POLICY REPORT

Volume III Number 6 | A PUBLICATION OF THE CATO INSTITUTE | June 1981

Broadcast Deregulation: The FCC and the Fraud of Public Ownership

by Sheldon Richman

With the speed of a glacier, deregulation has come to the Federal Communications Commission. More appropriately called "regulatory reform," given its modest dimensions, it has accelerated enough since 1977 to become one of the most controversial areas of business-government relations. Since the federal government took control of the radio spectrum in 1927, broadcasting has been sheltered from innovative competition. Now, as people in the FCC and Congress seek to allow competition, those who have profited from the system are worried. Political protection just isn't the secure road it's cracked up to be.

Unfortunately, the reform, despite the fireworks, has been piddling; some of it has not even been deregulatory. The reason is that the most fundamental issue has yet to be addressed: the property status of the electromagnetic spectrum. All the changes to date have been within the context of "public ownership," which means FCC control. As long as this control remains unchallenged, broadcasting will be a ward of the state, subject to injustice, inefficiency, and civil-liberties violations. Broadcasting should be removed from the political realm and placed completely in the economic realm with protection of private property rights and contracts.

Most of the broadcasting deregulation came during the 3½-year tenure of FCC chairman Charles Ferris, who stepped down as chairman after Ronald Reagan's election but who stayed on as a commissioner until 10 April. During his term the FCC slightly loosened its grasp, or proposed to do so, on AM and FM radio; cable, subscription, and low-power television; and direct-broadcast satellites.[1] The particular measures adopted by the FCC were aimed at enlarging the usable spectrum or otherwise creating new competition. This by no means indicates that property rights were recognized, however. For example, in the name of promoting competition, the FCC in 1980 shortened to 750 miles the limit at which it will protect high-power AM radio stations from interference at night. No one wondered whether the broadcasters losing protection have a right to be free from interference beyond that limit.

"Broadcasting should be removed from the political realm and placed completely in the economic realm with protection of private property rights and contracts."

Some of the alleged deregulation raises more questions than it answers. For example, in 1979 the FCC reversed policy to allow satellite signal receivers to be built without its approval on the condition that the owners will not receive FCC protection from interference. This sidestepped questions about electromagnetic property and trespass.

The FCC also has enacted reforms that are downright silly. Last year it voted to allow television stations to broadcast unrelated audio and video signals, but only between midnight and 6 A.M.![2]

More serious reform has occurred in radio broadcasting. In January the FCC voted 6 to 1 to allow stations to play as many commercials as they want and eliminated requirements on public-affairs programming schedules, community-needs surveys, and program logs.[3]

A bill now before the Senate would remove the FCC from programming, except for equal-time and fairness-doctrine considerations. It would also end the three-year term for licenses, allowing them to be held indefinitely unless challenged and revoked for cause. Finally, the bill allows the FCC to substitute a random-selection procedure for the traditional hearings for choosing among license applicants. However, the rationale for these reforms is the elimination of inefficient procedures, not the establishment of property rights.

Almost as if to ratify what has happened at the FCC and the Senate, the U.S. Supreme Court on 24 March ended a six-year dispute by ruling that radio stations can change their entertainment formats without FCC approval. The case began when the FCC *declined* to prohibit format changes on grounds that it would violate the First Amendment. A federal appeals court, ruling for an array of classical-music fan clubs and ethnic and religious organizations, had ordered FCC hearings on changes. In reversing the appeals court, the Supreme Court backed the FCC's wish to leave programming to market forces.

Less gusto has gone into television deregulation. No one seems willing to reappraise the multitude of restrictions on

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EDITORIAL

Felix Rohatyn Reconstructs America

It isn't often that a businessman makes the cover of *Newsweek*, and when one does, it's a pretty good bet that he didn't get there by making a better product available to consumers at a lower price. More likely he's there because he's an "enlightened" businessman who understands the need for a "partnership of business and government."

That prediction is borne out by the *Newsweek* of 4 May, which features "The Cities' Mr. Fixit," Felix Rohatyn. Rohatyn didn't achieve such prominence by his success in the marketplace; he did it by becoming the leading advocate of corporate liberalism—the corporate state—in the United States.

Rohatyn first achieved a national reputation as the chairman of New York's Municipal Assistance Corporation ("Big MAC"), which is alleged to have saved New York City from bankruptcy. What it in fact did was manage a partial default on the city's debt by calling it a "stretchout" from short-term to long-term debt. In other words, creditors who had expected payments on a certain day did not get them, but through some financial wizardry and good media relations Rohatyn avoided the term "default." In addition, New York State's credit was put on the line for the city, thus guaranteeing that when the city eventually does go bankrupt, it will take the state government with it.

This was regarded as such a success that other cities are now coming to Rohatyn and his firm, Lazard Freres, to engineer similar arrangements for them—a sign of the increasing desperation and lack of ideas in governments at all levels.

Now Rohatyn is everywhere—writing in the *Christian Science Monitor* and the *New York Times*, appearing on the cover of *Newsweek*, featured in the *National Journal* and the *Economist* of London. But interestingly, he is perhaps most inescapable in the *New York Review of Books*, that bastion of liberal intellectuals. He has had at least three articles in the *Review* in the last six months. It is there that he has laid out his ideas, under such titles as "The Coming Emergency and What Can Be Done About It" and "Reconstructing America." What are those ideas? Just what you'd expect state capitalism to be: a stiff gasoline tax to reduce consumption, subsidies to coal and nuclear power, "compromise" on environmental issues, government-subsidized jobs, wage and price controls, tax rebates and credits to direct investment in specific industries, and a military draft (to get the unemployed young out of the unemployment statistics?).

But the real centerpiece of Rohatyn's economic program is "a genuine partnership of business and labor in government." This would be accomplished primarily through a new Reconstruction Finance Corporation established to bail out failing corporations and bankrupt city governments. After we bailed out Chrysler, you see, it would be unfair not to bail out other large corporations. And a refusal to bail out a failing company would produce severe "dangers to the economy" and "untold human suffering." It would also, of course, produce major losses for New York banking houses and financiers who would prefer to be protected from the consequences of their own mistakes. *Policy Report* has pointed out the dangers of a new RFC before (see especially October and November 1980), so we will not go into detail here. Suffice it to say that what the American economy needs is not government funds to bail out corporate dinosaurs *or* to "pick the winners." Mismanaged companies *ought* to fail; that's how a free market retains its vitality. And "winners" don't need government help—if they really are winners and not some politician's favorite. What the economy needs are real tax cuts, across-the-board rather than targeted to achieve a specific end, and a freeing up of the economic system to allow real competition.

