be desired.

JOHN McCLAUGHRY
Kirby, Vt.

EDITOR'S NOTE:

This has been a particularly bad year for Republicans on the farm (as is suggested by the heavy unemployment — and sense of insecurity — among the GOP politicians in the "Coalition for Rural America"). In their groping for a suitable employment program, however, they reached first for none other than Hubert Humphrey's key campaign theme, which has an ancestry going back to the infamous Democratic Area Redevelopment Act and which offers as much promise for rural regeneration as rain dancing. If, however, the sage of Kirby (pop. 227) whose polymorphous renown reaches from the aqueous lairs of Contra-Costa county, California, to the academic cloisters of Cambridge, could explain why opposition to new subsidies constitutes a "scorched earth" policy, we might be willing to share in the historical opprobrium of General Sherman.

Day Care Veto

Never have I been so completely outraged by a Ripon Editorial as I was by "The Daycare Veto" in the January, 1972 issue of the FORUM. I feel compelled to respond to it — not primarily to protest the male chauvinist point of view of the editorial, but rather to protest the superficial understanding of the goals of the comprehensive child development section of the vetoed OEO bill and the easy acceptance of the Administration's rhetoric in support of its welfare/"workfare" program.

First of all, it is only fair to point out that one part of the Democrats' so-called "Christmas offering to the American poor" — the Talmadge Amendment (which attached strict work registration requirements to the Aid to Families with Dependent Children program) — was modelled after the work requirements in H.R. 1, the Administration's welfare reform package. The President could have vetoed **this** bill if he in fact believed it to be a mockery of welfare reform.

In discussing the second part of the "Democrats'" package — which was co-sponsored by Senator Javits and supported by other Republicans — the editorial makes no mention of one of the basic aims of the child care provisions — namely, "child development." This concept is based on the assumptions that children are valuable national resources and that a child's intellectual, social, and physical functioning is already profoundly shaped by the time he reaches the age of five and enters the public school system.

The act envisioned much more than a set of baby sitting centers for children of working mothers. Rather, its goal was a network of community-based child care centers where a child could develop skills and gain enriching experiences not available to him at home, as well as receive needed medical care and nutritious meals. For disadvantaged children (to whom the bill assigned priority), the program would extend the Head Start goal of curbing the debilitating influences of poverty and segregation through early education in order to promote the ideal of "equal opportunity."

The fallacy of the limited assault on poverty embodied in the Nixon welfare plan is that (1) it encourages further segregation and stigmatization of the poor (and their children) and (2) it ignores the basic problem of the unavailability of "decent" jobs for unskilled mothers or fathers, regardless of whether they have access to adequate child care or not.

The day care bill is indeed vulnerable on a number of points, including questions of administrative feasibility and of the availability of adequate numbers of specialists in early childhood development. But to praise the President for a stand he took largely to placate conservatives (who were already enraged over his China plans) on the basis that he has a more "internally consistent" strategy for attacking the social inequities which are by-products of poverty is to blindly endorse "Workfare" and to consign poor children to socio-economically segregated child care centers. If this is a stand the Ripon Society would support, I am indeed disappointed.

KATHRYN K. SCHREINER
Student, Social Welfare Policy
University of Chicago

I have read "The Daycare Veto" editorial in your January issue and subsequent letters to the editor on this subject. As one of the co-authors of this legislation in the House of Representatives, along with Congressman John Brademas, I would like to take issue with a number of points made in your editorial.

You state that "no cogent evidence has been presented that ... this program responds to a genuinely critical need or partakes of a coherent scheme for meeting our present problems."

But, it was the President himself who stated almost three years ago, "So critical is the matter of early growth that we must make a national commitment to provide all American Children an opportunity for healthful and stimulating development during the first five years of life." In December of 1970, it was President Nixon's White House Conference on Children which overwhelmingly recommended as its first **priority** the need for "comprehensive family oriented child development programs." In addition, in over two and one half years of testimony from educators, psychologists, women's groups, church groups, labor and welfare organizations, the need for such a program as was conceived in the Comprehensive Child Development Act was overwhelmingly demonstrated.

Educators and psychologists have stated that as much as 50 percent of a child's intellectual development occurs during the first five years of life. Educators believe that this period represents the most critical gap in our present educational system. Clearly, millions of children do not receive adequate stimulation during these vital years. There are almost six million preschool children whose mothers work. One million live in families whose incomes fall below the poverty line. One million more live in families with incomes just above this line. These children would be on welfare if their mothers did not work. There are, in addition, 2.5 million children under six whose mothers are not working, but who live in families below the poverty level. And yet there are currently less than 700,000 day care slots available in this country, ranging in quality from excellent to what have been described as "custodial parking lots." What better "cogent evidence" that this program "responds to a genuinely critical need?"

