LECTURE II

THE REVITALIZATION OF BUSINESS POLITICAL ACTION: THE NEW PAC'S AMERICANA

In December, 1980, the late Washington Star, with uncommon generosity, editorially commended the political maturity -- if not the analytic wisdom -- of the FTC. While the staff of the Commission had concluded that television advertising directed to young children was inherently and pervasively deceptive, the staff confessed -- prudently said the Star -- that they could conceive of no remedy for such deception, and hence, that the Commission should close its rulemaking inquiry into Children's Advertising Practices. At long last, sighed the Star, the Federal Trade Commission was responding appropriately to the "public howl" against government regulation.

This "public howl" is a curious phenomenon.

Its decibel level is indeed attested to by such sensitive polls as the Yankelovich survey for Time Magazine, taken in mid-May of 1981, confirming that Americans by a two to one margin want the government to "stop regulating business and protecting the consumer and let the free enterprise system work."

"Howl" theorists, such as the Star's editorial writer, thus offer an explanation of Washington's retreat from regulation which is congenial to both business sentiment and democratic theory: that deregulation is simply a response to the will of the people. But if we turn our public hearing aids down a notch, we discover that the apparent howl is, instead, a far more subtle contrapuntal polyphony. While the public does, indeed, recoil from the term "regulation," it simultaneously displays a constant faith in the substance of whole categories of regulation.

Overwhelming majorities continue undaunted to support continued regulation of industrial safety, auto emissions and safety standards and environmental restraints and to call for even more regulation designed to strengthen consumer rights and remedies. As a National Journal Opinion Outlook Briefing Paper on August 24 last observed: "Government is seen as the defender of the little guy against powerful and uncontrollable forces. Even those who are generally opposed to regulation will support regulations seen as providing protection against powerful forces that an individual could not otherwise control."

The polls are, or should be, humbling to patronizing regulators and regulatory nihilists alike since they demonstrate that large majorities are also capable of making subtle and altogether rational distinctions in their attitudes toward regulation. Thus the public manifests a clear preference for self-help remedies and regulations designed to assure that consumers are provided with sufficient information upon which rationally to base their own decisionmaking. But even stark "command and control" remedies for specific perceived abuses are not rejected. In a 1979 ABC News-Harris poll, 78% of a broad citizen sample did not flinch from endorsing a ban on all broadcast advertising of "sugary products" to children, while 72% supported a ban on all advertising to children under eight. The Star must have missed the audio portion of at least this part of the public's transmission.

Still, the undoubted public dyspepsia evoked by exposure to the term "regulation" must surely be a "sign" as Time Magazine reads it, confirming the nation's "conservative swing." Yet polls show <u>no</u> massive shift in public attitudes towards regulation in general. Seymour Martin Lipset and William Schneider published in the Jan./Feb. 1979 issue of <u>Public Opinion</u> a comprehensive comparative study of public attitudes towards regulation since the mid 1930's. They concluded:

> For over four decades, American's have been ambivalent in their attitudes toward regulation. A majority has always said they opposed greater regulation, but over the years -- as more and more regulation has been enacted -- a majority has also voiced approval of existing regulation and indicated that it did not want to roll back the tide.

So whatever provoked our leaders' acute disaffection with regulation, it was not the sudden or dramatic growth of "antiregulatory sentiment" in the Washington Star's orchestration, "from a squeak to a public howl."

What was it then? What led such staunch defenders of the public weal as Congressman Bethune to lament:

> Federal regulations have gone too far. Must this country be like Sweden, where it is against the law to spank your child, before we say no to the federal bureaucracy? Industry is dying in America because of federal regulations. It distresses me greatly to see a giant like Chrysler Corporation faltering on its haunches . . . The handwriting is on the wall for the FTC and all federal bodies to stop killing the American businessman and our economy.

(This splendid rhetoric was the peroration of an impassioned assault on the FTC's proposed rule to require funeral directors to provide the bereaved with an itemized price list!)

