Readings of particular interest

New Light on New-Issue Regulation

"The Economic Effects of Federal Regulation of the Market for New Security Issues" by Gregg A. Jarrell, in *Journal of Law and Economics*, vol. 24, no. 3 (December 1981), pp. 613-675.

The Securities Act of 1933 required most firms that issue new securities to file registration statements with the Securities and Exchange Commission disclosing "material facts" such as the firm's capital structure and the nature of its business. The idea was to protect buyers of new issues, who were considered relatively ill-informed, from exploitation by sellers, who were considered relatively well-informed. While lawyers and accountants (and some economists) have written a great deal on how the act has affected the securities industry, they have written very little on whether it has helped those who buy newly issued stock. Gregg Jarrell of the University of Chicago here presents evidence that the act has not helped buyers and, in particular, had no useful effect in the 1930s.

After a brief historical sketch of the Securities Act and its forerunners, the state "blue-sky" laws adopted between 1911 and 1933, Jarrell summarizes George Stigler's pioneering 1964 *Journal of Business* article on "Public Regulation of the Securities Markets." Stigler argued that new-issue regulation, if successful, should raise investors' returns above the level that prevailed before the onset of regulation. Using new stock issues from 1923 to 1928 and 1949 to 1955, Stigler concluded that they were generally a bad buy in both periods and that the degree of badness did not differ significantly between the two periods. Thus he could find little evidence that the law had helped stock buyers.

The first part of Jarrell's study is similar to Stigler's in general design, but uses the methods of recent portfolio theory. His model uses the factor "beta" to represent the "systematic" risk of each security (the risk that cannot be avoided by diversifying the investment portfolio) relative to the market average. "Beta" equals the proportion that the risk premium of a given security (the amount by which its return exceeds that of a risk-free investment) bears to the risk premium of the overall market return. Jarrell further divides "beta" into risk attributable to lack of information and risk that would still be present even with hypothetical "full" information. Presumably, the more successful the SEC was at regulating and thus the fuller and more honest the disclosure associated with new stock issues, the lower would be the first component of uncertainty.

Jarrell then calculates both beta and the "average abnormal performance" for the stock prices of more than 400 new issues from 1923 to 1939 and for the thirty-six stocks examined by Stigler that were issued from 1949 to 1955. If investors were paying too much for new issues before regulation, the latter should be negative. (The more negative the average abnormal performance, the more security buyers are being fooled by security sellers.) Jarrell found that, before regulation, the typical new issue had an abnormal return of -2 percent in its first two years after issue, but $+64$ percent in its first five years, suggesting that most new issue buyers had been doing fairly well before regulation. After the onset of regulation, the average abnormal return in the first two years was slightly better, at $+4$ percent, but the five-year return was notably worse, at $+25$ percent.

On the other hand, Jarrell's tests also show that the average riskiness of new securities was lower after regulation than it was before. Although beta figures were virtually identical on average before and after 1934, there was a marked reduction in the number of issues with very large betas. However, high-risk securities had contributed disproportionately high returns to the pre-1934 average for new issues. In other words, the SEC registration requirements may have prevented the "riskiest" issues from reaching the marketplace at all, thus reducing the overall return to investors.

The author then examines the bond market, relying on figures from earlier studies by Walter Braddock Hickman and Thomas Atkinson. Their data suggest that pre-SEC bonds generally had a greater risk of default than post-SEC bonds, and that post-SEC bonds had less variation in return among bonds of different ratings. Jarrell also breaks down the volume of new issues to show that offerings of bonds and preferred stocks increased, and offerings of common stock decreased, after 1934.

Jarrell concludes that SEC regulation has not improved the buyer's net return on new issues even though, by certain measures, risk (especially including the default risk on bonds) has been reduced. He suggests that the latter result may have come about because regulation drove relatively "risky" (new-technology or small-company) new issues off the market by imposing high registration costs—a possibility he says has strong negative implications for social welfare.

An SEC Maverick Goes Public

Regulation by Prosecution: The Securities and Exchange Commission vs. Corporate America by Roberta Karmel (Simon and Schuster, 1982), 400 pp.

