



# WHO'S WHO

If you followed the Watergate hearings, you may remember the absent-minded testimony of **Richard Moore**, a seemingly elderly aide in the Nixon White House. Moore couldn't give a straight answer to any question, but his good-humored apologies for his weak memory won the forgiveness of senators and viewers alike, all of whom must have assumed that this engaging old codger was not long for this world. Well, here it is 16 years later and Moore has just been named ambassador to Ireland by the Bush administration. Moore was still in his fifties when he fooled everyone into thinking he was nearly senile. . . .

How does **M. Danny Wall** hold on as head of the Federal Home Loan Bank Board after presiding over the savings and loan disaster? It may have something to do with the fact that his rabbi is **Senator Jake Garn**, for whom he had worked and for whom his wife now serves as secretary and who happens to be the ranking member of the banking committee. . . .

**Richard Cheney**, the secretary of defense, says he "would have served if called" during the Vietnam war. He doesn't say that he kept himself from being called by choosing to go to graduate school, getting married, and having a child. . . .

**Bonnie Newman** is in charge of perks at **George Bush's** White House. She is the one who decides whether you get the chauffeur-driven car or the good parking space. No one other than clergymen or psychiatrists is likely to see the character of White House staff members so nakedly revealed. This helps explain why one of the most insightful books ever written about the White House, *Breaking Cover*, was written by one of Newman's predecessors, **Bill Gulley**, who held the job under four administrations. . . .

**Chic Hecht**, who gained fame for his remarks about "nuclear suppositories" while he was senator from Nevada, explains his qualifications for his new job as ambassador to the Bahamas this way: "I'm sure I will feel at home in the Bahamas. I've been involved in gambling in Nevada. I love golf and they have a lot of nice golf courses and good fishing." . . .

**James Baker's** holdings in the Chemical Bank were, according to *The Washington Post's* **Walter Pincus**, worth \$1.2 million instead of the \$2.9 million reported here last month. Pincus adds that Baker did not "disclose his bank stock during his 1985 Senate confirmation hearing and none of the members appeared to be aware of it until it was disclosed four years later in the *Post*." . . .

What does it say about **Henry Kissinger's** opinion of **Lawrence Eagleberger** and **Brent Scowcroft** that he paid the former twice as much as the latter while they were employed by his consulting firm? . . .

Two months ago *Who's Who* pointed out how Bush

has taken good care of the people who know about his participation in the Iran-contra affair and who might, if unhappy, choose to blow the whistle. Other names that should have been added to the list were **Thomas Pickering**, **John Negroponte**, and **John H. Kelly**. **Amiram Nir**, Israel's secret agent who told Bush about the arms for hostages deal, may have been taken care of in a less happy way. He died in a mysterious plane crash in Mexico after last fall's election. . . .

**Out—Commerce:** Assistant Secretary for Communications and Information—**Alfred C. Sikes**. **Interior:** Undersecretary—**Earl G. Jelde**. **Transportation:** Deputy Secretary—**Mimi Weyforth Dawson**.

**In—White House:** Member, Council of Economic Advisers—**Richard Schmalensee**. **Commerce:** Undersecretary for Travel and Tourism—**Rockwell Anthony Schnabel**. Assistant Secretary for Administration—**Thomas J. Collamore**. Assistant Secretary for Technology Policy—**Deborah Wince-Smith**. Assistant Secretary for International Economic Policy—**Thomas J. Duesterberg**. Assistant Secretary for Congressional Affairs—**William Douglas Fritts Jr.** Assistant Secretary and Director General of the U.S. and Foreign Commercial Service—**Susan Schwab**. Assistant Secretary for Communications and Information—**Janice Obuchowski**. **Defense:** Deputy Secretary—**Donald J. Atwood Jr.** Secretary of the Army—**Richard L. Armitage**. Secretary of the Navy—**H. Lawrence Garrett III**. Secretary of the Air Force—**Donald B. Rice**. Assistant Secretary for Legislative Affairs—**David J. Gribbin**. Assistant Secretary for Public Affairs—**Pete Williams**. **Education:** Undersecretary—**John Theodore Sanders**. **Housing and Urban Development:** Assistant Secretary for Public and Indian Housing—**Joseph G. Schiff**. **Interior:** Undersecretary—**Frank Bracken**. **Justice:** Deputy Attorney General—**Robert B. Fiske**. Assistant Attorney General for Legislative Affairs—**Carol T. Crawford**. **Labor:** Assistant Secretary of Labor for Occupational Safety and Health—**Jerry Scannell**. Assistant Secretary for Pension and Welfare Benefits—**David George Ball**. Assistant Secretary for Policy—**Jennifer Lynn Dorn**. Assistant Secretary for Public Affairs—**Dale T. Tate**. **State:** Assistant Secretary for European and Canadian Affairs—**Raymond Seitz**. **Transportation:** Director, Federal Aviation Administration—**James B. Busey IV**. Assistant Secretary for Policy and International Affairs—**Jeffrey Shane**. Assistant Secretary for Budget and Programs—**Kate Moore**. **Treasury:** Assistant Secretary—**David W. Mullins Jr.** **Agencies and Commissions:** Administrator, National Highway Traffic Safety Administration—**Jerry R. Curry**.

