

EXCHANGE

BRIGHAM YOUNG UNIVERSITY SCHOOL OF MANAGEMENT

FALL/WINTER 1978



MANAGING YOUR MANAGER

DEAN'S REPORT

Exchanging Viewpoints

Teaching in the School of Management is primarily a process in which faculty members help students to develop analytical skills. In order to do this, professors must actively work to keep their own skills sharp by involving themselves in situations that require analysis. Hands-on experience in a wide range of organizations allows faculty to work with management facing problems that may not yet be in the texts. The shared analysis benefits both: organizations receive an outside and expert opinion; faculty members incorporate their experiences into books, cases, and course materials. In addition, students frequently assist their professors and see first-hand how principles are applied within organizations.

This school-of-hard-knocks approach (see article p. 32) has involved faculty delving into a variety of activities, including: • Management training effectiveness in retail firms • Tax implications of buying and selling commercial real estate • The office of the future and the impact of increased technology on office employees • Marketing strategy developed through computer analyses • Consumer bargain expectations and sales forecasting • Paramedical care effectiveness • Transaction costs and non-residents' demand for the U.S. dollar • Housing demands and alternative mortgage investments • Projected costs and ROI of a major tourist area • Impact of pricing on food sales and production • Local tax incentives as a means to encourage urban housing rehabilitation • Racism awareness for white educators • Capital budgeting with multiple rates of return • Measurement of the cumulative effect of advertising • Rate level and structure in regulated industries (e.g., air transportation, trucking, railroads) • Commodity futures' impact on the beef industry • Analyses of pending collective bargaining legislation.

Gathering data, talking to professionals, testing new ideas, and struggling with organizational puzzles is a significant part of research and teaching. This renewal process is necessary at a university committed to helping students prepare for the challenges they will soon confront.

Merill J. Bateman

2



43



47



Publisher: Merrill J. Bateman
Editors: Mary Kay Stout
 Warner Woodworth
Assistant Editor: Carey Petersen
Copy Editor: Byron Bronk
Art Director: Thomas Pratt
Production: Tanya Stringham

ARTICLES

2 A Matter of Public Trust

LeRoy F. Harlow

The management of America's 78,000 local governments is a public trust; yet successful government depends upon the participation of all citizens. There are effective ways to combat government corruption, and the solution to such problems as death threats, embezzlement, fraud, and bribery lies in the hands of both the public official and the local citizen.

5 Managing Your Manager: The Effective Subordinate

Norman C. Hill and Paul H. Thompson

Nearly everyone is a subordinate to someone else, but little attention has been given to an individual managing a career by managing his or her boss. In addition to work performance issues, individuals must concern themselves with understanding the boss and establishing a solid working relationship.

25 A Closer Look at Corporate Audit Committees

E. Dee Hubbard and John W. Hardy

The increasing demand in many organizations for accountability by those presenting financial statements has resulted in the formation of corporate audit committees. Many businesses are finding these committees to be successfully improving both their financial effectiveness and marketplace credibility.

32 School (of Management) of Hard Knocks

Students and faculty alike are linking formal university training and research with work in the public and private sectors. Activities range from studying management fraud to evaluating corporate benefit plans.

43 Is Free Enterprise Facing Extinction?

Glen L. Boyer and Gary R. Smith

Increasing public apathy and general ignorance concerning our economic system may threaten the very foundations of that system. What can be done to solve this growing dilemma? Questions as well as answers lie in better education, better government, and a new way of looking at "competition."

DEPARTMENTS

15 Books

Rex E. Lee, Edwin B. Morrell, Noel B. Reynolds, Thomas R. Rogers

20 Taking Inventory

30 Alumni/Alumnae

38 Speaking Out: The American Economy—Lessons from the Past

Clayne L. Pope

47 Comment: A Penny (or More) for Your Thoughts

Harvey B. Merkley

Published by the School of Management, Brigham Young University, Provo, Utah. © Copyright 1978 by Brigham Young University. All rights reserved. All communications should be sent to *Exchange*, 154 Jesse Knight Building, Brigham Young University, Provo, Utah 84602. Telephone (801) 374-1211, Ext. 4121.

The views expressed in *Exchange* are those of the various authors and not necessarily the School of Management.



A Matter of Public Trust

by LeRoy F. Harlow

Local governments touch almost every facet of our lives, every hour of every day. The ultimate test of the importance of local government may be this: In almost any community, if the largest private concern were to close down or move out, the community would likely suffer a period of serious economic adjustment. But there would still be a community. However, if the local government were to stop or move out, there would be no policemen to protect life and property, no firemen to save threatened lives or homes, no ambulance service to help the injured and ill, no water in the pipes, no one to unplug sewer lines, to turn on the street lights, get the stop-and-go signals working, collect and dispose of the garbage and trash, or plow snow-clogged streets. Within days, if not hours, we would no longer have an organized, civilized, viable community.

Noting the crucial importance of local government, it is appropriate to ask what are the arrangements that enable government to fulfill its responsibilities? Across this country, we have assigned the responsibility for local government to nearly nine million fellow citizens. Our elected and appointed local government officials and employees are empowered to extract the necessary taxes and other revenues to pay the costs of the services we have authorized them to perform. This combination of responsibilities and powers constitutes a great public trust placed in our local public servants by all the people. Yet it is a sad fact that from the earliest days of the republic there have been those,

both inside and outside the government, who have violated this trust. And our recent experiences have shown no exception. Instead of administering the trust for the protection and enhancement of the general public's interests, we have seen the powers thus granted used as leverage to achieve ends contrary to the public good and for the personal benefit of corrupt private citizens and venal local government officials and employees. Frequently, the specious justification for such acts is the popular excuse, "Everybody does it."

A detailed list of ways in which the sanctity of this social contract between the public and their public servants has been eroded would include almost every imaginable violation of a public trust—from bribery, business reprisals, and death-threat coercion to embezzlement, fraud, and raids on the public treasury.

What are citizens and public administrators who want better local government to do? At least three fundamental needs are apparent.

First, both private citizens and public servants must accept a share of responsibility for initiating and consummating a reversal of these trends. This shared responsibility was well-stated a quarter century ago by a special United States Senate committee on ethical standards in government. The committee wrote:

"The standards of conduct of the legislative, executive, and judicial branches of government are interwoven. The standards of

conduct of all these public servants also are interwoven with those of all who actively take part in public affairs, and of all who do business with the government. The morals of official conduct may be distinguished, but certainly not separated, from public morals generally. The moral standards of the country, indeed, provide the ethical environment which in turn conditions the standards of behavior of public officials. Low standards in the conduct of public affairs are a symptom of low standards in the country generally. High standards in the country are reflected in high standards in government.

"But that is only half of the story. The relationship is not slavish, and there is a two-way action. The conduct of public officials is also a powerful example influencing the general public toward higher or lower standards."

Second, both citizens and officials must recognize that to bring a halt to corrupt practices is no easy undertaking. It is a task not suited to either the faint-hearted or the short-winded. Yet, individuals must feel certain that loss of self-respect and credibility is too high a price to pay for the brief pleasure of going along with the crowd.

Difficult and serious impediments stand in the way of restoring trust in the public service as a way of life in America. For one thing, questions of "right" and "wrong" are complex. Situations are not black or white. Judgments are sometimes faulty. Diametrically opposite opinions can be equally sincere. Consistency is

often foolishness when carried to an extreme. And peer pressures are a tremendous force. Moreover, the steady wearing away of moral fibre and the dulling of conscience by many years of muzzling and ignoring it may have permanently reshaped our thinking. Such cynical perversions as political dirty tricks and do-unto-others-before-they-do-unto-you thinking may have so calloused us that such actions and thoughts no longer register on our individual Richter scales.

Third, there must be individual commitment to change and improvement akin to that expressed in the closing words of the Declaration of Independence: "with a firm reliance on the Protection of Divine Providence, we mutually pledge to each other our Lives, our Fortunes and our sacred Honor."

Public service is in fact a public trust. Not only has the public entrusted its servants with certain powers for the protection and enhancement of the public's interests, but it has equally entrusted those servants with the obligation to administer those powers without fear or favor—courageously, when necessary, but always humanely, impartially, and with total integrity. It is not unreasonable to expect public administrators to commit themselves to values consistent with their roles.

- The first prerequisite for administrative responsibility and authority in public office is integrity. Honest mistakes, honestly made, can be tolerated and excused. But when the person in responsible charge of an organization is satisfied that the conduct of a man or woman in the organization has demonstrated that that person is not honest, the administrator does not have a choice, but a duty, to take necessary action. The degree of dishonesty is not of major importance. The time to stop dishonesty in government is when it is first detected, not after it is well established.

- Except for a very minimum of confidential situations, such as

matters of national or community security or when the good reputation of an individual might be adversely affected, governmental affairs should be an open book to citizens who wish to know. There should be no secrets at city hall, even if the information thus obtained might be used for the citizen's personal gain or advantage, or to the disadvantage of those in office, including the public administrator. What is more, every act of the city government and all its records should be open to the public's watchdog, the American free press. To have it otherwise is to make a mockery of our basic concept that people are sovereign. Without information, individuals cannot act intelligently on important issues, whether in a small town, a state, or a nation.

- The public is entitled to be served by the best available people, whose selection is based on *what* they know and can do, not on *whom* they know and have supported.

- It is the duty of public administrators to present all the facts, whether good or bad, to the people or their representatives under whom they serve. Political expediency must always yield to public necessity.

- City personnel, property, or funds should not be used for the unauthorized personal benefit of any public employee, be the items paper and pencils, or tools and trucks. Moreover, public employees should ordinarily refuse to accept private gifts, even though the gifts may be used only on designated occasions; public servants should always reject job-related gifts which they can use at their own discretion.

- It must be more important to the public administrator to act in the public's interest than to continue to receive a public paycheck.

- Because some public employees are weaker than others, it is a task of an administrator to establish, publicize, and enforce policies and methods that will minimize temptations for weak-willed people to commit crimes.

- Ours is a government of laws, not of specious "divine" rights of kings or the capricious whims of a dictator. Our administration of governmental affairs should be consistent with that principle. Where the law is wrong, it should be amended or repealed, not ignored or twisted to suit our convenience.

Yet the other half of the story is the citizen's obligation. Therefore, whenever engaged in a public or private capacity, all citizens have certain obligations. Among these are:

To act on the principle that the public business is everyone's personal business and is entitled to essentially the same attention and care.

To "stand and be counted" on issues of public concern.

To refuse to be a party to any action that knowingly violates a public trust.

To devote a portion of time, energy, and resources to the establishment and maintenance of governmental machinery and operations that will provide all citizens with the maximum of efficient and effective governmental services.

To seek and support persons for local public office on the basis of their honesty and their wisdom, rather than on their political inclinations and personalities.

The management of our 78,000 local governments is a public trust. Yet their success depends upon the participation of all citizens—at the polls, in commission meetings, at political rallies, in civic organizations, with education groups, etc. If it is true that no man is an island, it is equally true that neither is any organization or community. What public employees do on their public jobs and what citizens do in fulfilling their citizenship obligations are part of what this nation *is*; what this country *becomes* is up to all of its citizens. ■

(This article was adapted from an address reprinted in *Vital Speeches of the Day*, Nov. 15, 1977, pp. 70-73.)

MANAGING YOUR MANAGER: THE EFFECTIVE SUBORDINATE

NORMAN C. HILL AND
PAUL H. THOMPSON



MANAGING YOUR MANAGER: THE EFFECTIVE SUBORDINATE

"After weeks of futile maneuvering to save his job, Lee Iacocca, 53, the hard-driving, cigar-chomping president of the world's fourth largest manufacturing company, found himself quite bluntly sacked by his equally tough-minded boss, Chairman Henry Ford II. It was the culmination of months of behind-the-scenes quarreling between two of the auto industry's most respected—and often feared—executives."

(Time, July 24, 1978, p. 60.)

As president of the Ford Motor Company, Lee Iacocca was widely respected as one of the most skillful managers in the auto industry's history; but his problems with his boss apparently cost him his job.

People at all levels in organizations have difficulties with their bosses. And the name doesn't need to be Lee Iacocca, Andrew Young, Billy Martin, or Midge Constanza for the word to get around. A career may be terminated, jeopardized, or, at the very least, slowed by failing to establish a workable superior-subordinate relationship.

Nearly everyone is a subordinate to someone, no matter how high he or she rises in the organizational hierarchy. The value of a widespread concern for a better understanding of the relationship between superiors and subordinates would appear obvious—especially when so many managers are frustrated by their subordinates' lack of motivation and general low level of performance. Likewise, individuals often complain about their bosses' apparent lack of interest, supervision, or concern. Yet from university classrooms to slick paperbacks, the focus has been largely limited to "management style"—i.e., building your career by successfully directing those *beneath* you. Little attention has been paid to the other side of the issue—establishing your career based on



your ability to manage those who formally manage you.

In the traditional role definition, the boss gives the orders and the subordinate carries them out. Many individuals expect a manager to define the job, make assignments, and then check to see that the work is completed. When the boss doesn't behave in this manner, frustration for many is evident. However, for professionals and other highly trained employees, the relationship is seldom that simple. Very often the two parties have different expectations about roles. These differing expectations can lead to tension, conflicts, missed deadlines, and even transfers or terminations.

A way to avoid these problems for

some individuals is to have the two parties clarify expectations right at the beginning. One highly regarded manager described doing this:

"Whenever I get a new boss, I sit down with him and ask him to make his expectations explicit. We try to list not my job activities but the main purposes of my job. To do that, we continue each statement of activity with 'In order to . . .' and try to complete the sentence. By recording my job purposes, we get a clear picture of what I should be accomplishing; and that's what counts—results."

This approach works very well for this individual, but most bosses are not able (or willing) to be nearly that clear about their expectations. In most cases, communication between superiors and subordinates is an ongoing, shifting dynamic. Most issues are not resolved in a one-shot conversation. In writing about superior-subordinate communications, Rensis Likert concluded:

"A number of recent studies are providing disturbing evidence that communications between managers and supervisors is seriously deficient on such important matters as what a subordinate understands his job to be. The data shows that superiors fail to make clear to subordinates precisely what the job is and what is

expected of them. Moreover, the subordinates do not tell the superior about the obstacles and problems they encounter in doing the job." (New Patterns of Management, McGraw-Hill, New York, 1961, pp. 52-53.)

What is so difficult about communications in this relationship? Why do so many people have trouble spelling out their expectations? First, frequent changes in work assignments and relationships lead to frequent changes in expectations. Many professionals work on projects for periods of two weeks to six months. In addition, they may be working on two or three projects at the same time. This might even involve two or more bosses simultaneously. In such environments there is seldom adequate time to develop mutually agreed upon expectations.

Second, an effective working relationship is complex and involves a number of different facets. Specific issues need to be resolved in building an effective relationship. It obviously takes time and skill for two people to reach a mutual understanding in so many areas. It is probably not possible to resolve these issues in one two-hour session, but sooner or later they need to be addressed either explicitly or implicitly.

