Whom the Gods Would Destroy, They First Make Insolvent: The Economic Face of Political Freedom

One year ago, we referred to a conversation we had had with someone we identified as "an estimable academic, a dean of no small reputation for foresight." The resultant essay spoke about the decapitalization of American industry, under what we hoped was an intriguing headline: Words Are Cheap, and Memories Short.

Nothing in the past twelvemonth has given us cause to doubt the validity of that six-word title.

Being ourselves notoriously wordy and forgetful, we were pleased to find in the year-end mail a communication from the same Venerable Dean, which we herewith convey.

Be not alarmed by the length of this missive. My life is too uneventful for the traditional Christmas tidings of kith and kin, marital unions and geriatric reunions, costly vacations, ditto operations, and similar phenomena that must interest the sender more than they can the recipient.

Within these ivied walls, I am valued, if I am valued at all, not so much for what I have attempted and done as for what I have thought and said. Here is what I am thinking and saying these days.

We talked last year about matters economic. Let's look this time at the political side of the society we share.

Bad cess to 1978! It brought us upheavals great and small, some immediate in their impact, some portentous for the future.

We learned that the average annual rise in productivity for American private enterprise in the decade and a half ending in 1977 had been only 2.7 per cent. This compared with 5.5 per cent for Germany and 8.4 per cent for Japan. Dr. Richard W. Rahn, executive director of the American Council for Capital Formation, told us the key to "economic vivacity" is not a cheap currency, but a high rate of productivity growth. He saw us "caught in a curious impotence, standing idly by while Icarus falls into the sea."

And why? One answer, if I may send a dirty word through the U.S. mails, is profits, or rather the lack thereof. In a number of industries, profits are simply too low to justify investment in either expanded capacity or improved production efficiency. Don't blame labor. The best and most willing workers in the world can't do the job unless they have the tools.

My eye falleth also upon Washington. The time has long passed when we could wrap a placental wall around our economy; the infant has emerged into the world, and a hostile world it is. You know the figures on our balance of trade. They reflect a losing battle between our team, which is constantly undercut by its own government, and the other teams, which are constantly propped up and encouraged by *their* governments. I call to mind the story about the frontier wife who saw her husband locked in mortal combat with a grizzly. Having been brought up in a tradition of fair play, she stuck her head out of the cabin window and shouted: "Go it, husband! Go it, bear!"

A short quiz—I can't shake the habits of the classroom. Name two American industries that stand out from the pack at a time when we are losing primacy in a number of international markets. One would certainly have to be the computer industry, which is years ahead of its overseas competitors. And anyone who has tried to place a telephone call in a foreign land knows that we in the United States, to use an only slightly outdated phrase, get more than our nickel's worth.

Now for part two: Name two industries that were prime targets of antitrust litigation in the 1970s. Unprofessorially, I supply the answer: our foremost manufacturer of computers and our foremost provider of telephone service. These are called monopolies by some. Some say that monopolies lead to inferior products and services, and to higher costs for consumers. I want "some" to explain to me how it is that these two so-called monopolies have made their products and services the envy of the civilized world and have at the same time lowered the cost, in terms both absolute and relative, of what they furnish forth.

What we seem to be saying to the beleaguered corporation is this: You must be strong enough to compete against giant foreign combines in state-owned or state-subsidized industries, but not so strong as to threaten the least efficient domestic producers in your own industry.

Among the other joys of the year now gone and little lamented was the announcement of an oil price increase I think of as being in "the middle range"—i.e., more than we paid yesterday, but less than we would pay tomorrow. Being afflicted with economic myopia, we see that development only in terms of those flying digits at the gasoline pump. In truth, it should serve to remind us that we have been, to use the mildest possible term, frivolous in our planning.

In 1952, when you and I were younger, the Paley Commission assessed the coming problem and laid out a national minerals and resources policy. That strategy is still largely untapped, like those beautiful coffee-table books we buy and, after a while, persuade ourselves we have read, even though we

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