Rohatyn knows his plans will not be popular with everyone. "The specter of socialism will be raised by the conservatives and the cry of 'big business bail-out' by the liberals." For once, it seems, they'll both be right. For what Rohatyn is proposing is big business socialism.

Interestingly, a strong echo of Rohatyn's ideas could be heard in an article in the *Wall Street Journal* last December, an article not by a businessman but by Tom Hayden, the ex-New Leftist who now heads California's Campaign for Economic Democracy. His article argued, "America needs a revitalization program as new and far-reaching as the New Deal was in its time. There must be a new social contract drawn between government, business, labor, minorities, and the general voting public." His specific proposals include energy conservation, "an industrial recovery plan," government help for renewable resources and high technology, corporate accountability, and more money for health, the cities, and other projects.

Thus do the establishment left and right come together: An investment banker writing in the *New York Review of Books* and an advocate of "economic democracy" in the *Wall Street Journal* propose essentially the same program. One gets the eerie feeling that Hayden's and Rohatyn's worlds would be remarkably similar, except that everybody on Rohatyn's planning board would wear a three-piece suit, while some on Hayden's would have open shirts and gold chains around their necks.

In a more honest age, we'd have called this by its right name: economic fascism. Today we call it "an activist agenda for liberals" or "reconstructing America," but it doesn't smell any sweeter. ■

Broadcast Deregulation (Cont. from p. 1)

ownership within and across markets, community-survey requirements, programming restrictions, prime-time rules, and so on. A bill in the Senate timidly proposes that television-license terms be changed from three to five years and that applicants be picked randomly.

Predictably, broadcasters approve of measures that reduce regulations on them, but are leery of the FCC's interest in unleashing potential competition. Proposals to create more FM and AM radio stations and to allow cable and low-power TV met tough resistance. The broadcasting industry seems to prefer regulation of its competition to deregulation of itself, so former chairman Ferris is highly unpopular.

Part of the reason for the FCC's reform mood is the presence of Ferris and staff people who, to some extent, respect the market and know that regulation does not serve consumers. Certain staff members have turned out working papers and congressional testimony that support some application of market principles to the spectrum, refute arguments against property rights, and point out regulation's inefficiencies.[4]

But a shift may be in the offing. After Reagan's election, congressional Republicans asked the FCC to cease its reform activities until Reagan took office and named his own chairman. The next ominous sign was the administration's failure to retain Nina Cornell as chief of the FCC Office of Plans and Policy. A Carter appointee, Cornell is a market sympathizer who knows the folly of not treating the spectrum as an economic resource.[5]

Perhaps most ominous of all is Reagan's nomination of broadcast lobbyist–attorney Mark Fowler as FCC chairman. Fowler's selection was supported by *Broadcasting* magazine, the major trade publication, on grounds that he would "adopt a more questioning attitude toward change—the kind broadcaster's have been urging on it [the FCC]."

Reagan's skeptjcism about trucking deregulation and his reported intention to name a favorite of the Teamsters to the Interstate Commerce Commission chairmanship suggest that communications deregulation may be put into deep freeze. This may seem ironic, since Reagan has attacked the regulatory burden on business, but it is not puzzling. While Reagan opposes an "excessive" burden on existing business, he is much less vigilant about regulations that inhibit *new* competition.

Even if the FCC's recent work is carried on, the results will be unsatisfactory because the assumption of "public ownership" remains unchallenged. The closest the FCC comes to reconsidering this assumption is studying the possibility of charging fees for spectrum use or of auctioning frequencies. Opening the entire spectrum to the market has not attracted attention at the FCC. In this regard, two points are relevant: First, if we seek efficient and innovative management of the spectrum, we have no choice but the market, and, second, public property is a fiction that results in the "public's" loss of control of scarce resources.

The Communications Act of 1934, which set up the FCC, enshrines "efficiency" as a chief goal of spectrum management, but what does "efficiency" mean at the social level? In particular, what does it mean to say that the FCC should provide an efficient telecommunications system? Telecommunications is not a huge, homogeneous "lump of service"—it is *particular* people performing *particular* actions on *particular* pieces of equipment at *particular* times and places. The result is the achievement of *particular* ends and the neglect of others. How is the FCC to choose among all the options?

The last question itself is too optimistic since it assumes the FCC knows what the options are. It does not. The problem of information is central to all economic questions. Too often discussions about regulation assume away the problem as if everything is already known or can be effortlessly learned. But *how* the information about means and ends is found out is precisely the issue at stake. As Nobel laureate F. A. Hayek has pointed out, the information needed to make decisions about resources is not available to one mind or group of minds. It exists rather "as the

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POLICY REPORT

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ISSN 0190-325X Copyright © 1981 by the Cato Institute

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dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess."[6]

Since the information critical to a rational allocation of scarce resources is scattered and incomplete, some means is needed to put it in usable form. This seems paradoxical: If no single mind has the information, how can it be *put* in any form? This is where what Hayek calls the "marvel" of the price system enters. Prices are capsules containing the most relevant information about people's value judgments of means and ends. But to have "faithful" prices, free markets and private property are indispensable. Without them, communication among people is distorted or cut off, and the ability to plan and coordinate with others breaks down. Professor Israel Kirzner has located the market's "social efficiency" in this capacity to allow people, as fully as possible, to discover the plans of others so they can coordinate their activities more effectively, to their mutual advantage.[7]

How does this relate to the FCC? The commission constantly chooses among multiple uses for the various frequencies—television, radio, mobile telephones, etc. But since it does so without markets and prices, the value of the services forgone in any selection—the opportunity costs—cannot be accounted for. To the extent that explicit market prices are prohibited, costs are unseen and efficiency is sabotaged.

As for competition, the FCC just has no way of knowing how many stations there should be or what technology should be used by those stations or who should operate them. In its attempts to control change—to determine, for instance, who can and cannot own a cable station—the FCC misses a crucial fact about markets and societies: They are processes that start in ignorance and discord, and lead to groping, discovery, and greater coordination. To attempt to coercively shape, say, the cable industry, is either to claim omniscience (at best) or assume the authority to impose one's wishes on others (at worst). Either way, the controllers seek to dictate the terms of what otherwise is a "spontaneous order," to use Hayek's immortal phrase.

