

THE POLITICAL/ECONOMIC ENVIRONMENT: ARE WE AT A WATERSHED?

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First, a look at some dimensions of the political economy that can be measured objectively, more or less. The purpose of this initial foray is to look for signs of how much or how little the nation is changing. Next, I slip into a more cosmic sphere, that of attitudes, beliefs, and values.

This takes us into the realm of the pollster and his attempts to determine what people think (or at least say they think) about the world. Here the aim is to search for reasons behind some of the changes observed in the first step. This is followed by a brief review of the political scene. Finally, the lessons of these intellectual excursions are applied toward answering the initial question: is the United States at a watershed in its approach to the political economy?

Some Dimensions of the Current Political Economy

Political economy, in its broadest possible sense, is broken into three parts: demographic, economic, and governmental. Within each part, I will concentrate on those characteristics or changes that might suggest a turning point in some important aspect of the American political economy.

Demographic

Viewed over the span of two or three decades, the demographic make-up of the United States has undergone rather remarkable change. Fortunately for analytical purposes, these changes are gradual in comparison with economic or political change.

Slower population growth. Perhaps the most important change of all and the one that effects nearly everything else is the sharply reduced rate of childbearing. The rate has been more than halved since the late 1950s, falling from nearly 3.7 births per woman to the current rate of 1.8. Not only does this factor materially shape everything from the size of the labor force and the consumer market to the type of public services demanded, its influence persists for a generation or more.

An aging population. The declining birth rate, in combination with increased life expectancy, is resulting in a significant aging of the American population. Although this trend will be interrupted in the late 1980s as women of the post World War II “baby boom” reach their prime childbearing years, the interruption (referred to as the “baby boom echo”) will be temporary. By the late 1990s, the aging process will have resumed and by the year 2030, the elderly are expected to account for about 18 percent of the population, nearly double their current share. Although the average retirement age could rise slightly, it will not do so rapidly enough to forestall the effects of a rising dependency ratio.

The combination of increased longevity and increased economic security for individuals of retirement age also has increased the residential mobility of many older people. Not only are these retirees more mobile, but they tend to concentrate in particular regions, often in rural locations.

Sexual discrimination occurs in life expectancy trends too. Yet, here is one case where the outcome is decidedly in favor of the female, as the gap between male and female life expectancies continues to widen. A male child born in 1980 can expect to live 72 years while a female child, on average, can expect to live 81 years. It is estimated that no more than one wife in four will avoid widowhood.

Deconcentration. Americans began moving away from the cities in the Fifties. Since 1950, population densities within central cities have fallen, declining from around 7,500 people per square mile to less than 4,000. During the Fifties and Sixties, the movement was primarily toward the suburbs. However, in the Seventies the deconcentration trend spread to rural areas, including some areas that are sparsely populated and distant from urban centers.

Residential preference surveys had long shown that proportionately more Americans wanted to live in small towns or the countryside than actually lived there. Yet, it was not until the 1970s that the combination of increased job opportunities, reduced displacement from agricultural and extractive industries, and the increased mobility of retirees made it possible for large numbers of people to actualize their preferences.

A Changing Family/Household Structure. For a variety of reasons, household formation is now increasing somewhat faster than population. Young adults are moving away from home earlier and postponing marriage longer. People are generally living longer, divorcing with greater frequency, and maintaining homes after retirement longer. For the first time in our nation’s history, more than half of all households consist of no more than two people. The increase in the number of single-parent families has been particularly striking. It is estimated that more than half of all children born in 1980 will spend a significant part of their childhoods with only one parent.

Home ownership continues to be the preferred form of housing. And, despite skyrocketing prices, the rate of home ownership continues to rise. The percentage has risen from 62 percent in 1960 to 66 percent in 1980 and is projected to reach 67 percent by 1990.

