Enlarging government

The half-century of turbulence that began with the stock market collapse in 1929 has brought enormous changes in the economic, political, and social structure of the U. S. (pages 2 to 56). The most dramatic—and at the same time the most disturbing—of these changes is the continuing expansion of the federal government and the unchecked enlargement of its power and responsibility for intervening in the lives of U. S. citizens and the performance of the U. S. economy.

Since 1929 the federal government's nonmilitary employment has increased about fivefold, and spending has increased two-hundredfold. What is more significant, federal spending, which amounted to 2.5% of gross national product in 1929, is now running 21%. Government agencies dictate thermostat settings for office workers, the location of safety guards on machinery, and the miles per gallon that new automobiles must deliver. As recently as May, 1979, the Energy Dept. turned the gasoline shortage from a tight supply situation nobody would have noticed to a full-blown crisis. One President after another talks bravely of balancing the federal budget and checking inflation. Each in turn has rushed to cut taxes and step up spending rather than take even the remotest chance of allowing a rise in unemployment.

The hard fact that emerges from a study of the past 50 years is that the federal government is neither smart enough nor brave enough to play the part that over-eager interventionists have thrust upon it. By interfering arbitrarily, the regulators have frustrated the inherent tendency of the economy to find its way back to stability after a sudden upset on either the supply side or the demand side of the market. And by erring consistently on the side of big deficits and easy money, they have given the U. S. a bias toward inflation.

There can be no question of going back to Herbert Hoover's hands-off policies, but there should be a critical, no-nonsense review of government intervention and the distortions it is causing. The most urgent problem facing the U. S. today is to restore the natural tendency of a market economy to seek stability.

The origins of distrust

Businessmen concerned about widespread public distrust of business can only be dismayed at the long, sorry history now coming to light concerning Occidental Petroleum Corp.'s chemical subsidiaries and their persistent mishandling of toxic chemicals.

Past dumping practices of Hooker Chemicals & Plastics Corp., for example, have been held responsible for driving 239 families from their homes near the Love Canal in Niagara Falls, N. Y. Company officials first responded that the dumping occurred 40 years ago, using techniques thought to be safe. How could they be blamed now, they asked. But as the facts emerge, Hooker officials early on realized the extent of the problem and chose to remain silent. Had Hooker notified authorities, the chemicals might have been contained and the public suspicion of all chemical companies averted. Now the Justice Dept. is preparing a suit against the company, and the House Commerce Committee is investigating its past activities.

Beyond that, as recently as 1977, officials at Occidental Chemical Co. knowingly polluted underground water in Lathrop, Calif., with toxic pesticides and also knowingly violated air pollution limits at a Florida plant.

Ironically, when Congress passed the Resource Conservation & Recovery Act in 1976 to prevent hazardous materials from being disposed of improperly, industry officials argued that it was unnecessary and would place an undue burden on companies. After the revelations about Occidental's subsidiaries, that argument would carry even less weight with Congress and the public.

Recently, in fact, Yankelovich, Skelly & White took a poll of attitudes toward business. Some 50% said they believe the chemical industry is doing a poor job of controlling air and water pollution. Occidental's irresponsibility goes far to explain such attitudes.

No welcome for innovation

In May, 1978, President Carter ordered a sweeping review of federal policies that inhibit industrial innovation. The goal was to modify negative policies and take active steps to stimulate the innovative process. Recommendations were to reach the President's desk by last Apr. 1. They are still not there, and that's no April Fools' joke. A report went to the White House late in the spring, but the President's staff quietly consigned it to the compost heap, and no recommendations have reached the oval office.

Skeptics will write off the innovation study as one more case of a good idea proposed by the President and quietly dumped by a staff too lazy, too ignorant, and too stick-in-the-mud to see the need for action. But the subject is too urgent to be brushed off that way. The U. S. desperately needs to stimulate innovation to meet the mounting competition from overseas suppliers. New products and new, more efficient ways to make old products are the only way U. S. producers can meet the challenge of cheap labor and new plants abroad.

The study now moldering somewhere in the White House is a carefully prepared analysis of the problem. Industry contributed the time of 100 top managers, many of them chief executives, whose advisory panels held public hearings and drafted specific recommendations on trade, taxes, patent law, and regulatory policies. Some 30 agencies of government then assigned task forces to review these recommendations.

In a world of inflation and shifting markets, however, even the most carefully carpentered recommendations get out of date rapidly. If the President does not act promptly, the whole job of analysis will have to be done over again.

The President should send for the report, study it, and make up his mind. Even a little action at this point is worth any amount of rhetoric later.