CURRENTS

The Corporation in the Classroom

by Fred M. Hechinger

IS IT REALLY true that American universities are anti free enterprise? True or not, it's no secret that many corporate leaders are convinced that most college-level economics courses play down capitalism and talk up socialist economics. As a result, more and more corporations are now underwriting college courses intended to teach the superiority of free enterprise.

This new activist role played by corporations on the campuses may well become a significant force in higher education. According to the Council for Financial Aid to Higher Education, industry has already underwritten 100 such courses, and another survey reports the endowment of more than 20 "free enterprise" faculty chairs, with an equal number currently in the planning stage. Clearly, it is a trend that deserves attention.

Some of the big companies make no bones about the one-sided aims of the programs that they bankroll. The Goodyear Tire and Rubber Co., for instance, has given Kent State University $250,000 to set up the Goodyear Professorship of Free Enterprise. The retired advertising executive who holds the new post says frankly that he regards it as a golden opportunity to act as a "business missionary." A businessman who endowed Ohio State with a similar chair has said, "Since universities teach youngsters about the Communist, socialist, and fascist systems, I feel [there is] a real need for someone to teach about American free enterprise."

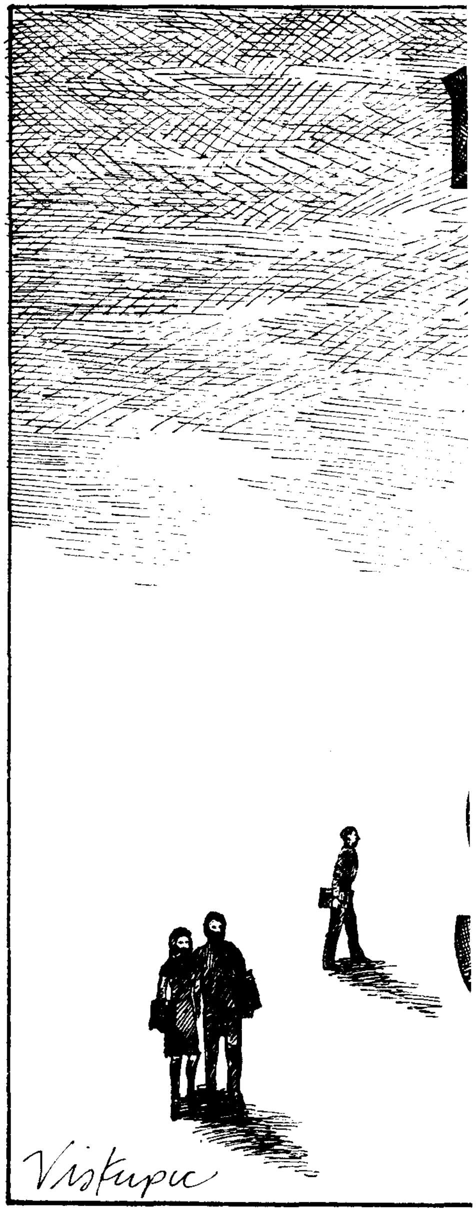
These sentiments are by no means rare. The corporate foot in the college door is increasingly accompanied by the refrain about academe's alleged anti-business orientation: Free enterprise, so the theme goes, is being routinely maligned in the nation's classrooms. And since everybody loves an underdog, it is not surprising that corporate-image builders are trying their best to portray free enterprise in America as Little Red Ridinghood about to be swallowed by some Big Bad Wolf—Big Labor, Bad Socialism, Big Bad Government, and now, worst of all, college economics teachers.

Unfortunately, there are a number of things wrong with such notions. They generally derive from the strange assumption that college economics courses fail to teach the basic facts about free enterprise—about the market economy, the law of supply and demand, the nature of competition, the workings of investments and the stock market, and so on. Any such assumption is patently absurd. If the American way of doing business has been so shamelessly ignored in our classrooms, what accounts for the armies of young college graduates who eagerly become part of the free-enterprise system each year? How to explain continued corporate profits and the not insubstantial capacity of American business to maintain its profitability by making its wishes and ideologies known to Congress? If the college-bred anti-business virus is really so devastating, how is one to explain the rise of ever more powerful corporate conglomerates and American-led multinationals?

