POLICY REPORT

Volume III Number 1 — A PUBLICATION OF THE CATO INSTITUTE — January 1981

Religion and Broadcasting Policy: The Hidden Violation

by Robert L. Corn

"I operate my radio station for the glory of God and the eternal damnation of the chain stores."

—License applicant speaking at hearings of the Federal Radio Commission, 1927

Each decade, it seems, spawns a new confrontation between church and state. During the 1940s the Supreme Court first considered the issue of state aid to religious schools. In the fifties and sixties the continuing controversy of school prayer reared its head. Abortion, long considered a burning social issue, became a church-state battleground of the seventies, following the landmark decision in the case of *Roe* v. *Wade*. Finally, in 1980—and at what many believe to be the dawn of a new conservative era—all of the earlier fights appear to have been consolidated, with the rise of politically active religious groups.

One of the more reviled political developments in recent years is the creation of a coalition of fundamentalist organizations girded to do battle on a host of public issues. Their aim is to "turn the country around" on all the controversies of the past forty years—aid to education, school prayer, abortion—as well as on such topics as national defense, Communism, and sex on television. Their tactics include not only public "education," but also legislative lobbying, voter registration drives, and the funding of court battles. They have endorsed the more right-leaning candidates, while placing other public officials on political "hit lists."

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The most active of the religious groups include the following:

"The real problem is the way federal policies affect broadcasting in general, and religious broadcasting in particular."

Moral Majority. The largest and most influential of the groups, Moral Majority was founded in 1978 by broadcast minister Jerry Falwell to unite "the vast majority of Americans" against "humanism." The group is active in every state capital as well as Washington, D.C., and has a mailing list of over 70,000 pastors (augmented by Falwell's television mailing-list of over 2 million individuals). Over $5 million has been pledged this year for use by the group's four branches: education, lobbying, candidate endorsement, and legal aid fund. The goal, according to Falwell, is to fight the Equal Rights Amendment "and other amoral legislation." Falwell himself is credited with being the single most important factor in ERA's defeat in his home state of Virginia.

In less than a year, Moral Majority registered over 300,000 voters, and by mid-1980 had signed up over 2 million more. The goal was to reach twice that amount in time for the November election. In the legislative arena, the main goal will be to secure passage of the Family Protection Act, introduced by Sen. Paul Laxalt of Nevada, and to lobby for school-prayer legislation. When the House Judicial Subcommittee was considering just such a bill, one staff member said, calls and letters would come in every day. "They don't identify themselves as being a certain religion or listening to a specific television program," he noted, "but they threaten they can defeat somebody who votes against school prayer."

Falwell, whose televised church service appears on approximately 320 stations each week, has said, "We are having an economic and military crisis because God is chastising us. But if you talk about an issue in church this week, then tell how your representative voted the next week, that's all you have to do." He has also conducted seminars on how to conduct letter-writing campaigns directly through church services. Each member of the congregation is urged to bring stamped envelopes to church, and time is taken from the sermon to draft letters to public officials. Just such a campaign was waged in the Florida stop-ERA drive.

"America has less than a thousand days as a free nation unless there is divine intervention," according to the preacher, who is doing what he can to make sure intervention of one form or another does occur. "We've got to get people saved, baptized, and registered to vote."

Christian Freedom Foundation. Although not the largest of the evangelical organizations, CFF was one of the first to recognize the potential of rounding up religious voters. Founded

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EDITORIAL

The Chrysler Saga

After congressional approval of the Chrysler loan guarantee program, Lee Iacocca, the company's president, demonstrated that talk is, alas, not cheap. Taking issue with a *Wall Street Journal* editorial, and buoyant with the award of the government bailout, Iacocca proclaimed that Chrysler, in spite of criticisms from those who opposed the loan program, would turn itself around and "be back" at the end of the year. "Now watch us go!" he gushed, as the "New Chrysler Corporation" burst forth onto the American scene in a multimedia propaganda extravaganza.

Policy Report (November 1979) editorialized against this program to "save" Chrysler, not on the pragmatic grounds that it would fail financially (although that position was and is sound), but on principle, namely, that such a policy would set precedents unwelcome in a free-market economy and is at odds with the nation's basic understanding of how our system should function. Now that Mr. Iacocca and Chrysler's entire collection of spokespersons have become the Richard Nixons of corporate credibility, this second argument is taking on ever-increasing importance.

Chrysler has used $800 million of its $1.5 billion guarantee and needs another $400 million for January alone. Sales of its new K-cars have consistently failed to meet company "projections," and, as is the case with all public failures, Chrysler has managed to uncover a plethora of scapegoats, including the prime interest rate, the recession, foreign imports, and overproduction of fancy options on initial dealer deliveries.

Apprehensive at the coming change in administrations in Washington, Chrysler is attempting to get the lame-duck Carter bailout board to "agree in principle" to further loan guarantees so President Reagan cannot tamper with the program. The Reagan administration has taken no official position on the Chrysler problem, so Iacocca recently went to Washington to lobby on behalf of his failing giant with Edwin Meese, the Reagan chief of staff.

In addition to seeking more money from Washington, the company has asked banks to "restructure" their loans, suppliers to cut prices, and workers to forgo pay increases Ironically, a measure designed to "ensure continued competition" in the automobile industry has had the effect of pressuring those who do business with Chrysler to give it special breaks and privileges at the expense of its competitors. As one banker put it: "All they are asking us to do is convert a practically valueless loan into stock. It doesn't seem all that unreasonable." In other words, it doesn't make much difference how a valueless commodity is packaged; and, indeed, it doesn't. But ideas have consequences, and the implications of this program, as we have already pointed out, are many and grave.