The economic arguments for market management of the spectrum are not widely challenged these days. It is not the judgments of economics that justify government control, but ethical judgments. Many people believe that "privatization" of the airwaves would be unjust. In 1925 the U.S. Senate declared the "ether and the use thereof . . . the inalienable possession of the people of the United States. . . ."[8] Since then, if not before, the airwaves have been generally regarded as the property of "the public."

> **"Predictably, broadcasters approve of measures that reduce regulations on them, but are leery of the FCC's interest in unleashing potential competition."**

However, the "public" does not exist. It is a convenient label for the complex network of interrelationships generated by the actions of individuals. Only persons act, and only persons can *own*. Ownership is the authority to use and dispose of resources; only individuals use things. Two or more individuals can use things jointly, but this only describes a relationship among individuals and things. No other entity is involved.

We can now properly formulate the issue of spectrum management. The choice is not between *public* ownership and *private* ownership, but rather between types of private ownership: legitimate and illegitimate. In the United States, land ownership had generally been determined by the first-use or homestead principle. But this was not permitted with the spectrum. In 1926 the courts had begun bringing order out of "chaos" by delineating property rights in frequencies and enjoining trespass.[9] But partly in fear of this development, the Congress created the Federal Radio Commission and aborted the natural market development.[10] Thus the legitimate process embodying individual rights and property entitlement by homesteading was displaced by the political process. The result was not public ownership (in fact the people lost control) but illegitimate private control by political office holders. The people who turned a potential resource into a real one were denied by politicians the fruits of their discoveries.

Aside from bringing freedom and efficiency to broadcasting, privatization would remove it from the civil-liberties twilight zone it has been in since its inception. Government control has always contradicted the First Amendment, despite the paper prohibition against censorship.[11] Nothing short of the free market can resolve the contradictions embodied in the fairness doctrine and equal-time provisions.

Transferring broadcasting from the political to the economic realm is a practical problem that can only be looked at briefly here.[12] Most of the discussion has concerned auctions or use fees, but these are objectionable from an entitlement standpoint: The spectrum is not the government's to sell. Had the market been allowed to develop naturally, first-users would not have had to pay the government; they shouldn't have to now. It may be impossible to determine who among today's licensees were legitimate users and who were recipients of privilege. So perhaps the best solution is to turn all licenses into titles of ownership and subject all new frequencies to the time-honored principle of homesteading. The government should quietly exit this realm. Where we can ascertain that a license is held by a recipient of privilege, that frequency should be opened to homesteading.

The need for deregulation is pressing, but vested interests and the maudlin, misguided longing for public ownership keep regulatory reform from being implemented.

> What has evolved is a highly centralized frequency spectrum management system, a system that in economic terms can only be described as disastrously inefficient. . . . In sum, spectrum management is so bizarre that none of us can even imagine what efficient utilization of the frequency spectrum would look like.[13]

Those who laud telecommunications in the United States can only compare the system to those of other countries, where market forces are stifled even more; they dare not compare it to what the market would generate. ■

[1]Douglas W. Webbink, "The Recent Deregulatory Movement at the FCC," in *Telecommunications in the U.S.: Trends and Policies*, ed. Leonard Lewin (Dedham, Mass.: Artech House Books, forthcoming).

[2]Ibid.

[3]"FCC Votes Major Radio Deregulation in Industry Victory," *Washington Post*, 15 January 1981, p. G-1.

[4]Nina W. Cornell and Stephen J. Lukasik, "Testimony before the Senate Subcommittee on Communications on S. 611 and S. 622" (Washington: Federal Communications Commission, 18 June 1979); Douglas W. Webbink, "Frequency Spectrum Deregulation Alternatives," Working Paper 2 (Washington: Federal Communications Commission, October 1980); and John O. Robinson, "An Investigation of Economic Factors in FCC Spectrum Management," Report N. SAS 76-01 (Washington: Federal Communications Commission, 1976).

[5]Cornell and Lukasik, p. 9.

[6]F. A. Hayek, "The Use of Knowledge in Society," *American Economic Review* 35, no. 4 (September 1945): 519–30. Reprinted in F. A. Hayek, *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948), pp. 77–91. See also Thomas Sowell, *Knowledge and Decisions* (New York: Basic Books, 1980), especially pp. 40–42.

[7]Israel M. Kirzner, "The Morality of Capitalist Success," C. A. Moorman Memorial Lecture, Culver-Stockton College, 13 November 1980. Reprinted in *Discourse* (Culver, MO.: Culver-Stockman College, n.d.), pp. 5–6.

[8]Quoted in Ronald Coase, "The Federal Communications Commission," *Journal of Law and Economics* 2 (October 1959): 1–40.

[9]See *Tribune Co.* v. *Oak Leaves Broadcasting Station*, Circuit Court of Cook County, Ill., 1926, cited in Coase, "The Federal Communications Commission."

[10]See Coase, "The Federal Communications Commission." For Herbert Hoover's role in this as commerce secretary, see Murray N. Rothbard, "Herbert Clark Hoover: A Reconsideration," *New Individualist Review* 4, no. 2 (Winter 1966): 3–12. Reprinted in *New Individualist Review*, a Liberty Press Periodical Reprint (Indianapolis: Liberty Press, 1981).

[11]Robert M. Hurt, "FCC: Free Speech, 'Public Needs,' and Mr. Minow," *New Individualist Review* 2, no. 4 (Spring 1963): 24–37.

[12]See also Arthur S. DeVany et al., "A Property System Approach to the Electromagnetic Spectrum," *Stanford Law Review* 21 (1969): 1499–1561, reprinted by the Cato Institute, San Francisco, 1980; and Jora A. Minasian, "Property Rights in Radiation: An Alternative Approach to Radio Frequency Allocation," *Journal of Law and Economics* 18 (April 1975): 221–72.

[13]William H. Meckling, "Foreword" to Arthur S. DeVany et al., *A Property System Approach to the Electromagnetic Spectrum* (San Francisco: Cato Institute, 1980), p. xii.

Briefs

□ In fiscal 1980 the General Services Administration gave away more than 500 gallons of liquor to nonprofit institutions around the country, primarily to homes for the elderly. This liquor came from the Customs Service, which seized 1,063 gallons last year at American borders. First crack at this supply is given to government agencies who must be able to prove that the beverages will be used in the course of official business. Last year the State Department ended up with most of the liquor, requisitioning 589 gallons. Most of the remainder was sent out to charities, institutions for the elderly, and sanitoriums.