One can't help suspecting that what worries the proponents of Capitalism 101, as the *Wall Street Journal* recently called these offerings, is not really a dearth of instruction about the free-enterprise system but rather the universities' skeptical approach to the subject. Unfortunately, the corporate mind too often fails to realize that free enterprise, like any economic scheme, often lacks in practice some of the purity it possesses in theory. A college professor would be betraying his professional trust if he failed to discuss the system's flaws and abuses. Is it anti-business to look into price-fixing and monopolies, or to examine the conflict between profits and the public interest in matters of environmental concern, or to consider workers' safety or consumers' health? (Responsible teaching should, to be sure, make it clear that many of the same issues arise under other economic or political systems, often without the considerable benefits proffered by free enterprise.)

THE PROBLEM with the concept of free-enterprise chairs—endowed by business and filled with appointments made directly by the donors or according to their guidelines—is that it is incompatible with university autonomy. It threatens to balkanize the campus. The donor of Ohio State's free-enterprise chair is quite right when he says that our universities teach about the Communist, socialist, and fascist systems. But in order to give communism a fair shake, should these universities encourage Leonid Brezhnev to endow an American college with a Communist chair and fill it with a reliable, retired member of the politburo? Should a Chilean general be flown in to expatiate on the sterling qualities of the junta's economic and political system?

Farfetched? Not really. According to a recent *New York Times* survey, universities are increasingly being tempted, at a time of growing budget deficits, to accept foreign endowments. But if universities are allowing corporations to endow free-enterprise chairs having



strong links to the donors' point of view, by what logic should a university be expected to reject sponsor-controlled Iranian or Saudi Arabian chairs paid for by oil producers—who, after all, have reason to view as anti-OPEC many of the economic analyses promulgated on our campuses?

Further, is the corporate direction and staffing of Capitalism 101 to be followed by Labor 102, a course endowed by the AFL-CIO and taught by retired union organizers appointed by George Meany? The possibilities of making the universities responsive to every special interest group—giving equal time to any lobby with the means to endow a chair—are unlimited.

Admittedly, higher education helped to bring this situation on itself by running scared in the 1960s, when radical students and their aging camp followers pressed for the hiring of more "relevant" teachers. In a few instances, this craven response led to instant academic anointment of such "scholars" as Eldridge Cleaver. But even in the case of those occasional aberrations, at least the universities made their own mistakes, without allowing outside forces to provide the funds to endow chairs in Revolution 101. (To the best of my knowledge, no such endowments were provided by the Black Panthers or the Chicago Seven.)

In contrast, the conservative business community is today trying hard to bring about an ideological alliance between campuses and corporations. That these pressures come at a time when academic deficits are growing makes the trend all the more disconcerting. When an institution's integrity is undermined by a dollar shortage, it becomes vulnerable to the lure of corporate endowment funds.