What do we see when we look at the present situation? The unemployed auto workers line up for the television cameras and stress their plight to a sympathetic nation and its politicians. The directors of Chrysler stress the vast capital investment in new and existing plant as well as the possibility of a restricted domestic auto output as reasons that Chrysler cannot be allowed to fail. Chrysler is, according to this line of argument, something of a national resource that must be preserved by the government for "the good of society."

On what grounds, then, can Lee Iacocca, or others who support the Chrysler program, argue against the "National Employment Priorities Act," sponsored by Rep. William Ford and Sens. Harrison Williams and Donald Riegle? (See Richard McKenzie's article in this issue.) Under this act, companies are viewed precisely the way Mr. Iacocca views them: as national resources with large and beneficial regional effects that must be preserved, especially the existing jobs and the taxes the companies pay. In order to preserve this status quo, the sponsors propose limiting the ability of firms to move from one area to another without large compensating payments to their workers and the communities the companies "serve." The economic view underlying this legislation is, once again, that certain things are readily observable while others are not. The principle upon which this legislation is based is no different from the principle on which Iacocca has built his new Chrysler Corporation.

What we do not see when we look at Chrysler today is the larger number of productive jobs that could be financed through the market if Chrysler were allowed to go under. Chrysler is now a nationalized industry and operates exactly as such industries always operate: in the red. We do not see the beneficial results of the free market here, because Mr. Iacocca and his supporters in Washington *will not let them happen*. But consumer pressures cannot be thwarted forever. It will take increasing amounts of money to ensure Chrysler's "viability," and it is unlikely that the voters will tolerate much more of this. When the company finally does go under, perhaps Mr. Iacocca will go to Washington as director of the new Employment Priorities Commission, where he can funnel tax money to other failing companies as a substitute for the cash inflow they did not receive from consumers buying in a free marketplace. Only then will the Chrysler saga have reached its logical—and *inevitable*—conclusion. ■

Religion and Broadcasting (Cont. from p. 1)

in 1974 by John Conlan, a former Arizona congressman, and Bill Bright, the head of Campus Crusade for Christ, the foundation worked through Third Century Publishers and Intercessors for America to spread its message. In June 1976 the group sent 120,000 "Dear Pastor" letters, urging ministers to make political activists of their congregations. The package included a pamphlet by Bright entitled "Your Five Duties as a Christian Citizen," which gave directions for taking over local precincts to elect only "God-fearing" candidates. The Christian Freedom Foundation also had representatives in each state who were charged with mobilizing voters against liberal candidates.

Religious Round Table. This group was formed by a Christian businessman in September 1979 to bring together religious leaders for tactical seminars on political issues. Based in Rosslyn, Virginia, the organization sponsors four two-day meetings annually, bringing together over a hundred conservative churchmen. Through these leaders, Round Table plans to influence millions of followers on such issues as abortion, private schools, sex on television, national defense, and prayer in school.

Christian Voice. 37,000 preachers from 45 denominations were enlisted in this group by the middle of 1980, and membership has reached almost 190,000. Formed primarily to fight for prayer in public schools, the organization has also been involved in foreign-affairs issues and gay rights. Already, members of the Gay Rights National Lobby are predicting that Christian Voice will be the most significant obstacle to liberalizing laws against homosexuality. Christian Voice budgets $3 million annually for political activities, and plans are in the works to broadcast tapes of conservative senators (notably Orrin Hatch (R-Utah) and Jesse Helms (R-N.C.)) on key issues. The group is based in Los Angeles and Washington, D.C.

American Conservative Union. Although ACU is not a religious group, it has sought to develop a liaison with National Religious Broadcasters, the trade organization of fundamentalist radio and television ministers, in an effort to spread its policy positions among the faithful. ACU first approached the religious broadcasters by distributing literature at the 1979 NRB convention in Washington. A few weeks later, convention delegates were mailed packages promoting a partnership between the two organizations.

"You have the clout, the contacts, and the wherewithall to inform people about what is happening," read the cover letter. "We only want to aid you in fulfilling that responsibility." The letter gave special attention to owners of religious radio and television stations: "We will be anxious to assist you in recruiting local or national spokesmen to provide the conservative perspective on any issue." The list of spokesmen, of course, was taken directly from the ACU Speakers' Bureau. The group appeared again with the same mission at the 1980 conventions of the religious broadcasters and of the National Association of Broadcasters.

It is the high amount of political activism among churchmen, especially during the 1980 campaigns, that has led to an outcry in various sectors. The conservative efforts are labeled a clear violation of the First Amendment, the church-state separation issue of the 1980s. The irony of the situation is that many of the charges have come from mainline denominations, such as the National Council of Churches—outfits that, for the most part, have never hesitated to get involved in political issues. The National Council of Churches, for example, endorsed the admission of Red China into the United Nations in 1958, came out against prayer in public schools in 1963, and advocated an end to the Vietnam War in 1965. The Office of Communications for the United Church of Christ has long been involved in lobbying broadcast regu-

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In This Issue

POLICY REPORT

Published by the Cato Institute, *Policy Report* is a monthly review that provides in-depth evaluations of public policies and discusses appropriate solutions to current economic problems.

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Subscriptions and correspondence should be addressed to: *Policy Report*, P.O. Box 693, Englewood, CO 80151. The annual subscription rate is $15.00 (12 issues). Single issues are $2.00 per copy. *Policy Report* is published monthly by the Cato Institute, 747 Front St., San Francisco, CA 94111. Second-class postage paid at San Francisco, CA. POSTMASTER: Send address corrections to P.O. Box 693, Englewood, CO 80151.

ISSN: 0190-325X

Religion and Broadcasting (Cont. from p. 3)

lators; it proposed model legislation when a Communications Act Rewrite was being considered in 1979 and petitioned the Federal Communications Commission to revise certain broadcast licenses.