I have a few modest suggestions. But first allow me briefly to recapitulate the first lecture. In that lecture, we explored the taxonomy of regulatory politics. We labeled the consumer movement a species or strain of what James Q. Wilson called "entrepreneurial politics." We saw that consumer political enterprise thrived in the benign political environment of the 60's and early 70's by skillfully tapping the consensus -- broadly shared by the public and critical elites alike -- supporting the legitimacy of government intervention to cure business abuse. We suggested that Congress, though reflexively troping toward business, was nonetheless constrained by its sensitivity to this consensus and its fear of public outrage and political retribution for violating it -- retribution for service as the "handmaidens of the special interests." (In the 60's it was of course not yet necessary to point out that a consumer or an environmental or civil rights concern was <u>not</u> what we meant by "special interest." "Special interest" meant simply moneyed interests -- and not a <u>small</u> moneyed interest, as in the case of the individual consumer -- but a <u>big</u> moneyed interest.)

By the late 1970's, however, consumer entrepreneurial politics were afflicted with acute anemia. What happened between 1965 and 1970, or even 1974 and 1978, to effect so radical a change?

If the public was not in revolt against regulation, two virulant strains of distemper which colored the public mood nonetheless provided a fertile political environment for a determined business assault on regulation:

First, if we were not a people howling in indignation at regulation, we were howling in economic pain and anxiety. And, second, if the public had not abandoned hope for regulation, the public's faith in the will and capacity of government to fulfill this hope had been profoundly shaken.

Thus, Yanklovich explains that, "Antigovernment sentiment is really an unhappiness with cost and inefficiency, rather than reflecting a belief that government should not play a major activist role in our society." But he also tells us, "By the start of the millenial quarter century, the majorities expressing confidence in government had disappeared, and the previously small number of Americans concerned with waste, government indifference, and citizen impotence had grown into large majorities. The changes move in only one direction -- from trust to mistrust. They are massive in scale and impressive in their cumulative message. In the course of a single generation, Americans have grown disillusioned about the relation of the individual American to his government."

Against this dark backdrop of economic insecurity and political disillusionment, Congress' historic sensitivity to business demands in times of economic stress might alone have been sufficient explanation of Congress' reaction against business regulation. And, if there had been added only the extraordinary mobilization of business political action which took place following the 1974 Congressional elections, that would have been cause enough. And had there been added only the radical alteration of the incentive structure of Congress, especially the emerging dominance of the media campaign and the congressional dependency for career survival upon corporate PAC's, that would have been explanation enough. And had there been added only the dimming of popular trust in liberal governance, the decimation of liberal leadership in Congress and the lost conviction of the liberal survivors, that would have been enough.

Among all other contributing causes, however, the mobilization of business political action which took root following the 1974 Congressional elections is such a truly formidable -- and radical -- change that it merits more than passing acknowledgment. For that reason, this lecture is devoted to a celebration of that mobilization, especially the newfound brotherhood of business solidarity, the tender mutual embrace of business and the truth seekers of the economics profession and, finally, the technical and organizational triumphs of business grassroots lobbying in restructuring the Congressional environment and Congressional perceptions of their constituencies. I will touch on the felicitous mating of business political initiatives with Congress's altered incentive structure, especially Congress's now chronic indenture to plutocratic campaign financing. Finally, we'll take note of the ways in which consumer political energy, both within and out of Congress, waned as business waxed.

BUSINESS MOBILIZES

In 1969, Edwin Epstein surveyed the domestic political economic battlefield and declared the contest between consumer interests and corporate interests a draw. The leveling factor lay not in business's lack of preponderant economic and political resources, but constraints in the deployment of those resources.

Perhaps the most significant constraint was a simple lack of motivation. Buoyed by economic expansion, prosperity, and confidence, few businessmen felt threatened by the discrete and relatively modest regulatory initiatives of the '60s. Packaging and labeling standards, uniform interest rate disclosures, minimum safe performance standards for automobiles and household goods, while circumscribing narrow areas of corporate autonomy, rarely threatened market shares or penetration. Neither, in an expansive economy in which the costs of meeting such standards could be passed through to consumers, did such regulation greatly threaten profitability. While Ralph Nader may have provoked fear and loathing in Detroit, Nader was not at first perceived as a threat to the greater corporate community. And such political consumer entrepreneurs as Lyndon Johnson, Warren Magnuson and Phillip Hart were themselves perceived as moderates, limited in their regulatory goals, and unthreatening.