Job Content

Reaching agreement on the subordinate's responsibilities is an important issue in defining the relationship. However, this is often difficult for professional jobs. It is seldom easy to define measurable standards of performance. For example, how do you define individual performance measures for a team of engineers designing a computer component? It is possible to set objectives in terms of time (meeting deadlines), cost, and quality. But engineers often do not have control over all of these factors. Furthermore, if the objectives are not achieved, how do you decide which engineer(s) is to blame? In addition, as mentioned earlier, job assignments change frequently, so

there is often inadequate time to spell out responsibilities in detail. Many professionals are given "state of the art" assignments, so the work has never been done before. If professionals are exploring a new field, it is difficult to write a detailed job description of just how to proceed on the project. For these reasons, detailed job descriptions may be of little value for most professional workers. However, job descriptions may be more useful where assignments are more stable and the work more routine. (For example, it may be quite realistic to define responsibilities for a team conducting a routine audit of a division that the firm has audited many times before.)

Taking Initiative

"A good subordinate is one who thinks of the things I would do before I do them. What this means is that he tries to adopt my perspective and look at things from my position in the organization, not just his own."

Another executive said:

"I have people coming back to me all of the time saying they couldn't do what I ask because of such and such or so and so. They may call a guy and he's sick or on vacation or something else. But they don't ask themselves, 'Is there some other way to get this information?' They just report back to me, thinking that I'll accept their efforts and good intentions as a substitute for what I need."

The message becomes evident: individuals are expected to take initiative on the job. However, the degree of initiative varies with each manager. One boss means that a person should be willing to complete an assignment even when there are obstacles to overcome. Another wants a subordinate to anticipate what the boss wants done. These different perspectives suggest an important point: a person needs to find out how much initiative is expected. Some bosses may be threatened by subordinates who

anticipate their desires, others would welcome it.

A means of resolving this dilemma is to look at the different levels of initiative that might be exercised. One article suggests that there are five degrees of initiative that an individual can exercise in relation to the boss. (W. Oncken, Jr., and D.L. Wass, *Harvard Business Review*, Nov.-Dec. 1974, p. 79.) These are:

1. Wait until told. (i.e., "But I haven't been told yet to put out the fire.")
2. Ask what to do.
3. Recommend, then take resulting action.
4. Act, but advise at once.
5. Act on own, then routinely report. (i.e., "September 5—Fire in factory. Damage: approximately \$25,000. Cause: Under Investigation.")

A famous case is brought to mind. A technician at a large company invented a transparent adhesive. But he found no one that was particularly interested in his discovery. Everyone ignored what he felt would be a useful product. During a break in the company's board of directors meeting, the technician taped all the directors' papers to the table. It was the beginning of Scotch tape and a windfall for the 3M Company. Of course, the technician jumped ten levels in the organization to find a responsive audience, and this degree of initiative, itself, is not without risk.

Rather than asking the boss, "What are your expectations?", it might be more useful to talk about levels of initiative. A discussion of those alternatives is likely to lead to a better understanding of the expectations. However, using such an approach could result in oversimplifying the relationship. On some matters the boss may want the subordinate to operate on level five, but on other matters he or she may prefer that the subordinate operate on level two. This suggests that they may also need to talk about activities inside the department versus outside the department—decisions that are within existing policies versus those

that might require a change of policy, etc. Individuals should not merely ask how they are expected to operate, but also *observe* carefully over a period of months the boss's reaction when they take different levels of initiative on various kinds of problems. This can do much to clarify expectations.

Keeping the Boss Informed

The information-to-the-boss issue is closely tied to initiative, but there are some aspects that deserve separate consideration. Subordinates need to learn how to keep the boss advised on appropriate matters.

One rule of thumb to follow is letting the boss know about the progress that is being made on particular projects and avoid reporting all of the *activities* engaged in to achieve those results.

Some subordinates think they must report everything they do. Those who do may find their boss becoming increasingly inaccessible to them. Managers have neither the time nor the desire to know all that the subordinate knows about a particular situation. If the boss has to spend that much time on a project, of what use is the subordinate?

One of the most difficult issues in this area concerns negative information. Often individuals fail to call attention to problems, mistakes, or misjudgments because they believe that "someone up there must know what's going on around here." Individuals may feel that they do not have all of the facts in a situation and thus say nothing. By assuming that superiors have complete information or answers, subordinates ease themselves out of taking responsibility for what goes on in the division or organization. Taking the "it's-not-my-job" position shifts more burden from a subordinate back to the boss—a burden that few bosses need or want to carry.

John and Mark Arnold have documented a number of cases where subordinates in an organization knew that something was wrong, but failed to do anything

about it. Two examples:

"The president of a manufacturing company ordered work to begin on a new type of photocopying machine. Although those with direct responsibility believed the machine would take two years to build, they cooperated in forecasting that it could be developed in a matter of months. Working furiously, they managed to complete a prototype to meet their deadline. The president inspected and left the test room with assurances that it was ready for production. Shortly after leaving the lab, however, the machine burst into flames and was destroyed."

"In one electronics firm, shipments were being predated and papers falsified to meet sales targets. Sales representatives had accepted the targets rather than complain for fear that they would be labeled as uncommitted. It took months before upper-level managers realized what was happening." (The Wall Street Journal, June 5, 1978, p. 9.)

Even though these may be extreme cases, they are real examples, and they are repeated on a smaller scale hundreds of times every day.

Reasons given for withholding negative information from the boss are varied. While the subordinate's well-meant *intent* might be to protect others (the manager or the organization), the *outcome*, generally, will negatively impact any or all of them. Frequent comments in this area include:

"Don't worry the boss about this, she's got enough trouble as it is."

"Don't tell Frank, he has a terrible temper and he'll really chew you out."

"We need to insulate Mr. Layton from all of these details or he'll get overloaded and won't be able to get anything done."

These are nice rationalizations, but managers need negative as well as positive information.

Asking for Help

A sensitive matter for both the manager and the subordinate is the

issue of requesting help. Some bosses want to be deeply involved in a project, and they use requests for help as an opportunity to teach their subordinates. Others only want to see the final product and do not want to be bothered with frequent questions. A bank manager presented his views on this issue:

"Some subordinates will take an assignment, work as hard on it as possible, then come back to you when they get stuck or when it's completed. Other people start coming back to you to do their work for them. People in the second group don't do very well in our bank."

Asking for help too often undermines the manager's confidence in the subordinate. However, there are times when the individual is new or has a difficult assignment and a great deal of help is needed. One way to solve this dilemma is to seek help from peers in the department. The more experienced people are usually able to help, and such requests are less likely to affect the boss's opinion of the employee's ability.

Another factor to consider is the amount of risk involved in a situation. A promising young accountant described his strategy on seeking advice from the boss:

"My boss had high expectations for me when he hired me, and I believe I have lived up to them. To ensure that I would perform successfully, I adopted a strategy of taking risks—not gambles—but calculated risks. If a decision involved a high level of risk, I would consult with my boss and didn't assume full responsibility on my own. However, if a job was not overly risky or of crucial importance, I would do as much of it on my own as I could and not waste my boss's time with the details. I assumed it was important to look out for my boss's welfare, not just my own. If I could make him look good or make his job easier and less time consuming, then it would benefit me as well. However, when I made a

decision that turned out to be a mistake, I told my boss about it and didn't try to cover my errors."

This suggests some important guidelines in deciding when to go to the boss for help and when an individual should handle the situation alone:

- Take risks, not gambles (and recognize the differences between the two).
- Handle the details, but keep the manager informed.
- Check with the boss on decisions that will impact work units outside the department.
- Take the boss a recommendation each time he asks for an analysis of a project.
- Initiate an appointment only when prepared to suggest some action that should be taken.

The last recommendation may meet with mixed reactions. For some managers it works very well, but others want to be kept informed and have the opportunity to talk through the issues as work progresses. This is another area where the boss's style must be considered.

Frequency and Length of Contact

Many individuals are upset because they don't get more time with their managers. They feel that the boss doesn't appreciate them because he doesn't spend more time with them. Often subordinates feel they are delayed on projects waiting for a decision. On the other hand, many managers are frustrated because they lack information from their subordinates. They don't want to be continually checking up on

their people, but neither do they want to be surprised because projects aren't done on time.

The amount of time spent working together involves the previous issues of keeping informed and asking for help, but it also concerns the nature of the relationship. Differing expectations about frequency of contact and the amount of time spent together can be a major sore spot. In practice, people take quite different approaches in deciding how often to get together, including:

- Getting together whenever something comes up. (These contacts might be initiated by the superior or the subordinate).
- Setting up another appointment at the end of each session together.
- Establishing regular meetings (e.g., Wednesday at 9:00 a.m.) with one individual or an entire staff.

Any of these approaches can be effective depending on the nature of the relationship. However, it is



important that both individuals work out an agreement regarding their approach to this issue.

A Reciprocal Relationship

The young accountant in the last example made an important point that should not be overlooked. He said:

"I assumed it was important to look out for my boss's welfare, not just my own. If I could make him look good or make his job easier and less time consuming, then it would benefit me as well."

The most effective superior-subordinate relationships are reciprocal. Both individuals gain substantial benefits from the relationship. The boss gains because the accountant saves him time and produces high-quality work. The boss rewards the subordinate by spending extra time with him, giving him challenging work assignments, and increasing his responsibilities. In addition, the young accountant is given opportunities to make presentations to higher levels of management, thus providing him visibility in the firm. This kind of reciprocity contributes to a productive relationship and increases the motivation level of both individuals. When a manager and employee see that the efforts of each individual contribute to the reputation of both, they begin to see the reciprocal process. A boss who thoroughly outlines pitfalls in a specific project or a client's past association with the organization may invest several hours, but he will be rewarded with extra time to devote to other assignments.

"When I tell a driver that I need a car at 10 a.m., I don't mean that I just want the car. I want it filled with gas and in running order as well. That holds true for work assignments that I make. I want those who work for me to respond not only to my verbal request, but also to the intent of my message."

Undoubtedly he must recognize that his reputation will, to a great extent, rest with his subordinates and the quality of work they produce. Likewise, subordinates' reputations will, to a large degree, stem from the extent to which they are able to handle increasingly complex, significant, or otherwise valued assignments. Investing time in doing a highly competent job for a manager will put both the boss and subordinate in a good light. Future assignments and other rewards will generally reflect the manager's opinion of extra-mile work. The wise subordinate should take the stance of what-I-do-for-my-boss-I-do-for-myself.

Such an alliance contributes to a mentor-protégé relationship, a reciprocal coalition in which the boss, serving as a mentor, agrees to let the subordinate gain the experience and acquire the skills valued in the organization. In exchange, the subordinate must be prepared to perform the necessary detail work that goes with every project and assure its accuracy. He must do the routine but essential groundwork—and do it well—if he expects to gain a reputation that both will value.

The advantages of having a mentor are many. As the primary link in the development of coalitions, a mentor can do such things as guide a subordinate through the unwritten rules and policies that govern routine affairs or show the protégé how to design and carry a project to successful completion. Moreover, as his or her advocate, a mentor can show how to have upward influence with other managers and even be a force in getting the subordinate's ideas accepted.

At this point it must be acknowledged that all organizations are, by definition, political entities, and individuals must manage their careers with this in mind. To say that organizations are by their very nature political is to neither commend nor condemn them. This political aspect is simply an expression of the network of power

relationships that may or may not be represented on formal organizational charts. Unfortunately, many professionals view the power relationships from one of two extremes: either they cynically ignore them and claim to be above politics, or they pursue their goals with Machiavellian tactics and coercive techniques. Neither approach optimizes either personal objectives or organizational goals. Nevertheless, mentors can be extremely valuable to those trying to learn the political ropes of the organization.

Developing a Condition of Trust with the Boss

E. E. Jennings suggests that an effective subordinate achieves a condition of trust with his superior (See the *Mobile Manager*, New York, McGraw-Hill, 1967, pp. 47–50). He views four conditions as being necessary for trust to develop.

Accessibility—This is defined as a person who takes in ideas easily and gives them out freely. Both individuals need to demonstrate that they value each other's ideas. If two people are going to develop a productive relationship they must respect each other's ideas and give them careful thought and consideration. A subordinate who does not respect the boss's ideas will never be trusted and will not obtain the help needed in developing his own ideas. This does not mean that two people always have to agree with one another. "The minimum requirement of trust in this sense is that the subordinate respects new and different ideas enough to think them through carefully and energetically." (Jennings, p. 48.)

Of course, the issue of acceptance of ideas and respect must work in both directions. One subordinate in a large, formal organization could not abide his boss's poor grammar and corrected him frequently. In addition, the individual was a better administrator and the manager was threatened by this subordinate's outstanding and

noticeable skills. The two grew increasingly hostile toward one another and finally the subordinate was transferred. In his new position, the individual was able to use his strong planning and organizing skills and greatly eased his new boss's workload. He was able to write his own assignments, and even his own promotion, and merely went to his boss for a signature. When the previous boss sent through a request that required a subjective decision, it ended up on the subordinate's desk and the individual used his discretion in denying his ex-boss resources that the subordinate was responsible for allocating. Said the new supervisor, "It was a case where the lower-level employee was able to shoot at the brass. And he did it."

Availability—The subordinate should be attentive and available physically, mentally, and emotionally when the manager is under pressure and needs support. Recently, one of the authors was under pressure to complete several projects with very tight deadlines. One of his subordinates became upset because he was not receiving the help he needed on a project that the author felt was of less importance. Another subordinate took a different approach. In one of their meetings, he said:

"I know you're under a lot of pressure right now trying to complete high-priority projects. This article we're working on is less important, so I'm quite willing to let it wait for a while. In addition, if I can be of help on any of your projects, just let me know. I've got a little extra time, and I'm willing to pitch in and help any way I can."

The second subordinate was invited to work on two of the projects and not only helped his boss but helped himself as well. It is not difficult to guess which individual received the most favorable letters of recommendation.

Predictability—By predictability, Jennings means that the subordinate will handle delicate administrative circumstances with good judgment

"I'm not a yes man. I know the importance of speaking up and saying what's on my mind. I also know that other people in the organization may have a better perspective than I do. So I follow this rule of thumb: I argue forcefully one time for my position. If my boss then does not accept my recommendation, I try to make his decision an effective one through my support and commitment. That is, of course, unless I feel a conflict with my personal values."

and thoroughness. This bears on the kinds of assignments a manager will feel free to give a subordinate. If an individual demonstrates early that he can be trusted to handle relationships with customers on a sensitive project, this will free the manager to work on other projects. However, if the subordinate lacks sensitivity or interpersonal skills and jeopardizes relationships with the customer, it means that in the future the subordinate will not be as trusted, and thus, will be of much less value to the boss.

Predictability has another important facet that relates to dependability. An accounting manager described the importance of this factor:

"Recently, I was supervising some tax work with one of our major clients. I assigned one member of the team to a specific part of the project. He kept saying, 'I can do it.' Each time I checked he'd say, 'I will get it done,' but it was not ready when I went out to the job on Friday night. We had to make a major adjustment that night in order to meet a filing deadline. The client had gone to Las Vegas and was very upset when we called him. You can be sure that I don't take that young accountant's word anymore on important matters."

Needless to say, managers don't like surprises that embarrass them or make them look bad.

Loyalty—In this context Jennings



is not referring to organizational loyalty but personal loyalty. A manager is not likely to trust a subordinate with important information if he or she fears that the information might be used to further the subordinate's own interests at the manager's expense.