Except for the rhetoric, it is difficult to distinguish the crusades of the mainliners from those of their fundamentalist brethren. Moreover, critics are hard pressed to explain why a significant segment of the population should not have the freedom to express their convictions on important issues or the ability to urge others to vote their consciences. Some people reach their political beliefs by careful study, some by following their families' predilections, others by spiritual inspiration. To discriminate between them would be a worse violation of the First Amendment than the one the fundamentalist churchmen are accused of.

This is not to say there is no church-state problem in the latest wave of religious political activity. In fact, the phenomenon is partly the result of an apparent breach of the First Amendment that has gone largely unnoticed. The real problem is the way federal policies affect broadcasting in general, and religious broadcasting in particular. Ever since the creation of the Federal Radio Commission, precursor to the FCC, the federal government has been in the business of promoting religion on the air.

Among the first official acts of the radio commission was the submission of license renewal forms to all stations then operating. There were only two questions, the answers to which determined if station operation was in the "public interest, convenience, and necessity." The commission asked whether any commercial advertising was aired by the broadcaster, and how much airtime was devoted to each of six categories, including religion. Soon after this, in 1928, the commission rejected the license application of Great Lakes Broadcasting Company, claiming that the programming proposal offered by the potential licensee was too limited. In this landmark decision, the FRC said that for a station to broadcast in the public interest, its schedule must contain entertainment, classical and popular music, religion, education, discussion of public events, weather and market reports, news, and "matters of interest to all members of the family. . . ."

> **"Commissioner James Quello stated that he and his fellow commissioners 'are delighted that Jesus Christ is truly broadcasting's number-one superstar. . . .'"**

Much scholarly work has addressed the free-speech violation inherent in allowing a government agency to set parameters for the content of broadcast material. That work needs no further elaboration at present. But there has been almost no mention of the other First Amendment problem created by these standards.

In addition to free-speech guarantees, the amendment also provides that "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof. . . ." The Supreme Court has interpreted this to mean that government actions should neither advance nor inhibit religion, and that there should not be excessive state entanglement with the church. More to the point, a U.S. appellate court in *Kings Garden Inc.* v. *Federal Communications Commission* ruled that the agency "is enjoined by the First Amendment to observe a stance of neutrality toward religion, acting neither to promote nor inhibit religion."

Constitutional and judicial provisions notwithstanding, federal broadcast regulators have never really been deterred from maintaining religion as a program element necessary for qualifying for a license. And with the issuance in 1946 of the "Blue Book" outlining the responsibility of broadcasters, the FCC reaffirmed the emphasis of its predecessor, the FRC, on a "well-balanced" program structure. This mandate was expanded in 1960, when the commission ordered that licensees must ascertain the tastes, needs, and interests—including religious interests—of the community. The ascertainment rule specifically requires station owners to consult with religious leaders to ask their suggestions on programming; and should the broadcasters omit any of the recommended programming categories without "satisfactory explanation," the case is automatically referred to the commission, even if the license is uncontested.

Naturally, commission members assert that broadcasters are free to air whatever they choose, and that no requirements are placed on the amount of airtime devoted to religion. But official rhetoric and commission policy appear to be entirely distinct—and inextricably at odds. In a number of comparative license hearings, the FCC has given stations' proposals for religious broadcasts intense scrutiny, often splitting hairs between competing applicants by one-hundredth of a percent of a week's broadcast schedule, or about one minute of actual airtime. Media commentators such as A. William Bluem, among others, have thus concluded that it is "common understanding" that the FCC insists on stations' having religious shows.

The government's motives were most clear in 1952, when 26 television stations were denied license renewal and given temporary permits instead. The commission gave no reasons for this action, but full-term licenses were awarded after the stations beefed up their religious schedules. Any doubt

remaining about the reasoning behind the move vanished when Commissioner Paul A. Walker told members of the 165th general assembly of the Presbyterian Church, "About a year ago, however, the commission surveyed the programming of some of the television stations then in operation, and found that some of them had reported no time devoted to broadcasts of a religious nature. We felt in view of this fact that regular renewal of their licenses would not be in the public interest. Instead we wrote to these stations asking how they could justify such operations as being in the public interest. All of these stations have since been granted renewals because we have been assured either that they had in fact devoted time to religious broadcasts, or that they would do so in the future." Several years later, FCC general counsel Warren Baker discussed the same case at the annual NRB convention. Pointing to the lasting impact of this single unpublicized action, Baker noted that "since that time . . . few if any stations have come asking for renewal where they did not show at least some religious programming."

Commissioner Lee Loevinger rebelled against such policies in the mid-sixties, calling FCC requirements for religious programs "not materially different from official coercion." Loevinger published articles proposing an examination of commission practices in this area, but did little more than anger his fellow commissioners, all of whom vehemently denied that the FCC promoted religion. Eventually, license renewal forms requiring stations to list specifically how much time was devoted to religion were changed, but ascertainment requirements remain and the FCC's interest in religion has not faded. Almost a decade after the forms were changed, a writer in *Christianity Today*, the magazine of the National Association of Evangelicals, wrote, "The government licensing agency today continues to show interest in religious programs, and as a result stations want to be able to say that they carry such programs."

Religious broadcasters were given even greater reason for confidence when Commissioner Robert E. Lee spoke at the 1978 NRB convention. They would never have to worry about the FCC restricting their programs, he told the group, because "we consider it in the public interest."

If such public statements as Lee's

Briefs

☐ The Department of Transportation's Federal Highway Administration, in conjunction with the University of South Carolina, has created a new degree program called "Public Service Archaeology." The purpose of this program is to train archaeologists to help prepare and write environmental impact statements that may have certain archaeological aspects. Eligible students may receive grants covering all tuition costs and a $500-a-month stipend if, pending completion of their degree, they work for the government for six years.