Another inhibitor of business political energy was the political diffidence of most corporate executives. Corporate political activity was not only allocated low corporate priority, it was also not quite respectable. Of course, direct corporate campaign funding was illegal and those legal inhibitions lent an aura of illegitimacy to all forms of political enterprise. Political activism was certainly no path to corporate ascendancy or peer regard. "The best men" were not assigned to Washington offices. Trade associations were starved of funds and confidence. Jeff Joseph, chief lobbyist for the Chamber lamented businesses' early lack of spine and spirit: "Business didn't even want to try to fight against something with a consumer handle on it. They weren't that sophisticated, they weren't that well organized. I think a lot of people were concerned about their image."

Such business political action as took place tended to be narrowly self-serving, preoccupied with sectarian issues directly affecting the individual firm or trade. As Epstein observed in 1969, "Corporations utilize their political resources against each other as frequently as they do against other social interests. Indeed, internecine conflict among business organizations constitutes much of the substance of corporate political activity."

Seeking to settle public fears of excessive corporate political dominance, A. A. Berle, Jr., in 1963 assured Americans that, "There is no high factor of unity when several hundred corporations in different lines of endeavor are involved." Even in making campaign contributions, businessmen displayed a lack of ideological aggression. Recently, a Chamber political strategist commented contemptuously on business's traditional practice of securing political access by funding opposing candidates in close races. "I keep telling people they might as well give that money to charity."

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By 1974, however, regulation and politics had got business's attention. While the late 60's and early 70's had brought passage of many new consumer and environmental, civil rights and occupational health laws -- with their promise of benefits and relief to broad public constituencies -- the 70's brought home to business the impact of regulation implemented and enforced: the intended restraints; the costs and burdens and the unintended byproducts of regulation; and the trials and errors of new or newly stimulated bureaucracies, implementing Congress's imperfectly fashioned works. There were real constraints; real paperwork burdens; real costs. There were the cumulative, sometimes overlapping or inconsistent burdens of regulatory schemes independently conceived and structured. The Senate Commerce Committee had hardly been alone in its enthusiasm for regulatory enterprise. David Vogel counts more than 50 separate pieces of federal regulatory regulation enacted between 1967 and 1973.

Although evidence of business's appreciation is lacking, surely the Federal Trade Commission can take at least partial credit for stimulating the revitalization of business political action. Under four sturdy Republican chairmen, the Commission had re-deployed its limited human resources away from trivial "mail bag cases," a heavy preponderance of easy cases such as those challenging "bait and switch" advertising against very small and easily intimidated businesses, cases yielding little tangible or lasting consumer benefit. The Commission had not only grown in the numbers and quality and vigor of its human resources, but, in growing, had shifted steadily toward priority economic targets bearing broad consumer and economic impact, such as challenges to oligopoly, the abuse of market power by dominant firms, and conglomerate mergers.

By 1978 the impact of the Magnuson-Moss Act was at last imminent, as the 15 industrywide trade regulation rules initiated in the mid-70's had wound their tortuous course through the rulemaking labyrinth. Now poised upon the threshold of promulgation, they threatened to upset "business as usual" for tens of thousands of small but influential businessmen and professionals. Even the Commission's non-regulatory ventures, such as its life insurance cost disclosure and generic drug substitution studies and model state laws gravely threatened crucial market strategies. The Commission was embarked on inquiries which threatened the economic bulwarks of trades and industries: protective, guild-like state regulation; the manipulation of the voluntary standard system by dominant firms and technologies; the dissonance between 600 million dollars in television advertising to three, four and five year olds and ancient common law strictures shielding children from commercial exploitation. The fear and anger generated by these enterprises were compounded by the uncommon competence, determination and aggressiveness of staff -- too often perceived, however unjustly, as zealotry and inquisition -- a perception fueled by the sometimes self-righteous arms length independence of the Commission from traditional avenues of influence: the Washington Bar, the White House, Congress.

In the mid 70's, there were gestating within the womb of the FTC alone as many as 30 to 40 major investigations, studies, cases, and rulemakings, each as potentially significant -- and as threatening to some segments of business -- as the Truth-in-Lending bill or Fair Packaging and Labeling bill, business cause celebres of a decade earlier.