Roberta Segal Karmel was appointed to the Securities and Exchange Commission by President Carter in 1977 and served until 1980. In this book, which is based on her experiences as a commissioner and earlier as an enforcement attorney in the commission's New York regional office, she argues that the SEC has allowed enforcement to swallow its other functions and that reform (though not deregulation) is necessary if the commission is to help in revitalizing the U.S. economy.

In the first chapter, Karmel traces her metamorphosis from an enthusiastic supporter of the commission to a vigorous critic. Like many other young prosecutors, she says, she preferred to prosecute cases "involving novel legal issues, where I might push the law to a new frontier," even though when prosecutors do this "routine cases tend to be ignored." She also "took it for granted that truth and justice were on my side. . . . I did not worry very much about the civil liberties of the targets of my cases, perhaps because I could not imagine myself in their place, perhaps because my political and educational upbringing had made me insensitive." Eventually, however, she came to realize that businessmen's motives were not invariably impure, or government's invariably pure. "I concluded that my early political identity had been too dependent on an antibusiness bias, which had prevented me from sufficiently examining and analyzing the objectives and processes of government."

The author then discusses the history of the commission (from strong chairmen in the 1930s, through general weakness in the 1940s and 1950s, to a resurgence of power under staff-trained commissioners in the 1960s and 1970s), giving special attention to the 1972 reorganization that created the virtually autonomous Division of Enforcement under Stanley Sporkin. Political events and strong personalities combined, she says, to make the SEC overemphasize the conflicts between the interests of investors and businessmen and underemphasize the community of interest between the two.

Karmel goes on to examine such issues as a national securities market system, which she believes the SEC has unwisely failed to promote, and corporate governance, which she believes the SEC has unwisely tampered with. She charges that the commission has exhibited a general "nonchalance toward jurisdictional boundaries," attempting to convert securities law into a mandate to interfere in mergers, acquisitions, municipal governance, corporate affairs generally, and even overseas corporate expansion. One of the cases in which the commission tried to expand its mandate into an uncharted area was *Teamsters* v. *Daniel*, where it filed an amicus curiae brief arguing that a noncontributory pension plan constituted a security—even though such plans were already regulated by the Department of Labor under the Employee Retirement Income Security Act. The commission has also expanded its sway by rejecting even minimal standards of materiality in disclosure.

Worse still, Karmel argues, the commission has sometimes gone beyond mere empire-building to the violation of civil liberties. One such case is its attempt to punish firms that fail to disclose in a prospectus all of their possible violations of environmental and various other regulations. "An individual should not be forced to forgo his Fifth Amendment protection because he is employed by or is an officer or director of a publicly held corporation." Another is the SEC's attempt to discipline "attorneys who were thought to be in league with their clients in undermining the Commission's law enforcement activities" or who failed to disclose their clients' illegal actions. By forcing lawyers to serve the SEC's interests rather than their clients', Karmel says, the policy deprives clients of effective legal advocacy.

What to do? Karmel begins her proposals for change by distinguishing deregulation from regulatory reform and both of these from what she calls law reform. Though she notes, in passing, recent arguments by financial theorists that increasingly professional investors (and thus increasingly efficient markets) have rendered the SEC's original mission redundant, she does not favor deregulation—that is, doing away with the commission—or even regulatory reform, as she understands it. She claims that, although regulatory reform had some support on the left, the "primary coalition" in its favor was probusiness. "The secret agenda of this New Right group was to stop regulators in their tracks by putting so many procedural obstacles in the regulatory process that no new regulations could be promulgated."

It was to counter pressure for this kind of regulatory reform that the SEC instituted its own reform attempts—attempts that, she says, stumbled because of the commission's parochial outlook. She argues that independent agencies, deliberately created as bodies outside the normal political process, are now suffering from their very independence—specifically, because they cannot keep up with political needs and realities and tend to stick stubbornly to their own internally developed objectives.