But loyalty must also be considered in a broader context. There are times when loyalty to an immediate superior will come in conflict with loyalty to the organization or to society. What is good for the boss is not always good for the organization; and what is good for the organization is not always good for society. But recognizing and acting upon such situations is not without costs to the individual. A case in a Big 8 accounting firm relates such a conflict: A housing project was being audited, and a supervisor in

the firm wanted to give a qualified opinion. A partner in charge of the audit said that the project should be given a clear opinion. The supervisor refused to have his name associated with the working paper unless he could include a memo stating his objections. While some others involved in the case also sided with the supervisor and admired him for stating his view, he remained the only one who held out. Today he has yet to make the promotion to manager.

Other professionals work to maintain a certain distance, a degree of objectivity, about projects—even those that appear to be critical to the organization's future success. One highly regarded middle manager described his strategy:

"I'm not a yes man. I know the importance of speaking up and saying what's on my mind. I also know that other people in the organization may have a better perspective than I do. So I follow this rule of thumb: I argue forcefully one time for my position. If my boss then does not accept my recommendation, I try to make his decision an effective one through my support and commitment. That is, of course, unless I feel a conflict with my personal values."

Watergate brings to mind a wide range of activities associated with the problems of conflicting loyalties. Focusing on the role of subordinates does not imply that a person should

always be a loyal subordinate at the expense of individual conscience, the organization, or society. Rather, individuals need to understand their own values and adhere to them even if it means running into conflict with the boss or losing a job. In fact, an individual should take the initiative and seek out another boss when there is a major conflict of values. Some things are far more important than being an "effective subordinate" to a manager of doubtful or even differing values.

The relationship between two individuals in a superior-subordinate relationship is critical, and mutual expectations must be achieved if the individual is to become a valued subordinate. However, it would be a mistake to focus entirely on that relationship and neglect an individual's performance.

Best-seller lists have flourished with books and articles that suggest the way to get ahead in an organization is to wear the *right* clothes, join the *right* country club, use the *right* language (both body and verbal), or graduate from the *right* school. These things may help some individuals in some organizations, but to do well you have to get the work out. There are many promising young professionals who fail to live up to their potential because they are not productive. As one manager said: "First they have to be technically competent. We take that for granted." Without strength in this area, a person's interpersonal skills in a relationship are likely to be of little value.

Yet it is not enough to be merely competent. Many managers complain about individuals who are unable to complete projects on time. It is also necessary to see things through to completion. A manager in a research laboratory commented about one of his scientists:

"Ray is competent technically, but he jumps around too much from one job to another. He never stays on one job long enough to push it through to the end."

Many professional workers are

involved in more than one activity or with more than one client or project. Few individuals have the luxury of being able to focus all of their attention on one specific activity for an extended length of time. For some, learning to organize their time and set priorities can be a difficult problem. A manager in a large bank made this observation:

"A critical quality for our loan officers is versatility. They need to be able to keep ten balls in the air at one time. This requires setting priorities. So many individuals get to working on one project and forget everything else. They get a phone call from an important customer, and they can't deal with it because they are immersed in something else. The big challenge is to manage many different things."

Many individuals put in long hours and appear to work diligently while on the job. Often these individuals are able to complete assignments and tasks quickly, appear disciplined in their work habits, and are meticulous with details. Yet in a performance review they are confronted with little positive feedback. For many of these individuals it is often easier to focus attention on small, definable tasks that can be completed in a matter of hours or days, than it is to tackle a major project, report, or study. They fill their time with smaller—and less significant—projects that eat away the months while they stall in taking on the major responsibilities facing them. At the end of the year, large priority assignments have not been completed. While they appear highly productive to their coworkers, they are a disappointment to their managers. For many of these individuals it is a matter of discipline because they do know the boss's priorities. They simply invest their time where they think they will meet the most predictable (and easiest) success.

At this point it becomes necessary to recognize the difference between "efficient" and "effective." While efficiency stresses a high level of

output in comparison to input and a minimum of waste, it says little of a person's overall contribution. It is possible to become increasingly better at performing tasks of decreasing importance to the organization. Ultimately such individuals may find themselves immersed in vacuum-tube-type assignments while the rest of the department is involved in integrated-circuit-type projects. Rather than focusing on an input ratio, effectiveness stresses adapting to produce the desired final purpose or results. Effectiveness is also the power or capacity to achieve influence. Professionals would do well to remember that it is not enough to be busy, but they must assume responsibility for the direction and impact of their invested time.

While managing time and setting priorities are essential, individual competency directed into low priority or meaningless projects may also label an individual as a low performer. One government intern, on a year's assignment in an administrative office, decided to launch a campaign to have some of the office equipment painted red, white, and blue in honor of the Bicentennial. She involved several other departments in collecting information; she talked to coworkers; she went to the personnel department, etc. She even wrote a proposal to a top administrator and conducted a search through the department's historical records. While she had previously been regarded as a "good performer" and "eager-beaver worker," her efforts in this project were regarded as frivolous and misdirected enthusiasm. The project became a well-known joke of the agency. She soon developed a reputation for "going off on binges."

These issues in the area of productivity highlight its importance as one aspect of becoming valued in an organization. In addition, doing well on the first assignment is important. Those who work hard and do a good job on their first projects

develop reputations that are invaluable in getting subsequent assignments, salary increases, visibility, etc. A manager in an accounting firm commented:

"I tell people to do the best work they can on their first job, and after that, their reputation will be a big help to their career. Early success is very important. If a person does a poor job on their first assignment, it is very hard to get them another opportunity. Managers want only the best people to work on their projects."

This does not mean that a person's career is ruined after just one mistake. Rather, the young professional needs to be seen as very hard working and eager to learn. A successful accountant described his early work experience:

"One of the important parts of a successful career is always being very interested. You have to show honest effort and interest. On my first assignment, I learned one other valuable lesson. My supervisor said, 'If you make a mistake on your first draft, that's no problem, but if you make a mistake on the final draft, then you've got troubles.'"

As this comment indicates, accuracy is an important issue that deserves further discussion. It should be remembered that much of the work people do in organizations is not very exciting; in fact, it may involve some fairly routine tasks. This is especially true of entry-level jobs for accountants, engineers, and MBAs. There is a lot of detailed work to be done between the time a project is conceived and its actual implementation. Young professionals are most likely to be stuck with many of these detailed tasks.

One MBA trained in the case method accepted a job with a top Washington, D.C., consulting firm. The firm specialized in policy areas and the MBA, with his case background and familiarity with viewing decisions from top management's position, expected to work directly with the firm's clients. To his surprise—and

disappointment—he found that he was assigned the nuts-and-bolts checking of others' figure work. In one of his first reports, he misplaced a decimal point and all the published reports' figures were wrong. He soon learned that his boss wasn't going to check his work, that others' reputations rested on his shoulders, and that the proverbial buck, in fact, stopped at his desk.

While double-checking figures in others' work appears routine (even boring) and insignificant, little will focus more negative attention on an individual than to have overlooked this step. No organization wants to send correction notices to tens of thousands of stockholders because of an error in its quarterly report. No construction firm wants a lawsuit because a structural engineer didn't accurately estimate stress factors in a building design. And no corporation wants to recall food products because of incorrect ingredient labeling. Detail work is the "dues-paying" process needed for advancement in most organizations. If professionals lose interest and do sloppy work or slow down on the job, they may get a reputation that will be hard to erase. Yet most managers do not want individuals to merely take an assignment, go back to their calculators, and start "crunching numbers." They need individuals who will ask intelligent questions about why a particular approach to the problem is being used. They don't just want an automaton.

While effective subordinates focus on the quality of their own work, they also need to develop a perspective of more than the immediate paper work, figures, etc. in front of them if they are to expand their contribution. They need to view things from a larger framework. An engineering manager said:

"If an engineer wants an opportunity to use his professional training, he needs to take a broad view of his assignments and expand on them. He needs to get out and see what's going on around him."

Some people don't want to expand and get out of their little niche. You can identify the people who'll make little progress in their career by the questions they ask—they want an assignment spelled out in great detail. The individuals who will get ahead ask very few detailed questions, but they ask broad range questions and show an interest in others' work around them as well as the direction of the entire division."

One aspect of a broader perspective is to take the manager's point of view. Individuals should know the boss well enough to see their own position from the boss's perspective. When they do this, they not only see their tasks differently, but they also create an automatic control mechanism to test their ideas and actions. This attitude helps them to develop a sense of what is appropriate and helps them set priorities that will be consistent with those of their boss.

There are other factors that contribute to career obstacles and concerns, and many of these stem from the boss's behavior. Common complaints about managers include: they don't allow adequate autonomy; their performance appraisals are ineffective; they don't keep the work group informed; they take credit for subordinate's contributions; and they don't adequately define subordinate's responsibilities. While some individuals use comments like these as excuses for their own poor work performance, others appear to just lie down on the job because they feel they have an incompetent manager. It is true that inadequate supervision can result in low performance, but lying down on the job is more likely to hurt the subordinate than the supervisor. Why should individuals let a weak supervisor—in fact, any manager—stifle their careers? One approach in such a situation is to do everything possible to maintain high individual performance. But this action alone is not sufficient. You may be doing all that you think is required on the job,

but the boss may have different expectations. Some issues should be evident to the subordinate regardless of the organizational level at which he or she is operating:

- Very few bosses will do all that is necessary to clarify expectations in a superior-subordinate relationship.
- Most managers will respond favorably to a discussion of the manager-subordinate relationship. However, managers have varying styles, so an individual is well advised to find out how the boss is *likely* to respond before initiating such a discussion.
- Subordinates will usually learn more in such a discussion if they present their perceptions of the expectations and ask for a response. Just asking "What are my responsibilities?" will not generate as much dialogue as, "My understanding of my assignment is that I am to . . . and . . . Is this in agreement with your viewpoint?"

Above all it should be recognized and remembered that individuals can do much to control their circumstances and to demonstrate competence to a manager.

Individuals can recognize that any organization has political aspects and not be cynical or hostile about these. They can seek out activities that will provide relevant experiences and identifiable skills needed to qualify for the rewards that the organization offers. They can look at their position from their supervisor's point of view and take actions or make decisions with that perspective in mind. They can cultivate a mentor relationship and form alliances that will increase their ability to get things done and to exert influence



throughout the organization. They can be conscious of how often and in what manner they call upon their boss. And underlying all of these actions, individuals can recognize their own responsibility for their own careers.

All of these factors combined will not spell success for technically incompetent professionals. Whatever their functional specialty, they must be able to perform well. Quality work is recognized and valued, and its importance cannot be exaggerated. On the other hand, solely applying the trade will not ensure that an individual will be valued. Organizations depend upon more than good craftsmen for their survival. An organization as an entity thrives and prospers on innovation and excellence. Consequently, an effective professional must provide both. In most cases, professionals bring competence with them when they accept their first job. Once at work, they must figure out how to sell their ideas to others in the organization. Learning to do so is the key to innovation and a critical task for any professional.

"If an engineer wants an opportunity to use his professional training, he needs to take a broad view of his assignments and expand on them. He needs to get out and see what's going on around him. Some people don't want to expand and get out of their little niche. You can identify the people who'll make little progress in their career by the questions they ask—they want an assignment spelled out in great detail. The individuals who will get ahead ask very few detailed questions, but they ask broad-range questions and show an interest in others' work around them as well as the direction of the entire division."

WATERGATE AND THE CONSTITUTION

Philip B. Kurland
University of Chicago Press

Among the Watergate books, this one is distinctive in several respects. It was not written by one of the Watergate insiders, nor was the author involved in any aspect of uncovering or disclosing events relating to the fall of Richard Nixon. A further distinction is that it is the most scholarly of the books bearing a Watergate-related title.

Philip B. Kurland is one of the most astute, one of the most productive, and one of the most respected American constitutional scholars of this century. *Watergate and the Constitution* is a well-researched and crisply presented statement of Kurland's views concerning some of the important constitutional lessons that he believes our nation should have learned from the events and conditions that we lump together under the heading "Watergate." The most sophisticated constitutional scholar will find it provocative. At the same time, the casual student of government with an interest in the long-range welfare of our republic will find it understandable and interesting reading. These encomiums are not intended to imply, however, that in all of his conclusions, here or elsewhere, Kurland is correct.

One of the dominant themes of the book is that our national welfare would be better served, and protection against future misuses of power better secured, if Congress would play a more prominent role vis-a-vis the other two branches. This is a popular theme, and no one articulates it better than Kurland. He sees in the judiciary a demonstrated proclivity to usurp the fundamental policy-making prerogative of the legislature under the guise of constitutional interpretation. In this he is correct, though for reasons discussed below I disagree with his view concerning some of the implications of his premise. He also views with alarm the expansion of power in what he refers to as the Imperial Presidency or (borrowing a term from Arthur Schlesinger) the Plebiscitary Presidency. (Kurland correctly recognizes, as Schlesinger does not,

that the increased power of the presidency is not a Nixonian nor a Republican phenomenon, and that the Democratic occupants of the White House over the past half-century have also contributed their fair share to this trend.)

In Kurland's view, one of the major lessons of Watergate is that the presidency has become too powerful, that the augmentation of presidential power has been accomplished largely at the expense of Congress, and that Congress must reassert its authority. On these matters, I find myself in substantial disagreement with my former professor. My own experience in government leads me to believe that Congress is no more immune from the excesses of power than is the president. It is true that Article I disperses congressional authority between two houses and among 535 individuals. Article II, by contrast, vests all executive authority in one individual, the president. But that argument cuts both ways. Certainly there is no single senator or representative as powerful as the president. It is equally apparent, however, that it is much more difficult to locate the responsibility for misuse of power where the responsibility for its exercise is diffused among so many.

In his search for protection against the recurrence of Watergate-type excesses, Professor Kurland proposes institutional changes. In one respect, this is laudable. Institutional correctives do not depend on the quality or the honesty of the persons who occupy the offices of government, and they last beyond periodic personnel changes. The kinds of institutional changes advocated by *Watergate and the Constitution*, however, pose serious questions to the cornerstone principle of the American constitution—separation of powers. This is particularly true of Kurland's endorsement of the provisions calling for the creation of an Office of Congressional Legal Counsel; his support of increased congressional involvement in the oversight of the intelligence community; and his argument that the courts should stay out of disputes between the legislative and executive branches concerning the competing claims of each for constitutionally-based jurisdiction. With regard to this final issue I recognize that

deciding competing claims for jurisdictional turf necessarily involves the courts in significant policy-making decisions. But Kurland's alternative—leaving the issue to the final decision of Congress—is worse. It would vest in one of the competing players the enviable combined role of competitor and referee.

It may well be that Congress should play a larger role, and that if Congress would do so, one of the results would be to ensure against future excesses such as we experienced during the Watergate period. But if Congress is to play a greater role, it should be safely within the boundaries contemplated by separation of powers, rather than perpetually attempting to extend those boundaries. That is, if there are excesses, and Congress is to correct them, Congress should do so by passing statutes, rather than by attempting to implement public policy through enforcement of statutes already passed. Establishing a permanent litigating force that would bring lawsuits in implementation of public policy and administering the nation's intelligence activities are the kinds of activity that smack of law enforcement and law implementation. Under our separation of powers system, that responsibility belongs to another branch of government. Congress' job, and a very difficult one, is to make policy; it is not to enforce it. Lawmaking involves hard policy choices, the kind of decision-making that inevitably invites criticism from someone. It is much easier, and much safer, for Congress to use its resources in making inquiry into whether some other branch of government is doing its job properly.