National Defense	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Social Security	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Medicare				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial Aid to the Needy						\$	\$	\$	\$	\$	\$	\$	\$	\$
Federal Pensions						\$	\$	\$	\$	\$	\$	\$	\$	\$
Health									\$	\$	\$	\$	\$	\$
Education											\$	\$	\$	\$
Veterans Benefits and Services											\$	\$	\$	\$
Transportation											\$	\$	\$	\$
Agriculture												\$	\$	\$
International Affairs/Foreign Aid												\$	\$	\$
Natural Resources and Environment												\$	\$	\$
General Science and Technology														\$

Send to the Times Mirror Center for Press & Public Policy, 1875 Eye Street, N.W., Washington, DC 20006, with your name and address.

LICENSED TO UNZ.ORG  
ELECTRONIC REPRODUCTION PROHIBITED

LICENSED TO UNZ.ORG  
ELECTRONIC REPRODUCTION PROHIBITED

# Now it's your turn.

*The coins represent each spending category's share of the federal budget (i.e., defense gets 27 of the 100 coins because it takes 27% of the budget).*

*Mark the five you'd take away to help cut the deficit, and send us the card. We'll tabulate everyone's answers, and send you the results, so you can see how others responded.*

This was one of 130 questions asked in this latest Times Mirror survey—the first-ever multi-nation study of public attitudes toward U.S. economic issues.

Gallup interviewed Americans across the country, as well as U.S. business, finance and government leaders and senior executives overseas—Japanese, British, Dutch and Canadians who run companies with large investments in the U.S.

We probed for opinions in 11 areas—competitiveness, trade, tariffs, deficits, taxes, government spending,



economic expectations, foreign investment, financial institutions' stability, knowledgeability, and press coverage of economic issues.

It was the most comprehensive examination of public opinion about

U.S. economic issues ever undertaken. And a copy of the report is yours for the asking. Just call (202) 293-3126.

Once you've read it, we'd like to learn your views of the issues it examines. As an information company, it's important for us to know what you think.

Address your correspondence to the Times Mirror Center for Press & Public Policy, 1875 Eye Street, N. W., Washington, DC 20006, Donald Kellermann, Director.

*Times Mirror, an information company with interests in broadcast and cable television, publishes books, magazines and the Los Angeles Times, Newsday and New York Newsday, the Baltimore Sun newspapers, The Hartford Courant, The Morning Call (Allentown, PA), The Advocate, Greenwich Time (Connecticut) and National Journal.*



**Times Mirror**  
*We're interested in what you think.*

---

## **When the FAA studied the backgrounds of its best controllers, it found no correlation between academic training and professional skill.**

---

Olympic-training system, where grade school children have their muscle fibers and body fat tested to see who is the most promising natural athlete. Competence is what you can actually do today; it's the idea behind the summer training camps held by National Football League teams, where the coaches see whether the promising rookies and the veteran stars are up to snuff this year.