Karmel thus comes down for a third alternative—"law reform"—by which she means having Congress revise the laws governing the SEC in a way that will promote efficient government intervention in the economy for the purpose of, among other things, promoting capital formation. In her view, "regulation designed for the purpose of achieving greater social justice through increased prosperity must enthusiastically endorse private enterprise and administrative due process."

Federal Lands in the West: Have Ranchers Gotten a Bum Steer?

Locking Up the Range: Federal Land Controls and Grazing by Gary D. Libecap (Cambridge, Massachusetts: Ballinger Publishing Company, 1981), 109 pp.

Ranchers and the Interior Department have competed for control of the western range for over 100 years, but the controversy has recently heated up. In this study Gary Libecap of Texas A&M University outlines the harm that insecurity of land tenure has done to the western grazing lands.

The competition between livestock growers and federal land managers began in the 1880s. As settlement moved west, the "homesteading" process ran into an obstacle: the 160-acre tract allowed by the Homestead Act was perfectly suited to support a family on the prairie but not sufficient to support one on the arid western range. Ranchers began fencing off tracts of more than 160 acres. In transitional areas between prairie and range, moreover, their claims conflicted with those of the farmers. The Interior Department's General Land Office refused to allow the ranchers' claims and sucessfully resisted efforts in Congress to make them legal. Thus the ranchers' fences were torn down, the range lands remained in the public sector, and a "commons" emerged.

Predictably enough, the author says, overgrazing followed, since a rancher had to keep livestock on the land continuously in order to maintain an informal property right to it. As a Department of Agriculture study put it in 1916: "The only protection a stockman has is to keep his range eaten to the ground, and the only assurance that he will be able to secure the forage crop any one year is to graze it off before someone else does." The results were erosion, the consumption of grass needed for winter pasture, low livestock quality, and high animal mortality rates. A 1922 Agriculture Department study noted that on an overgrazed range "there is never much, if any, reserve feed, so that whenever a drought occurs, the stock must be taken off."

Ranchers also fought a protracted battle with the department over the issue of fencing. Fencing is economically useful not only because it makes land tenure more secure but because it protects pastures and water holes from livestock and protects livestock from poisonous plants, alkali water, diseased animals, and undesirable breeding opportunities. But private enclosure of federal land has been illegal for most of this century. "During World War I," Libecap says, "antifencing activities were suspended to insure steady supplies of meat—an ironic recognition of the importance of fences. . . ."

The 1934 Taylor Grazing Act halted the already slow process of disposal of federal lands and set up a permanent federal structure to administer them. The act gave the Interior Department jurisdiction over all remaining unreserved range land and assigned stock owners formal grazing permits, subject at first to the regulation of the department's Grazing Service, and after 1946 to that of the Bureau of Land Management (BLM). Contention between permittees and the BLM has continued since then. The BLM now administers 23 percent of all acreage in the eleven states of the Far West, including nearly 70 percent of Nevada and over 40 percent of Utah.

From 1960 through 1980, ranchers lost much of the security of tenure and the decision-making power that they had held under the Taylor Grazing Act. Conservationist groups achieved "multiple use" policies guaranteeing access to ranch land for such uses as recreation. Other critics pointed to continuing overgrazing and inefficiencies as evidence that the land was being misused by the private sector and should be subject to more formal federal management. Although these regulatory changes were spurred by a general rise in concern for environmental issues, Interior officials were protagonists in the process, circulating reports, testifying, and drafting legislation to expand their regulatory role. Coincidentally, they secured higher budgets and staffing.

The impact of the changes and the uncertainty they have engendered is shown in the relative decline since the 1970s in the price of ranches adjacent to (and used in conjunction with) BLM land, and in the appraisal values of BLM grazing permits. Conflict between ranchers and officials also appears to have reduced investment in land improvements such as wells.

These inefficiencies of the "commons," the author believes, point to the need for secure property rights to the western range. There appear to be no significant external effects to private range use, Libecap says; ranchers incur the full social costs and benefits from their efforts. Since transaction costs in transferring land to others seem low, land would quickly reach its highest-valued use, whether it be ranching alone, wilderness, or a combination of these (and other) uses.