□ In an effort to circumvent the federally mandated 55 mph speed limit, the Nevada legislature has passed a bill that would lower the fine for speeding between 55 and 70 miles per hour to $5. Nevada is following in the footsteps of Montana, which has already adopted a $5 fine. Nevada had been threatened with the loss of $6 million in federal funds if it repealed the 55 mph limit directly.

□ Once again the personal income tax will be the single largest source of revenue for the federal government. When combined with estate and gift taxes, the income tax will comprise 45% of all the money the government raises. And, although middle-class households ($15,000–$50,000) file only 32% of the income tax returns, they account for 60% of the income taxes.

□ A study done by John Berry for the *Washington Post* (12 April) concludes that Reagan's tax-cut package will not significantly decrease marginal tax rates for many middle-income taxpayers. For example, married couples with two dependents and incomes comparable to 1981 incomes of $22,500 and $40,000 will still be paying the same marginal rates in 1984. Couples with incomes comparable to $27,500, $35,000, and $50,000 would have their marginal rates cut by only a single percentage point. Even more surprising, the marginal rate on a $7,500 income would actually go up 15 percentage points because the earned income credit is phased out as nominal income rises.

□ A study by the General Accounting Office has discovered that three-quarters of last year's consultant contracts were awarded to former Pentagon employees and that all but one of 256 randomly selected contracts were replete with waste and mismanagement. Eighty-two percent of these contracts were awarded without competitive bidding, a fact that led the GAO to conclude that "this problem is serious enough in DOD to warrant legislative action."

□ Last year 6,832 citizens turned in their fellow Americans for cheating on income taxes either with the hope of turning a profit from an IRS reward or simply for revenge. Investigations of these leads turned up nearly $13.1 million in extra taxes. The IRS will pay the informer from 1 percent to 10 percent of any extra taxes or penalties assessed. Although the maximum reward is $50,000, the average reward is closer to $1,000.

□ Andrew Brimmer, economist and a former governor of the Federal Reserve Board, has testified before a Senate subcommittee that of the nearly 400,000 Americans who declared bankruptcy last year, 38% did so because of the liberal provisions of the new bankruptcy laws. The exemptions on certain kinds of property for repayment of debt and the added ease of the filing process were cited by Brimmer as the two main reasons for the jump in defaults. The testimony of Richard F. Kerr of the National Retail Merchants Association indicated that losses due to consumer default amounted to $2.8 million, a 100% increase from the previous year. Kerr also ascribed this epidemic of bankruptcies to the new bankruptcy laws. ■

Gold, Dollars, and Private Currencies

by Lawrence H. White

The Federal Reserve System has quite properly come under heavy criticism in the last few years for its instrumental role in creating both the chronic inflation and the wild macroeconomic fluctuations from which the American economy suffers. This criticism has begun to take the form of a ground-level reconsideration of the theory of central banking. It is about time: A rethinking of the fundamental doctrines of monetary policy is long overdue.

The most basic of the issues at hand is not whether the monetary authority should be compelled to follow some set of "rules" or should have discretionary control over the nation's money. It is not "this constitution" (one set of rules) versus "that constitution" (an alternative set of rules); it is not gold versus paper money. The fundamental issue is national monetary authority versus unhampered competitive market provision of currency. The idea of currency competition used to be called "free banking." It has recently been revived by F. A. Hayek, in the *Wall Street Journal* and elsewhere, under the name "denationalization of money."[1] Free banking was the leading topic of monetary controversy in Britain, the United States, and several European nations in the decades before national central banks, through political means, consolidated their positions as monopoly suppliers of base money.[2] The time is ripe for raising the question of competitive currencies.

There are at least three streams of thought on monetary policy.[3] There are (1) those who, like Milton Friedman,[4] would bind the monetary authority by means of an artificially designed set of rules of conduct, usually called by its proponents a "monetary constitution"; and (2) those who, like Keynesian writers, would allow the monetary authority practically unlimited discretionary power. There are also (3) those who, like Hayek, would do away with the monetary authority altogether. They would allow a market order to prevail in the monetary arena. Ludwig von Mises also belonged to this third tradition, the free banking tradition.[5]

> **"'Sound monetary policy' is impossible in the same way that 'sound central planning' is impossible."**

Advantages of Competition

The case for a competitive currency system is akin to the case for competitive market provision of oil or any other commodity. It rests on the fact that a market system has two advantages over government monopoly: a price system for coordination and a profitability test for discipline. By means of an unhampered market price system a society can best turn the knowledge and initiative of millions of individuals to the satisfaction of consumer wants. A free market in privately issued currency would mean provision of the most desirable sorts of money from the consumer's perspective. There is every reason to believe that market currency would be the most convenient for transactions purposes, the most trustworthy, and—what makes it especially attractive—the most stable and likely to increase in purchasing power. An irresponsible issuer—one who inflated as much as the Fed has of late—would lose customers to his rivals. The Federal Reserve Board faces no such discipline.

Delegating control over the supply of currency to a monetary authority subjects us to the combined shortcomings of monopoly provision and central planning for the currency market: low quality product and unpredictable supply conditions from which there is no escape. Closing down the Federal Reserve System would yield benefits similar to those to be gained by closing down the Department of Energy. (Not that the Fed has never produced a dollar, in the same way that the DOE has never produced a drop of oil—quite the contrary. The Fed is more like a DOE that diluted the nation's gasoline in unpredictable ways.) Just as the best government energy policy is *no* energy policy, the best government monetary policy is *no monetary policy*.

Economists searching through the years for a "sound monetary policy" have been pursuing a chimera. "Sound monetary policy" is impossible in the same way that "sound central planning" is impossible. Hayek argues insightfully to the effect that central banking is a form of central planning: "A single monopolistic government agency can neither possess the information which should govern the supply of money nor would it, if it knew what it ought to do in the general interest, usually be in a position to act in that manner."[6] The proper volume and distribution of money for an entire nation can never be known to a single planning authority. The attempt by some economists to design a simple set of rules for optimal currency supply rests on enormous intellectual conceit. Only competition, to quote a nineteenth-century writer, can provide "the nice adjustment of the currency to the wants of the people."[7]

Many thoughtful persons considering an end to the Federal Reserve fiat money system, either because of a principled adherence to a free society or because of an empirical recognition of the disruptive character of the system, have embraced the gold standard as a superior and viable alternative. They sometimes make the claim that the gold standard alone represents a "free market" monetary system or is alone consistent with a free society. It is therefore supposed to be incumbent on supporters of an unhampered market economy to call for redefinition of the dollar as so many grams of gold.