"You have managed to alienate the leading citizens of every town and city in Kentucky" Senator Wendell Ford wryly observed, proceeding to call the roll: "lawyers, doctors, dentists, optometrists, funeral directors, real estate brokers, life insurance companies and salesmen, new and used car dealers, bankers, loan companies and other credit suppliers, Coca-Cola bottlers,..." While we took perhaps perverse pride in the ubiquity of our offenses as an index of the efficient allocation of regulatory resources, a Chamber of Commerce representative was graciously proferring the consoling embrace of "membership in the FTC victims' alumni association." Perhaps the quintessential insight was to come from a public opinion expert enlisted by the cereal manufacturers in their noble crusade to preserve advertising to five year olds. He told me without unneeded embellishment, "You hit the money nerve." And a Washington lawyer of that elegant breed known as "Rainmakers" said, "You woke the sleeping giant."

By 1978, the Carter regulators -- looming as fearsome and demonic to business as Lloyd Cutler and the Tobacco Institute had earlier been to consumer and public health advocates -- generated great, not always rational fears of new and accelerating regulatory burdens, the loss of business autonomy, and threats to entrenched market strategies and market power. George Meany's boast that the 1974 elections had produced a "veto-proof Congress" evoked despair among business leaders. With gallows humor, one predicted that the cause of business would be saved by the political might of the environmental movement: "We can get them to put the corporation on the endangered species list."

Whether it was simply a reasoned and measured response to the growing reality of government intervention, fear of the progressive erosion of corporate autonomy, a defensive response to perceived persecution through government regulatory encroachment, enhanced ideological confidence nourished by the Chicago economists' worship of business and markets, or simply a belated awakening to the successful political strategies of the public interest entrepreneurs, business now elevated political activism to a first priority and poured organizational resources into political action.

By 1974, the foundations had been laid for a business political mobilization effort of a scope and breadth for which only the industrial mobilization of World War II provides a sufficiently heroic, if extreme analogy. If martial imagery appears unnecessarily hyperbolic, here are the words of Kaiser Alumnium Chairman, Kwenel Maier: "This is war. The battle is not over our economic system. The battle is over our political system."

Horizontally among firms within industries, jointly among industries, vertically within companies, structures of political coordination and cooperation have proliferated -- from the chief executives of the major industrial and financial firms politically conglomerated in the Business Roundtable, to the 2,700 local Congressional Action committees of the Chamber of Commerce, which makes up a network of close personal friends and supporters of Congressmen and other political leaders.

The Business Roundtable, born in 1972, rapidly became both the preeminent lobbying institution and a symbol to all industry of the priority and legitimacy of business political action. Peopled by CEO's who, in Fortune's worshipful prose, "head the industrial, financial and commercial institutions commanding the heights of the U.S. economy," the uniqueness of the Roundtable lay in its commitment to the participation of CEO's as its active front line troops, without surrogates, in both policy formation and direct lobbying activities. The Roundtable altered the role model for corporate statesmanship. If Irving Shapiro and Reginald Jones and Fletcher Byrom could devote their energies to the visible and aggressive pursuit of the political agenda, then so could all. The roundtable both spawned and reflected the systemic reallocation of business's human and material resources to political action, new alliances and structures for coordination and the rapid integration of the emerging new information storage, retrieval and communication technologies in the service of corporate business political advocacy.

The Chamber of Commerce, easily dismissed in the 60's, as a feeble and discredited vestigial organ, took on new sheen and gloss. Though the Chamber speaks for the heartland of American business, the small local entrepreneur, its new energizing force and leadership was initiated by the wise barons of corporate politics: Bryce Harlow of Proctor and Gamble; William Whyte of U.S. Steel; Albert Borland of General Motors. Between 1974 and 1980, the Chamber doubled its membership to 165,000 companies and trebled its annual budget to $68 million. Through aggressive new leadership, the Chamber pioneered and propagated the seeding of political action committees and direct mail and other technologically sophisticated grassroots organizing techniques, many of them shamelessly cribbed from the political arts developed by the public interest entrepreneurs. In the words of its latter day President, the Chamber would now be known as "a communications conglomerate." Just as Nader had understood that the path to the sensibilities of Chairman Harley Staggers of the House Commerce Committee ran through the sympathies and access of his physician son-in-law, so the Chamber developed its roster of "golden bullets," dear friends and bosom business associates of each Congressman.

Another business political enterprise dedicated to filling the business lobbying gap was the National Federation of Independent Businesses. Thomas Edsall observes: "Unlike most business organizations which serve a variety of communications and social purposes in addition to lobbying, the NFIB exists entirely to exercise political influence. Its 596,000 members contribute between $35 and $500 based on each firm's willingness to pay, exclusively for political leverage in Washington and some state capitals."