There is a time and place for congressional inquiry. To the extent that there needs to be greater congressional involvement in the prevention of future Watergates, however, it should be in the direction of greater exercise of Congress' constitutional responsibility—the making of laws. It should not be in the direction of usurpation of the responsibilities of its sister branch—the enforcement of the law.

Finally, I have serious questions concerning the preventive value of institutional changes. Ironically, institutional changes can sometimes be counterproductive because of the sentiment of security that they

engender. It can be a comforting assurance to our national psyche that effective changes have been implemented within the governmental system. The result, however, can sometimes be a diminution in the concern for the real causes—which are human rather than institutional—of most problems. Professor Kurland lauds Attorney General Levi's creation of the Office of Professional Responsibility within the Justice Department and expresses the view that it is an effective national step toward protecting against high level Justice Department improprieties such as occurred under Attorney General Mitchell. It is not any formal institutional changes that Edward H. Levi made that serve as a deterrent to repetitions of the improprieties of the Nixon-Mitchell years—certainly not because of his creation of the Office of Professional Responsibility. Rather, it is because of the example that he set in putting a level of lawyer-client insulation and independence between 1000 Constitution Avenue and 1600 Pennsylvania Avenue. It was Edward Levi's combination of competence as a lawyer and morality as a human being that brought the Department of Justice from where he found it in early 1975 to where he left it two years later.

Some institutional changes may do some good. Others simply divert attention from the actual problem. In any event, the real key to successful government, to government that warrants the respect of its citizens (and to the prevention of future Watergates) lies not so much in change of governmental institutions as in the quality and the morals of the people who run them.

Rex E. Lee

UNCLOAKING THE CIA

Howard Frazier, ed.

The Free Press

HONORABLE MEN: MY LIFE IN THE CIA

**William Colby, with Peter Forbath
Simon Schuster**

For William Colby, joining the CIA in 1950 was highly patriotic since he believed it to be the American "liberal vehicle in the fight against both Communism and McCarthyism." By way of contrast, in 1975, claims Howard Frazier, "the American left and liberal

communities" were demanding the uncloaking, even the elimination of the Agency, or at least its covert operations, because for them the CIA has been the United States' "invisible government" required by the greed of American corporations. Thus in these two new books is clearly set forth the tone as well as the substance of much of the mid-1970s debate between advocates and opponents of the Central Intelligence Agency.

The Frazier collection covers CIA covert activities throughout much of the world but gives only a smattering of perspective on the broader role of the CIA over the last three decades. Colby presents such a perspective, even though autobiographically.

The OSS of World War II fame had been disbanded in 1945, and its analysts assigned to the State Department, its information-gathering spies transferred to the War Department, and its paramilitary-guerilla personnel allowed to either join regular military units or return to civilian life. Within four months, and with further developments in the cold war, Truman set up a new intelligence authority, under which the former OSS analysts and spies were regrouped. In 1947, the National Security Act establishing the CIA did not clearly authorize clandestine paramilitary operations. International events by January 1948 led Truman to interpret the act's "Special Activities" provision to include such covert capabilities. For a decade and a half, these three branches of the CIA—intelligence gathering, analysis, and covert political manipulation—functioned in secrecy but with broad public support, even through the U-2 affair.

The Bay of Pigs fiasco in 1961 began the apparent trend toward lessened public confidence. Then with U.S. involvement in Vietnam, the scope and style of CIA covert operations were often questioned. The Watergate investigations between 1972 and 1974 further tarnished the CIA's public image.

During this time, the first non-CIA-insider, James Schlesinger, was appointed by President Nixon (in 1973) to head up and reorganize the CIA. Schlesinger initiated widespread reforms in the CIA, especially of its covert operations. Some seven percent of the personnel were forced to resign, and all were directed to point out and document instances in which the agency had been abusing its charter authority. A list of some 700 such instances was compiled and secretly

reported to Congress (but, probably by a simple oversight, not to the President). The agency leadership itself directed that such charter abuses cease. From the end of 1974 through 1975, it was the disclosures on this list, leaked in various ways to the public, that divided America over the desirability of having a CIA and over its role in American foreign politics.

First, the *New York Times* revealed that the CIA had spied on Americans at home who opposed the Vietnamese war. (President Ford immediately set up the Rockefeller Commission to investigate; it quickly concluded that there had been limited unlawful activities but pointed out the agency's self-reform.) Meanwhile, through CBS, came the disclosure that the CIA had attempted assassinations of foreign leaders. (Both these charges were also investigated by Senator Frank Church's select committee, along with accusations of CIA interference in Chile.) The House of Representatives select committee, whose staff contributed to the document leaks, uncovered CIA poison darts, etc. (The Senate committee report in 1976 concluded that there had been intelligence excesses due to cold war policies, but that the CIA's covert capability should be retained under more strict guidelines. Such limitations were reemphasized in a presidential decree.) Both houses of Congress set up permanent select intelligence committees which have carefully protected CIA operations while providing detailed Capitol Hill oversight, and while preparing a new charter for the intelligence community as a whole.

Leaders in government and in various political groups seemed to divide into four schools of thought:

1) Some usually silent intelligence professionals, plus a few columnists, and no doubt some members of Congress, have not wanted any curbs placed upon the CIA and related agencies so they would have full capacity to respond covertly to KGB politics around the world.

2) The CIA-insider reformers with broad support in the administration and Congress have admitted that the agency has needed more restrictions on its operations. But while accepting these they look upon the CIA and its covert capacities as a key bulwark of America's national security and of Western democracy.

3) Others, including a few ex-CIA personnel and supporters of full-scale

detente and disarmament in and around the federal government, have viewed the whole CIA clandestine set-up as a perversion of U.S. ideals and want to modify the agency under modern technological capacities into primarily overt intelligence gathering and analysis.

And, 4), there is the outspoken Marxist / Marxist-Leninist opposition to the American political system which wants to overthrow the CIA as a symbol in a struggle to drastically modify American society, economy, and government. The contributors to *Uncloaking the CIA* are divided between the third and fourth viewpoints; *Honorable Men* reflects the second viewpoint.

Uncloaking the CIA is a collection of essays and commentaries originally presented at a 1975 conference at Yale University during the height of the "list" disclosures. (Sponsored by Promoting Enduring Peace, Inc., it did not include anyone identified with Yale.) In part, the tone of the conference was set more to the polemical far left by the absence of such critics as Morton Halperin (*The Lawless State: Crimes of the U.S. Intelligence Agencies*, 1976) and David Wise and Thomas Ross (*The Invisible Government*, 1964) who, along with William Colby, had participated in a 1974 conference held on Capitol Hill and published as *The CIA File* (edited by Borosage and Marks, 1976). The larger 1975 conference did include several of the Washington participants, notably Victor Marchetti and John Marks (*The CIA and the Cult of Intelligence*, 1974). Their book, printed so as to emphasize CIA censorship, has had a reputation among the CIA community as the most accurately revealing work yet published. At the 1975 conference Marchetti concluded ominously: "The CIA men are not only arrogant, powerful, and elitist. They are also smart, clever, and ruthless. It is now or never for us and for them. If Congress does not have a real investigation and put some very tight controls on the CIA, we will never get another chance." And Marks called for the elimination of the clandestine portion of the CIA, regardless of Soviet KGB activities, just as the United States has unilaterally rejected the use of germ warfare.

Among the other contributors to the *Uncloaking* collection are a congressman, American and foreign academics, the wife of Salvador Allende, a retired Air Force officer, an American Communist, plus several

attorneys, writers, and labor organizers. Their contributions condemned the CIA for: its interference in Vietnam, Cambodia, the Philippines, Portugal, Africa, and Chile; its opposition to Puerto Rican socialists pushing for independence; its surveillance in the United States; assassinations; and obstructing labor organizations.

The executive secretary in the Connecticut Communist Party points to Chile's "struggle against the CIA tentacles of U.S. imperialism." Fred Branfman, concerned primarily with Laos concludes: "Originally designed to protect freedom, the CIA has now become a totalitarian organization using totalitarian means to totalitarian goals. It is, in fact, the greatest single threat to the freedom of people around the world. [The] major enemy . . . confronting [political parties of the Left] . . . will not be the KGB or the Chinese or anybody else abroad. It will be the CIA." And finally, a U.S. labor official with the United Nations emphasized that the FBI and CIA "are both repressive agencies of big business used mainly against politically advanced individuals and organizations."

Honorable Men: My Life in the CIA centers on William Colby's stint as Director of the CIA between 1973 and 1975, bridging the Agency's efforts at internal housecleaning and ending after the immediate crisis around the disclosing of the abuses list. Colby was a clandestine agent with the OSS, then finished law school, practiced on Wall Street, and worked briefly with the NLRB. He then entered the CIA's covert branch in the field: Scandinavia, Italy, and Vietnam. Under Director Schlesinger, Colby headed this branch and fully supported the internal reforms of the agency. As its next director, he proceeded with these unpublicized reforms with White House support. Colby claims that he was asked to resign after a year of disagreement with the White House over his methods of responding to Congress and the public about the abuses list disclosures. President Ford and Henry Kissinger wanted Colby to stonewall, to basically hold back on helping Congress with its investigations. Colby preferred to "develop an understanding of intelligence, rather than an adversary relationship" with Congress. As the Ford White House decided, especially to disassociate itself from the CIA's past, Colby was left to carry out his strategy, occasionally, he adds, making

mistakes. While Kissinger eventually concurred with this open approach, Colby was willing to step down in order to help change the CIA's image. (He was succeeded by Ambassador George Bush, another CIA-outsider.)

William Colby's very readable book concludes with his proposing a "Constitutional Intelligence for America," written into a new congressional charter. His reasoning is forthright: questionable activities cannot be "condoned with the argument that the use of abhorrent means is justified by the end of protecting the nation." He adds that he believes that "the public will continue to accept and even expect covert political and paramilitary action in those situations requiring some American response more effective than a diplomatic protest and less violent than sending the Marines."

While we are yet to hear the counterpleas from CIA-insiders of the first school (such as ex-super-counterspy James Angleton), who are opposed to any weakening of counterintelligence among other covert operations, study of activities of the Communist world and other foreign powers supports the Colby school over the other three viewpoints.

Edwin B. Morrell



THE HUMAN FUTURE REVISITED

Harrison Brown
W. W. Norton and Co.

Modern industrial society will almost certainly destroy itself before too long and be replaced by the earlier and more resilient system of peasant villages worldwide. In *The Human Future Revisited*, Harrison Brown uses this gloomy conclusion to shock his readers into action, to convince us that we must act now to exercise rational control over the future of our civilization.

A geochemist by training, Brown turned to future studies a quarter of a century ago when he wrote *The Challenge of Man's Future*. He was a professor of science and government at the California Institute of Technology before assuming his present duties at the East-West Center in Honolulu as director of the Resource Systems Institute.

Although the true posture of the book is rhetorical, it at least pretends to be a scientific investigation of three

questions: where did we come from? where are we heading? where lies our ultimate destiny?

On the first question the author predictably relies on contemporary evolutionary theory which presents modern industrial society as the incredible result of ages of gradual development. The point of so portraying our present life is to make us see that the prospect of its permanent demise would be a catastrophe of universal proportions.

On the question of the near future, Brown has assembled a broad range of data on the ability of man to sustain modern industrial activity indefinitely. The individual problems are awesome when taken separately, and simply overwhelming when taken together. The chances that we can overcome them all simultaneously are approximately zero if we continue to bumble along in the way we have always done.

The actual problems he cites are not new to any informed reader, nor does he present any new data on these. Primarily he has relied on governmental and other publications specializing in general statistical reports and upon liberal futurists who have published books raising the alarm in specific problem areas such as food production, population, or energy. His list is impressively comprehensive from the technological point of view, ranging from supply of natural resources and energy on one hand to global changes in climate and atmosphere on the other. Complicating these natural dangers are the growing cleavages between the rich and the poor and the nuclear deterrent strategies of the world's superpowers.

Some readers will want to spend some time pondering the array of statistics the author has assembled which reveal the outlines of the trap into which industrialized civilization has fallen. But there is a curious sense in which the author himself makes them all irrelevant. The statistics presented are about as contradictory as the conclusions drawn from them. For on the one hand some statistics indicate that we are about out of fuel, food, and metals. But on the other, if the price were high enough to reward exploitation of new resources we would have enough food and energy to last indefinitely. Similarly pessimistic conclusions about the future are used to spur us to the rescue. The "fact" that we are doomed is used as a rhetorical device to get us to save ourselves. And so underlying the gloom and doom is a

clear and even passionately held assumption that man (or at least technology) can save mankind.

The key to it all is the standard liberal assumption that in a crisis, mankind as a whole is capable of rising above itself, of putting aside short range, personal interests and national jealousies for the sake of the greater future good of all men. The corollary is that when we do this our technology will be adequate to the task of controlling and guiding the future within the constraints set by nature. The envisioned result of a poverty-free, humane, technological society—persisting indefinitely—is irresistible and justifies our every effort to achieve it. This is an old story, and though liberalism is in some decline today, the dream is a very persistent one.

The problem with both the assumption and the corollary, as Brown comes close to recognizing at several points, is that by all available evidence they are false. The only good example the author mentions of the kind of "political will" necessary to turn around a poor situation is the Communist Chinese. He praises them at length for the "great planning and organizational skills" and "political will" which enabled them to create capital from hand labor. Although he sees the global need for such political will as a potential stumblingblock, he does believe that the kind of ideal world he is talking about can "be brought into existence through careful planning and dedicated, sustained effort." But the example of Communist China will hardly be appealing to much of his readership, who will see tyranny lurking behind such powerful political will and careful planning. All he has to back up his assumption is the liberal's faith in human nature, a faith that conservatives and other realists do not share.

The corollary is even more tenuous as he actually admits its falsity at several pessimistic points in the volume where he frankly recognizes the inadequacy of human technology in dealing with the complex phenomena of nature and human society. But in more positive passages his liberal faith revives, and modern technology is portrayed as the eventual solution to all our problems and questions. These contradictions systematically reflect the tension between the major purpose of the book as a call to action and its stated purpose as an objective inquiry. Social scientists may be stunned or even scandalized at Brown's casual assumption that a

comprehensive view of the world's problems and future can be stated in strictly technological terms. No more than meager lip service is paid to the notion that religious, cultural, and ideological beliefs may have as much or more to do with our problems and their solutions than do technology and nature. At one point Brown justifies his proposals in terms of future benefits to the human spirit (a very complex entity whose reality and importance are virtually disregarded throughout the various analyses he reports).

Finally, we should not be too surprised to see someone in Brown's position reach so desperately for solutions. For if our lives are to have meaning, we need some future promise of good outcomes for present efforts. Traditionally, our religious world views have provided this kind of meaning without denying that men in society will indeed behave selfishly in most instances. The meaning for believers is provided by divine intervention which can lift men above all of this. For those who cannot share this faith, another must often be adopted, for who can live with meaninglessness and despair?

Noel B. Reynolds

THE GULAG ARCHIPELAGO THREE

**Aleksandr I. Solzhenitsyn
Harper & Row**

Whatever its flaws as a piece of writing—it is intriguingly subtitled "an experiment in literary investigation"—Solzhenitsyn's monumental trilogy, *The Gulag Archipelago*, has made us profoundly aware of the monstrous propensities of twentieth-century man and their working out to the demoralization and loss of scores of millions of lives in the Soviet North, Central Asia, and the traditional Russian locus of "correction," Siberia.