Gold and the Market

Certainly an attractive feature of a gold-based monetary system is that it does not presuppose a monetary authority. The historical evidence indicates that the system works quite well without one. Competitive issue of bank currency on a gold-convertibility basis generates a stable and self-regulating monetary order.[8] The question of whether gold can justly claim today to be *the* free-market money, so that anyone calling for denationalization of money must be committed to gold, is worth examining. Discussion of such a question must by the nature of the case be conducted at a somewhat speculative level.

The free-market argument for gold runs something like this: (1) Gold spontaneously emerged as money in the Western world and persisted as money in the United States until its death at the hands of Franklin Delano Roosevelt in 1933; (2) the factors important for the emergence and persistence of gold are timeless; (3) therefore even today gold would spontaneously emerge as money in a competitive market setting. Any shortcomings in this argument must lie in claims (1) and (2). The trouble with (1) is that the historical record is not entirely lopsided on gold's behalf. The problem with (2) is that 48 years of being off the gold standard cannot be shrugged off. The past status of gold is not sufficient to guarantee its reestablishment as money.

The historical record is complicated by the fact that silver emerged and persisted as money jointly with gold. The triumph of gold over silver came at the hands of deliberate government policies or nondeliberate government price-fixing of the terms of trade between coins in the two metals. (The incidental fact that governmental mints monopolized the supply of coinage services does not, however, further weaken the market-chosen money status of the precious metals. The mints merely coined what the market process had already converged upon as media of exchange.)

The case for silver is strong enough that those who would have market determina-

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Regulatory Watch

THE FREEZE

The Department of Energy has announced that next year it will more than double the amount of money spent on enforcement of oil company pricing violations, an action that would raise this sum to over $30 million. DOE controller P. Marshall Ryan said he hopes to increase the enforcement staff from 235 to 700 employees.

President Reagan's regulatory "hit list" has led to the indefinite postponement of the enactment of Section 502 of the Farmer's Home Administration's (FmHA) new set of regulations on rural housing. Section 502 was intended to allow rural families with moderate incomes to receive subsidized FmHA loans to purchase homes. Currently, only low-income families are eligible for such loans.

Thorne G. Auchter, new head of OSHA, has ordered that more than 50,000 government booklets on cotton dust be destroyed because he felt the cover of the booklets presented a biased viewpoint toward brown lung disease. The booklets had been the target of intense criticism from the cotton industry because their covers portrayed a hypothetical cotton worker who is seriously ill with brown lung disease.

The Federal Communications Commission has agreed to begin licensing "cellular radio," a procedure that would allow the introduction of a revolutionary new mobile telephone system. The commission's vote will allocate enough radio frequencies to allow two cellular systems to operate in each city. Following the ruling, AT&T announced that it expects to be operating such systems in over 70 cities by the mid-eighties.

Secretary of Education Terrel H. Bell has proposed canceling federal regulations on school dress codes. Civil rights officials within the department had told Bell that if the rule was not changed he would have to cut off funds to over 50 school districts because their dress codes prescribe different permissible hair lengths for boys and girls. Although these regulations have been on the books for almost six years, they have only been sporadically enforced.

The Department of Commerce has postponed new regulations that called for federal participation in the setting of voluntary manufacturing codes and other standards. The current codes, issued by such voluntary organizations as Underwriters Laboratories, were the subject of much dispute from consumer groups who wished a greater say in the rule-making process.

The Federal Food and Drug Administration is about to undertake a campaign to convince Americans that excess salt consumption is a leading cause of high blood pressure and other medical ailments. Dr. Arthur Hayes, the new commissioner of the FDA, has drawn up a five-point plan that would:

1. Require disclosure of the amount of sodium in certain foods.
2. Consider attempting to achieve legislative authority to expand the range of products needing sodium labeling.
3. Ask food processors to voluntarily reduce the amount of salt in certain foods.
4. Start an educational campaign about the dangers of too much salt.
5. Monitor Americans' intake of sodium to see if the above programs are successful.

The Department of Agriculture denied a consumer group's petition to allow dairies to sell reconstituted milk. Such milk would sell for a lower price than regular milk, but dairies are presently prohibited from selling it. Secretary John Block said the government "must be careful not to tamper with good programs like that. The dairy program has worked."

Washington Update

✓ The Reagan administration has announced a series of mild relief measures for the ailing automobile industry that include a loosening of 34 environmental and safety regulations. Among the regulations eliminated were crash standards for bumpers, visibility standards for tinted glass, a suspension of fuel economy standards by 1985, regulations on emissions, and regulations on seat belts. President Reagan claims the package will help put 200,000 unemployed auto workers back to work and save consumers $9.3 billion and the auto industry $1.4 billion over the next five years.

✓ Treasury Secretary Donald Regan has announced that the IRS will shift some of the 5,161 employees currently providing taxpayer assistance services into the fields of tax collecting and auditing. The IRS has approximately 38,000 employees working in these areas already, but the switch is an attempt to save revenue in the face of looming budget cuts for the IRS.

✓ Sixty-one corporations have applied for the $17.5 billion of subsidies that the federal government is handing out for the development of synthetic fuels through the Synthetic Fuels Corporation. Among the proposed projects were 19 coal liquification plants, 17 coal gasification plants, 14 oil shale projects, 8 tar sands projects, and 3 miscellaneous projects. John J. McAtee Jr., chairman of the corporation, predicted that if all these projects were built, the country could cut back its oil imports by one-third by 1992, but McAtee added that the available $17.5 billion can only cover a small portion of these proposals.

✓ The Congressional Budget Office has declared that President Reagan's five-year defense program will cost $136 billion more than he predicts because he is underestimating future rates of inflation. The Reagan administration's estimates assume that the rate of inflation will sink to 4.9% by 1986, while the CBO tacked two percentage points onto each yearly rate given by Reagan. It was also pointed out that prices of major weapons systems have risen much faster than prices in general in the past.

✓ The Reagan administration has decided to give private collection agencies a chance to collect the $139 billion that is owed to the federal government. The single largest subcategory of this figure consists of unpaid taxes, which total $13 billion. Other debts include $2.2 billion to the Department of Education, $1.9 billion to Health and Human Services, $1.3 billion to Agriculture, and $1 billion to Housing and Urban Development.

✓ A House subcommittee has recently voted to raise the ceiling on the annual federal payment to the District of Columbia from $300 million to $336.6 million. The payment is a grant in lieu of paying property taxes on federal property within the District and is the District's second largest source of revenue, after personal income taxes. An approval of the new grant ceiling would be considered a bonanza for the D.C. government, which had drawn up its budget on an assumption of a $300 million grant.