You argue that this program does not meet the needs of the poor, and is rather, "available for everyone," thus short changing those with the most need.

First, let me say that this program would not have neglected the poor in favor of wealthier recipients. The bill specifically provided that $500 million of the amount appropriated would be used first to provide services for children of low-income families, giving priority to continued assistance for Headstart projects. Specific provision was made to allow for a strong socio-economic mix, one both educationally and sociologically sound. It was specifically because we did not want these centers placing the poor only with the very poor — a concept opposed by virtually every educator — that we provided for expanded availability.

You cite as a viable alternative, HR 1, the day care provisions in the President's welfare reform bill. Yet HR 1 contains many of the elements the President most ardently opposed in his veto of our bill. HR 1 does **not** give mothers a choice; our bill is entirely voluntary. HR 1 requires women to register for jobs and when they find work, it requires that they must deliver their children to day care centers. The President, in vetoing our bill — a purely voluntary approach — described it as committing the Federal Government "to the side of communal approaches to child rearing over against the family-centered approach." Is not this exactly what HR 1 purports to do, and without any adequate assurances that the centers will have quality day care? Would not this very program — totally compulsory and lacking in any provision for adequate parental involvement — lead to the "familial disintegration" you fear?

Finally, you claim that our bill is a "special interest bill," to assist employed women and to be "exploited by the relatively well off despite the nominal charges." Who exactly is this special interest "Relatively well off," group you cite? Families of four with an annual income of $6000, paying nominal charges, come under your definition. Have you ever tried raising two children with an annual income of $6000 a year, $500 a month, $125 a week, before taxes?

This "special interest group" is far from small. Some 43 percent of our nation's mothers work. One-third of mothers with children under six work and two million of the six million preschoolers with working mothers are in families below or just above the poverty level.

Equally significant is the fact that a large percentage of the children we are attempting to reach and help live in single parent families, generally headed by the mother. Anything resembling a normal family existence in this setting is often not possible.

The broad support for this bill came from these women, women who work and will continue to do so, **with** or **without** our legislation. They will continue to receive inadequate care as a result of the President's unrealistic position.

I too believe in the family as the cornerstone of our society. And it is precisely because of this belief and an in awareness of present realities and present necessities that I urged support of a program which would provide mothers the help they need in a program of quality day care, providing at every level for the active participation of the mother, and thus assuring that she not relinquish responsibility for the rearing of her child.

You have labeled our bill as "irresponsible" and the President's veto as "justified" and even more, "courageous." Can we really justify forcing mothers on welfare to consign their children to custodial care? Can we label as courageous the President's refusal to help children whose mothers now work? Certainly not. The

President's veto is actually a retreat from his commitment to the "first five years of life," and I very much hope that he will reconsider this position, thus enabling a meaningful child development bill to be enacted.

OGDEN R. REID (R.-N.Y.)
U.S. House of Representatives
Washington, D.C.

GEORGE GILDER replies:

Because of the wide dispersal of welfare recipients, work requirements can be successfully imposed **only** if daycare centers are universally established as envisaged under the Javits-Mondale bill. In fact, it is **because** I fervently oppose work regulations for mothers of small children — as made clear both in the editorial and in my subsequent article in the February FORUM — that I fervently oppose universal provision of daycare. The current lack of daycare makes the Talmadge amendment a relatively ineffective, though very popular exercise in legislative rhetoric. It is not I, or President Nixon, who would make it apply effectively to welfare mothers (though Nixon, deplorably, may want to). It is the advocates of comprehensive daycare, who, regardless of protests to the contrary, are the best and most valuably respectable allies of Talmadge and Russell Long on the work issue, for they are willing to do what the conservatives are not: spend the necessary billions on a national daycare apparatus. The women's movement cannot stop work requirements; it can only make them effective.

As for other points in Ms. Schreiner's letter, I, as well as President Nixon, am strongly in favor of providing non-work related medical and nutritional services for small children. But I do not for a minute fantasize that the "stigmatization" and "segregation" of the poor can be significantly alleviated by the creation of daycare in poverty areas and calling it "comprehensive." Furthermore, along with President Nixon and many reputable child psychologists, I strongly challenge the belief that small children's development will be "enriched" by separating them from their mothers for over nine hours every day. I wonder who really is "stigmatizing" the poor. I, along with President Nixon, on the other hand, believe that the poor would be at least somewhat enriched by giving them money and that this will not happen if some $15 billion is spent trying to give "child development" to everybody instead.