The third volume, in many respects the most personal, focuses on the most maligned victims of the Soviet penal system, the political prisoners assigned, like Solzhenitsyn himself, during Stalin's final years to special camps and subjected to extreme privation. This volume also clarifies and completes the author's overall epic scheme: Volume One described the inferno-like processing of prisoners (arrest, sentencing, and transport); Volume Two, the grueling purgatory of life (and death) in the Soviet camps; now,

Volume Three leads, in accord with Khrushchev's general amnesty of 1956, to a discussion of "Exile" and the status of prisoners since the author's own release. This is not to imply that, for Russians who have served out their sentences and been discharged, civilian life is any kind of *Paradiso* or that Stalinism is not still a pervasive force. (At this point the parallel with Dante's *Commedia* realistically falters.)

Like the previous books, Volume III is fairly discursive and highly anecdotal. The exciting escape adventure of Solzhenitsyn's prison mate, the undaunted Captain Tenno, is a case in point. While this account (titled "The White Kitten") is in itself a fascinating tale and provides the book with its most sustained narrative, it ultimately extends the entire opus (which is longer than *War and Peace*) beyond the limits of the average reader and to some extent detracts from the author's own solemn purpose. At the end of this volume he admits that, although "there is no end to the additions which could be made . . . there are laws of proportion." In his defense, we learn from his "Afterward" that Volume III was written in haste, under harassment, and with the expectation it might not be completed before his inevitable arrest (the entire *Gulag* was written in the USSR and smuggled to the U.S. before Solzhenitsyn's banishment.):

"I had to conceal the project itself, my letters, my materials, to disperse them, to do everything in deepest secrecy. I even had to camouflage the time I spent working on the book with what looked like work on other things . . . my archive was raided. . . . At this point the parts of the Archipelago already written, and the materials for the other parts, were scattered, and never reassembled. . . . for sometimes expressing myself badly, for repetition in places and loose construction in others, I ask forgiveness."

The lack of editorial shaping is, under the circumstances, quite understandable.

Though he digresses, Solzhenitsyn always does so insightfully, lifting the veil on events (invariably more atrocities) and their causes. And though his sources are mostly hearsay and undocumented, the intimacy of the detail and the author's self-effacement are subtly persuasive. (Bear in mind that the anecdotes themselves, recalled in

such vivid detail, are the closest thing to evidence that Solzhenitsyn can offer us.)

But *Gulag III* does give us important information about the seemingly interminable catalogue of human depravities—so insidious because so systematized, so impersonal, and so fraught with deceit. Volume I established that the Gulag and its evils are inherent in the totalitarian Soviet political system and, in fact, emerged under Lenin. Volume II attested that the camps were in fact calculated to liquidate the superfluous masses who resisted collectivization or otherwise failed to "fit in." Volume III in turn reveals:

—That the USSR's early losses in World War II actually betrayed the people's desire to be delivered from communism and Stalinist tyranny;

—That the incredible contrast between the treatment of political prisoners (like Trotsky and Lenin himself) under Tsarist rule and the extreme brutality and increased magnitude of punishment under those same revolutionaries and their heirs bears no comparison;

—That, despite the general futility of any sort of protest from within the Gulag ("The reason why we put up with it all in the camps is that there was no public opinion *outside* . . . without a response from public opinion, a mutiny even in a huge camp has no scope for development."), the invariably unsuccessful attempts at escape, the heroic retaliation against camp informers (by assassination), the occasional hunger and work strikes, and the more rare instances of outright mutiny (i.e., the forty days of self-rule at the Kengir camp, which, when finally put down, resulted in over 700 inmate casualties), all attest to the endurance of the human spirit under the bleakest circumstances. (Like the second section of *Gulag II*, "The Forty Days of Kengir" offers the reader a few brief pages of transcendent hope);

—That some of the mutinies that did occur, particularly after Stalin's death, were actually fomented by the Ministry of Internal Affairs to justify its continued operation;

—That isolation was increasingly employed as a means of keeping groups of prisoners "divided and conquered" (a technique which anyone who has traveled to the USSR in recent years and hoped to meet individual Russians will recognize);

—That the lot of a former prisoner or "exile" is essentially no different from

that of the *zeks* (camp inmates) and sometimes worse. ("People write to me that 'camp was one day in the life of Ivan Denisovich—and being back outside was another.' ") Since Stalin, offenders who were formerly considered "political" are now labeled "criminal," essentially a semantic difference;

—That, as a final reminder, the Soviet court system is so capricious that mass arrests and further mass persecution, on any conceivable scale, are still entirely possible. (Verdicts are often prescribed to the justices before the trial and, in some instances, publicly announced before the trial ends.)

Solzhenitsyn also fittingly reviews Stalin's eastward "resettlement" and near extermination of further millions of ethnic peoples—Koreans, Leningrad Finns and Estonians, Volga Germans, Chechens, Ingush, Karachai, Balkans, Kalmyks, Kurds, Crimean Tatars, and Caucasian Greeks—thus giving the lie to the Soviet Russians' glowing reputation for toleration and equal treatment of other races, cultures, etc. For those acquainted with the author's novels, much in the third volume corroborates the autobiographical nature of Ivan Denisovich and Oleg Kostoglotov (*Cancer Ward*). Like Denisovich, the author served with a brick-laying team and learned the need for discipline within those ranks in order to outwit the hostile warders; and, while serving at Ekibastuz, he also discovered that prisoners often enjoy more freedom of speech than those "on the outside." "End of Sentence," perhaps the most personal section, is highly reminiscent of Kostoglotov's sense of loss and alienation after his release from camp and hospital; like Kostoglotov, Solzhenitsyn endured the operation on a malignant tumor and then the travail of a "nonperson" in exile.

Gulag III betrays the author's most strident voice as, in 1967, toward the end of the larger work's writing, he sensed the regime's ever-tightening and, for all he knew, fatal noose upon him. In his exclamations, his congenial editorial intrusions, and as he argues with himself—the familiar Solzhenitsyn style—his irony is at its most sardonic. But this makes us all the more aware of what he was going through as he recalled it. We can be grateful that his all-too-lone voice has seen fit to put so much on record. That he has so much to tell ultimately indicts not Solzhenitsyn but those who perpetrated the holocaust he knows so well.

Thomas F. Rogers



TAKING INVENTORY

Whatever Happened to...

A Survey of BYU Accounting Graduates by Wm. Steve Albrecht and Marshall Romney

One of the goals of the School of Management's Institute of Professional Accountancy is to attract superior students into the study of accounting. In an effort to gather information about the accounting professional and past accounting graduates, a random sample of 200 graduates from the last 30 years was recently surveyed. Of the 150 individuals who responded, 75 had master's degrees, 68 had bachelor's degrees and 7 had other degrees such as doctorates in law or other fields.

The survey was designed to gather information about the following characteristics: present salary and nature of employment; initial and present job location; amount of travel time required by employment; average hours worked per week; and formal educational degrees recommended.

All respondents to the questionnaire were asked to indicate their salary range and present employment. Over half of those responding earn more than \$25,000 a year and fully 95 percent earn over \$15,000 a year. While the vast majority could be classified as falling in what is known as middle-class, only a relative few (13 or 8.67 percent) earn over \$60,000, and only 16.67 percent earn over \$40,000.

More of the graduates (32) worked with non-Fortune 500 industrial firms than in any other type of employment. Employment with a Big 8 CPA firm or with a Fortune 500 industry were tied for second with 26 graduates. Of the respondents, 58

are currently employed in industry, 57 with CPA firms, and 14 in government. Most of those working for local CPA firms were sole owners of their practice or a partner in a local firm.

Data concerning past and present job locations of graduates revealed several interesting facts about the sample. First, the majority of graduates have found employment in California and other western states. Second, the common belief that many BYU accounting graduates return to Utah is incorrect. While a small percentage of the graduates have returned to Utah, the majority have stayed in the states of their initial employment. In fact, of those graduates in the sample who took initial job offers east of the Mississippi River, not one has returned to the West. It appears that the only significant shift in geographical location has been from California to other western states. Of the 150 graduates who responded, only 18, or 13 percent, actually returned to Utah. In discussing these results with recruiters who come to campus, they suggested that probably the major reasons why they held the belief that most BYU graduates return were (1) that the BYU graduates who leave their firms are of excellent quality and so are sorely missed, and (2) they felt that graduates who do move back to Utah often accept employment that is less challenging and rewarding than the jobs they leave. It is our opinion that few schools can boast of a better track record than BYU.

Notwithstanding these encouraging results, the IPA has undertaken an aggressive program to achieve even greater success. Most notably, using the information that students who return to their home towns tend to remain in that location, we are recruiting students from

all parts of the country for the program.

The study found that the majority of graduates travel fewer than three weeks a year; yet, there is a small minority who travel extensively. A regression analysis was used to determine whether or not those who travel more are rewarded with higher salaries. The results indicate that there is a high degree of correlation between the two variables. Examples of relationships that tended to strengthen the correlation were the following:

- Forty percent of those earning over \$40,000 traveled over four weeks per year.
 - Thirty-two percent of those making between \$30,000 and \$40,000 traveled more than four weeks per year.
 - Only six percent of those making more than \$40,000 traveled one week or less.
 - Fifty-three percent of those traveling one week or less make less than \$20,000 per year.
- In addition, the study indicated that those who work more hours are rewarded with higher salaries. For example, of those earning over \$40,000, 40 percent work 49 or more hours per week while only 19 percent of those who make \$20,000 or less work 49 or more hours per week.

Of special interest to those of us associated with the Institute of Professional Accountancy was whether or not BYU graduates felt a five-year educational program is necessary as preparation for a professional career in accounting. In summary, 75 percent of all respondents felt that a master's degree is needed for today's accountants. ≡

(Much of the credit for the information in this article should be given to the following five master's students: Bryan Burke, Steve Egans, Akpan Osom, Jon Wood, and the late Rick Clawson.)

Matters of Life and Death

Faculty members from BYU, Harvard, Princeton, Berkeley, London University, and the University of Rochester are among those involved in a study of marriage, family size, life expectancy, infant mortality, etc. According to Professor Larry T. Wimmer, "The goal of the project is to create an enormous data base on the demographic experience of inhabitants of North America over its first 250 years."

Entitled the "Economic Mortality of North America, 1650 to 1910," the project will also utilize much of the research collected in the Income and Wealth Project involving BYU

faculty members L. Dwight Israelsen, J. R. Kearl, James B. McDonald, Clayne L. Pope, and Wimmer.

According to Pope, "The Income and Wealth Project will be combined with the Mortality Project to examine the interaction of the economic and demographic experiences as explanations of economic growth, productivity, fertility, mortality, etc."

Pope and Wimmer are directly involved in both projects.

The income and wealth project, in existence for two years, is aimed at creating a "very large data base involving income and wealth, occupation, migration patterns, family size, etc. for most Mormon households in Utah from 1850 to 1900. The collection will then be used to analyze the economic, social, and demographic experience in Utah over its first half century," says Israelsen.

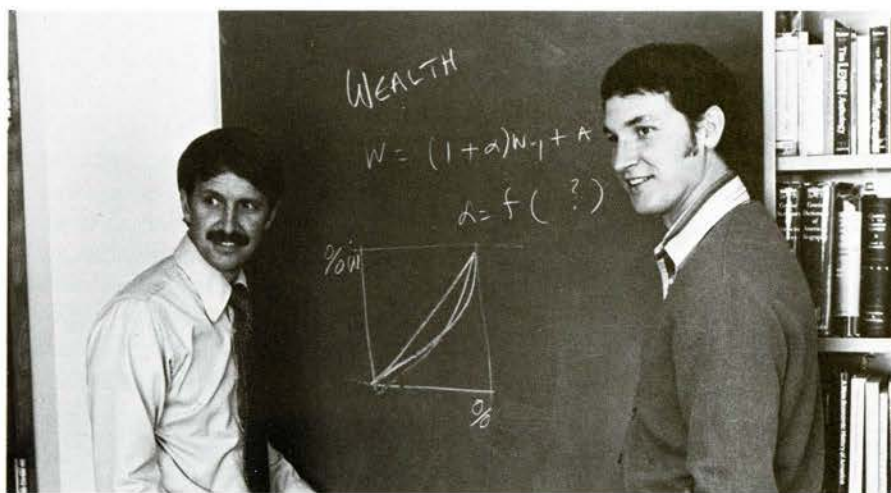
Thus far the group has looked in such areas as census, income tax, and probate records, and, according to McDonald, "Most of our work so far has gone into collecting, coding, keypunching, and cleaning the data. The analysis is in the early stages."

According to Dean Merrill J. Bateman, "Both of these projects have already attracted considerable attention. The income and wealth data is viewed as one of the most promising and substantive collections in the country."

The Mortality Project has received funding from the National Science Foundation. In addition to Pope and Wimmer, faculty involved include: Robert Fogel (Harvard); Stanley Engerman (University of Rochester); James Trussell (Princeton); Kenneth Wachter (University of California at Berkeley); Roderick Floud (London University); and James Smith (BYU).

"Both projects have important implications," says Kearl. "We live in a society that spends billions to achieve a more equal income distribution or a desired population growth rate, and yet very little is actually known about the determinants of either. The income distribution at a point in time appears to be very unequal, and over time rigid. Our early analysis suggests problems with both of these conclusions. Much of the inequality is explained simply by age differences, and we are finding far more movement up and down that distribution than had been anticipated."

The Mortality Project is examining, among other things, the relationship between rapid population growth and rapid economic growth which characterized most of U.S. history. In addition, the group is interested in understanding the reasons for voluntary decisions to modify family size in this country as a contrast to the attempts of governments today to induce, or in some instances enforce, a pattern thought desirable, reports Wimmer.



Larry T. Wimmer and J. R. Kearl



James B. McDonald and L. Dwight Israelsen



Clayne L. Pope

Money Matters in Economics


"Representatives of the U.S. government should learn to argue a coherent case for alternative programs and policies that would release the shackles imposed on developing economies," writes economist Karl Brunner. "These programs and suggestions should be formulated with the full acknowledgment that members of the Third World have the right to proceed according to their own lights. But their insistence on policies and institutions obstructing their development and lowering their welfare sets no moral obligation on the Western nations to bail them out with a massive transfusion of resources."

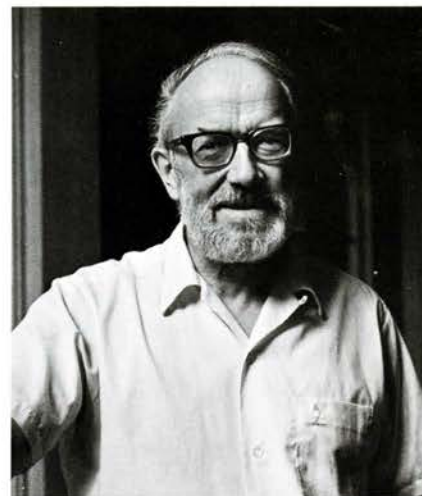
Brunner, a member of the faculties of the University of Rochester and

University of Bern (Switzerland), will hold the J. Fish and Lilian F. Smith Chair of Economics at BYU. He will lead a series of seminars and lectures winter semester.

Educated at the University of Zurich and London School of Economics, Brunner is the founder of two leading journals, *The Journal of Money, Credit and Banking* and *The Journal of Monetary Economics*.