The Soviet Olympic-training system may be fine for the Soviets, but the summer training camps are closer to the American ideal of how a merit system should work. Everyone has a chance; no one can coast for long; there's always next year. To reflect America's goal of openness and also to ensure skillful performance, an American merit system should pay more attention to competence than to ability. But McClelland and others have shown that the emphasis on professions, occupational licenses, and educational requirements rewards ability more and competence less.

The licensed professions focus attention on how a teacher or accountant or doctor trained for his job—did he go to the right school and get the right credential?—while simultaneously discouraging measurements of how well the people already in the profession do their work. Teachers' unions, for example, fight hard to keep "unqualified" people, those without education degrees, out of their profession and then fight equally hard against competence tests and outside assessments of how qualified today's teachers are. The IQ and tracking systems strive for more and more refined predictions of who will succeed but make no corresponding attempt to see who is in fact doing a good job.

There are two separate issues involved in this shift from competence to ability. One is what it does to

the American idea of starting over and having second chances. The other is whether it's effective in its stated goal, guaranteeing skillful performance.

The effect on mobility is straightforward: the more we concentrate on ability, the harder it is for people to find new roles. It's all but impossible to think of starting over when the steel mill closes down if your big mistake was being in the slow reading group in fourth grade or choosing the wrong parents. Moreover, an emphasis on ability inevitably leads toward a hereditary class structure, since measured IQ is inherited about as consistently as money. The people with the most money and the highest social standing do best on the tests.

There are dozens of similar illustrations. When the Army Alpha tests were given during World War I, they showed that intelligence varied with both rank and race. Soldiers with Anglo-Saxon backgrounds had IQs higher than the average score for all whites; Irish Americans' scores were below that average; Greeks placed lower still; southern blacks, lowest of all. (Blacks from the northern states, who mainly lived in cities, had higher scores than newly arrived Italians, Poles, and Russian Jews.) The correlation between money and intelligence could, of course, merely indicate that America's meritocracy is functioning perfectly. The smartest people are getting the best jobs, earning the most money, and having the most talented children. But since this pattern showed up with the very first intelligence tests, which were given in the days of Jim Crow laws and blatant bias against immigrants and women, it is hard to believe that pure merit is the true explanation. Rather, the tests seem to measure something closely connected with social standing, so the correlation between IQ and money is a tautology; that is, it's two measures of the same thing.

Whatever the explanation for the link between money and intelligence may be, the effect is clear: an emphasis on so-called ability makes America rigid. People who start out on the bottom have inherently less chance to rise than those placing above them.

The second issue is whether this bias is necessary. Like the destructive side of capitalism, rigidity may simply be the price America must pay for its long-term growth. This, in fact, is exactly the argument that R.J. Herrnstein made in his book about the meritocracy.

But maybe this is not the whole story. Whenever scholars and investigators have looked closely at what people do in their jobs, they've found substantial differences between what it takes to get a job and what it takes to do it well. That is, they've found that the complicated and onerous effort to predict who will succeed need not be made at all.

Part of the problem here is that as licensing requirements have become more restrictive and been based even more on schooling, they haven't necessarily been tied to practical job skills. In California, contractors must pass a pencil-and-paper test before they can be licensed to go into business. According to one study, the major effect of this requirement was to spawn a cram school industry that taught people how to pass the test. "Most licensing exams involve written responses to questions and extensive recall of a wide range of facts that may have little or nothing to do with good practice," S. David Young wrote in *The Rule of Experts*. "For example, occupations such as plumbing and barbering rely on written exams devised by state licensing boards that test little more than the ability to memorize irrelevant facts. Another example is the California licensing examination for architects, in which candidates are expected to discuss the tomb of Queen Hatshephut and the Temple of Apollo." Knowing about the tomb and temple would be a plus for anyone; the question is whether it serves anyone's interest, except that of the architects' guild, to keep people who don't know from entering the market.