✓ President Reagan has turned down Energy Secretary James B. Edwards's request that the federal government bail out a shut-down $350 million nuclear reprocessing plant in South Carolina. Edwards had been lobbying for an outright government purchase of the plant, but Reagan vetoed any form of aid whatsoever. Reagan added a statement in his memo that the DOE should develop recommendations on how to create a more favorable climate for reprocessing efforts, prompting one department spokesman to proclaim, "We interpret the memo as being a strong message of support for nuclear reprocessing."

✓ The Republican party is currently building up a $13.5 million campaign fund in order to gain congressional seats in the upcoming 1982 elections. Sen. Robert Packwood, chairman of the National Republican Senate Campaign Committee, stated that the Republicans may pick up as many as eight or nine seats next year, though independent sources doubt that figure. Several millions are also being raised to finance a media blitz to support President Reagan's tax and budget proposals.

✓ Secretary of Health and Human Services Richard Schweiker caused a stir recently when he announced before a House commerce subcommittee that the Reagan administration's restructuring of Medicaid would give states the right to take away the Medicaid patients' freedom of choice of doctor and hospital. Under the new system, states would be authorized to sign fixed-cost agreements with group health organizations and hospitals which would require the patient to seek care from these providers to be eligible for Medicaid funds. ■

Private Currencies (Cont. from p. 7)

tion of the monetary standard must be committed at least to allowing private issuers of gold and silver currencies to compete for patronage. They cannot preemptively enthrone gold. Once a competition among standards begins, however, there is no reason to limit the field to two candidates.

The currency systems that private issuers might offer are many: (a) gold and gold-convertible currency; (b) silver and silver-convertible currency; (c) "symmetalic" currency, wherein the currency unit is convertible into so many grams of gold plus so many grams of silver; (d) currency convertible into some nonmetallic commodity or basket of commodities, with token coinage; (3) convertible currency whose purchasing power is stabilized by indexation of the conversion rate, as envisioned by Irving Fisher;[9] (f) inconvertible currencies, perhaps purchasing-power-

stabilized in the manner envisioned by F. A. Hayek;[10] (g) currency convertible into foreign government fiat currencies; and (h-z) as many others as monetary entrepreneurs might convince the public to hold.

Advocates of gold as free-market money must presume that gold would emerge from a competition among standards as the single predominant standard—else why advocate gold as such? Here we confront their argument's second shortcoming. The handicap that gold faces in the competition is that today, after 48 years of not being money, it is more or less just another metal. The "more" is what remains of its old reputation ("mystique" to those who don't understand it) as sound money. The "less" is its new reputation as a commodity whose purchasing power is subject to violent and erratic fluctuation.

It is true that gold still has the commodity usefulness and particular physical properties that enabled it (with silver) to emerge out of a state of barter as a universal medium of exchange, via the market process.[11] Gold coins are still portable, which is to say that they have a high ratio of purchasing power to bulk and weight, though today that ratio may be too high to make a full-bodied gold coinage convenient. They are nontarnishable and attractive and can be easily verified as genuine, though not so easily by today's populace as by that of the nineteenth century. But the question is not what would happen upon a return to a primitive premonetary situation. The arrow of time is irreversible. The question today is whether gold would outcompete other full-blown currencies. It is a question that cannot be answered until another question is settled: What becomes of the fiat dollar?

For any commodity to have become money—the most salable of commodities—it must have had prior exchange value. This is as true of the dollar bill as it was of gold. Before transactors began accepting it generally, they must have had reason to accept it at all. Gold was originally demanded for its ornamental value. The dollar bill derived its initial exchange value from its being a secure claim for—convertible into—gold. Only when paper currency was generally accepted in exchange was it possible for its issuer to suspend convertibility permanently and still retain the paper's exchange value.[12] Once the paper dollar became a general medium of exchange, the fact of its universal acceptance generated the self-reinforcing expectation-fulfillment process whereby it continued to circulate even after suspension. Each individual continued to accept dollars in the belief, ratified by experience so long as enough others acted likewise, that his dollars would be accepted elsewhere the next day.

> **"Under any standard the ultimate safeguard against chronic inflation is competition or potential competition from non-inflationary alternative standards."**

It seems clear that neither gold nor inconvertible private currencies will emerge as money under present circumstances. Each transactor pursuing his or her own self-interest finds it far too convenient to deal in a single standard for purposes of accounting and (so long as others are doing so) currency transactions. The persistence of the paper mark during the German hyperinflation between the wars seems to indicate that inflation must reach mind-boggling proportions before alternative currencies can gain a foothold. It should be noted that the previously existing legal barrier to contracting in gold or other alternative currencies in the United States, the "Gold Clause" Joint Congressional Resolution of 5 June 1933, was removed by the Helms Amendment of October 1977.[13]

The Transition Problem

A thorny question thus arises for those who would denationalize the American currency industry: how to make the transition away from the dollar standard. The dollar must initially be linked to any new standard, so that an unbiased competition among alternative new standards hardly seems possible. The route to a predetermined new commodity standard is straightforward: Have the Treasury lay in a stock of the commodity, establish convertibility of dollars into the commodity, withdraw Federal Reserve notes and token Treasury coins from circulation via conversion, and open the market to private issuers of coin and convertible banknotes. The route to a system of competing private inconvertible currencies is less clear. One way might be to do to the Federal Reserve note what Roosevelt did to gold: Have banks issue their own dollar-convertible hand-to-hand currency (these would be just like traveler's checks without the signatory bother and refundability) and coins, then suspend convertibility of these and other bank-issued near-monies (checking and savings account deposits, savings certificates, and so on) into Federal Reserve notes and confiscate the Federal Reserve notes in private hands. In any case some resolution would have to be found to an important problem that troubled American free banking advocates in the 1830s, that of discovering a means by which the federal government could avoid favoritism among privately issued currencies in its own fiscal dealings.

Were the first route taken and a new metallic or commodity standard initially adopted, it is no more likely that privately issued inconvertible currencies could gain a footing than it is that they can gain a footing against the fiat dollar. While the commodity serving as the new standard would have been chosen outside the market, as it were, monopoly competition from other commodities would not be foreclosed. It is not implausible to postulate that another metallic standard might eventually supplant the metallic standard initially chosen. Full-bodied coins of different metals might well circulate in parallel, it being convenient for portability reasons to mint coins of lower purchasing power from less precious metals. It might then be possible for different banks to market notes convertible into the different

metals, whose exchange-values would float against one another. Out of that situation the market process might converge on notes convertible into a single metal as the general medium of exchange; the metal need not be the one into which the old Federal Reserve notes were converted. It is also conceivable that parallel standards would persist.