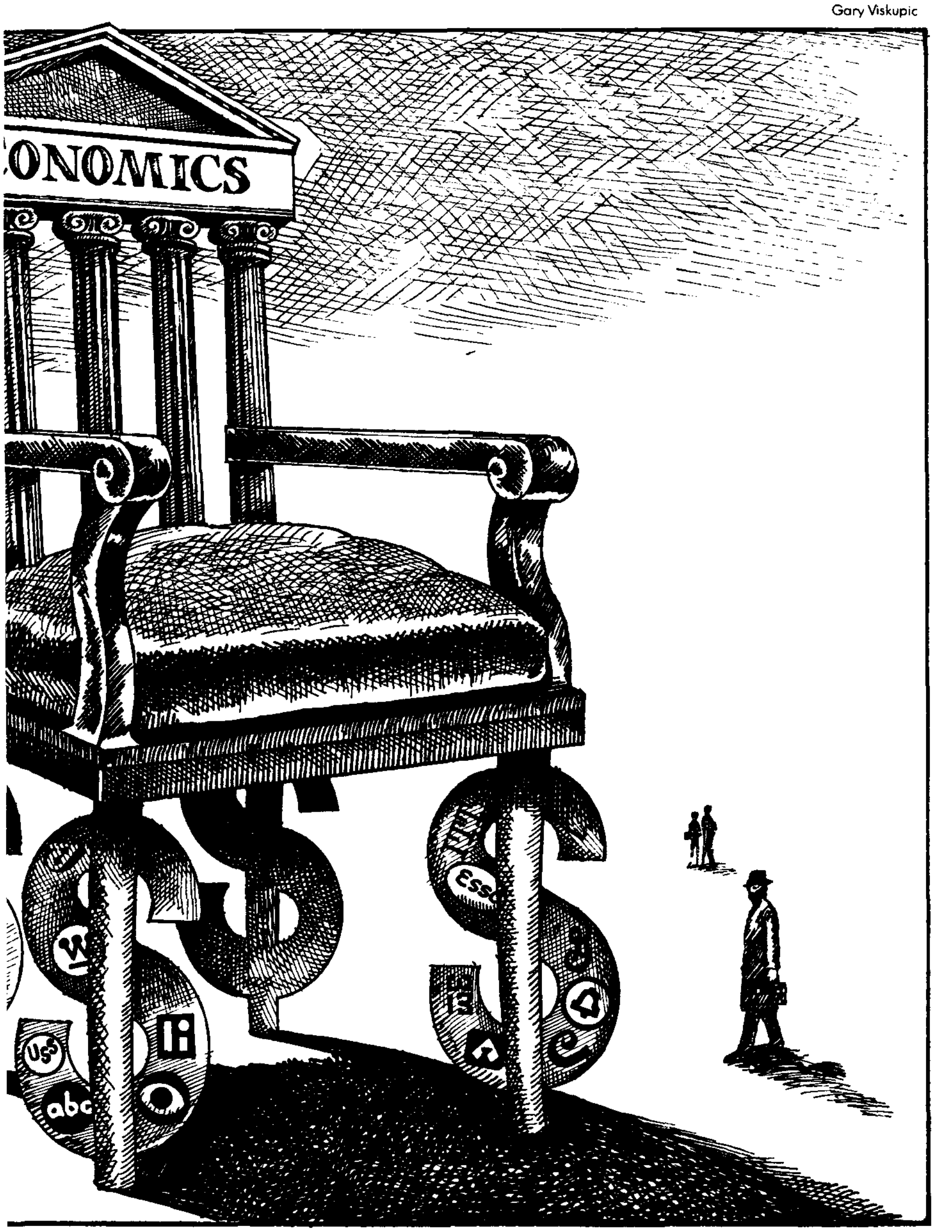
And when the endowment lure is not working, why not try something a little more persuasive? In March 1976, William E. Simon, then the secretary of the treasury, told a meeting of the Public Relations Society of America: "I would advise that you counsel your bosses and your clients to take a close look at the teaching policies of those schools... being considered for corporate gifts.... Otherwise the largesse of the free-enterprise system will continue to finance its own destruction."

More recently, in his book *A Time for Truth*, Simon has called for nothing less than a crusade to mobilize corporate wealth for the exclusive support of "pro business" scholars and academic institutions and to withhold funds from colleges and universities "whose departments of economics, government, politics, and history are hostile to capitalism and whose faculties will not hire scholars whose views are otherwise."

With the paranoia that seems to characterize the conservative business community's present view of the campuses, Simon sees America's major universities "churning out young collectivists by legions." One wonders how familiar the former secretary is with the major institutions whose students, far from being in the clutches of austere collectivism, seem obsessed with such nonradical concerns as getting into law, business, or medical schools, and are engaged in good old competition to beat out their peers.

But never mind the obvious pro-enterprise sentiment on our campuses. Is the capitalist system really so fragile as Simon seems to fear it is? Do its supporters really believe it can be saved from destruction only if conservatives infiltrate the colleges' economics departments? On the face of it, the proposition seems ludicrous. And yet, the underlying issue is deadly serious; for at issue is not just the matter of a few million dollars' being spent to finance a few business-propaganda chairs. The real question is: Who shall control the universities? Unless the universities retain their independence from even the most benevolent corporations—as well as independence from other benefactors—they will eventually find themselves being run by the host of conflicting, self-serving outside forces that in the past have destroyed universities in other countries. If this happens, the teaching of economic theory will be only one among many crucial academic areas—including political science, history, philosophy, and science itself—that end up for sale. ◉

Gary Viskupic



WASHINGTON

Dollar Dolors: Carter Bombs at Bonn

by Tad Szulc

IF PRESIDENT CARTER went to the July Bonn summit of heads of industrialized countries in order to instill world confidence in United States economic policies, then the most charitable thing that can be said about this effort is that he succeeded in misleading foreigners and Americans alike. The President's pledges on inflation and oil imports were instantly contradicted by American domestic reality, as well as by international reactions.

The joint Bonn declaration declared that "the President of the United States stated that reduced inflation is essential to maintaining a healthy United States economic policy," and that he listed anti-inflation measures being taken by his administration.

But within two weeks of Bonn, when the administration claimed that inflation in 1978 would not exceed 7.2 percent, the White House chief inflation-fighter, Robert Strauss, admitted that this was no longer attainable; he suggested that 9 percent would be a more likely figure.