☐ The International Monetary Fund (IMF) has nearly doubled last year's loan budget by pledging $8.3 billion in loans for the first 10 months of this year. From 1947 to 1979 the IMF loaned out $64 billion, almost 60% of this sum going to such wealthy industrial nations as the United States, Great Britain, France, and Italy.

☐ Perhaps the least-enforced law in the world is the statute that requires members of Congress to be fined $168.50 for every day they are absent while Congress is in session. The only excuses allowed are official business and personal or family illness. The law has not been enforced in the Senate since 1865, while it has been invoked only once in the House in the last century.

☐ Defense Department officials in St. Louis have modernized their telephone system by eliminating human operators and letting employees dial their own long-distance calls directly. Although the department predicted a 15% savings on long-distance bills by using this procedure, employee abuse of this privilege pushed the phone bill up.

☐ In order to ease the burden on the state court system, Californians have been allowed to hire private judges to adjudicate civil disputes. This process, entitled "general order of reference" by the legal community, exists only in California and has been legal there since 1976. Litigants are given the names of retired state judges to contact by the state superior court. The entire matter is settled in a number of days, if not hours, while the median time to get to trial in state courts exceeds 50 months. One California lawyer has said that the private system is "very effective and it saves time and money in the long run because you don't waste time in the courthouse. Also you can try the case at different times, like during lunch hours or on weekends, in such places as the judge's office."

☐ Calculations by the Tax Foundation show that there were 10.9 million people working for state and local governments last year, more than a 34% increase from 1969. The state with the most state and local government employees is California with 1,108,000, while the state with the largest percentage increase in state and local employees since 1969 is Alaska, with a 113% jump.

☐ Although middle-income Americans make up only 38.2% of the tax-paying population, they are liable for over 60% of the taxes, according to a new Internal Revenue Service study. This report shows that the bulk of the income tax burden falls on families whose annual income is between $15,000 and $50,000. ■

weren't enough, just knowing that the FCC has threatened licenses on this issue in the past is enough to instill, let us say, the fear of God in most station owners who are well aware of the government's life-and-death power over their operation. As former FCC counsel Walter Emery notes, "The mere knowledge that the commission might exercise power to take away a license generally has had a compelling effect on stations. And what particularly can cause licensees to shudder is the commission's practice of frequently withholding action on renewal applications if broadcast performance has not measured up to program standards as set forth in the Blue Book and in subsequent FCC policy statements."

The fear of station owners is intensified by the realization that they have little recourse. Despite solemn pronouncements about the supposed "neutrality toward religion" incumbent on the agency, courts historically back the FCC in cases involving religious broadcasters. In a 1971 doctoral dissertation at the University of Southern California, William C. Norris, Jr., concluded that court decisions involving religious broadcasters, in effect, aided and protected the religion of the majority in America.

Ascertainment has a similar effect on station owners according to veteran broadcast journalist Bill Monroe. Speaking before the Radio-Television News Directors Association in 1979, Monroe complained of "ascertainment procedures that set up bureaucratic formulas for official monitoring of media responsibility, formulas whose chief effect is to institutionalize the broadcaster's vulnerability to any pressure group that can scrape up 35 members." Such requirements are tailor-made for churches, whose local memberships can bully local stations, and whose national organizations can lobby the FCC. The effect of this arrangement has been to increase in the minds of politicians the importance of religious broadcasters as a group to be reckoned with.

Normally, it is congressmen who flock to the convention to pay homage. But because of the ever-increasing "size and vitality of the association," all sorts of federal officials are paying it considerable deference, according to *New York Times* religion editor Kenneth Briggs. Jimmy Carter himself addressed the 1980 NRB convention. After telling the assembly of their "shared responsibilities," the President hosted NRB leaders at a closed-door White House breakfast, asking for guidance on a number of national issues. Each year, scores of congressmen attend a special "prayer breakfast" on the closing Sunday of the convention,

and FCC commissioners and staffers are regular participants. They take part in workshops and panels with the broadcasters and usually stumble over each other in praising the electronic evangelists. In 1979, after relating to the assembled conventioneers how the PTL Club (a televised Christian talk show) had "saved" his son, Commissioner James Quello stated that he and his fellow commissioners "are delighted that Jesus Christ is truly broadcasting's number-one superstar. . . ."

Even if the regulators weren't predisposed to favor religious broadcasts, it is doubtful they would be able to ignore fundamentalist demands. Given the massive constituency and persuasive power of religious broadcasters, they can marshal tremendous support for a cause almost at will. That, in fact, is exactly what happened several years ago, when a pair of irreverent media consultants filed a petition with the agency to stop granting to religious institutions special channels set aside for educational broadcasters.

The petition would have affected only a minute number of frequencies, and would merely have aligned FCC policy with the existing guidelines of the Corporation for Public Broadcasting and the Department of Health, Education, and Welfare. Somehow, however, it came to be known as "the petition against God," an attempt by vociferous atheist Madalyn Murray O'Hair to drive all gospel programs from the airwaves. Most of the 750,000 letters the commission had received by the time the petition was answered expressed this misconception. In denying the petition, the agency did acknowledge the error, but added that the letter writers would not have liked the petition even had they understood what it meant. Therefore, the correspondence was judged to be valid testimony that the petition was not in the public interest.

It is understandable that the commission reached the decision it did, given the intense pressure it was under. Congressmen, concerned over the sudden shower of mail, cornered commissioners to find out what was going on. Letters were sent to the agency from Capitol Hill; commission members were even called at home. One Pentecostal preacher said of the campaign, "We let them know that good Christians everywhere were watching them; and that if they voted wrong on this, the wrath of God would fall on their senseless heads."

"It is little wonder that the regulators are petrified at the thought of offending religious broadcasters."