These umbrella organizations in turn coordinate the lobbying efforts of individual corporations, trade associations, public relations firms and Washington lawyer-lobbyists, all of whom, in turn, flourished and multiplied.

While the Business Roundtable may be said to represent the conglomeration of corporate political action, at least as significant has been the backward integration of political action from the once isolated and not quite respectable Washington representative up to the CEO and down through the corporate hierarchy to mid-level executives, and employees, and outward to stockholders, suppliers aand distributors. ARCO, for example, now spends an estimated $1 million annually to support the formation and activities of shareholders, retired employees and as many as 15,000 employees in regional political action committees separate from its fundraising PAC's. Through these committees, employees are encouraged to take stands on public policy issues and to engage in active political efforts, including direct participation in election campaigns. David Vogel estimates that by the late 70's, corporations were spending between $850 and $900 million per year on such efforts.

In this process, Corporate Political Individualism -- the narrow pursuit of individual company goals -- gave way to (I hesitate to use the term) the New Corporate Collectivism. As David Dunn, himself a key lobbyist in the lobby-law firm of Patton, Boggs and Blow observed: "Individual companies had learned not to try to fight by themselves. They learned to find people who were similarly situated and formed *ad hoc* committees with these people that have a concerted, organized effort across the board of a number of industries who are similarly situated to fight the thing together. If you put ten different companies or ten different trade associations in one room you're bound to have a plant in a lot more congressional districts and a lot more states than if you're just one person."

The business mobilization to stop the creation of a Consumer Protection Agency represented one of the first major efforts by business groups to attain new levels of organization and coordination. Richard Leighton, again a participant foot soldier, recalled with a fond nostalgia reminiscent of the Archers of Agincourt:

> For the first time in history, you had the coalition of the National Association of Manufacturers, Grocery Manufacturers of America, the U.S. Chamber of Commerce, National Federation of Independent Business, all together, and thousands of people underneath them, in a highly structured, organized way taking positions, moving, dividing up the Hill, and lobbying. Tremendous power was brought to bear."

And when business's investment in political action paid off, that in turn reinforced and spurred its growth. Business enjoyed the taste of power. In my early experience, nothing would unsettle a corporate leader more than to be told that he possessed -- much less exercised -- disproportionate political power. "Power?" one CEO fumed after one such exchange. "We don't have power! Why don't you worry about Jane Fonda. She has power!"

Ironically businessmen in the 60's were often powerless, because they felt powerless, as Epstein has noted. But the 1977 and 1978 success of business in defeating, first, labor law reform, then the Consumer Agency bill reinforced the emerging business political activism. Each successive victory stimulated new legislative ventures. Similarly, success in electing favored candidates and unelecting liberals stimulated increasingly aggressive targeting of PAC campaign contributions.

The diffidence was gone, the sense of powerlessness dispelled. As Justin Dart, Chairman of Dart Industries unselfconsciously observed to a reporter in 1978, talking to politicians is "a fine thing, but with a little money they hear you better."

THE OVERSTIMULATED GRASSROOTS: RESTRUCTURING THE CONGRESSIONAL ENVIRONMENT

It would probably have been sufficient for business to convince Congress that Congress's business constituency was aroused and poised. But business grassroots organization and activism achieved more than that: as John Kenneth Galbraith has observed,

> That a large share of all economic comment comes from people of comfortable means will not be in doubt... It follows that the voice of economic advantage being louder regularly gets mistaken for the voice of the masses.

It is, of course, unsurprising that outraged or fearful businessmen and their workers and dependent suppliers within a Congressman's district can gain his undivided attention. There is nothing subtle about the threat that the Congressman will be held personally accountable at the polls for any regulatory action which adversely affects the firm or its workers. No Congressman needs to be told that a funeral director whose customers begin to select $350 funerals in place of $3,500 funeral packages because of a mandatory FTC price list disclosure rule supported by his Congressman will remember nothing else as the next election approaches, while citizen consumers, even those who may benefit, remain blissfully unaware of the rule <u>or</u> the vote.