The difficult question remains of how to distribute title to the land among private claimants. Libecap believes that assigning title to existing permittees is the least costly approach—and adds that it is consistent with traditional U.S. and state policies recognizing "prior appropriation" claims for water, farmland, and hardrock minerals.

No Toothless Tigers at the FTC

"The Effects of FTC Advertising Regulation," by Sam Peltzman, Working Paper, Center for the Study of the Economy and the State, University of Chicago, 1980, 68 pp.

Since 1938 the Federal Trade Commission has tried to prevent "false and misleading" advertising, and for almost as long skeptical observers have doubted the effectiveness of its regulation. Their skepticism arises on several grounds. First, some doubt that there are many cases where market pressure does not adequately protect consumers. If false advertising has little effect in the marketplace, regulation of it is unlikely to accomplish much. Second, false advertising is inherently difficult to distinguish from what has been called "aggressively competitive" advertising. And third, the enforcement mechanisms available to the FTC may not be adequate for the job. In particular, the agency imposes no penalties, only cease-and-desist orders, on firms it finds guilty of false advertising, and its process for obtaining cease-and-desist orders is cumbersome and slow.

In this study Sam Peltzman, professor of business economics at the University of Chicago, challenges the common view that the regulation is ineffective. He finds that, whether or not the FTC's enforcement efforts have helped consumers, they have at least had a major effect on the advertisers in question.

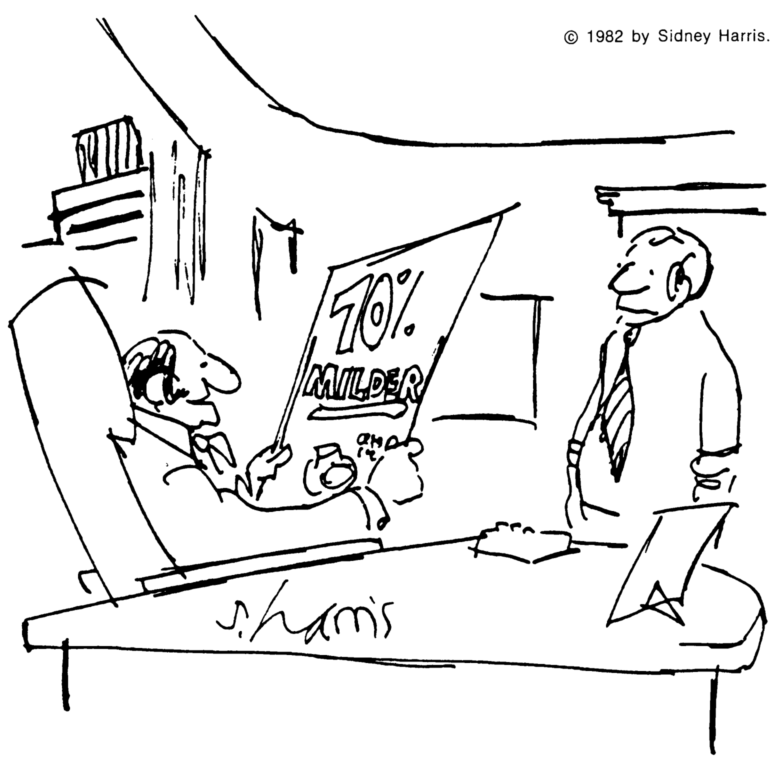
Advertising serves two functions: to attract new customers and to remind repeat customers of a product's existence. Since repeat customers have already sampled the product and know its attributes firsthand, false advertising should not influence their purchases, Peltzman says. But new customers are unable to discern the product's attributes before they purchase it, so they may be fooled by false claims. Thus false advertising is intended to reap temporary gain from new buyers until they realize their mistake. (There will also be some customers satisfied with the product despite its failure to live up to its promises, and who thus become repeat customers, but they should make up a smaller proportion of all new customers than they would if the advertising were "true.")