Ethnic and racial minorities. Blacks, Asians, other racial minorities, and Hispanics (the largest ethnic minority) now account for about 19 percent of the population. Given their high birth rates, this share will increase slightly with time. Immigration continues to be an important source of population growth. About 400,000 people per year enter the United States as legal immigrants. No one knows how many illegal immigrants reside in the U.S. but estimates seem to range from 3 to 6 million.

The Economy

As an issue, the economy has dominated the national policy scene for the better part of the last decade, and will more than likely go on dominating it through at least the first half of the present decade. There are so many views of the American economy these days — supply-side economics, the M1-B target range, Laffer curves, safety nets — that one hesitates to enter the fray for fear of enlarging on the general state of confusion. One hesitates, but then goes on for this is “where it’s at,” as they say.

A Slowing of Productivity Growth. This is the crux of the problem. Higher productivity has long been the major source of economic growth in the United States. It has, therefore, been a key ingredient in the prosperity and affluence that most Americans have come to know and expect. Beyond making it possible for most people to enjoy a higher standard of living, this growth in the size of our overall economic pie made economic adjustments and the redistribution of economic benefits less painful. And, it did so over a sustained period of time. While real growth has averaged about 3.3 percent annually since 1890, it was in the 1950s and 1960s that it reached its historical peak of over 4 percent.

Then, in the 1970s this growth rate slowed to 2.9 percent. While a slowdown of this magnitude is serious in its own right, more ominous is the fact that it occurred despite a significant increase in both the number of workers and the number of hours worked. Thus, growth in output per hour (labor productivity) was more than halved between 1960 and 1970. Overall productivity followed a similar pattern. And, since the growth in the labor supply that helped offset this dramatic fall in productivity is unlikely to continue, the need to stimulate productivity becomes all the more urgent.

Higher Rates of Inflation. More than any other single issue, inflation has dominated the attention of the public and the policymakers alike over the past decade. Historically, and growing out of the experience of the Great Depression, Americans have paid more

attention to the problems of unemployment than to those of inflation. The experience of the 1930s was ground into the psyche of the American labor force, at least until recently. In the 1970s this priority reversed — and for good reason. While inflation had averaged only 2.3 percent annually in the 1960s, by the last half of the 1970s it had reached an annual rate of 8.2 percent. The purchasing power of the dollar was cut in half during the 1970s due to inflation.

This inflation was fed by a number of factors, the relative importance of which is a subject of continuing debate. The phenomenal rise in energy prices since 1973, higher food prices in 1972 and 1973, unit-labor costs in excess of productivity gains, large federal budget deficits, a monetary policy that permitted the money supply to grow rapidly, and a series of individual program and policy decisions that incrementally reduced productivity or added to cost are among the causes of this inflation.

International Interdependence. Increased U.S. involvement in international trade over the past two or three decades has dramatically altered the nature and extent of our relations with other nations of the world. As a percent of GNP, both imports and exports have risen from about 5 percent in 1960 to 6 percent in 1970 to 11 percent in 1979. In the case of food, we have increased our dominance of the world grain trade while the rest of the world has become more dependent on U.S. supplies.

In the early 1950s the U.S. supplied only about 2 percent of the rest of the worlds' agricultural needs; we now supply about 11 percent and the share is rising. For some other products, it is the United States that has become more dependent on imports from abroad. A recent report by the Comptroller General of the United States estimates that by 1985, the U.S. will import as much as half of its basic supply of raw materials.

Poverty and Income Distribution. In the 1960s, poverty was a national issue that received major policy attention. Those were the days of the poor peoples' march on Washington and Lyndon Johnson's Great Society. New programs and agencies were designed and old ones redirected to address the problems of poverty. Partly as a result of this massive effort, poverty in America fell dramatically in the 1960s. The absolute number of people below the poverty line fell by more than one-third between 1960 and 1970, and the incidence was cut from 22.2 percent to 12.6 percent.