Were the second route taken and inconvertible currencies initially adopted, it is similarly unlikely that commodity-convertible currency would gain a footing against them. Since an issuer offering convertibility could not afford to pay interest on currency and deposits quite as high as that paid by competitive issuers of inconvertible money, having to hold commodity reserves where they hold only earning assets, he would have to attract customers on the basis of superior purchasing-power reliability. His notes would fluctuate in value, however, with the relative price of the commodity to which they were claims. Until that commodity became the monetary standard, it would not enjoy the stable demand facing a monetary commodity. Nor could he vary supply at will so as to offset the impact of demand changes on price. The notes would therefore probably not be reliable for purchasing-power stability.

Bank-issued private currencies would float against one another unless convertibility into some common medium, or purchasing-power stabilization in terms of some common commodity basket, were adopted. A pegged exchange rate system among rival issuers would clearly be in no issuer's self-interest under inconvertibility. A bank pledged to trade its rival's inconvertible notes at par could be forced to accumulate them *ad infinitum* by a more expansive rival, and in any event would have to hold costly reserves.

A joint-float arrangement might nonetheless emerge via an invisible hand or market process of the following sort. Each issuing bank would most likely find that it did better business by accepting the notes of other issuers at market value (rather than refusing them) from customers making deposits or repaying loans. A pair of issuers might next discover that both did better business by accepting one another's notes at a fixed parity, thereby sparing their mutual customers calculational difficulty and exchange risk.[14] Other issuing banks might later join them. These issuers would at the same time have to enter into a mutual clearing arrangement for settlement of accumulated balances of one another's liabilities. Each member bank would have to pledge to honor his liabilities at a rate fixed in terms of some common medium, so as to obviate the forced-accumulation problem. Adverse clearing balances would be liquidated by transfer of the clearing medium, loss of which would automatically signal to the relatively expansive issuer the need for greater restraint.[15] It is unlikely that, in this day and age, gold would be chosen as the clearing medium. Treasury bills, or some other low-risk earning asset that virtually all banks held to begin with, would more likely be used.[16]

The Possibility of Inflation

It might be urged against a system of inconvertible private currencies that it leaves the money stock "unanchored," making any rate of inflation possible. It is true that the adverse clearing mechanism within a joint-float arrangement would not, in and of itself, check whatever rate of growth in nominal money stock was common to all issuers. Neither would issuers anywhere within a system of private inconvertible currencies be legally bound to noninfla-

GOVERNMENT SPENDING MONITOR

A quarterly feature of *Policy Report*, the "Government Spending Monitor" summarizes the latest expenditures by the federal government.

EXPENDITURES (annual rate in billions of $)

	1981 First Quarter	1980 Fourth Quarter	1980 Third Quarter	Average for Last Year
Federal Government	668.8	642.4	626.8	632.6
Defense	176.0	149.2	76.6	118.5
Labor	34.4	31.2	38.8	33.6
Education	17.2	14.4	13.2	14.5
Health and Human Services	226.0	220.4	210.8	212.1
HUD	13.6	14.4	9.9	12.9
Energy	9.6	9.6	8.3	8.8
Transportation	26.4	22.0	20.8	21.8
Federal Aid to State and Local Gov'ts	88.8	88.9	87.7	87.9
Federal Interest Paid	81.3	86.0	67.2	80.9
Federal Transfer Payments	271.7	268.1	265.3	260.3
Federal Surplus or Deficit	– 128.4	– 134.0	– 129.6	– 89.0
Reported Federal Debt	964.6	917.4	894.3	912.9
Total Government Employment, All Levels (millions)	16.2	16.0	16.3	16.2

Source: *Monthly Treasury Statement of Receipts and Outlays of the United States Government.*

tionary issuing policy. This problem in fact arises in *any* inconvertible currency system. It is with us under the Federal Reserve System. The nominal money stock in the United States today is "anchored" only by whatever constrains the Fed from expanding the monetary base. A commodity-convertible currency system, on the other hand, while it need not worry about an unrestrained expansion of base money, suffers purchasing-power drift with growth in the stock of the base-money commodity. The drift may be considerable under the impact of new ore field discoveries or breakthroughs in mining technology if the monetary base is metallic.

Under any standard the ultimate safeguard against chronic inflation is competition or potential competition from non-inflationary alternative standards. An open-entry system of private issue, whether of convertible or inconvertible currencies, offers the widest scope for competition among standards. This is true even though the choice of a transitional path away from the dollar will determine the standard likely to prevail for some time. The present system of preemptive state fiat issue, by contrast, leaves us nowhere to turn while the purchasing power of the dollar is progressively diluted.

The overriding goal of modern monetary reform, then, should be privatization of currency. To shine the spotlight on gold would be to divert attention from the primary issue. Reestablishment of gold convertibility for the U.S. dollar is neither a necessary condition for denationalization of money in the United States nor—if the most enthusiastic gold advocates be believed—a necessary condition for reemergence of the gold standard. That it is nowhere near a sufficient reform hardly needs arguing. To link currency to gold is not yet to divorce currency from the state. If the issue of currency is left as a monopoly in the hands of the national monetary authority, there remains much power for mischief despite the golden handcuffs. The historical record of the gold standard indicates that while it does provide a long-run check on the inflationary powers of a central bank, it does not prevent the central bank from engineering short-run expansions sufficient to generate severe business cycles. The long-run check, moreover, is only as good as the central bank's commitment to conversion at the traditional parity. State-sponsored central banks have been notoriously fickle in that regard, especially when confronted with state demands for wartime inflationary finance.

A gold standard, like any other standard, realizes its full potential for supporting a self-regulating monetary order only when coupled with a free banking system. A return to gold without an end to monopoly currency issue would at best be no more than half a victory. At worst it might foreclose the opportunity for full-fledged reform. ■

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[1]F. A. Hayek, *Denationalization of Money*, 2nd ed. (London: Institute of Economic Affairs, 1978). F. A. Hayek, "Toward Free Market Money," *Wall Street Journal*, 19 August 1977.

[2]Lawrence H. White, "The Free Banking Question in the British Monetary Controversies, 1822–1845," unpublished ms. (October 1980); Vera C. Smith, *The Rationale of Central Banking* (London: P. S. King, 1936).