## Amateur hour

Moreover, once a person does get a license, he's practically immune from later scrutiny. Daniel Hogan, a lawyer and social psychologist at Harvard, pointed out that in 1972, only 0.1 percent of practicing lawyers were subject to some form of disciplinary action. Yet in another study, 30 percent of lawyers said they were aware of some legal or judicial misconduct. That is, something was seriously wrong with the standards of competence and honesty in the profession, but the elaborate system of licensing and credentials did very little to control it. In a typical recent year, only one American physician out of every 710 has his license revoked or suspended; most Americans who have been patients will find it difficult to believe that 709 out of 710 physicians are completely competent. Professionals must put in years of schooling and pass a test before entering the field, but they're usually never tested again. People who have passed the bar exam are licensed to do anything from drafting wills to arguing a case in court, although the skills involved are very different. A person who has not been to law school or passed the bar exam cannot do either, even though he may have exactly the right skills. ("60 Minutes" publicized the case of Rosemary Furman, of Florida, who drew up low-cost legal forms for poor people. No one contended that she was incompetent or had offered bad advice, but she was sentenced to jail for practicing law without a license.) Only those who have been to medical

---

**The NFL summer training camps are closer to the American ideal of how a merit system should work. Everyone has a chance; no one can coast for long; there's always next year.**

---

school can prescribe drugs or perform surgery, but psychiatrists, surgeons, and research specialists are legally free to do any of those things. A few professions have accepted "continuing education" requirements, which, once more, measure "input": the architect or lawyer shows that he has taken more courses, not necessarily that he's kept up his skills.

Those in the growing field of "competence" studies have developed a theory of how modern, complex society could operate without heavy licensing requirements. The consulting firm Richard Boyatzis heads, called McBer, was founded by David McClelland in 1963. It analyzes what people actually do in business jobs—not what their job descriptions say, but how they spend their time and which skills seem most crucial to their success. "I've come to see that whenever a group institutes a credentialing process, whether by licensing or insisting on advanced degrees, the espoused rhetoric is that it's enforcing standards of professionalism," he says. "This is true whether it's among accountants or plumbers or physicians. But the observed consequences always seem to be these two: the exclusion of certain groups, whether by intention or not, and the establishment of mediocre performance."

One of the most exhaustive studies of the difference between preparation and performance, or ability and competence, was undertaken by Daniel Hogan. In 1979 he published a fat, four-volume study called *The Regulation of Psychotherapists*. Its purpose was to compare preparation and performance as carefully and systematically as he could. First he examined the day-by-day workings of psychotherapists at every level, from the social worker to the licensed psychoanalyst and the psychiatrist with an M.D. He devoted hundreds of



pages to an analysis and a description of the traits that distinguish a good psychotherapist from a bad one. In deciding which psychotherapists were most effective, he concentrated strictly on “output”—whether the patient got better—rather than on “input”—how much effort the therapist applied, how much he charged, or how long he’d spent in school.

Then, having considered what it took to *do* the job well, Hogan, in the second half of the volume, went through all the qualifications a therapist needed to *get* the job. There was not much overlap between the two lists. To get a license to practice, a psychotherapist had to do well at hard, scientific training, which in most cases was unimportant in doing the job well.

Hogan’s book was filled with cases illustrating this point. In a study done in 1965, for example, five laymen, only one of whom had finished college, were given fewer than a hundred hours of training in therapy skills. Then they were put in charge of patients who had been hospitalized, on average, for more than 13 years without significant improvement. Under their “amateur” treatment, more than half of the patients got better.

“Competence” studies like Hogan’s have turned up many other illustrations of the difference between ability and performance—between what it takes to get a job and what it takes to do it. Two other fields are worth discussing: schoolteaching and air-traffic control.

## Secrets of St. Albans

Anyone who wants to teach in the public schools must first be licensed, which means getting a degree from a teacher’s college. Sometimes the people who get these degrees are good teachers, but that seems to be largely coincidental. In 1967, Harold Howe II, who was then the U.S. commissioner of education, said that this focus on credentials and certificates was “a bit like saying that Socrates wasn’t a good teacher because he had no credentials. . . . We have forgotten that Spinoza earned his living as a lens grinder and that Tom Edison quit school at nine.” Howe described a woman in her twenties who lived for several years in Paris, worked for a French magazine, and taught French at a private school when she returned to the United States. But when she applied for a job as a public school teacher, she was turned down flat because she had not been to a teacher’s college. Howe concluded, “I probably don’t need to tell you, either, that a majority of states do not require language teachers to be able to speak the language they are to teach.” Denny Harrah is a former professional football player for the Los Angeles Rams, chosen for the Pro Bowl six times. When he volunteered to help coach a high school football team in Charleston, West Virginia, he was