Conceding the benefit to low-wage employers of expanding the work force and depressing wages, what, I ask, is the **social** benefit of a program paying some $2000 per space for daycare (that is, **more** than welfare for most families), releasing mothers to take jobs which with transportation pay them perhaps **less** than welfare, and committing their small children to institutional care of a sort that has never been demonstrated effective in "development"? Yet this is the program on which Representative Reid, presuming he wants an even semi-serious developmental effort, would have us spend an estimated $15 billion, an amount with which through income maintenance we could virtually abolish the worst forms of poverty.

Rather than carping at FAP I wish he, together with his liberal colleagues in the Senate, were mobilizing support to improve and enact it, because with all its current and correctible faults, it represents a dramatically promising new departure in social policy.

I read the some thousand pages of testimony before the Brademas Committee and contrary to Congressman Reid's assertion, this material merely shows that poorly conducted hearings, no matter how voluminous, can very well obscure rather than illuminate the central issues. In this case, the economic and social data relevant to such a vast new national commitment are never confronted at all.

This is an issue of priorities. There are needs of all kinds associated with the fundamental problem of dire poverty in America. Family Assistance would address that fundamental problem; child development, though perhaps demanding higher additional appropriations, might not even greatly improve the lives of that number of small children, still essentially uncounted for all the Brademas testimony, whose mothers, despite their failure to find adequate day care, take jobs rather than go on AFDC. In any case, the parents are ultimately going to be responsible for their children in most instances; child development centers — particularly if the propaganda about "enriching experiences" is believed — might tend to promote larger families while reducing the **sense** of responsibility for them. Advocates of the program should consider this social cost as well as the problems of unemployment, familial instability, and regressive income distribution discussed in the February FORUM.

14a ELIOT STREET

CAMBRIDGE-BOSTON: The annual joint dinner will be held Wednesday, April 5th at the Parker House in Boston. **John Gardner**, Chairman of Common Cause and former Secretary of Health, Education and Welfare, is the guest speaker.

CHICAGO: A recent poll of the members found a large majority urging President Nixon to open the choice of Vice President. Senator **Percy** led the list of suggested running mates, Senator **Brooke** followed closely as second, with Treasury Secretary **Connally** and Senator **Hatfield** tied at third. And 62 percent felt that a volunteer army is feasible.

DETROIT-ANN ARBOR: **Frederick Currier**, President of Market Opinion Research, spoke at the February meeting. Wayne County Circuit Judge, **Edward F. Bell**, is scheduled to speak at the March chapter meeting. The chapter recently sent a letter to state Republican legislators and newspapers supporting the Governor's presidential primary proposal and urged the passage of a primary election bill.

MEMPHIS: **William Whitten** has replaced **Ed Miller** as president of the Memphis chapter.

NEW JERSEY: At a reception given in his honor, **Senator Clifford Case** praised the Ripon Society saying, "Without people like this to give it the necessary vitality the Party would degenerate into a place to get jobs, a place for the rich and well-born and a place for rear-guard action against progress." The event, held February 13th at the Eagleton Institute at Rutgers University, was sponsored by Governor **William Cahill**, State Senate President **Raymond Bateman**, Assembly Speaker **Thomas Kean**, U.S. Representative **Florence Dwyer**, National Committeeman **Bernard Shanley**, National Committeewoman **Katherine Neuberger.**

NEW YORK: The chapter, in a memorandum to New York Republican legislators, urged reform of the state's "archaic" primary law, and asked support for two bills which would 1) permit a voter to enroll in a party up to 90 days before the presidential primary; and 2) allow absentee voting in primaries. In addition, chapter representatives traveled to Albany to meet with legislators and the Governor to discuss election reform. The February 22nd meeting centered around a panel discussion: "The Women's Movement: Where Are We Today and Where Are We Going?" organized by the chapter's Women's Rights and Political Action Committee. Participants included **Evelyn Cunningham,** head of the Women's Unit of Governor Rockefeller's office, **Carole Ann Taylor,** member of the Policy Committee of the National Women's Political Caucus, and Ripon members **Berna Gorenstein, Tanya Melich** and **Joyce Ahrens.**

WASHINGTON, D.C.: **Herbert Stein,** Chairman of President Nixon's Council of Economic Advisors, spoke at the 22nd meeting.

NATIONAL GOVERNING BOARD: New members are **Don Meyer,** a San Francisco lawyer, and **Pam Curtis,** former executive assistant to **Ellie Peterson** at the Republican National Committee and a Common Cause legislative representative.