[3]E.g., by John Hicks, "Monetary Theory and History—An Attempt at Perspective" in *Critical Essays in Monetary Theory* (Oxford: Clarendon Press, 1967).

[4]Milton Friedman, *A Program for Monetary Stability* (New York: Fordham University Press, 1960).

[5]Ludwig von Mises, *The Theory of Money and Credit*, new ed. (Irvington-on-Hudson, N.Y.: The Foundation for Economic Education, 1971), p. 312; idem, "Monetary Stabilization and Cyclical Policy" in *On the Manipulation of Money and Credit*, trans. Bettina Bien Greaves (Dobbs Ferry, N.Y.: Free Market Books, 1978).

[6]Hayek, *Denationalization of Money*, p. 98.

[7]Samuel Bailey, *A Defence of Joint-Stock Banks and Country Issues* (London: James Ridgway, 1840), p. 99.

[8]Lawrence H. White, "Free Banking in Scotland Prior to 1845," unpublished ms. (August 1979).

[9]Irving Fisher, *Stabilizing the Dollar* (New York: Macmillan, 1920).

[10]Hayek, *Denationalization of Money*, pp. 55–62.

[11]Carl Menger, *Problems of Economics and Sociology*, ed Louis Schneider (Urbana: University of Illinois Press, 1963).

[12]Note that under a system of plural competitive issuers of gold-convertible currency no one issuer can suspend convertibility and yet keep his paper in circulation. Any suspension is, moreover, an actionable breach of contract.

[13]See J. Huston McCulloch, "The Ban on Indexed Bonds, 1933–77," *American Economic Review* 70 (December 1980): 1018–21.

[14]Suggestive of this possibility is the fact that the major U.S. airlines voluntarily accept one another's tickets at face value.

[15]This process may explain the emergence of Boston's Suffolk Bank System for note-clearing in the early nineteenth century.

[16]Exchequer Bills were used to settle note-exchange balances during the free banking era in Scotland.

PR Reviews

Rent Control: Myths and Realities, ed. Walter Block and Edgar Olsen. Enslow Publishers, 1981. $9.95.

The question of rent control is one that has been answered with a surprising amount of unanimity by professional economists, nearly all of whom are willing to condemn it wholeheartedly. Even Gunnar Myrdal, a leading architect of the Swedish welfare state, has declared that "rent control has in certain western countries constituted, maybe, the worst example of poor planning by governments lacking courage and vision." Assar Lindbeck, another prominent socialist economist, has added that "next to bombing, rent control seems in many cases to be the most efficient technique so far known for destroying cities . . . ."

Rent Control: Myths and Realities, a product of the Fraser Institute, a Canadian free-market think tank, is another valuable addition to the body of literature that shows how rent control hurts the interests of both landlords and tenants alike. The volume contains essays by such notable economists as Friedrich A. Hayek, Milton Friedman, and George Stigler on different aspects of the rent-control problem. Both these authors and the other contributors to this timely book discuss the history, politics, and economics of rent control in six countries over a 50-year period.

This book also contains with each essay a photograph of an urban area that has been the victim of either rent control or aerial bombing. It is impossible to distinguish between the photos of the two different kinds of catastrophes unless one consults the answers at the back of the book.

Rent Control: Myths and Realities is recommended for both the businessman who may wish to further his understanding of current issues, and for the economist, who will find both the book and the 13-page bibliography especially useful for further research into this important public-policy question. ■

"To be governed..."

What not to expect in 1981

Business faces slower times in the next few months before conditions improve gradually over the second half of 1981. Inflation will ease, but the number of jobless will rise. This, in broad terms, is how economists size up the remainder of 1981.

—*U.S. News & World Report*, Apr. 20, 1981

Around the world in 60 days

Even the Easter recess didn't turn off the congressional money pump. The junket led by House Speaker "Tip" O'Neill to Australia and New Zealand will cost taxpayers some $200,000 in airplane costs alone, and a jaunt to Europe and the Middle East headed by Senate Majority Leader Howard Baker will run up at least $100,000 in transportation bills.

—*U.S News & World Report*, Apr. 20, 1981

The true cost of peanut butter

The next time you buy a high-priced jar of peanut butter—if you can find one to buy—consider these facts:

The U.S. government limits production of peanuts by restricting the number of acres on which they can be grown.

It also subsidizes peanut farmers, which has cost the taxpayers $1.1 billion since 1948 and keeps the price of peanuts artificially high.

Most of the favored few who hold government acreage allotments don't even farm their land. They cash in on government policy by renting out their land to others who actually grow the peanuts.

In addition the government restricts imports to protect American growers against competition from cheaper foreign peanuts.

—*The Press*, May 1981

Doctors are against regulation, except when the shoe is on the other foot

The federal government should set standards for the shape and construction of women's shoes since designers are more concerned with sexiness than health, a group of foot doctors insists.

—*Washington Post*, Apr. 5, 1981

Oh, never mind

Biologists said yesterday they plan to recommend that the Endangered Species Act no longer protect the snail darter, the tiny fish that blocked completion of a $136 million dam for two years.

"It would appear that the snail darter is in a lot better shape than we thought," said Dr. David Etnier, a University of Tennessee biologist who discovered the three-inch fish in the Little Tennessee River eight years ago.

—*Washington Star*, Apr. 23, 1981

The good old days

Tip O'Neill, that white-maned old warhorse, looked around the roomful of reporters and grinned ruefully.

"You know," the Speaker of the House abruptly volunteered as two aides winced, "I've been one of the big spenders of all time. It's true: I am a big spender. I could tell you things that never made the headlines."...

"Once a doctor came down here to talk to us," he chuckled. "He said the average dwarf grows only 46 inches high, and if we appropriated $45 million for research, maybe that could be increased to 52 inches. So I got the $45 million into the budget."

—*Wall Street Journal*, Apr. 27, 1981

Is there regulation after death?

Much of a CAB meeting held yesterday to discuss the specifics of the board's demise focused on ways to assure that board decisions will remain in force when the board no longer exists.

As one staff member acknowledged, what is wanted is "posthumous regulation."

—*Washington Star*, Apr. 24, 1981

That's a relief

The most common misconception is that we are proposing to reduce government revenues to less than what the government has been receiving. This is not true. Actually, the discussion has to do with how much of a tax increase should be imposed on the taxpayer in 1982.

A gigantic tax increase has been built into the system. We propose nothing more than a reduction of that increase.

—President Reagan, Apr. 28, 1981

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