In the 1970s, the progress in alleviating poverty slowed substantially, based on the official poverty numbers. Although the incidence fell slightly, the absolute number of poor people fell very little. Yet, an important qualification must be noted here. Since the Census Bureau estimate does not take into account the value of in-kind transfers, which have risen dramatically over this period, it underestimates the improvement that has been achieved. As an indication

of the importance of these transfers, it has been estimated that the incidence of poverty in 1974 would have been 7.8 percent rather than the Census estimate of 11.2 percent if the in-kind transfers had been counted as income. Thus, the slow down in progress was not as great as the Census Bureau estimates might suggest.

A look at trends in income distribution over the past 30 years reveals a different dimension of the same phenomenon. Between 1948 and 1977, per capita household income became somewhat more equally distributed. Yet, the distribution of wage and salary earnings (one of several sources of household income), moved in exactly the opposite direction, toward greater inequality.

How then has overall household income become more equally distributed if wages and salaries have become less so? The answer: government transfer payments—social security, public assistance, unemployment, veterans payments, federal retirement, etc. As a percent of GNP, government transfer payments rose from 4.1 percent in 1956 to 10.7 percent in 1978. Without these transfer payments, it has been estimated that the share of income going to the bottom quintile of households would have been more than cut in half during the post-World War II period. Half the income going to the elderly is from government transfer payments. And this does not even consider the very substantial contribution of in-kind aid, such as from the food stamp program.

Entry of Women in the Labor Force. Another interesting thing that happened on the way to the 1980s was that women entered the labor force in unprecedented numbers. Between 1950 and 1980, the proportion of all women age 16 and over in the labor force rose from 31 to 51 percent. To give a further sense of proportion, of the 3 million workers who joined the national labor force in 1979, 2 million were women. Although this phenomenon receives surprisingly little attention, the implications, both economic and social, are far-reaching.

Most of the increase in female participation has occurred among women under 35 years of age. In fact, of all women 25 to 34 years of age in 1979, fully 64 percent were in the labor market. In contrast to past times when women dropped out of the labor force during the child-raising years, many now continue to work. This, of course, is not unrelated to the rapid increase in single-parent households. A recent Population Reference Bureau study found that more than 40 percent of mothers with children under 3 years of age were employed or seeking employment.

There are several important economic implications of the increased participation of women in the labor force. This increased participation contributed importantly to offsetting the adverse effects of declining productivity. Yet, it is not possible to foresee where this trend will go in the future. It very well could have neared its upper limit, at least for the near term.

A second important economic implication pertains to the distribution of income. Female participation rates are the highest, have risen the most, and are adding the most to family earnings among those households in the second and third quintiles from the bottom. As a result, these higher rates (in combination with increased transfer payments to the lowest quintile) are largely responsible for the more equal distribution of income that has occurred over the past 30 years or so. However, to the extent female participation rates go higher, it is likely to be among households in the highest income classes.

This is beginning to be evident in the growing number of women in occupations that have long been male dominated. For example, between 1960 and 1980, the share of physicians who are women rose from 6.8 to 13.4 percent, lawyers and judges 3.3 to 12.8 percent, and financial officers of banks 12.4 to 33.6 percent. Thus, while the rise in female labor force participation has in the recent past contributed to a greater equality of income distribution, it is likely to have the opposite effect in the future.

Increased female participation in the labor market is also beginning to influence labor mobility. In 1979, two-career families represented 52 percent of U.S. marriages, up from 47 percent only four years earlier. This factor, among others, is credited for the increasing resistance of the American worker to relocation. Other causes include housing costs, the growing emphasis on leisure activities, and the nonmovable features of several transfer payment programs.

An interesting footnote to this discussion is that male participation in the labor force has been headed in the opposite direction. Between 1960 and 1980 it fell from 83.3 to 77.2 percent. Earlier retirement and changing social attitudes toward work are two of the reasons cited.

Government

A number of features of the governmental process are worthy of note. Three will be discussed here: fragmentation, the changing role of government, and the separation of government from the people.