But the meticulous recruitment and organizing and the dissemination of stimulative propaganda that characterize the new works of the Chamber and other business grassroots organizing lobbies adds a less obvious, but perhaps more significant, increment to the political balance: the structuring of the Congressman's political environment. The process begins with what I call "the overstimulation of the grassroots." It is not precisely a relevation that the Chamber's dispatches from the domestic front in Washington to its cohorts are not fastidiously scrupulous or restrained in their characterization of pending regulatory threats. Indeed, the Chamber's bulletins display uncommon creativity and a lurid imagination in depicting the threats posed by legislation or regulation.

I met one day, in 1979 with a delegation of fearful small businessmen from Spokane, Washington who had just come from legislative briefings at the National Chamber of Commerce Headquarters. They had learned that the FTC was the wickedest of all Washington agencies. But when I asked what it was specifically that we were doing that most troubled them, they hesitated. One of them thought for a moment, then replied, "regulating children's advertising."

"But," I asked, puzzled, "how could that rule affect you at all?"

To my surprise, I learned from their response that the FTC's rule proposals, which would have restricted TV advertising directly to very young children, had been characterized by the Chamber as the first step in a scheme of regulation ultimately designed to bar the local haberdasher from advertising his annual back-to-school sale.

In the spring of 1980, Bill Moyers devoted a segment of his television journal to an examination of the FTC's difficulties with Congress. In the course of our conversations, he told me that he was first drawn to an examination of the FTC by the laments of his friend, his "everyman," the Mineola, Long Island, druggist and member of the local Chamber who had complained bitterly that FTC regulations were driving him to the brink of despair. Yet, when Moyers, in the course of preparing his program, sat down with his friend to elicit specific complaints, the druggist was unable to identify a single FTC case or rule which in any way affected or governed his business.

It does appear that the level of intensity of local businesses' fear and loathing of the FTC and other regulatory agencies was a product not simply of informed rational concern but also of irrational fear generated by the Chamber and other trade associations more concerned with stimulating the fervor of business rebellion than scrupulousness of reporting. But it is not just that the organized grassroots' campaigns generated exaggerated fear and hysteria among businessmen. There were the marshaling and deployment of local businessmen, the letters, mailgrams, calls, insistent deputations to Washington and, during Congressional recesses, confrontations at every stop and turn with businessmen stationed and primed, seething with outrage at the dread regulators.

Is it any wonder that the Congressman begins to perceive that everyone, not just the businessman, is aroused over regulation? He may note, with puzzlement, polls to the contrary but polls lack the immediacy of angry petitioners. In a term borrowed from early Hollywood stereophonic hype, the new lobbying has fashioned for the Congressman a "sensurround" of antiregulatory fervor.

And it is this function of the new lobbying that explains why a public still broadly committed to consumer health, safety and environmental regulation is perceived even by conscientious and open-minded Congressmen as clammering for relief from all regulation. It is why Senator Danforth can say unself-conscientiously, "Everywhere I go in Missouri, to every Rotary and Kawanis luncheon, all I hear are complaints about the FTC." It is why when Senator Hollings returns from communing with his constituents in South Carolina during the August 1979 recess, he calls his staff together and reports that pressing closely behind inflation, the second most troubling public policy issue to the citizens of South Carolina is the excesses of the Federal Trade Commission.

"It's a good thing they passed the anti-lynch laws before you got appointed," Hollings needled me shortly thereafter. "You're like the one-eyed javelin thrower; you never hit anything, but you sure keep a lot of folks on the edge of their seats."

THE ECONOMISTS AND BUSINESS: MADE FOR EACH OTHER

To enhance the legitimacy of its deregulatory thrust, business needed to transcend the apparent pursuit of narrow self-interest. It needed a respectable cloth coat of public interest, articulated by authoritative spokesmen perceived as objective truth seekers. In the economists, business found its public voice.

Grant Gilmore in his graceful lectures on the history of American law reminds us that:

> There has always been a symbiotic relationship between the academic establishment which supplies the theories and the economic establish which appreciates being told that the relentless pursuit of private gain is in the public interest.