He has lectured at Ohio State University, Michigan State, the University of Wisconsin, UCLA, and the University of Konstanz (West Germany). Currently Brunner is director of the Center for Research in Government Policy and Business at the Graduate School of Management, University of Rochester.

Among his extensive publications are *The First World and The Third World*; *Problems and Issues in Current Econometric Practice*; and *Targets and Indicators of Monetary Policy*. 



Karl Brunner

For Your Information

Conference participants attending the fifth annual Business Education Administrative Management forum learned that experts estimate that the cost of processing information in the United States ranges from \$400 billion to \$600 billion yearly. Participants discussed such cost-reduction suggestions as increased emphasis on "information management," changing traditional offices, and electronic mail systems.

The conference was sponsored by BYU's Department of Business Education and Administrative Management and the Administrative Management Society.

With the arrival of the information age, a question has been raised concerning the establishment of information management as a basic organizational function on a par with the already established functions of production, finance, marketing, and


personnel. Information management can be defined as a support activity and includes management of the resources that relate to the information system. Information management can also be defined as a line function in which an information generalist manages a group of specialists.

"Many individuals currently in management will view the office of the future as a threat. This will stem from their unfamiliarity with the technical process," said Spencer Everhardt, executive director of the Administrative Management Society. "Younger managers will more readily adapt to the automated environment. We have a prime external need to educate senior management about changing office technology and the implications this has on operating a business."

Changing traditional offices to cut paperwork is a means to cutting information costs. "Advanced office technology will integrate office systems and cross organizational boundaries," according to Harold T. Smith, BYU associate professor of

administrative management and conference coordinator. "This will break down protected domains," which suggests that fewer separate departments or units will be generating their own information. Everhardt added that technical capabilities must, however, be related to the needs of the organization rather than the organization responding to the capabilities of the technology. "The office of the future will be an evolutionary, not a revolutionary process."

Electronic mail was offered as an example of a system that integrates component office units. Conference participants were told that about 60 of the Fortune 500 companies are using or developing use of electronic mail. It was estimated that by 1982 about 350 of the nation's 500 largest companies will use electronic mail.

Clerical labor was defined as the largest single occupational category in the country, accounting for 22 percent of the labor force. More than 50 percent of all employed persons are involved in creating, storing, and disseminating information. 

Conferring on Careers

Careers will be the focus of "New Perspectives in Organizational Behavior," a management conference sponsored by the Department of Organizational Behavior and BYU Management Society. The conference dates are February 1 and 2, 1979.

Workshops and presentations will focus on individual career strategies and directing organizational career development programs. The conference is open to alumni, faculty of other universities, students, and interested professionals.

Among those participating in the conference will be Francine and Douglas T. Hall, researchers who have contributed substantially to the literature on careers. D. Hall, professor of organizational behavior, Northwestern University, is the author of *Careers in Organizations*. The book is an integration of theory and research from the fields of industrial and organizational psychology, occupational sociology, vocational and counseling psychology, and management.

D. Hall writes, "The administrator's prime responsibility is to manage his subordinates. However, one of the subordinate's prime concerns is to manage his career; he tends to see job and organizational situations in relation to what is best for himself. Therefore, the manager who can understand career interests and career dynamics will be more effective in managing people."

According to Kate Kirkham, director of the sessions, the conference emphasis on careers was an outgrowth of last year's meetings that centered on innovations in organizational development.



Kate Kirkham

"It became very clear that those working in both large and small organizations were involved in various aspects of career development—both their own and that of individuals in their organizations. In addition, there is a marked increase in attention to careers by those researching and writing about organizations."

Managers generally spend a majority of their time concerned with such issues as capital investment, long range planning, cost analysis, or direct operating procedures, but rarely utilize the same planning, organizing, and managing skills in their own careers or their subordinates', says Kirkham.

"If you don't point yourself in a self-determined direction, the organization will most likely steer your course for you. Most individuals are concerned about control by a company or agency or other faceless bureaucracy," comments Kirkham. The relatively recent emphasis on life-long career development is healthy for both individuals and organizations. Few firms are enthusiastic about employees that passively allow themselves to be maneuvered by others.

Directing Accountants

K. Fred Skousen, director of BYU's Institute of Professional Accountancy, has been elected as vice-president and president-elect of the Federation of Schools of Accountancy (FSA).

FSA is a new organization; accounting professors from over twenty major U.S. universities met in New York City in 1977 to adopt the articles of incorporation and bylaws for the federation. The association's primary goal is the professionalization of accounting education at the collegiate level.

"The purpose of the FSA is to provide a forum whereby institutions with similar philosophies and professional accounting programs can exchange views and seek solutions to common problems," says Skousen. "The common goal, therefore, is to professionalize the accounting curriculum and to improve the quality of accounting education. By so doing, we hope to improve the contribution, reputation, and stature of professional accountancy."

Skousen has been actively involved in the FSA from its begin-

nings. He chaired a committee charged with making a feasibility study of establishing some organization for interested schools. Later, he served as chairman of the drafting committee charged to prepare a specific proposal defining objectives and purposes for a federation.

As president of FSA, Skousen will serve as chairman of the board of directors, preside at all meetings of the corporation, be responsible for preparing an annual budget, provide an annual report, and solicit funds with the approval of the board of directors. Skousen will assume presidential responsibilities in January 1979.

New Faculty: Arrival of the Fittest

Twelve new faculty members—coming from leading universities and the private and public sectors—have joined the School of Management. Their specializations range from capital market theory to urban revitalization, from corporate planning to organizational conflict.

Having done graduate work at MIT, Richard Bookstaber is now a specialist in security markets. In addition, his areas of concentration include finance, econometrics, and international monetary economics. He received a National Science Foundation Fellowship in 1974 after graduating with highest honors from BYU and is fluent in Korean, Chinese, and Japanese.

Norman C. Boehm received his Ph.D. in government from Claremont Graduate School and has since taught at the University of California and California State University of Los Angeles. He has been City Administrator of Sierra Madre, California, and City Manager of Camarillo, California. Boehm was one of a competitively selected six-man team to visit Central and East African countries to study government and court systems there with the Rotary International African Study Tour.

J. Owen Cherrington's teaching interests are financial accounting and the application of management information systems to accounting. He has been an associate professor of accounting at Utah State University and an assistant professor at Pennsylvania State University. Cherrington has coauthored articles in *Business Horizons*, *Michigan Business Review*, and *Management Accounting*. His Ph.D. was granted at the University of Minnesota.

Roger Glen Clarke, a graduate of the Stanford University doctoral program, has taught corporate finance at San Jose State University. In addition, he has been an economic ana-

lyst for Pacific Gas and Electric Company. His teaching and research interests include capital market theory, investments, and application of financial theory to the regulation of public utilities.

Kent W. Colton's areas of research have been urban revitalization and the use and impact of computers in law enforcement. He has recently been an assistant professor in the department of Urban Studies and Planning at MIT. Colton received his Ph.D. from MIT in 1973 and served for a year as a White House Fellow, special assistant to the Secretary of the Treasury, advising on issues of financial reform.

Robert L. Gardner has been the auditor for the MBA Off-Campus Program of the College of Business at the University of Utah. This is a world-wide MBA program located at Army and Air Force bases in the U.S., England, Germany, Spain, and Greece. He will join the Institute of Professional Accountancy.

Formerly a staff member of the Institute for Naval Studies, The Center for Naval Analyses, Ralph Lavar Huntzinger received his Ph.D. in economics from Carnegie-Mellon University. He has also worked as a research economist for Westinghouse Research Labs. His leading interests are in the areas of operations research and economic theory.

Kate Kirkham's areas of specialization include institutional forms of discrimination and the design and development of change strategies. She has worked as codirector of her management-consulting firm, Resources for Change, and was formerly a training consultant and human relations specialist with the National Education Association in Washington, D.C. Her past clients include the Department of Labor, the Girl Scouts of the USA, USDA, and

Target Stores, Inc. Her doctoral degree is in organizational behavior.

William J. Sawaya, Jr., was most recently an assistant professor on the Faculty of Industrial Management, University of Wyoming. He taught the use of operations research in business decision making, principles of corporate planning, and planning in a technically changing environment. He received his Ph.D. from Arizona State University in industrial engineering with emphasis on operations research. He has formerly been supervisor of cost and investment analysis and supervisor of corporate planning analysis at AT&T.

A former assistant professor of marketing at Arizona State University, William R. Swinyard received his Ph.D. from Stanford University. He has also taught at the University of Santa Clara in California. His research specialties are marketing management, consumer behavior, and marketing research. In industry, he has worked as a product manager, corporate marketing planner, and brand research manager.

Assistant Professor of Business Management Gloria Wheeler received her Ph.D. in Psychology from the University of Michigan. Prior to joining the School of Management faculty, she designed client surveys and researched at Rensis Likert Associates, Ann Arbor, Michigan. She has also conducted extensive research for the Engineering Psychology Laboratory at the University of Michigan. Her teaching interests include research design and decision theory.

Alan L. Wilkins' research interests include the impact of organizational contexts on individuals, contrasting mythologies and organizational conflict, organizational theory, and research methodology. He has done consulting work for Saga Foods and the U.S. Coast Guard. Wilkins conducted his graduate studies at Stanford University.

In recent years, those responsible for presenting financial statements have had to assume a role of increasing accountability. In particular, the boards of directors of corporations are held more and more responsible for assuring shareholders that financial statements, as represented by management, are objectively determined. While the statements have been prepared by management, subject to review by internal and independent auditors, the board of directors is still viewed as having a stewardship for accurately presenting the financial statements to shareholders.

As an aid to the board, corporate audit committees, primarily composed of nonofficer directors, have been formed. These subcommittees of the board act in various capacities to assure proper, independent audits and appropriate financial statements for the company.

For several years, the major national accounting firms (often referred to as the Big 8) have proposed the formation of corporate audit committees. To this end, they have published pamphlets and brochures explaining how to organize and use such a committee.

At a recent conference for the Institute of Internal Auditors on the topic of corporate audit committees, Francis J. Palmara, executive vice-president of the New York Stock Exchange, indicated the exchange's position on corporate audit committees. The NYSE issued a statement on January 6, 1977, requiring that each domestic company with common stock listed on the NYSE should establish an audit committee no later than June 30, 1978. The Securities and Exchange Commission subsequently approved this proposed rule stating: "While independent audit committees will not eliminate all instances of abuse, their establishment can be an important step in a broader effort to remedy the problems of corporate accountability and disclosure that have been uncovered."

In addition, the Committee on Auditors' Responsibilities stated that "an audit committee composed of outside, independent board members is potentially the most effective method for monitoring and achieving some balance in the relationship between the independent auditor and management."

The endorsement of the need for

and use of audit committees by publicly held corporations is the basis of a study recently conducted by the authors focusing on the banking industry. The objective of the study was to determine the *purpose* and *function* of such committees, the background of committee members, and the factors affecting success for these committees as perceived by committee members in selected banks. The *purpose* refers to the reason for which the committee was organized. *Function* refers to the activities conducted by the committee in carrying out its assignments.

Banks were selected for the survey since they have used corporate audit committees over a longer period of time than have firms in many other industries. The inferences from this study, however, do have applicability to corporate audit committees in general.

"Top 10" and Others

Business Week's "Annual Survey of Bank Performance" was used to identify the ten largest banks ("the top 10") in the United States. A random sample of 39 additional ("the other 39") banks was drawn

A Closer Look at Corporate Audit Committees

by John W. Hardy
and E. Dee Hubbard

Illustrated by Tom Pratt

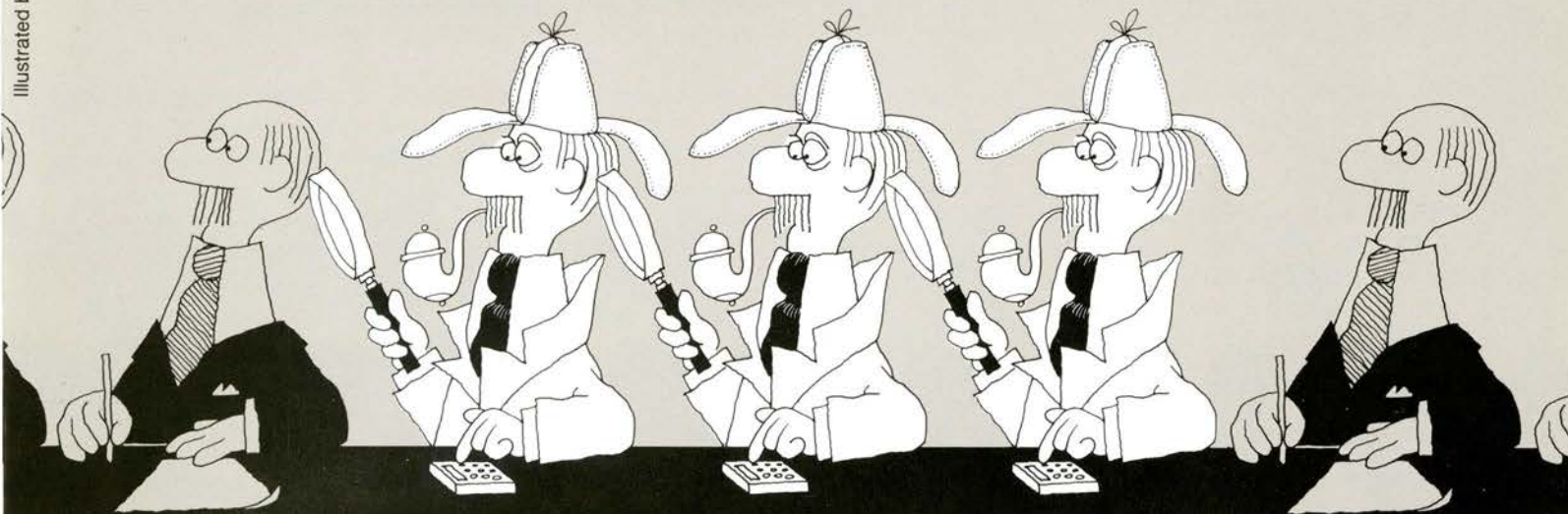


TABLE 1

A Ranking by Respondents of the Various Factors Affecting the Success of Corporate Audit Committees

Percentage Response of Total Respondents as to Factor's Contribution for Success of Audit Committee

Factors for Success	High Contribution	Medium Contribution	Low Contribution
Committee Chairman's:			
Attitude toward committee responsibilities	98	0	2
Attitude toward management	85	15	0
Knowledge of general business	82	9	9
Knowledge of banking industry	36	39	25
Knowledge of finance and accounting	69	27	4
Basic soundness of judgment	96	2	2
Breadth of experience	91	7	2
Committee Member's:			
Attitude toward committee responsibilities	98	0	2
Attitude toward management	85	15	0
Knowledge of general business	87	9	4
Knowledge of banking industry	40	39	21
Knowledge of finance and accounting	58	38	4
Basic soundness of judgment	98	2	0
Breadth of experience	73	16	11
Active Support of Audit Committee by:			
Management	94	4	2
Independent auditors	89	7	4
Internal auditors	82	7	11
Willingness of all committee members to ask and answer probing questions candidly			
	94	2	2

from the 200 banks listed in the *Business Week* survey of large banks.