Fragmentation. By all odds, the most significant feature of government today, especially the federal government, is the high degree of fragmentation that exists throughout the policymaking process. The trend toward political fragmentation has taken many forms. Among interest groups, it has resulted in a rapid growth in the number of special interest groups and a loss in the relative influence of the more general interest groups (e.g., political parties, national business organizations, and general farm organizations).

There are now about 2,500 trade associations and professional groups headquartered in Washington, D.C., about a third of the national total. As you might guess, they have not chosen this site because they like Washington summers or enjoy dodging out-of-

town drivers. Rather, they are there to press their increasingly narrower points-of-view on the policy process.

To help offset the narrower and narrower political base these groups represent, they have added a new wrinkle called the "political action committee" or PAC (read "money"). If the popularity of these groups is any indication, their benefactors have apparently discovered that money is a close substitute for a broader political base when it comes to attracting the attention of many members of Congress. Given the high cost of running election campaigns, this should come as no great surprise. PAC contributions to Congressional candidates have risen from \$12.5 million in 1974 to \$55 million in 1980.

Fragmentation is also a prominent feature of the federal government. Within the Executive Branch there has been an increase in the number of offices and agencies, especially at the Cabinet and White House levels, and the responsibility for decisionmaking has become more widely shared. This has been particularly obvious in the case of food and agricultural policy but is not limited to this topic.

Although it receives less public attention, the same thing has happened in Congress. The number of subcommittees in the House of Representatives has more than doubled over the past 30 years to the present 147. Not surprisingly, the overlapping responsibility that results from this adds to the complexity of the legislative process. For example, during the first five months of the Second Session of the 96th Congress in 1980, 617 energy bills were split among 19 separate House committees and 1,806 health bills were split among 18 committees.

Since nearly half of all House members serve on 5 or more subcommittees, the pace is hectic, to put it mildly. A 1977 House commission on Administrative Review, chaired by Congressman David Obey, estimated that the average member has about 11 free minutes during the work day for thoughtful consideration of policy matters.

There is also a geopolitical dimension to this trend. In a recent book titled *The Nine Nations of North America*, Joel Garreau argues that we are not really a nation of 50 states, but part of a continent of nine nations. Garreau finds that each of the nine nations of North America has its own capital, its own peculiar economy, its own distinctive web of influence. A few of the nations are allies but many are adversaries. Many have characteristic dialects and mannerisms. The nations "look different, feel different, and sound different...most important, each nation has a distinctive prism through which it views the world."

This suggests still another form of political fragmentation. As these "nations" mature and become more self-assured, they become less tolerant of a central control that does not respond to their particular needs and circumstances. Each "nation" also becomes more capable of dealing with its own problems in its own way.

The Changing Role of Government. The role of the federal government is changing in several ways. As noted before, transfer payments have grown rapidly over the past two decades. In 1960, payments to individuals accounted for one-quarter of all federal outlays; they now account for nearly one-half. Furthermore, these are not predominately welfare payments to the poor. Social Security alone accounts for over 40 percent with programs like general disability, unemployment compensation, veterans payments, federal retirement, and agricultural deficiency and disaster payments accounting for much of the remainder.

The importance of these transfer payments to personal income in many rural areas has been documented in a recent study by the Economic Development Division of the USDA's Economic Research Service. In seeking to isolate factors responsible for personal income growth in nonmetropolitan areas between 1968 and 1975, they came to the surprising conclusion that net transfer payments were the largest single source of increase.

As a share personal income in these areas, transfer payments rose from 8.4 to 13.1 percent over the period. While the growth in transfer payments was especially important in those rural areas that had experienced chronic unemployment it was also found to be important in many parts of Minnesota, Wisconsin, Northern Michigan, rural New England, the Northwest, and Florida.

Attitudes, Beliefs, and Values

In a democracy, it is ultimately the attitude of a majority of the people that determines the course of the government. While it might require a rather long time for attitudes to have this effect, eventually they do. Whether on balance this is considered a strength or a weakness depends on your point-of-view. Thomas Jefferson saw in it great advantage and the basis for pressing a great social revolution. Alexis de Tocqueville saw something else, the opportunity for a tyranny of the majority. Nonetheless, both agreed that it held a powerful influence over the course of the Ship of State.