Businessmen faced both an analytical and political hurdle in drawing a causal nexus between detested regulation and the sputtering of the nation's economic system. It has not, for example, occurred spontaneously to the citizens of Japan, Sweden or Germany that consumer-oriented regulation was the prime cause of the economic stress which followed upon the congealing of the OPEC oil cartel. Indeed, industrialists (and perhaps even economists) in these countries look upon consumer-oriented regulation as a quality control stimulus to the international marketability of their products. Thus, Jewell G. Westerman, a vice-president of Hendrick and Co., reported in Fortune that:

> When comparing the penalties imposed on business by government bureaucracy and the penalties imposed by the bureaucracy of business management itself, the latter are far larger. ...[In] over 200 cost/activity studies done by Hendrick and Co., we cannot recall a single company in which coping with government regulations raised a significant opportunity for lowering labor costs, [while in comparison] the costs of business bureaucracy are phenomenal.

As we have seen, the public, while never very enthusiastic about regulation, is nevertheless slow to conclude that freeing the Fortune 500 is the logical course to economic renewal. Enter the economists and their singular passion: the pursuit of deregulation as the universal cure.

Of course, the teachings of the economists served a benign and useful public purpose in drawing the attention of consumer advocates, among others, to the public disservice performed by cartel protection regulation, supervised by such agencies as the CAB and the ICC in the name of the public interest. By the mid 70's the deregulation of trucking and airlines had become an ecumenical legislative objective of consumer advocates and (unregulated) business alike. And, as the economists' antiregulatory rhetoric began to pervade economic debate, airline and trucking deregulation became the liberals' antiregulatory hedge, the reformers' ideological free lunch.

Recall that it was Ted Kennedy who led the crusade for airline deregulation -- to the unaccustomed acclaim of business moderates and economists -- yet with the unflagging support of consumer advocates and liberals. Warmed by the response, Kennedy made transportation deregulation a pillar of his presidential primary campaign.

Just as Nader's attacks on the unresponsive regulatory bureaucracy had the unintended side effect of feeding public disaffection and distrust of government, so the enthusiastic embrace of deregulatory rhetoric by liberals tended to lend legitimacy to the attacks of businessmen and economists like Weidenbaum, who pursued the elimination of health, safety and consumer regulation with a fervor which surpassed their critiques of economic regulation. The deregulatory yeast, once risen, was hard to contain.

So Congressman Marty Russo could make respectable to liberals and conservatives alike his otherwise unfathomable assault on the FTC's Funeral Cost Disclosure Rule with the following moving rhetoric:

> Overregulation is already enough of a problem in the nation. Productivity is being harmed, inflation is running rampant, either we are going to take a stand against unnecessary federal regulation or we aren't.

A second contribution of the economists to the political needs of business is the dehumanization of pain, suffering and economic injury. As I have indicated elsewhere, I consider the assessment of prospective costs and benefits an important and appropriate tool in the shaping of regulatory policy. But the quantifying of injury denatures the debate. Thus, even in developing techniques for cost-benefit analysis some scholars, such as those at MIT's Center for Policy Analysis, have refused, as a matter of principle, to reduce human injury and death to a dollar number. Others prove less fastidious.

Since, as we have seen, consumer entrepreneurial politics depends greatly upon the provocation of public outrage at preventable human misery, the cost/benefit calculus, no matter how sensitive, milches human misery and outrage from the debate. Not only did the economists supply the theories but their eminence provided businesses' congressional supporters with a new self-confidence and ideological respectability. In turn, business nurtured and rewarded the flowering of neo-conservative thought with unstinting financial support and the generous propogation of the neo-conservative faith, through such eager institutions as the American Enterprise Institute and Murray Weidenbaum's Center for the Study of Business at Washington University of St. Louis.

The result was further ideological confusion and enhanced opportunity for business to cloke its pet antiregulatory goals in fashionable deregulatory rhetoric. The earlier pure outrage at corporate injustice displayed by such liberal voices as the Washington Post, gave way to ambivalence fed by economic sophistry. While such ambivalence may well reflect an appropriately heightened sense of journalistic humility, its lack of moral ardor, its diffidence to economic analysis over moral imperative contributed greatly to letting previously insecure Congressmen -- pressured mostly by industry lobbyists -- off the hook.

THE DECLINE OF THE CONSUMER ENTREPRENEURS

As business sallied forth, fueled with PAC money and armed with "golden bullets," Congress, as Cleopatra, was not "prone to argue."

In the mid 60's Senator Joseph Clark of Pennsylvania, the evangelicial reform liberal wrote in Congress, The Sapless Branch, that the salvation of democratic reform lay in freeing the congressional Democratic Party from the vise grip of party leadership, discipline, patronage, seniority.