turned down because he was not “certified.” One of my children spent a year with an elementary school science teacher who had been shifted from teaching English. She was fully “qualified” to teach, since she had her credentials, but she knew less about science than most of the children did. During that year my son was taught, among other things, that the moon rotated on its axis, you could see its back side from the earth, and that you could go blind from looking at a picture of a solar eclipse unless you protected yourself with smoked glass. My son would check each day’s new information with a neighbor who had studied for a degree in astronomy. The neighbor, of course, was not qualified to teach.

Private schools are free to ignore education school degrees, and generally they do. I once observed classes at St. Albans, one of the most prestigious private schools in Washington, D.C. It was obvious that the students were learning more, or at least being offered more, than in typical public high schools. Part of the reason is that St. Albans is a very high-toned, expensive school that draws most of its students from professional-class families that stress education. But the school’s headmaster, Mark Mullin, said that another factor was more important to the school’s quality: “the freedom to hire the people we want. The freedom not to worry about certification, seniority, and all of that. I don’t know how we’d do without it. That clearly is number one.” Unlike the surrounding public schools, St. Albans could hire teachers who knew French and music, understood the rotation of the moon, and could also show that they had an instinct for teaching and dealing with children.

A few public schools have edged toward the same approach. The Houston school system has had to cope with large and rapid demographic changes, more dramatic than those in many other big-city systems. Only Los Angeles and Miami have had to absorb more immigrants in their schools. But unlike the performance levels in most other big-city systems, those in Houston schools went up in the mid 1980s. The superintendent of the Houston schools, a back-slapping character named Billy Reagan, said that his crucial advantage was his freedom, within the limits of a public school system, to let talented people teach even if they didn’t have the right credentials.

An education school dean would probably argue that public schools should put more emphasis, not less, on preparation. If they wind up with science teachers who’ve seen the dark side of the moon, then the teacher’s colleges should add more science courses to their curricula. This is the argument nearly every licensed profession has made when asking the government to stiffen entry requirements. (In the early 1970s, when I was working as an assistant in

**From those wonderful folks  
who gave you...**

**The Tax Reform Bill...  
The S&L Crisis... The Budget  
Deficit... And so much  
More...**

**YOUR**

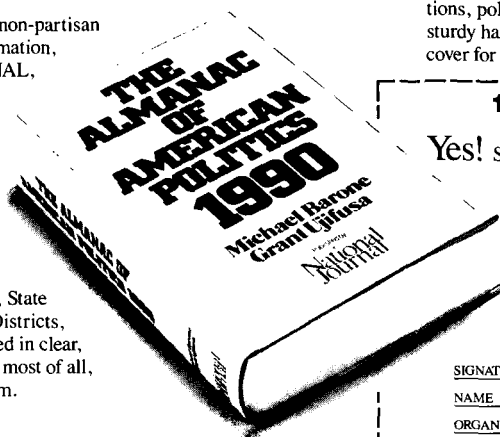
**GOVERNMENT!**

**The President, Governors, Senators and Representatives—who are they really? What are their backgrounds in service, education, business and family? How much money did they spend getting elected and where did it come from? How did they vote on important issues that concern you?**

Every citizen should know the answer to these and many more questions like them. Of course, it is impossible for the average citizen to keep track of the immense structure that is our government.

## IMPOSSIBLE UNTIL NOW!

The most respected non-partisan source of such information, NATIONAL JOURNAL, is proud to present *The Almanac of American Politics, 1990*, by Michael Barone and Grant Ujifusa. More than 1,500 pages of insight and information on the Nation, the Regions, State and Congressional Districts, written and illustrated in clear, understandable, and most of all, INTERESTING form.



**Use the order form provided or  
if order form is missing, call**

**1-800-424-2921** (In D.C. call 857-1491.)

There are so many practical uses for this book but let me give you just one:

- You are moving to a new area of the country, a new job, or planning your retirement —
- Think how important it is for you to know the status of the local economy and understand the historical and social reasons for that status.
- The population profile of your new area will certainly affect your new lifestyle. Ethnic groups, income levels and housing values are all identified.
- Who your elected representatives will be, their positions, voting records, and personal outlines will all be at your fingertips.