Guest Editorial

Protectionist Proposals — "A Prescription for Defeat"

by Peter G. Peterson

President Nixon's New Economic Policy announced August 15, 1971, was not a one-shot reaction to a one-time crisis. It marked the beginning of a new era of more flexible, enduring and viable economic relationships among nations.

The United States and other countries have found themselves increasingly interdependent economically. The rapid growth of trade, international banking and capital markets, and foreign direct investment; the improvement in world communications and means of transportation; and the international mobility of technology have reached the state where economic decisions in one nation have a major impact on other nations.

A stable world for the seventies requires an international monetary and trading system which provides orderly and stable conditions for international commerce and finance, and which moderates the decisions of governments so that the actions of one country do not cause economic hardship to other countries.

In this regard we must recognize the rapidly growing importance of that large vehicle of wealth and capital transfers, the multinational corporation. Much is said and little is publicly known about the interlocking effects of these corporations on U.S. jobs, trade, and the balance of payments, and the effects on the economies of other countries. For example, while it is widely asserted that these corporations are "job exporters," there is some reason to believe they actually increase U.S. exports. At least, exports of multinational corporations have increased, and these exports account for more than a quarter of U.S. manufactured exports.

It is clear that the United States needs a coherent policy to promote the freer flow of capital throughout the world. Bearing in mind that our economy generates more savings for investment than any other economy in the world, we have a comparative advantage here. We also need a policy of promoting foreign investment in the United States because it is in our economic interest to generate more business activity and more jobs and in our political interest to offset the enormous disparity between American investment abroad and foreign investments in the United States.

As international negotiators, we must obviously concentrate our attention on the practices of other countries which frustrate our own abilities to derive maximum benefit from an open world economy. But at home we must become far more conscious of the fact that many of our own policies and practices are equally frustrating to those very partners from whom we expect policy changes. Indeed, if fair and equitable economic relations internationally are our goal, then it is imperative that each of us must change. This is not just to ensure "reciprocity" in a deal. The fact is that without such changes, we risk perpetuating weaknesses in our own domestic economy which will inevitably act as a drag on our ability to exploit our international strengths to maximum effect.

The catalogue of American restrictive practices is long and growing. Some of these practices result from a too narrowly defined and defeatist-inspired view of what our "national" interest has required in the past. Others were the inevitable counterpart of restrictive practices by other nations. If our vision of a strong, competitive American economy operating in a fair and open international environment is to be realized, we must cut through our past fears and frustrations and strike a bold new course.

Nowhere are these old fears and frustrations more evident than in the variety of protectionist, and ultimately self-defeating, legislative proposals now before the Congress for restricting trade, investment, and the flow of technology. To go down the road signaled by these proposals is to guarantee that, in the long run, the American economy will become less and less competitive and less and less productive. This is a prescription for defeat and an admission of failure.

The alternative is to take the offensive against the defects in the present international system, and in our own economy. As in virtually all aspects of life, the best defense is a strong, determined and confident offense. The offensive we will propose is a coherent, comprehensive and positive program of both domestic revitalization and international initiative, designed to build on and emphasize America's strengths, not to resign ourselves to accumulating weakness.

It is such a system, and not an artificial American advantage which we should now seek. We certainly do not intend to retreat into an economic fortress America, nor to lower our sights from the continuing worldwide progress found in an improved system of world money and trade. If we take measures, as we must, to improve our own competitive strength in this area, it is because we believe we can thus best contribute to the creation of a more effective system of equitable opportunity for all nations, rich and poor.

The tradition of the Yankee trader, which we may proudly invoke, is a tradition that placed its faith in more trade, not less. And now that others have become first-rate economic powers in their own right, there must also be the realization that political, economic and security questions are inseparable in long-range policy planning, and that it is the global relationships which in the end must be protected and nurtured.

That increasing interdependence, which also spells increasing prosperity and peace, cannot however be taken for granted. We are all at a crossroads where short-sighted national and regional interests beckon in a different direction. Until last August 15, I am afraid the forces of history were pointing toward a world of mutually receding and inward-looking blocs, precariously and even dangerously divided in asymmetrical mistrusts. The President's August initiatives were predicated on a vision of a different kind of world. It is a more open, outward-looking, multilateral, prosperous, increasingly symmetrical and well balanced world — in which a commonly accepted system of rules and behavior patterns will assure the continuing prosperity of each and all. (*from "A Foreign Economic Perspective," January,* 1972).