Since attitudes, beliefs, and values are not subject to measure with the same precision as, say population or income, we enter a more subjective, less precise realm. Most of our information must come from public opinion polls. Fortunately, some of these surveys have been conducted for several years, providing comparisons across time. In particular, I have relied on the general social surveys, begun in 1972 with the support of the National Science Foundation and conducted by the National Opinion Research Center of the University of Chicago.

Attitude Toward Social Issues. Has there been any significant change in public attitude toward major social issues? Is there evidence of a conservative drift? Probably not. For example, the proportion

who favor abortion if the woman's health is seriously endangered remains high (90% in 1980 versus 87% in 1972); the share favoring abortion if the woman is married and does not want the child rose from 40% to 47% over the same period. The share favoring the legalization of marijuana has increased from 13% in 1969 to 31% in 1978 while the share favoring efforts to strengthen women's status has risen from about 40% in 1970 to 65% in 1979.

Racial attitudes have, if anything, further liberalized over the decade of the '70s. of white respondents, 88% said in 1980 that blacks and whites should go to the same schools (compared to 86% in 1972) and 69% opposed any prohibition of interracial marriage (compared to 61% in 1972). Likewise with regard to civil liberties, tolerance appears to be constant to slightly higher over the past 4 or 5 years. The only major issue where a conservative turn can be seen is in dealing with crime. A significantly higher share of the respondents favored the death penalty for murder (72% in 1980 vs. 57% in 1972) and a larger share felt that the courts are not harsh enough.

Thus, on the basis of what people say about social issues, there is very little evidence of change in attitude. And, to the extent there is change, more often than not it is in the direction of what is generally regarded as a more liberal view.

Individual Versus Societal Well-Being. Another means of attempting to discover attitudinal change among the body politic is to ask people general questions about their personal lives and the world around them. If people are unhappy with their lives, it stands to reason that they are probably unhappy with their government and its policies. Furthermore, given the effects of inflation and slow economic growth, it would not be terribly surprising to find widespread and growing dissatisfaction.

Yet, this is not what most attitudinal surveys reveal. To the contrary, their results picture a remarkably contented nation, at least with respect to the major benchmarks of their personal lives. The survey results for 1980 showed that only 3 percent were unhappy with their marriages and 13 percent were unhappy with their lives generally. Over 80 percent were "very satisfied" or "moderately satisfied" with their work and over 70 percent were at least "fairly satisfied" with their personal financial situations. More importantly, there are no significant trends in response over the past two decades.

One change in attitude that is evident relates to the composition of our standard of living. There is a strong undertone favoring a less materialistic life and greater opportunities for self-fulfillment. This does not mean that people are willing to give up their cars and their dishwashers, but they need not be so big and wasteful.

It is worth noting that "happiness" appears to be positively correlated with relative income standing but exhibits little if any correlation with absolute income or with income growth. Compara-

tive data from other nations suggest that this relationship is not unique to the United States. Thus, if people generally feel that the effects of slow economic growth and high inflation are uniformly spread among the population, they do not lead to sharply higher levels of dissatisfaction, at least within limits yet to be reached.

Interestingly, Americans' satisfaction with their personal lives does not extend to their view of society at large. A high and increasing proportion finds that "the lot of the average man is getting worse" (69 percent in 1980) and feel that it is "hardly fair to bring children into the world" (48 percent in 1980).

Attitude Toward Government. How do people feel about their government? Well, that depends on what you mean by "government." If you mean government in general as represented by "those people in Washington," then an overwhelming share of Americans feel that it has become "too powerful" (76 percent) and is "spending too much" (84 percent), and that "most public officials are not interested in the problems of the average man" (72 percent). Furthermore, this disaffection is on the rise. For example, the proportion who thought that "big government" was the major cause of inflation rose from only 14 percent in 1959 to over half in 1978. Likewise, the proportion who felt that "the government wastes a lot of money we pay in taxes" increased from 42 percent in 1958 to 77 percent in 1978.