The reforms of the 60's did just that. Coinciding with the advent of the media campaign, they also transformed each Senate and Congressional race into a free-standing marketplace in which each candidate must form his own campaign organization and constituency. As the Democratic Party (and beleaguered labor) receded as the prime sources of money, organization, and voter support, the Congressional political entrepreneur was inexorably drawn toward business. And business, like the friendly local moneylender, was pleased to fill the void.

Business also became the direct beneficiary of the erosion of the broad liberal consensus and confidence which had characterized both public and elites in the 60's. The consumer entrepreneurial coalition of which we spoke in the first lecture, the informal alliance of entrepreneurial Congressmen and senators, their staffs, consumer advocates and emphathetic press had eroded in numbers, power, conviction. As in the Senate Commerce Committee, consumer leaders were gone or going, through death, aging, political attrition; and as they departed, so did their entrepreneurial staffs. Their successors adjusted to the altered political environment. The political rewards for consumer activism were problematic; the costs, both real and perceived, were heavy. The dogged liberal who would still resist the pleas of single interest constituencies and the lures of deregulation were increasingly vulnerable; the converts or opportunists, who would embrace them, richly rewarded.

In a time of generalized antipathy toward government, who would trumpet the sponsorship of new laws or defend new regulations? Ironically, the appointment by President Carter of regulatory activists who vowed to take aggressive initiatives <u>on their own</u>, undercut the incentives for those congressional consumer advocates who earlier had gained political capital by bludgeoning unresponsive regulators into action.

Negative oversight became the functional substitute for legislative initiative. Congressional staffs which had proliferated and swelled to help draft and shape consumer and environmental laws had to accommodate, if they were to find justification for their keep, to the new role of critiquing, challenging, and "reforming" administrative initiative and existing legislation.

Nixon had cemented the alliance of consumer advocates with Congressional liberals and the press, which coalesced in their mutual resistance to his efforts to undermine the new corporate restraints. But, just as Nixon had brought <u>us</u> together, the Carter administration stimulated the nascent alliance between business and Congress.

The leadership of the consumer movement became increasingly dispirited and ragged. Many of its strongest and most experienced leaders had been drawn off into regulatory roles by the new administration, where their advocacy was muted by structural and political constraints. The new generation of consumer organization leaders lacked seasoning, sometimes maturity and necessarily the stature gained only from years of demonstrated performance. First, from Congress, later from the agencies, many of the most able consumer advocates within the government -- sometimes frustrated, sometimes ready for the less ascetic life -- were drawn off into private law or consulting practice -- accelerating the leaching of talent from the public sector to corporate service.

Public interest groups were strapped for funding. The freshness and bloom, gone from the rose of the public interest movement, the foundations, such as Ford and others terminated their "seed money." An administration peopled with public interest advocates was an insufficient "enemy" to generate fervor or money-milking anxiety. Ironically, while the business opposition to government drew energy from the prominent government role of such perceived enemies as Joan Claybrook, Carol Freeman and myself and our real, exaggerated, or imagined outrages galvanized business emotions, energies and resource commitment, consumer advocates lost their

Republican and bureaucratic foils. Attacking Joan Claybrook or Carol Foreman was painful, not exhilarating, while patient understanding was ennervating.

Finally, labor, the ministry of institutional support for consumer initiatives, had become increasingly embattled and distracted by job-threatening economic stress.

CONCLUSION: THE CHANGED POLITICS OF THE 70's

To summarize, business has always had institutional staying power, its interest constantly fueled by economic incentive. Consumer groups lack staying power without the continual renewal of fresh anger and outrage, the very qualities blunted by the central role played in the Carter administration by their own.

By the late 1970's, business had deployed its resources with unprecedented political aggressiveness. The public and its elected representatives, seized with economic anxiety and disaffection with liberal governance, offered no resistance to business clamor for regulatory relaxation.

The short, happy life of consumer entrepreneurial politics was in jeopardy. Client politics (Wilson's term for the political dominance of narrow economic interests) appeared securely reestablished as the norm.

In the next lecture, we will examine the late fate of an FTC, looking backward for inspiration to the high consumerism of the 60's, in collision with the new PAC's Americana.