**No concerned citizen should be without this book.**

You will find it an invaluable source of information for clubs, organizations, political action groups, and businesses. Order your copy now in sturdy hardcover for \$44.95 (save \$12 off the bookstore price) or in softcover for only \$39.95 (save \$5.00).

### 1990 ALMANAC ORDER FORM

Yes! Send me 

Quantity	Item	Amount
_____	Hardcover ALMANAC(s) @ 44.95	_____
_____	Softcover ALMANAC(s) @ 39.95	_____
D.C. orders add 6% sales tax		_____
Shipping & Handling @ \$2.50 per book		_____
<small>(Not charged on pre-paid orders)</small>		TOTAL: _____

☐ I enclose a check (payable to National Journal)    ☐ Bill me  
☐ Charge my: ☐ Visa    ☐ MasterCard    ☐ American Express

ACCT. # \_\_\_\_\_

SIGNATURE _____	EXP DATE _____
NAME _____	TITLE _____
ORGANIZATION _____	PHONE _____
ADDRESS _____	
CITY _____	STATE _____ ZIP _____

Publication Date: August 1989. Discounts begin with 4 copies! BGO1  
 For more information call 1-800-424-2921. (In D.C. call 857-1491.)  
 MAIL TO: NATIONAL JOURNAL 1730 M. Street, N.W. Washington, D.C. 20036.

the Texas state senate, a group of auctioneers demanded that the state government license them. The public was being jeopardized by unqualified auctioneers, they said. Rather than letting just anybody conduct an auction, the state should make people pass written tests and spend a certain period in apprenticeship.) But there is little evidence that the regulations have done what they are supposed to do—that is, protect the public more thoroughly than a simple market test would have done. (In the case of teachers, a market test would mean letting principals and school districts hire people who know their subjects, as private schools do today.) As S. David Young concluded in his book about licensing, “Occupation regulation has served to limit consumer choice, raise consumer costs . . . deprive the poor of adequate services, and restrict job opportunities for minorities—all without a demonstrated improvement in quality or safety of the licensed activities.”

## No to Tokyo

If schoolteaching and psychotherapy seem too “soft” to provide a fair test of meritocratic standards, what about air-traffic control? In 1970, in *The Great Train Robbery*, Ivar Berg reported on a study conducted by the Federal Aviation Administration, which wanted to analyze what made the 507 top-ranking air traffic controllers good at their jobs. The question was whether advanced educational requirements would produce more competent controllers; the answer was no. Berg said that the controller’s job seemed to demand a high degree of academic preparation. It required an understanding of important mathematical and engineering principles, and it also drew on some of the personal qualities that higher education was supposed to foster: disciplined thinking, reliability, responsibility, and so on. Yet when the FAA studied the backgrounds of its best controllers, it found no correlation between academic training and professional skill. Half of the top-ranked controllers had never gone to college. Many of them had come directly to the FAA from high school or military service, and had then received rigorous technical training specifically related to their jobs.

When competence really matters—among air-traffic controllers, on the battlefield, in very competitive businesses, in high-powered prep schools—people soon find a way to look past academic preparation and find out who can really do the job.

There is one other argument for relying on “ability” and “preparation” to steer people toward jobs. They may not be perfect gauges of later competence, but how bad can they really be? Once, while interviewing officials at the Educational Testing Service headquarters near Princeton, I came to the end of

a long discussion with an ETS test designer. Yes, he said, standardized tests measured largely, often laughably, arbitrary skills. Yes, they reflected the students’ exposure to literate, upper-middle-class culture during their formative years. No, test performance didn’t necessarily have much to do with useful job skills. And yes, children raised in families with the most money consistently did best on the tests, for reasons that seemed to reflect money itself as much as innate differences in talent. “But, in general, the kids who know these things know a lot else,” he said. “A lot.”