However, if by "government" you mean specific programs or services like health care and education and defense and protecting the environment, that is different. Over half of all Americans, as represented by the opinion polls in 1980, felt that government was spending too little on those topics. In other words, people tend to be schizophrenic when it comes to how they feel about government. For those of you who have followed some of the annual farmer opinion polls, this will strike a familiar chord. They consistently show that the majority of farmers want: (a) the government out of agriculture once and for all and (b) higher loan rates and target prices, lower import quotas on beef, and free crop insurance.

Despite this confused stance toward government, some trends in attitude toward specific programs can be seen. The most notable is the sharply higher support for defense spending. In large measure, this reflects a return to more traditional attitudes as the vision of Vietnam fades from the public consciousness. In addition, there has been a significant softening of support for welfare programs and for programs aimed at "improving conditions of blacks."

In some measure, the reduced support for social programs is a function of the general economy. Pollster David Yankelovich argues that Americans are willing to help the poor as long as the standard of living of the average American is rising. That is, as long as economic growth makes it a "positive sum game," the public is willing to share a portion of the growth with the disadvantaged. In the absence of such growth, however, they are not.

Yankelovich concludes that “we are becoming less sensitive to the plight of the most vulnerable citizens in our economy, growing bored, for example, with the problems of race and unemployment that the nation had begun to address in earlier decades. At times, our narrow self-concern threatens to get out of hand,” in his opinion.

Attitudes surrounding the 1980 election show no sign of momentous change. The University of Michigan’s Institute for Social Research as reported by the *Economist*, has concluded that the 1980 vote was “chiefly an expression of non-ideological worry about inflation, not an endorsement of any specific cures.” This would seem to be reinforced by a recent *New York Times*-CBS poll that shows only about one-third of the respondents approving the recently enacted economic program.

The Political Scene

Now let’s move to an even higher level of abstraction, the political scene, and try to unravel what has been happening.

The hallmark of American politics for several years has been the decline of the political party. In the early 1950s, just over 20 percent of all eligible voters described themselves as “independents.” Now the share is about double that, and growing. In some cases, the underlying causes for this erosion of support are unique to the respective political parties; other causes are common to both parties.

Will Rogers is reported to have once said that he was not a member of any organized political party — that he was a Democrat. This still seems to apply. Although one could argue that this has been among the least of their problems. When they really encounter trouble is when they succeed in organizing — to move in different directions. It is the divisive make-up of the Democratic party, at least three factions rolled into one, that has made party unity hard to achieve.

The Democrats have another related problem. Back in 1970, John Kenneth Galbraith wrote a book titled *Who Needs the Democrats*. In it, Galbraith described the agenda that the Democratic party had pursued since the beginning of the New Deal. It was this agenda and its pursuit that held the attention of the different factions within the party for several years. Yet, as Galbraith points out, each of the major items on this agenda has either been materially achieved (elaboration of the welfare state, support of the trade union movement, and elimination of racial inequality), discredited (implementation of Keynesian economics), or substantially lost as a point of political differentiation (U.S. responsibility as a superpower and bulwark against international communism). Thus, the Democrats are a party in search of an agenda.

The Republican party has some of the same trouble, but in lesser degree. I would judge that their principal problem is an agenda (free market, less government, stronger defense) that only occasionally

fits the prevailing set of national needs, as seen by a majority of the voters. Fortunately, for the Republicans, it is an agenda that matches the current perception of need more closely than in times past.

The more serious problem for both political parties is that the average voter finds little utility in the service they perform. A survey conducted in early 1980 by the Institute for Social Inquiry at the University of Connecticut found that over 70 percent of all respondents felt that there would be little difference in how Republicans or Democrats would handle a series of major issues including controlling inflation, energy, and foreign affairs.