Peltzman therefore proposes a "crude check" of the "falsity" of an ad campaign: it is false if it attracts unusual numbers of new buyers to the firm's clientele in the period and if relatively few of these new buyers become repeat customers. Peltzman's model implies that other signals of false advertising are high overall advertising, reduced customer loyalty, and unusual growth in demand. If the FTC's proscription of a particular ad campaign genuinely eliminates falsity that has deceived consumers, the proportion of repeat buyers to new buyers should increase after the ads are halted, the product's average customer loyalty should increase, and its demand and long-run advertising expenditures should fall.

Peltzman takes up a number of FTC cases that were settled before the Magnuson-Moss changes that broadened the FTC's powers in 1975. He gauges the effect of the FTC complaint on the advertising market, the capital market, and the market for the advertised good itself. To test for shifts in the composition of the product's clientele between repeat buyers and new buyers, he compares market share with lagged market share before and after the FTC action. He then uses statistical regression to estimate the percentage breakdown of each firm's clientele between repeat and first-time buyers.

In 1961 the FTC obtained a cease-and-desist order against toothpaste manufacturers. Though he finds no evidence of below-average consumer loyalty before the order, he does find that consumer loyalty increased substantially afterward. But he considers the evidence weak, and thinks it may reflect overall trends in the toothpaste market. If the affected brands had been advertised falsely, moreover, the FTC action should have slowed their demand growth, but there is little evidence that their growth slowed more than that of the brands not sued. Pepsodent won its FTC case but lost market share anyway, suggesting that the complaint, rather than the outcome, may be what drove away some consumers.

Sales of other goods subject to FTC complaints also do not show strong evidence of commission success. Demand for Alcoa Wrap grew before the case was brought, and fell afterward; but the effects were so slow as to seem



"I LIKE TO THINK OUR FALSE AND DECEPTIVE ADVERTISING IS FALSER AND MORE DECEPTIVE THAN ANY OTHER AGENCY'S FALSE AND DECEPTIVE ADVERTISING."

unrelated to the case itself. Blue Bonnet margarine followed a similar demand pattern, but did not have an unusual number of new buyers before the case and did not show any strong growth in customer loyalty afterward. Two gasolines (Chevron and Sunoco) showed no gain in market share before the case, and only a temporary and slow decline in market share afterward; the firms' customer loyalty levels also displayed at best temporary effects. The same pattern of mild and temporary effects occurs in two other cases, which were both based on confidential data. In the other cases (Fleischmann's margarine, Hi-C juice, Ocean Spray cranberry juice, and Hawaiian Punch), Peltzman finds strong, but temporary, regulatory effects on customer loyalty, a conclusion confirmed by data on demand growth.

False advertisers should also advertise more heavily than other firms, if Peltzman's model is correct. In eighteen cases decided after 1969, he finds that a firm's advertising generally increased in the period before an FTC complaint and decreased in the period after. The advertisers' expenditures declined most sharply in the period two to four years after the FTC secured the cease-and-desist order, after which a new equilibrium level was reached. This evidence, Peltzman asserts, is consistent with the theory that an FTC complaint tends to dampen *all* advertising of the affected brand, not just the offending ads.

Of all the effects of regulation, the strongest, by far, were those on capital values. Peltzman found that the filing of an FTC complaint against a firm was closely associated with a drop in the firm's stock market value. Over the two-month span from a month before the date of filing to a month afterward, the stock price of the firms studied dropped by a mean value of 3.1 percent. Peltzman terms both the magnitude and the speed of these effects "amazing" and "a mystery." He argues, "The story the stock market seems to be telling is that an FTC complaint implies essentially a wiping out of the brand's advertising capital. . . . The adverse effects on a company go beyond those on the market for the specific product."

Peltzman concludes that "the disparate data seem to agree on one major point: the 'toothless tiger' image of FTC advertising regulation is wrong. Visible and sometimes very substantial effects of the regulation show up in the product market, the advertising market, and, especially, the capital markets." He emphasizes, however, that this evidence does not point to any normative conclusion about FTC regulation. Not only are price data missing for most of his cases, he warns, but the existing data do not clearly indicate whether the ads in question were "false" or not.