The idea that tests and school credentials are “close-enough” approximations of other, important skills might be satisfactory in Japan. There, everyone seems comfortable with the knowledge that the people—in practice, the men—who get into Tokyo University are the ones who will lead industry and government. The Tokyo University admissions test doesn’t measure much that is directly useful to Toyota or the Ministry of Finance. The English-language portion of the test, for example, measures almost nothing that would be useful to people who intend to speak English. (In a sixth-year English class in Tokyo high school, I once listened to a 30-minute lecture, in Japanese, about the supposed difference between “attain” and “attain to.” Apparently it had been on an admissions test.) But the tests do measure effort, and for the Japanese that’s close enough. Conceivably the same principle could apply here. Long years in school and good scores on tests may not be directly connected to professional competence, but indirectly they may lead the right people to the right jobs.

The main problem with this reasoning is that it ignores the tremendous damage caused by the emphasis on “ability.” The more that formal schooling matters, the harder it is for Americans to move out of the social class where they were born. For American society, unlike Japanese, schooling and ability should be emphasized only if there’s no other way to ensure competence. In fact, as the evidence shows, the educational merit system increases costs and decreases opportunity without noticeably raising the overall level of skill.

The world is full of “close-enough” judgments, which are also known as “prejudice.” Statistically, the average black American man is more likely to be a criminal, a drug abuser, and a credit risk than the average white American. Therefore, employers would be close enough if they refused to hire any blacks. This policy would be close enough, but it would be ugly and unfair.

America cannot afford to erect barriers that are close enough. America was built by people who broke out of categories, defied probabilities, and changed their fate. □



**“World Press Review offers a magical, painless operation for curing the tunnel vision of those of us who read the newspapers of one city, watch the evening news of one network, and take in the magazines of our own country.”**

—Alistair Cooke

**WORLD PRESS**  
**Review**

200 Madison Avenue  
New York, NY 10016

# Stop Panicking Over Inflation

## *Why liberals should hate Volcker and Greenspan and love low interest rates*

by Paul Craig Roberts

Just the facts, ma'am.

The 1980s has been a period of low inflation, yet the fear of inflation has grown, leading savvy business-folk of moderate means, and those of great fortunes to their demise.

Take the Hunt brothers of Texas, whose sloppy guesstimates about the rate of inflation cost them \$4 billion. Back in 1979, driven by an almost apocalyptic fear of inflation, the Hunts placed their faith in silver. They were convinced that inflation would roar unabated, making all paper money worthless. They were equally certain that the value of precious metals would soar. So they began to hoard silver, storing it in vaults around the world with the vision of rising Phoenix-like from the impending destruction of the dollar. They even envisioned themselves issuing their own silver-backed bonds once inflation ravaged the world's currencies.

Unfortunately for them, but fortunately for the rest of us, the dollar didn't sink to the value of the proverbial continental. Inflation cooled, and like so many other prices, the cost of silver actually tumbled, falling from \$34 an ounce in February 1980 to just \$11 the next month. Today, it is \$5.80.

Despite the immortal failure of the Hunts, hun-

dreds of thousands of investors continued to manage their money as if inflation were preordained. They leveraged themselves with debt, secure in the conviction that inflation, which allows a debtor to pay off his creditor in cheaper dollars, would make them winners. Farmers were KOed as the average value of farm land fell by half, from \$1,053 per acre in 1979 to \$564 in 1988 (in constant dollars). In Grapes-of-Wrath fashion, the farm-credit system collapsed, and the sight of a farmer auctioning off his tractor and his memories became commonplace. To stem the destruction, direct government payments to farmers soared 1,300 percent from \$1.3 billion in 1980 to \$17 billion in 1987.

The unexpected collapse in the price of farmland, energy, and precious metals, together with the Fed's high interest policy, helped push the country's savings and loans into bankruptcy. There are many villains in the S&L crisis, but one that is rarely fingered is the fear of inflation. The S&Ls had shoveled loans out the door—convinced that asset values could only rise. Today, of course, their enormous miscalculation could cost us more than \$100 billion.

The point here is that the fear of inflation has consequences as real as inflation itself. These days those fears have found their focus: Alan Greenspan, chairman of the Federal Reserve Bank. It seems that every

*Paul Craig Roberts holds the William E. Simon chair at the Center for Strategic & International Studies in Washington, D.C.*