It is also worth noting that the political scene has been shaped in many critical ways by the flow of events. This, far more than political ideology or party platforms, determines both the political climate and the resulting policies. Consider, for example, the cumulative effect of: Vietnam, Watergate, Watts, OPEC, the American hostages in Teheran, and Solidarity. There are two key features of this list. First, the events themselves are usually unpredictable. Second, many of them are international.

Conclusions

As is evident from the brief survey of demographic and economic trends, the profile of this nation is changing and changing rather dramatically. Also, these changes are altering the political landscape in fairly important ways. For example, economic security for older Americans will become even more critical as the aging process continues. Economic rewards for female workers comparable to those earned by males is already emerging as an issue. Establishing a new balance between economic growth and a slightly less materialistic life style, in the face of a growing dependency ratio, will offer a major challenge. The list of emerging issues could go on and on.

These and other changes are underway. But are we at a watershed? I believe not for the following reasons:

- *Basic human values change very slowly, if they change at all.* And this, after all, is the bedrock of the political-economy. While this observation is nothing new, it is important. This characteristic gives our democratic system a substantial measure of stability and continuity.

- *Political change is seldom precipitous.* Despite all the media attention to identifying political watersheds and the continuing search for political realignments, the record shows that political change in the United States is evolutionary. The current preoccupation with inflation and with achieving a balanced budget is not of recent origin. It has dominated national policymaking for at least the past 6 to 8 years. Likewise, support for increased defense spending and the loss of confidence in many social programs has been evident for at least as long. And all have been reflected in policy, in varying degrees.

- *Change begets change.* As in economics, so in politics—change begets change. As the political winds change, so the politician changes course. This, after all, is the role of the politician, to detect changing needs and public attitudes and to adapt. Of course, some politicians adapt more quickly and more skillfully than others.

- *Importance of the unknown.* It is a complex, unpredictable world we live in. As we have noted before, a major driving force behind the state of the political-economy is circumstance, often created by an event or series of events, and the way in which a relatively stable set of human values and societal objectives responds to this constantly changing circumstance.

- *Importance of personality.* We live in an age of little respect for or confidence in institutions. While some institutions fare better than others, none fare very well. Among those least respected are those associated with government or with politics. Individual personalities take on added importance, therefore, this presents an obvious institutional dilemma, however, since political success requires maintaining the support of established institutions while at the same time not being identified too closely with them.

To conclude that we are not at a watershed does not mean, however, that the political economy will avoid confronting some very serious tests in the coming months. It clearly will.

One is the need for political coalitions wherein narrow interests subject their viewpoints to the discipline of an informed scrutiny by related, but broader interests. The governmental system, particularly at the national level, is not well equipped to resolve tradeoffs at a high level of detail, at least not in an intelligent, informed manner. We badly need institutions that will help foster the creation of coalitions.

A second area of concern is that of redefining the role of government. Recent legislative measures dealing with taxes and with the FY 1982 budget represent some steps in that direction. Further actions are in the offing. They deserve closer, more thoughtful treatment than they are receiving.

The evidence cited earlier in this paper with regard to income distribution and the likelihood of its becoming less equally distributed in the future is a sobering prospect. If this hypothesis is strongly supported by additional evidence, it will provide our political economy with still another major test.

Finally, there is the overriding importance of achieving a higher rate of productivity growth if we are to continue equalizing access to an improved standard of living for all Americans.

Each of you, by right of your skills, experience, and credibility, can make a difference in the outcome of these policy struggles. It will take something more than extending information, however. It

will require the aggressive promotion of understanding. And that, unfortunately, will subject you to risks — risks of being misunderstood, risks of raising controversial issues and making unpopular points, risks of being found unfaithful to particular ideologies or causes.

But taking such risks can also lead to a more rational, more thoughtful, and better informed governmental process. For the sake of our democratic system, I hope you judge the prospective benefits to be worth the risks.

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