And fall on their senseless heads it did, even though the petition was rejected. Once the floodgates opened and the letters poured in, no one could stop the flow. Not only did the 750,000 letters represent the greatest number the FCC had ever received on any issue, a year later the commission had been buried under 3.7 million fiery notes. Despite extensive efforts to inform the zealots they had won, the agency received 8,523 letters on an average day in 1978 for a total of 9 million by the end of the year. The tide swelled to 16,000 a day by mid-1979, as the sum topped 10 million with no end in sight. The mail is now simply landfilled in Washington-area dumps, and the FCC has hired a private firm to answer letters regarding the petition.

It is little wonder that the regulators are petrified at the thought of offending religious broadcasters. Indeed, they go out of their way to appease video crusaders, even though the voters—and the law of the land—are trampled in the process. A writer in *The Humanist* commented recently, "Anyone who believes the FCC's position on religious programs derives purely from considerations of the Constitution would also likely buy a used golf-cart from the Rev. Billy Graham. The commission has clearly been intimidated by large, well-funded church groups in America."

Given public policy in this area, the size and power of the religious broadcasting establishment is not surprising. Well over 800 religious programs are aired in the United States, some periodically, others weekly or even daily. Almost a decade ago this represented half a million broadcasts a year, according to Ben Armstrong, director of National Religious Broadcasters, and the number has been rapidly increasing. Between 1973 and 1978 the total number of broadcasts multiplied five times, and it jumped another 27% by 1979. Three religious networks were created during the seventies, and they have been steadily expanding.

Significantly, those involved in this growth are also behind the new wave of political activism. Falwell, in addition to founding Moral Majority, is head of the fastest-growing broadcast ministry. Others involved include James Robison, one of the rising stars of the televised church, and Pat Robertson, president of Christian Broadcasting Network. The American Conservative Union knew where to go to increase its power—directly to the stronghold of the broadcast church, NRB. It is easy to see that the size and influence of radio-television religion, and the political muscle of these groups seeking to reawaken morality in America are intertwined. In other words, if broadcast religion had not become so pervasive, religious lobby groups would not be nearly so potent. And if religious groups lacked political influence, not every station would feel compelled to air their sermons.

This is not to say that religious programs would fade from the scene without the FCC. Their current popularity is sufficient evidence to show that station owners, if allowed to base their

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GOVERNMENT RECEIPTS MONITOR

On a quarterly basis, *Policy Report* presents three monitors of economic activity: "Government Spending," "Government Receipts," and "Inflation." This month, the "Government Receipts Monitor" summarizes the latest levels and sources of the federal government's income.

RECEIPTS (annual rate in millions of $)

	1980 Third Quarter	1980 Second Quarter	1980 First Quarter	Average for Last Four Quarters
Total Receipts	540,604	624,892	458,568	520,052
Surplus or Deficit	−129,348	32,344	−108,480	−75,994
Total Individual Income Taxes	264,944	274,216	205,736	244,070
Gross Corporate Income Taxes	49,548	104,820	52,660	63,555
Gross Employment Taxes and Contributions	143,668	158,064	140,388	138,765
Social Insurance Taxes and Contributions	166,640	189,864	156,524	160,747
Excise Taxes	32,332	29,072	16,468	24,326
Airport and Airway Trust Fund	1,884	2,124	1,714	1,892
Highway Trust Fund	6,352	6,788	6,520	6,669
Estate and Gift Taxes	7,316	6,336	6,036	6,391
Customs Duties	7,540	6,908	6,856	7,172
Miscellaneous	12,288	13,680	14,292	12,746
Holdings of Public Debt Securities	887,553	875,177	855,246	863,268
Holdings of Agency Securities	6,670	6,776	7,017	6,900
Federal Securities Held by Public	698,092	683,925	668,540	674,784

SOURCES: All data is derived from the *Treasury Bulletin* and the *Final Monthly Treasury Statement of Receipts and Outlays of the United States Government.*

NOTE: In October's "Government Receipts Monitor," we inadvertently reported the monthly rates for these receipts, rather than the annual rates. We apologize for that error.

✓Washington Update

✓The Senate has voted the Pentagon a record $161 billion appropriation for 1981, $6.2 billion more than President Carter sought. The $181 billion figure includes $47 billion for personnel payments, $51.5 billion for operations and maintenance, $45.5 billion for weapons procurement, and $17 billion for research and development. Mark Hatfield of Oregon cast the only dissenting vote against the appropriation.

✓House and Senate conferees have recently agreed to authorize a $632.4 billion budget for 1981 that anticipates a $27.4 billion deficit. Although the budget calls for a $40 billion tax cut, the planned revenue loss is only $12.5 billion. If this $27.5 billion gap fails to materialize in the form of increased tax revenues, the deficit could presumably reach a level of $55 billion.

✓Chrysler's new K-cars, which supposedly represent the salvation of the company, went on sale in October. Although the recovery target is 38,900 sales in the first month and 74,000 a month thereafter, Chrysler sold only 18,272 K-cars in October and only 3,877 in the first 10 days of November. It is expected that only the remaining $700 million (out of an initial total of $1.5 billion) in government loans will prevent Chrysler from collapsing.

✓Secretary of Agriculture Bob Bergland was flooded with angry phone calls and letters from farmers after the Agricultural Department awarded a $20,000 bonus to a senior official for supporting "the shift in USDA policy from producer-oriented to consumer-oriented." Although Bergland had personally signed the citation, he later explained to the irate farmers that the award "simply was an error which slipped through the cracks—one of several papers I signed in haste one evening."

✓Over five billion gasoline-rationing coupons printed by the Department of Energy have been declared useless by the federal government. The coupons, printed in black and white, can be duplicated by Xerox machines and resemble the dollar bill so closely that Energy Department officials fear the possibility of counterfeiting. The original cost of the coupons totaled $14 million, and it would take another $25 million and twelve months to replace them.

✓Starting January 1, the amount of an individual's income subject to social security taxes will rise from $25,900 to $29,700. The taxation rate will go from 6.13% to 6.65%.