Respondents were asked to rank from high importance to low importance the possible purposes of bank corporate audit committees. The purpose refers to the reason for which the committee was organized. The highest percentage response (a 93 percent response) showed high importance for the corporate audit committee to pro-

vide for a review of the results of the independent audit. The next highest percentage of responses indicated that the committee should provide additional attention to the audit function performed by both the independent and internal auditors with 80 percent and 78 percent respectively for high importance. Two other major purposes having high importance for corporate audit committees as indicated by the respondents were (1) the committee's activity would strengthen the independent auditor's objectivity and independence, and (2) the committees acted as an advisory group for the board of

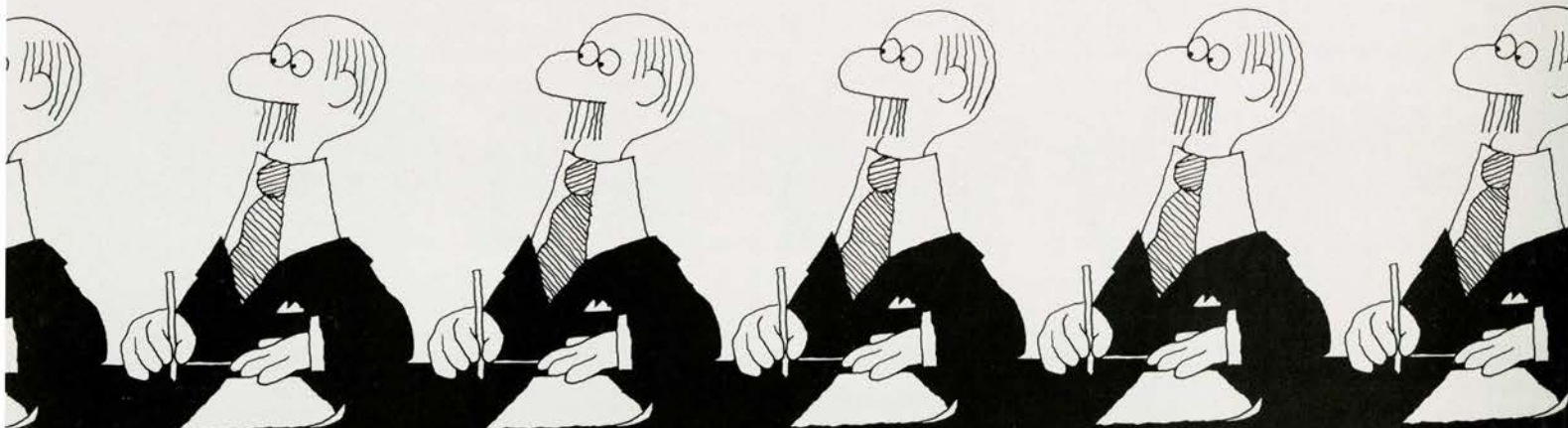
directors. Seventy to seventy-five percent of the respondents indicated high importance for audit committees to improve the effectiveness of financial and operational controls, to give evidence of due care in fulfilling directorship responsibilities, to evidence a responsible attitude by management, and to improve communication between nonofficers and the internal auditors.

Over half of the respondents gave a low importance to improving the understanding of the nonofficer directors regarding (1) SEC reporting requirements, (2) financial statements and alternative sources of information, and (3) the business, operations, and financial issues affecting the company.

The term function as used in the study refers to the activities conducted by committees in carrying out their assignments. The survey asked the respondent to indicate the level of importance of several possible functions, as well as the degree of effectiveness to which the committee implemented those functions.

A large majority of respondents (96 percent) indicated that it was very important for the committee to discuss the independent accountant's overall evaluation and audit coverage. Eighty-seven percent of the respondents reported that the committee was very effective in this regard. Ninety-four percent of the respondents indicated it was very important for the committee to discuss the status of implementation of internal control and to report suggestions offered by the auditor. An almost equal percentage said that the committee was very effective

¹*Business Week*, September 21, 1974, pp. 60-63. The ten largest banks include Bank of America, Citicorp, Chase Manhattan, Manufacturers Hanover, Morgan Bankers Trust, Chemical, Western Bancorp, First Chicago, and Continental Illinois.



tive in this function.

The functions of cooperation with the auditors and discussion of conflict of interest policy for company activity were rated as very important by 86 percent of the respondents, and the same percentage indicated these functions were very effectively fulfilled. Eighty-five percent of the respondents rated recommendations for independent auditors to be selected by the board of directors as very important, and 77 percent felt this function was very effectively implemented.

Several questions were asked which relate to perceptions regarding factors for successful functioning of and the practices contributing toward success of audit committees. One question sought respondents' ratings of four major aspects regarding factors affecting the success of an audit committee: committee chairman's role and attributes; committee member's role and attributes; support of committee by various other groups; and the perceived need for all committee members to have a questioning, challenging attitude. Responses to this question are summarized in Table I.

The factors perceived to be most important for the committee chairman are attitude toward the committee's responsibilities, possession of sound judgment capabilities, and breadth of experience. All other factors were perceived to generate high contribution by more than 70 percent of the respondents except the factor of knowledge of the banking industry, which was considered to be a factor of high contribution by only a little over one-

third of the respondents.

The study indicates that the factors of attitude toward responsibilities and basic soundness of judgment on the part of committee members were deemed by nearly all respondents to contribute highly to the successful function of the committee. The breadth of experience factor was thought less important for members than for the chairman of the committee in generating success, yet nearly three-fourths of the respondents still considered this factor as making a high contribution to committee success. The factor of knowledge of finance and accounting on the part of committee members was deemed to make a high contribution to committee success by 58 percent of the respondents, compared to 69 percent of the respondents who considered this factor for the committee chairman to be a high

The Board of Directors still has stewardship for accurately presenting the financial statements to shareholders

contributor. Knowledge of the banking industry was a factor rated about the same for committee members as it was for committee chairmen.

More than 80 percent of the respondents felt that active support by management, independent auditors, and internal auditors makes a high contribution to the success of the audit committee.

Finally the study shows that all members of an audit committee must possess a willingness to ask and answer probing questions candidly.

The respondents were asked to rate various practices for a corporate audit committee to follow according to their relative importance in contributing to the successful operations of the audit committee.

The responses to this question are summarized in Table II by percentages of total respondents who considered the practice to make a high, medium, or low contribution toward successful committee operation.

All practices listed were deemed to make a high contribution by 50 percent or more of the respondents except making on-location visits, which was considered a low contributor by more than half.

It appears that the practices deemed to make the highest contributions to success of the audit committee are:

- 1) Written statements of the role, objectives, and responsibilities of the committee.
- 2) Regular briefing of the committee by both independent and internal auditors.

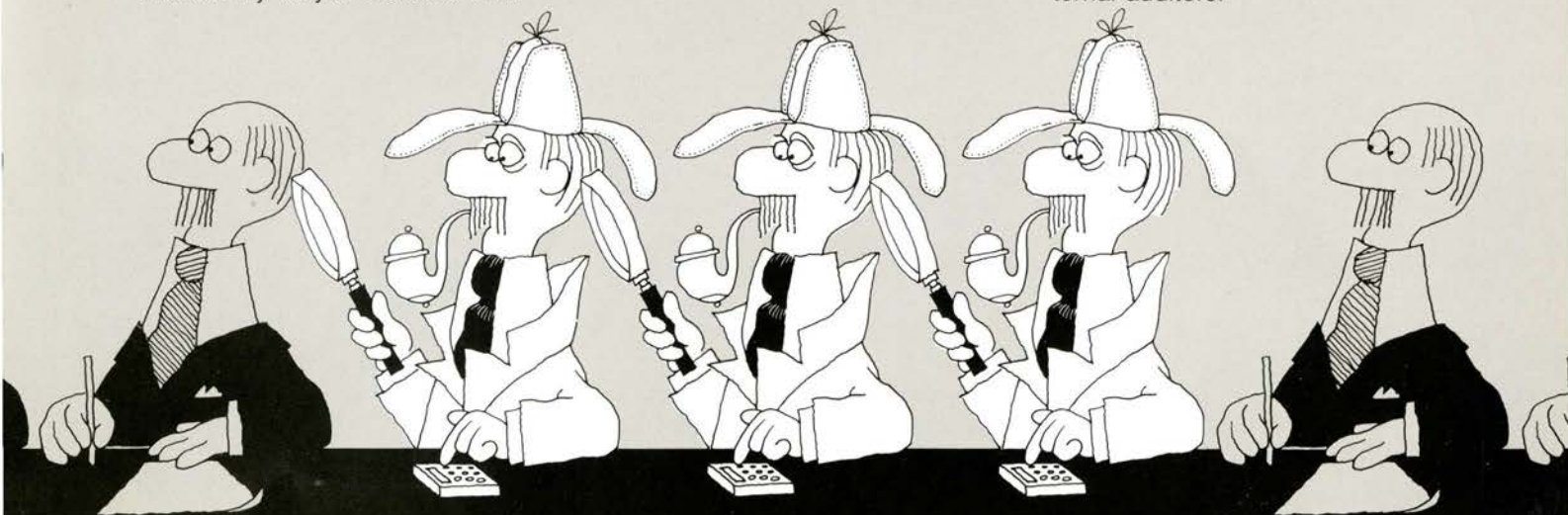


TABLE II

**A Ranking by Respondents of the Various Practices
Affecting the Success of Corporate Audit Committees**

Percentage Response of Total Respondents as to Practices Contributing to Success of Corporate Audit Committee			
	High Contribution	Medium Contribution	Low Contribution
Practices Contributing Toward Success of the Audit Committee:			
Written statement of committee's role, objectives, and responsibilities	89	7	4
Rotation of membership on audit committee	50	25	25
Continuity of membership	62	26	12
Providing agenda, issues, related materials before committee meeting	82	16	2
Briefing of Audit Committee by:			
Independent auditors	93	7	0
Internal auditors	86	7	7
Management	68	18	14
Prompt notification to audit committee of problems by:			
Independent auditors	90	6	4
Internal auditors	84	5	11
Management	87	4	9
Meeting separately with auditors and management	91	7	2
Immediate access by audit committee to:			
Independent auditors	89	11	0
Internal auditors	93	5	2
Availability of relevant data upon request to audit committee			
	94	6	0
Visits by audit committee to plants and offices			
	9	40	51

3) Separate meetings with independent auditors and management personnel.

4) Availability of relevant data to the committee.

5) Prompt notification to the committee of problems by all groups concerned with financial matters.

6) Immediate access by the committee to both independent and internal auditors.

Background questions

The following questions were asked about the background of committee members.

How long has your corporate

audit committee been in existence?

The responses show that more than half of the audit committees have been in existence for five years or less. It was also interesting to note that little difference exists between the top 10 and other banks. Also, nearly a third of the responding banks indicated the existence of committees for a period in excess of 15 years. Thus, the existence of an audit committee is either a relatively new or an old experience for most banks.

How are the members of the corporate audit committee appointed?

There was a difference between the appointment process in the top

10 as compared to the other banks. In the top 10 banks, 92 percent were elected by the board of directors, whereas in the other banks, 35 percent were placed on the committee by virtue of being a non-officer director.

How often does the corporate audit committee meet during the year, and how often should they meet?

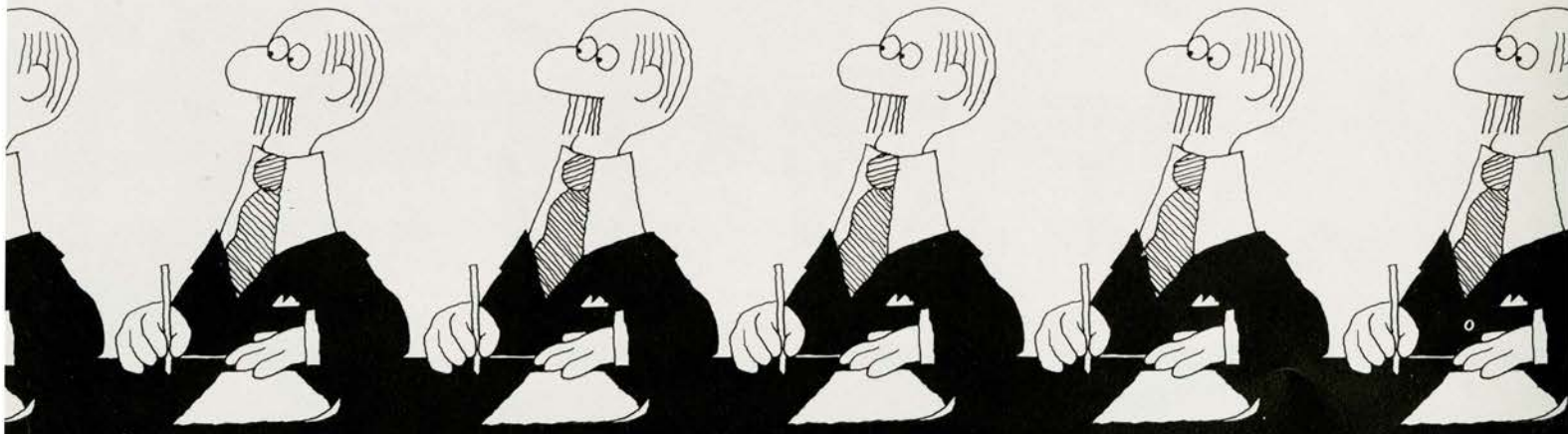
The study showed that 80 percent of the top 10 banks' audit committees meet three to four times a year. About 50 percent of the committees of the other banks surveyed also meet three to four times a year with more than one-third of them meeting in excess of four times.

How many members are on your corporate audit committee?

The study shows that the top 10 banks have between three and seven members on their committees. The other banks, by contrast, operate with smaller committees. Nearly half of the other banks have committees with three or fewer members.

What is your perception of the importance of various background factors that members of a successful audit committee should have? (Rank from high to low importance.)

There was a preference for general business knowledge among a high percentage of respondents of both groups. Knowledge of the banking industry was perceived as being of greater importance among respondents of the other banks than among top 10 respondents. Two-thirds of the respondents of other banks believed more specific knowledge of disciplines like



accounting, auditing, and finance were of high importance for committee members to have, while more than 50 percent of top ten respondents ranked this attribute to be of medium importance.

Considering the following seven categories of potential members to serve on the audit committee, indicate whether you feel such a person is (a) acceptable as either the committee chairman or a member; (b) acceptable as a member but not as chairman, or (c) unacceptable as a member.

The results of these questions are listed in Table III. Any kind of operating or consulting activities seem to negate a board member's chance of working on the auditing committee. Item 7 on this question was asked to see whether a person who had unique experience or background to aid the audit committee was acceptable as a member of the board. For example, a college of business faculty member might have such a background.

The other banks considered such a person as acceptable in 47 percent of the responses, whereas the top 10 banks indicated in 93 percent of the responses that such a person was unacceptable. An individual affiliated with the company's underwriter had greater acceptability as a board member for the top 10 banks than for the other banks.

Respondents were invited to comment in an open-ended manner about each of the previous questions. On the question of preferred background of a committee member, the following were listed by respondents (in the order of frequency of response):

1) Member should hold a top

	Top 10			Other Banks		
	Member & Chairman	Member Only	Unacceptable as Member	Member & Chairman	Member Only	Unacceptable as Member
1 Member of the board, no stocks, bonds, or other responsibility	63	0	37	54	25	21
2 Member of board, holds substantial stock, no other responsibility	75	12	13	97	0	3
3 Member of board, holds stock, consultant to company, stock value exceeds consulting fees	0	42	58	10	30	60
4 Member of board, holds substantial stocks, chief operating officer, stock exceeds income	0	23	77	3	16	81
5 Member of board, holds no stock but is affiliated with company's underwriter	15	23	62	6.5	13	81
6 Shareholder, not a member of the board	0	7	93	0	26	74
7 Specialist, not a member of the board	0	7	93	0	47	53

* All figures represent percentages.

management position in some company and have a *general* business background.