Two days later, the Consumer Price Index showed that the cost of living for June had gone up 0.9 percent (the same as in April and May). If this rate is maintained—and Strauss himself recognized that it probably will be—inflation for this year will reach at least 10.8 percent, the feared "double-digit" territory.

Although Mr. Carter obviously cannot be personally blamed for what has already become runaway inflation by American standards, it remains incomprehensible how the administration could have made a *3.6 percent* error—nearly a 30 percent margin—over a three-week period. It was either trying to mislead its Bonn partners to produce a better summit declaration, a most short-sighted policy, or it was unable to understand domestic inflationary trends. It's hard to say which explanation is more hurtful to the President.

On oil, the Bonn declaration says that the United States will reduce its imports, and produce a comprehensive energy policy. The size of the American oil imports—nearly one-half of its consumption—has a destructive impact, not only on the United States balance of payments and on the value of the highly depreciated dollar: It is another built-in inflationary factor for the United States and the world at large.

But again, Mr. Carter made promises that he will be unable to keep. While the United States is now importing slightly less oil and the trade deficit is lower, the administration has not broken the back of the fuel problem. The ugly reality is that, without an import tax, which Congress is clearly unwilling to apply, oil imports would be reduced substantially only if the United States slid into a recession, with the concurrent drop in economic activity and demand. But this would be a terrible price to pay for American society to buy less petroleum. There is already plenty of recession talk, and the Carter administration clearly doesn't want to encourage it, especially since unemployment rose again in July.

Assurances of a "comprehensive policy framework" on energy by the year's end are equally delusory. Nobody on Capitol Hill seriously expects energy legislation before the November election, meaning there will be none until sometime in 1979—at best. Mr. Carter's continued inability to deal with Congress and the accumulation of vested interests in the energy situation—the wrangle over natural gas pricing stands as a case in point—are formidable obstacles in obtaining the kind of policy framework the President was promising in Bonn.

The inability of the United States to fulfill its Bonn commitment is certain to influence decision-making elsewhere in the world. West Germany and Japan, for example, have agreed—under tremendous American pressure—to take measures to stimulate their internal economies. Greater economic activity there would be beneficial to other Western countries as well as to the United States, from whom West Germany and Japan could buy more goods.

If the United States fails, however, to perform adequately on oil imports and inflation, Bonn and Tokyo may well conclude that they are no longer under the obligation to apply stimulative measures at home. The Germans have been fighting the American proposal all along because they feel that artificial stimulation would bring inflation; and now Mr. Carter may involuntarily give them an out.

Inevitably, the most realistic judgments are made in the marketplace and, in the wake of Bonn, these judgments have been catastrophic.

Prior to Bonn, for instance, the concern was that the value of the dollar might sink below the psychologically important barrier of 200 yen, which already represented a 25 percent loss in a year. But three weeks after the summit, the dollar was down to 185 and traders were talking of a further slump well below the 180 line, which is one half of the dollar value at the end of World War II. The dollar remained weak in Western Europe, while the price of gold soared again right after the summit, emphasizing the total lack of confidence in the dollar. At the start of August gold hit over $205 an ounce—nearly $25 above the level of a year ago, and the highest ever—and futures contracts for delivery reached $244 an ounce, another record price. This means that the world's money men are betting that the dollar will take an even worse beating in the coming year.

To complicate matters further, the oil-producing countries of the OPEC cartel have indicated that before long they may demand payments in a special "basket" of currency, instead of dollars. Such a basket would be made up of a mix of strong foreign currencies in addition to the dollar. Moreover, OPEC planned to raise the price of crude oil by 5 percent at the end of 1978—another inflationary surge.

As matters stand in autumn, the ball is squarely in Carter's court; he must—if he can—develop new policies to arrest international economic deterioration and remove the threat of rampant protectionism and trade wars. But thus far the Carter administration has not been able to get its domestic act together. It is entirely unclear who, if anyone, is in charge. There are disputes among Treasury Secretary W. Michael Blumenthal, Federal Reserve Chairman G. William Miller, Energy Secretary James R. Schlesinger, and anti-inflation czar Robert Strauss, covering a wide range of fiscal issues. The outlook is for more dissension and backbiting. The economic scene at home and overseas will tend to darken even more in 1979—and the West, including the United States, may have to face lower living standards unless Mr. Carter can find a way to stabilize the overall situation. ◉