✓Three federal agencies, the Justice Department, the Department of Transportation, and the U.S. Railway Association, will be paying $2.1 billion to Penn Central in order for the railroad to settle creditors' demands. The railroad's assets cannot be used to pay off these debts, because they have already been turned over to Conrail.

✓The Occupational Safety and Health Administration has proposed a new regulation specifying that employers must pay employees for the time they spend with OSHA officers during workplace inspections. OSHA claims that employee participation in inspections is "crucial to enforcement" and that the employee should not be the one forced to suffer economic loss.

✓The performance review board of the Small Business Administration has recently handed out bonuses to its employees as part of Carter's 1978 Civil Service Reform Act, which provides for cash rewards to bureaucrats who perform their duties "exceptionally." Bonuses ranging from $2,644 to $5,289 were awarded to each member of the board itself. One of these bonuses was to reward the bureaucrat who set up the bonus system.

✓After four years of congressional warfare, the House has finally passed the Alaska lands protection bill. The measure places 56.4 million acres of wilderness under government protection, forever banning any kind of development, while another 49 million acres will be set aside as national parks. With this land, larger than California and Maine combined, Alaska will have 80% of the nation's wildlife refuges and two-thirds of its national parks.

✓Pepsi-Cola Bottling Co. has filed an antitrust suit against Coca-Cola Co. of Atlanta, claiming that Coca-Cola is trying to drive it out of the Virginia and Maryland soft-drink market by cutting prices, giving away free soda-machines, and selling soda "below cost." The suit claims $30 million in treble damages and $25 million in punitive damages, charging Coca-Cola with "intent to monopolize."

✓This summer's Synfuels bill, which mandated a 100,000-barrel daily increase in our strategic petroleum reserve, may be overridden by a new Senate bill that would triple this rate to 300,000 a day. This build-up is intended as a buffer against a possible petroleum cutoff in the Middle East.

✓In another classic case of the inefficiency of firms that receive government contracts, United States Cruises Inc., a Seattle-based shipping firm, has experienced huge cost overruns on its pledge to refurbish the Navy liner S.S. *United States*. Not only have costs jumped from $30 million to $95 million, but USCI has revised its target date of returning the liner to sea from 1981 to 1982.

Religion and Broadcasting

(Cont. from p. 7)

programming choices on market demands rather than administrative procedure, would certainly keep such shows in their schedules. But it does mean that without government subsidies, religious shows would not be a mandatory part of our video diet, and some stations—such as those that served as test cases in the 1950s—would choose to offer something else to their audience. It also means that if the FCC's religious favoritism were abolished, a confrontation over church-state separation in this decade might be avoided. ■

Statement of Ownership, Management, and Circulation (Required by 39 U.S.C. 3685): *Policy Report* (ISSN: 0190-325X) is published monthly at 747 Front St., San Francisco, CA 94111. Filed December 15, 1980. Number of issues published annually: 12. Annual subscription rate: $15.00. The general business offices of the publisher are located at 747 Front St., San Francisco, CA 94111. The publisher is Robert L. Formaini, 747 Front St., San Francisco, CA 94111; the editor and managing editor is Richard H. Fink, Dept. of Economics, George Mason University, Fairfax, VA 22030. The owner is the Cato Institute, 747 Front St., San Francisco, CA 94111. Known bondholders, mortgagees, and other security holders owning or holding 1 percent or more of total amount of bonds, mortgages, or other securities: none. For completion by nonprofit organizations authorized to mail at special rates (Section 132, 122, PSM): The purpose, function, and nonprofit status of this organization and the exempt status for federal income tax purposes have not changed during the preceding twelve months. Extent and nature of circulation (first number is average no. copies each issue during preceding 12 months; second number is actual no. copies of single issue published nearest to filing date): A. Total no. copies printed: 2,500/2,200; B. Paid circulation: (1) sales through dealers and carriers, street vendors and counter sales: 0/0; (2) mail subscriptions: 1,500/1,367; C. Total paid circulation: 2,000/1,367; D. Free distribution by mail, carrier or other means, samples, complimentary, and other free copies: 300/323; E. Total distribution: 2,300/1,690; F. Copies not distributed: (1) office use, left over, unaccounted, spoiled after printing: 200/510; (2) returns from news agents: 0/0; G. Total: 2,500/2,200. I certify that the statements made by me above are correct and complete:

Robert L. Formaini,
Publisher.

REGULATORY AGENCIES Watch

DEPARTMENT OF COMMERCE

The Department of Commerce has ordered fishermen who inadvertently snag sea turtles to administer artificial resuscitation before throwing a turtle back into the water, by either pumping the turtle's chest or holding up its hindquarters for several hours. The agency is planning to conduct a study to see which method is more effective. No mention was made of mouth-to-mouth techniques.

Not only does the Bureau of the Census, a branch of the Commerce Department, conduct a count of the American population every 10 years, but it is now considering making surveys of over 18 manufacturing industries, including such large fields as textiles, petroleum refining, and paper products. These surveys would gather such crucial data as the number of brassieres, corsets, and similar garments produced each year, as well as the total value of this output; how many people were employed; what sort of capital expenditures were required; and the total book value of the assets of the producing firms. The purpose of this ambitious project is to gather data for an adequate measure of total industrial production and to supply other government agencies with certain kinds of information that they cannot acquire on their own.

The International Trade Administration is currently reviewing the licenses that it has granted to export goods to Afghanistan, because of the possibility that the goods may be diverted to the Soviet Union. The same restrictions that have been placed on the export of wheat, corn, phosphates, oil, gas, and production equipment to the USSR have also been applied to Afghanistan.