The Role of Incentives in Health and Safety Reform

Social Regulation: Strategies for Reform, edited by Eugene Bardach and Robert A. Kagan (San Francisco: Institute for Contemporary Studies, 1982), 420 pp.

This study brings together papers by twelve regulatory analysts discussing possible ways to reform health, safety, and environmental regulation. The editors, Eugene Bardach and Robert Kagan, both political scientists at the University of California at Berkeley, argue that reform must seek to change the incentives that regulators face in their work: "any reform strategy that depends on 'leadership' rests on a weak reed."

At present, according to Bardach and Kagan, those incentives lead agencies to concentrate on steering clear, at all costs, of a "worst-case" scenario. For an agency whose job is to prevent risk, the "worst case" is usually an improperly granted permission. "The best defense against scandal is an administrative style whereby enforcement officials are expected to prove their diligence by logging a high number of inspections, citations, abatement orders, and other enforcement actions." Moreover, "[i]nspectors are instructed to guard against co-optation by adhering strictly to the formal steps or checklists prescribed in their manual of regulations, rather than negotiating with representatives of regulated entities." By contrast, "agencies find it hard to establish bureaucratic measures of how 'reasonable' they have been."

Even if the agency can be convinced to support reform, the regulated industry may put up its own resistance. This happened, for example, when the Department of Agriculture tried to introduce several reform measures into meat-packing regulation, according to Thomas P.

Grumbly, a consultant formerly with the Food and Drug Administration and the department's Food Safety and Quality Service. During the Carter administration, Grumbly says, the department wanted to replace continuous on-the-spot inspection by government agents with a form of self-regulation. The industry, however, saw the change as a step toward user fees, and preferred to let the government keep on picking up the costs of quality assurance. Consumer groups were also suspicious of the scheme, not only because it gave industry greater autonomy, but because they, like industry, opposed user fees. (They thought such a system would leave regulators financially dependent on industry.) The industry also reacted skeptically when USDA proposed "performance standards," instead of traditional command-and-control regulation, to control the level of nitrosamines in meat. It had always been possible for packers to comply with command-and-control regulation, because the department specified each step they had to take. But performance standards specified only the department's desired goals, and, the packers complained, the department had not demonstrated that the goals were achievable.

In a chapter on regulatory paperwork, Bardach points out that paperwork is often used as a substitute for more intensive regulation, and thus may actually be increased by many regulatory reforms. He notes that "the more that on-site visits are replaced with a regime of 'self-regulation,' the more paperwork is likely to increase and multiply." To the extent that paperwork removes the need for direct visits by inspectors, "there is at least an initial presumption in its favor." Some on-site work will still be needed:

> Direct inspection is best suited to enforcing rules that bear on the physical environment—e.g., machine guards—[and] much less suited to enforcing rules that govern less tangible yet no less real features of the social world, such as decision processes, motives, intentions, understandings, and so on.

Bardach also notes that the more flexibility a system provides through variances and exemptions, the greater the paperwork and documentation burden.

Other contributors to the volume include William Havender, Robert Kagan, and Timothy Sullivan of the University of California at Berkeley, Lawrence Bacow and Joseph Ferreira, Jr., of the Massachusetts Institute of Technology, Michael O'Hare of the Kennedy School of Government at Harvard, George Eads of the Rand Corporation, consultant Paul Danaceau, and attorney Stuart Pape.

Congress, the Parties, and Presidential Nominations

"A Conference on the Parties and the Nominating Process," *Commonsense: A Republican Journal of Thought and Opinion*, vol. 4, no. 2 (1981), pp. 1-97, and vol. 5, no. 1 (1982), pp. 1-145.

In December 1981, a three-day conference on "Parties and the Nominating System" was held at Harvard University. Jointly sponsored by the Democratic and Republican National Committees and Harvard's Institute of Politics, the conference brought together politicians and academics to consider what parties might do to strengthen their role in the presidential nominating process, and how federal and state regulation may affect that effort. The Republican National Committee magazine *Commonsense* has published two special issues containing six of the papers presented at the meeting, summaries of other papers, highlights of group discussions, and a listing of studies and other ongoing work in the field.