Thirty-five laboratories have made requests to the Assistant Secretary of Commerce for Productivity, Technology, and Innovation for accreditation to conduct thermal insulation tests on carpet and freshly mixed concrete. After issuing eligibility requirements early last year for thermal insulation testing, the assistant secretary has taken nearly a year to decide which laboratories are competent to perform which kinds of tests. Twenty-eight laboratories had their requests to conduct either concrete or carpet testing turned down completely. The licenses that were granted last only a year and may be revoked at any time.

The Minority Business Development Agency is now seeking applications to operate four minority-run projects in the San Francisco area. Despite the absence of any consumer demand for these projects, their cost to the taxpayers will be nearly $4 million.

The National Marine Fisheries Service (NMFS), a branch of the Department of Commerce, has decided that the Pacific Fishery Management Council (PFMC), one of *its* branches, has not successfully fulfilled its duties. The solution proposed by the NMFS is to create yet another committee, an offshoot of the PFMC entitled the "Pacific Fishery Management Council and its Scientific and Statistical Committee."

The assistant secretary for administration of the Department of Commerce has ruled that many of the hearings of the Pacific Fishery Management Council are exempt from the federal laws requiring open meetings with public participation. This ruling was justified by criteria established in an executive order specifying that the council's meetings may "be kept secret in the interests of national defense." ■

New Restrictions on Plant Closings

by Richard B. McKenzie

There is a movement afoot that seeks to destroy one of the few vestiges of the free market system in the United States, the right of a firm to close up shop. This movement is well financed and dug-in, and it is broadening its political influence and attracting more and more media attention.

The leaders of the movement are Rep. William Ford (D-Mich.), Sen. Harrison Williams (D-N.J.), and Sen. Donald Riegle (D-Mich.). They are flanked by a cadre of followers from the political left: Nader's Raiders, the Progressive Alliance (an assortment of 130 union, civil rights, environmentalist, and feminist organizations), and more than 60 congressmen.

When he introduced the National Employment Priorities Act of 1977, Representative Ford was primarily concerned with restricting the movement of business from the "frost belt" to the "sun belt." This year he has expanded his vision and introduced legislation (a substantial revision of the earlier bill but with the same title) that will severely penalize firms that want to cease operations for *any* reason. And the legislation is not limited to corporate giants; it applies to any firm with as little as $250,000 in annual sales.

In 1977 Representative Ford was content to penalize firms that moved "without adequate justification" by denying them certain tax benefits and requiring a two-year notice of their intentions to relocate. This year he proposes that any firm that shuts down must (1) effectively give its employees 52 weeks of severance pay; (2) pay the community an amount equal to 85% of one year's taxes; (3) offer its employees jobs at other plant locations with no cut in pay and fringe benefits for a period of three years and pay their moving expenses; (4) if it decides to move abroad, pay the federal government an amount equal to 300% of one year's total lost taxes; and (5) negotiate with its employees on the sale of the closed plant (which may be financed, in part, by the federal government). As in the earlier proposed legislation, the new Ford bill requires advance notice of plant closings (from six months for a plant with fewer than 100 affected employees to two years for a plant with more than 500 affected employees) and provides for various forms of governmental aid to affected workers, communities, and, if the closings can be prevented, to firms.

> **"The current campaign for restrictive legislation is a grand example of false and misleading advertising in government policy."**

Once concerned mainly with the economic harm caused by the movement of firms, Representative Ford and his supporters have now broadened their case, and the political appeal of their legislation, by stressing the economic and *social* costs of all plant closings. In introducing this year's bill, Ford notes that workers displaced by plant closings have a suicide rate 30 times the national average and "suffer a far higher incidence of heart disease and hypertension, diabetes, peptic ulcers, gout, and joint swelling than the general population. They also incur serious psychological problems, including extreme depression, insecurity, anxiety, and the loss of self-esteem."

Arguments offered three years ago in favor of restrictions on business movements had only flimsy and misleading support. Proponents apparently found that arguments pitting the North against the South had (115 years after the Civil War) little emotional and political appeal. Virtually everyone could see that restrictions designed to retard the economic development of the South would work to the detriment of the North as well. This year, by tugging at the heartstrings of all workers and communities that have experienced plant closings (and there have been a rash of them with the advent of the current recession), the movement has veered sharply into new political waters, and its empirical support has become somewhat more sophisticated.

Still, the current campaign for restrictive legislation is a grand example of false and misleading advertising in government policy. Proponents advertise their bill as "prolabor" and "antibusiness." However, in reality the legislation is decidedly antilabor, anticonsumer, antitaxpayer, anti–inner city and depressed area—as well as antibusiness.

The proposed legislation is blatantly antibusiness, for it seeks to impose on businesses unrealistic demands and tremendous expenses for which they will almost certainly have not had time to prepare. Firestone recently announced the closing of the Dayton Tire Company (along with four other plants) because the Ohio company made bias tires, and sales in the depressed tire market had recently shifted markedly toward radial tires. No one could have accurately predicted two years ago the many changes that have affected the tire market—substantial increases in automobile prices (partly caused by safety and environmental regulations), higher fuel prices, and increased consumer demand for smaller imported cars and more fuel-efficient and reliable radial tires.

Ford's unrealistic bill will impose horrendous costs on firms such as Firestone. To meet the notice and severance-pay (for 1,800 workers) and community-restitution requirements at Dayton Tire alone, Firestone would have had to incur more than $100 million in additional labor costs to produce a product consumers do not really want. In this regard the Ford bill is anticonsumer. Further, the financial solvency of many firms like Firestone, which would like to close down just a portion of its production capabilities, and the jobs of tens of thousands of workers will surely be jeopardized by the bill.

The bill is antilabor because the notice and severance-pay requirements effectively impose a tax on businesses for their use of workers in the domestic economy. Restrictions on closings will give domestic firms one added inducement to invest in foreign countries where restrictions on closings are not in place and will take away foreigners' economic incentive to invest inside the United States.

The political attractiveness of restrictive legislation can be understood by comparing the *visibility* of the harm done by plant closings with the *invisibility* of the harm done by restrictions on closings. The hardship associated with closings is easily observed: Television can show pictures of idle plants and interview unemployed workers; researchers can identify and study the psychological effects of job displacement. On the other hand, restrictions on plant closings are also restrictions on plant openings. They reduce the competitive drive of business, deter investment, and reduce the growth of truly productive employment. It is impossible, however, for the media to photograph plants not opened because of restrictions on plant closings or to interview workers not able to find employment (and who, as a consequence, develop hypertension, peptic ulcers, and severe depression) because of the inability of firms to open and expand plants. Representative Ford's bill will have its victims, but they will be largely unseen.

Proponents of Ford's bill contend they support the "little guy"—the low-income, uneducated worker, as well as the skilled craftsman, who may otherwise be exploited by the "system." The fact of the matter is that the proposed legislation will work to the detriment of some of the lower-income, uneducated, and "trapped" workers in our midst. If this law were in place today, what would it do to the willingness of firms to locate in inner cities, where the risk of failure is high? Relatively depressed areas like Dayton, Ohio, and Mahwah, N.J., would lose one of their best means of recovering from their recent loss of jobs: attracting industries from other parts of the country. Clearly, if the proposed restrictions were law, other companies would have less incentive to buy the Dayton Tire plant and put it back into production.

> **"The notice and severance-pay requirements effectively impose a tax on businesses for their use of workers in the domestic economy."**

The restrictive legislation is antitaxpayer because it effectively institutionalizes the Chrysler-style bailout. The government is given broad discretionary authority to provide unspecified forms of aid to companies that get into financial trouble. As a result, the bill has the potential of swinging wide open the doors of the federal treasury to any firm that is sufficiently large and has sufficient political muscle to attract the attention and sympathies of the Secretary of Labor. The bill will very probably increase the need for government bailouts because it destroys, in part, the incentive firms now have for watching their costs, resisting the demands of labor, and avoiding going broke. Large rather than small firms are most likely to be beneficiaries of the proposed discretionary authority of government. Chrysler was bailed out not because it was the only firm to go broke in 1979—there were thousands of others—but because it was large and had, through its employees, stockholders, and suppliers, the necessary political clout.

The expanded scope of the proposed restrictions guarantees that domestic plants and equipment will become economic hostages of the state. Workers may think that through restrictions on their companies they will be getting a taste of the fabled "free lunch." What they will be getting is, in fact, a very expensive pig in a poke. Ford's legislation will destroy far more jobs and wages than it can ever hope to preserve. To enhance their economic welfare, workers and communities should turn away from proponents of restrictions to those who stress the one constructive means of preventing and overcoming the problems created by plant closings: meeting the competition. This is not intended to be a probusiness position. Rather, it is a propeople and profreedom argument. Appeals to the private interests of entrepreneurs and workers rather than appeals to the restrictive, coercive powers of government remain the hallmark of a free society. ■

Richard B. McKenzie is a professor in the College of Industrial Management and Textile Science, Department of Economics, at Clemson University.

"To be governed . . ."

The only good politician . . .

Voters have honored the memory of a dead man by re-electing him to the Vermont Legislature. Rep. Sergio Pasetto, 70, a Democrat, who died 10 days ago, defeated his challenger, Republican Lauren Leavitt, 609-336.

—*Washington Post*, Nov. 6, 1980

If there's anyone who needs the advice . . .

The U.S. government is passing out 1 million multi-color pamphlets (estimated cost, $25,000) to its employees, advising them to wear warm clothes this winter.

Produced by the General Services Administration, the four-color winter wardrobe guidelines, called *Staying Warm*, pick up where your mother left off.

Uncle Sam says, for example, that long-sleeve shirts are warmer than short-sleeve shirts; that thick socks and sensible shoes keep your tootsies toasty, and that if you open a window in the dead of winter you will let cold air inside.

—*Washington Post*, Dec. 4, 1980

Consistency is the hobgoblin of foolish minds—part I

Although President-elect Ronald Reagan endorsed the government bailout of Chrysler in the campaign, reversing his initial position, he has not changed his fundamental belief that automakers should stand on their own without government backing, aides say.

—*Washington Post*, Nov. 24, 1980

Consistency is the hobgoblin of foolish minds—part II

Women demonstrating against violence to women smashed a window at a southeast London movie theater showing a pornographic film and then fought with police who intervened.

Five policemen were injured and 10 members of the group Women Against Rape were arrested during the confrontation Friday night, police said.

—*Newark Star-Ledger*, Nov. 30, 1980

Next joke

It appears that the government is geared almost entirely towards spending money—not collecting it.

—Sen. Charles Percy
in *U.S. News & World Report*,
Dec. 1, 1980

Whistle while you work

A test is underway in the General Services Administration to see if allowing government employees to put in their time at home is feasible. Under consideration is putting a computer terminal in an employee's home and tying it into the office. There is no rule against an agency letting people work at home, so long as the work is "measurable."

—*Association Trends*, Nov. 7, 1980

Just throw them on the floor

A federal education unit failed to collect on 20 million dollars' worth of loans to Cubans studying in the United States. Reason given: It had no cabinets in which to file its records.

—*U.S. News & World Report*,
Dec. 1, 1980

Never say die

Defeated and retiring members were quietly pushing one last bill in the lame-duck session of Congress—a measure to raise Senate and House salaries from $60,633 to more than $70,000, in order to boost their pensions.

—*U.S. News & World Report*,
Dec. 1, 1980

Quotable quotes

In recent years, I've not been going in so much for political jokes because too many of them are getting elected.

—Bob Hope in *Washington Star*,
Nov. 30, 1980

POLICY REPORT
747 Front Street
San Francisco, CA 94111

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