Since 1968, the major parties have made repeated efforts to reform the way they select presidential nominees, and each successive reform has had its consequences, intended and otherwise. Primaries have proliferated at the expense of party caucuses; whereas there were only seventeen Democratic and sixteen Republican primaries in 1968, the figures were up to thirty-one and thirty-five by 1980. One-issue and multi-issue political action committees have also grown. Scholars, journalists, and candidates themselves sometimes complain that the present nominating system is too long and expensive, discourages some good candidates, and does not test important qualities a presidential candidate should possess. Because each candidate's campaign is run independently of the weak national parties, a newly elected president may find it difficult to work harmoniously with Congress, even when it is controlled by his own party.

William Crotty of Northwestern University acknowledges these problems but urges caution on those who now seek to "reform the reforms" of the past decade. Crotty lists almost thirty different reform proposals, some quite extreme ("abolish all primaries" and "hold national conventions in September to shorten the campaign"). He supports past Democratic party efforts to reduce the power of state and local party officials in presidential nominations, encourage participation in primaries, and increase the representation of women and specified minorities in nominating conventions. He warns, however, that "a decisive government role in the process" would go "much too far," adding that "[t]he political parties, for better or worse, should remain the masters of their own destiny."

John Bibby of the University of Wisconsin at Milwaukee, on the other hand, has serious reservations about both the intent and the outcome of past party reforms. Today's weak parties, he says, may no longer retain any significant control at all over the nominating process. Citing research by Austin Ranney and Anthony King, Bibby argues that candidates are now chosen by persons with little or no long-term involvement in the party itself. The reforms of the last decade have given the advantage to candidate supporters and issue activists at the expense of party leaders. Bibby recognizes the difficulty of reversing the trend toward primaries, and suggests that such decisions would have to come from the national committees in Washington. He also favors a return to a system where party platforms are written by persons with long-standing party affiliations.

Everett Carll Ladd of the Roper Center for Public Opinion Research also argues for a greater role for "institutional parties," noting that "mass electorates cannot plan." Party regulars—those who hold office in the party's name, or hold positions in a party bureaucracy—should help screen presidential candidates, he suggests, because they have more than a casual interest in the party's future.

James Lengle of Georgetown University examines three possible rule changes: shortening the primary season, moving to a more even balance between primaries and caucuses, and making members of Congress convention delegates ex officio. He questions whether shortening the official primary schedule would have a significant effect on the length of the campaign. One would expect a shorter season to benefit well-known candidates and perhaps reduce the number of candidates. [Under new rules adopted in April 1982, the Democratic party has in fact created a three-month "window" within which all caucuses and primaries will be held except for the Iowa caucuses and New Hampshire primary.] Lengle also suggests that which delegate selection method is best may depend in each state on the strength of the party: strong parties will find caucuses useful, while weak parties should schedule primaries. Finally, Lengle supports the return of elected officials to national conventions as a means of checking interest group power and forging links between the presidential and congressional wings of the parties. [One of the Democrats' 1984 rules will bring up to 550 "superdelegates" to the national convention.]

Two papers deal with more specialized topics. Antonin Scalia, editor of *Regulation* magazine, sets out to present "in layman's terms" the legal and constitutional complexities of party reform. Gary Orren of the Kennedy School of Government reviews the recent history of presidential campaign finance, and notes that laws intended to reduce the influence of money in campaigns by limiting individual contributions to candidates have ironically had the opposite effect. Seed money for challengers is now harder to raise, while even established candidates must now devote a lot of time to raising the necessary sums in small increments.

Participants in the conference generally favored strengthening the major political parties and keeping the involvement of the federal government to a minimum. As Jonathan Moore, director of the Institute of Politics, noted in his summary, "substantial consensus" was reached that Congress "should refrain from interfering in national party affairs." Specifically, the participants agreed, Congress should not require a national or regional primary system or fix the times at which polls close.

The first issue concludes with a "clearinghouse" of ongoing research projects by individual scholars, study groups, and official Democratic and Republican reform commissions.