2) Member should have a technical or professional background in accounting, finance, or law.

3) Member should have high standards of moral character and conduct.

4) Member should be a non-officer director.

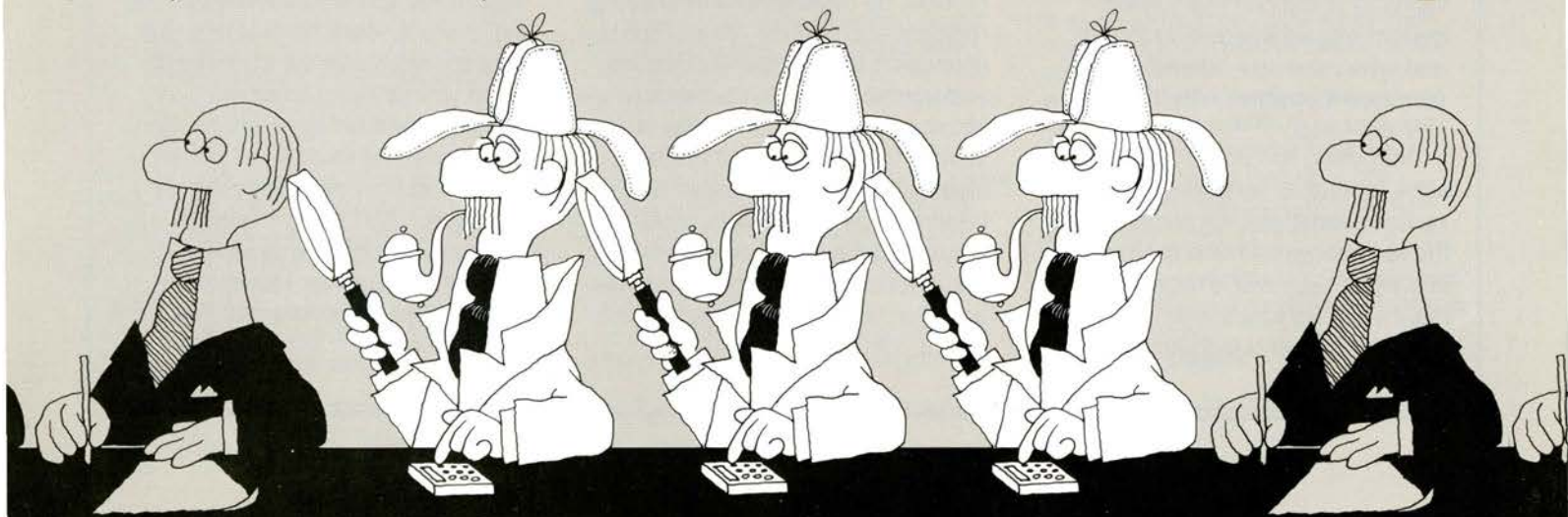
5) Member should have a knowledge of the banking industry.

6) Member should have: intelligence, a willingness to work hard, perseverance, an inquisitive nature, a willingness to take responsibility, integrity, honesty

(each of these characteristics was mentioned by at least one respondent).

In this list there is some tendency to repeat or reinforce items checked off in responding to the basic question. Also, as might be expected, the first two comments, which indicate some opposing preferences in terms of general vs. specific background, suggest some lack of consensus about preferred background.

The authors intend that the findings reported in this article will be useful to audit committees in evaluating their own experience and direction.





Suzanne Peck-Collier is chief planner, Illinois Law Enforcement Commission

Planning Affairs of State

"Actually, our name is a misnomer. We are a commission, but we don't enforce the law," says Suzanne Peck-Collier, chief planner, Illinois Law Enforcement Commission. "We are a staff agency. Our main function is to produce a plan that describes the problems of the criminal system in the state of Illinois and recommends programs that could be implemented to address these areas."

Peck-Collier began her career in law enforcement planning as the result of a summer job with the Utah Law Enforcement Planning Agency. Working in the criminal justice system proved interesting for her, and when she was offered a permanent position with the agency, she accepted.

According to Peck-Collier, an MPA graduate, commission recommendations are presented to the federal government for approval, and upon approval, the government supplies funds which the commission subgrants to local

government and private agencies to implement the recommendations.

The planning process involves work with local governments and state agencies. Local governments are represented by 20 regional commissions, with planners from the State Law Enforcement Commission meeting with each of the regional groups to identify and study local problems and develop program recommendations. Plans are submitted from individual state agencies through the same process.

The state planning committee plays the final role in the planning process by organizing and unifying regional and agency plans. Program specialists look at all the priorities and identified problems and express opinions regarding the value of specific programs. Planners then meet with regional directors to determine priorities. With regional input, recommendations are sent to the planning and budget committee and then to the commission as a whole.

"More and more, our commission is interested in gathering and analyzing data as a guide to making decisions. Five years ago, we were more apt to go on faith than we are now. Money is getting tighter, so if we can't evaluate a program and see what we're likely to accomplish, we're reluctant to get into it."

Studies have been helpful in the planning process. As part of an urban high-crime program in Peoria, a trend analysis has been made in which burglary cases have been tracked through the system for a five-year period. Crime volume, system actions, and length of time required for the system to operate were reviewed. Results indicate that in terms of actions by the system, increased apprehension is, of course, of primary importance. In terms of time, however, the speed between arrest and indictment is most significant: if time is significantly reduced, it should have an impact on crime. Peck-Collier is currently overseeing a replication of this being conducted in five metropolitan areas.

There are other challenges besides program evaluation and money allocation. There are frustrations in working in an organization so large and complex as government. "Government programs often do not have clear goals, and they are so massive and respond to so many interest groups that there is really no one to whom they are accountable. It's difficult when you're trying to deliver services because there are so many objectives that you are supposed to meet. And the objectives multiply with time." She adds, "I always expect too much. In my years of work in this agency, I have found that change can come, but you have to be patient."

Craig Witt forecasts the futures.

It is his responsibility to manage a portion of company assets for the Commodities Corporation of Princeton, New Jersey. His work involves study of a narrow group of commodities—in Witt's case, tropical products such as cocoa and sugar—and committing company assets to those products through the commodities market.

There are actually two commodities markets: the actuals market and the futures market. According to Witt, the actuals or cash market is the market in which actual commodities are bought and sold. The futures market, on the other hand, involves entering a contract to deliver or receive a specified commodity at some specified future time. When an individual or firm buys a future, it is a contract to buy and pay in full for a set amount, at a set price, to be delivered on a set date. Generally, however, the commodity is not delivered because the original contract is sold before delivery time.

Trading in the commodities market offers the potential for fantastic gains and the risk of tremendous loss. This requires a depth of assets to cover potential losses which makes many individual investors shy away.

Witt, a business management graduate, finds the risks of the futures market exciting. "There is of course, the potential for horrendous loss, though the company has established operating guidelines to protect itself from unnecessary risk. And I believe there are ways to forecast the market which minimize risk."

In spite of careful forecasting, the commodities market presents surprises that increase the challenge of speculation. For example, in 1974, world sugar prices skyrocketed from 2 or 3 cents a pound to 66 cents a pound. It was a freak combination of factors in



Craig Witt, commodity analyst, specializes in the sugar and cocoa markets

Looking (Up and Down) to the Futures

which everything worked to keep prices rising. It was the bottom of the production cycle and European weather conditions were poor. On the consumption side, the world was on an up cycle, and there were strong buyers. The oil countries had the excess revenue produced by the 1973 embargo and, in an effort to imitate sweet Western diets, were anxious to buy sugar. The combination created an explosive situation of tremendous volatility that no one had anticipated.

Witt was introduced to commodities trading while an undergraduate at BYU. He worked as a research assistant on a project for the World Bank and the cocoa market. He was hired by Merrill Lynch as a research analyst and was later promoted to research specialist in the tropical products group. In 1975, he joined the Commodities Corporation.

Trading in commodities is a high-pressure, 24-hour-a-day business.

Witt says it's not the kind of work he can forget when he leaves the office. Work days begin early. He gets telephone calls at home by 5 a.m. from London when the market opens there. When he gets to the office, there is a computer printout on his desk listing the results of his previous day's activities. "I always know where I stand—what my profits and losses were the day before. This can be good incentive."

Witt likes what he's doing. He believes that there are "three major areas where an individual can make tremendous profits quickly: starting a business; possession of an unusual and in demand skill with the 'correct breaks'; and commodities trading. All three involve tremendous risk, of course. This intrigues me, but what is perhaps more intriguing about commodities trading for me are the intellectual challenges of attempting to come to grips with a socio-economic phenomenon: what people think goods are worth." ■

Since medieval times, universities have been associated with ivory towers and sheltered lives. But the image of a cloister-like existence no longer accurately reflects higher education. Nowhere is this more evident than in management programs. Brigham Young University mirrors the hands-on training encouraged by professionals in both the private and public sectors.

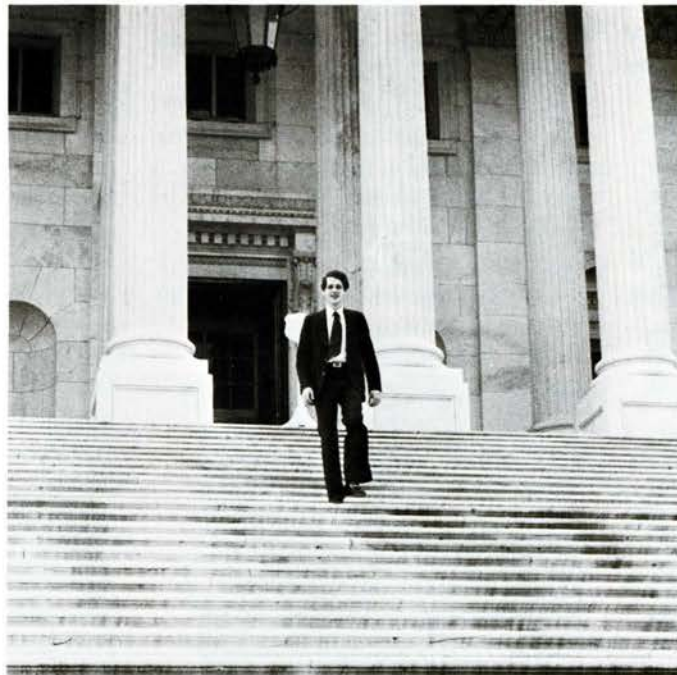
From New York (IBM) to

California (Crocker Bank), from Texas (Procter and Gamble) to Wisconsin (State Division of Health), students participate in activities ranging from independent audits to cash flow studies. Summer months in banks, manufacturing plants, retail stores, accounting firms, service industries, public utilities, and local, state, and federal agencies supplement classroom experiences.

Nor is the faculty content to draw

teaching materials from 10-year-old cases or others' research. They work with organizations gathering data, observing management activities, and studying problems, thus sharpening their analytical skills. This "active research" is critical to an institution teaching management. Faculty awareness of the challenges and opportunities facing professionals allows them to better prepare students to face these same situations.

SCHOOL (OF MANAGEMENT) OF HARD KNOCKS



BYU economics student David M. Pugmire served as an intern to Congressman George Hansen. A specialist in natural resources and health, Pugmire tracked legislation, reported committee action, talked with lobbyists, and made recommendations for cosponsoring bills.

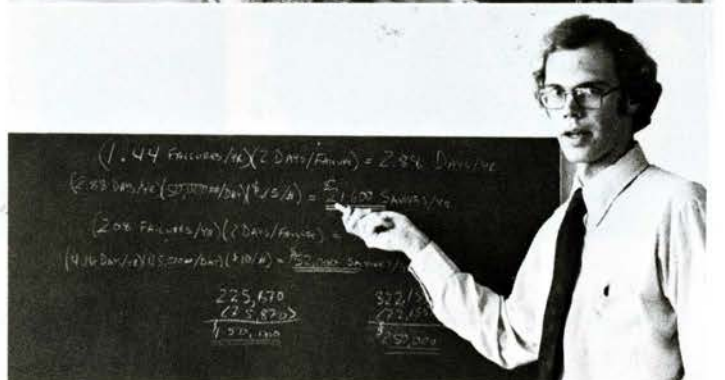
At the U.S. Court of Appeals for the Ninth Circuit in San Francisco, John W. Miller prepared indices of judicial councils and commissions. An MPA student, Miller worked on statistical tables and reports that were distributed to judges throughout the country.

Appointed by the governor to the Utah State Liquor Commission, Professor J. Bonner Ritchie serves on the five-member board determining liquor policies, granting licenses, and setting prices. "Eight cents out of every liquor dollar goes to the state's school lunch program," says Ritchie.

Marta Clark, MPA student and intern with the Bureau of Planning, Wisconsin Division of Health, worked in developing the bureau's operating budget for the fiscal year 1979. In addition, she was staff liaison for legislative hearings and analyzed recommendations for assisting terminally ill individuals.

Graduate students Alice Gardner, Von Orgill, Martha Hales, and Patrick O'Hara spent the summer at IBM corporate headquarters in Armonk, New York. Their work involved such areas as evaluating survivor benefits, developing a preretirement program for employees, researching cost containment measures, and updating management manuals.

"I applied mathematical techniques, simulation models, financial analysis, etc. to evaluate facilities and operations in terms of capabilities, cost, profitability, and efficiency," says MBA student Mark Feinauer. At Borg-Warner Chemicals in Parkersburg, West Virginia, he recommended facilities and/or operating modes for future use.



Gloria E. Wheeler, assistant professor of business management, works with Rensis Likert Associates, an Ann Arbor, Michigan, consulting firm. Wheeler assists the firm in developing survey questionnaires used to measure effective use of human resources.

Working at Touche Ross and Co. in Washington, D.C., Reed Maughan prepared consolidated corporate returns and examined revenue rulings.

"As an assistant financial analyst, I studied the desirability of refunding outstanding long-term debt," reports Stan Watkins, an MBA student and intern with Consolidated Edison Company of New York.

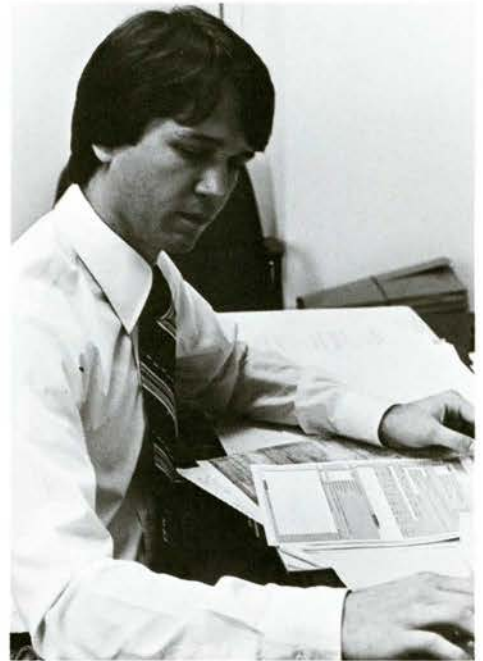
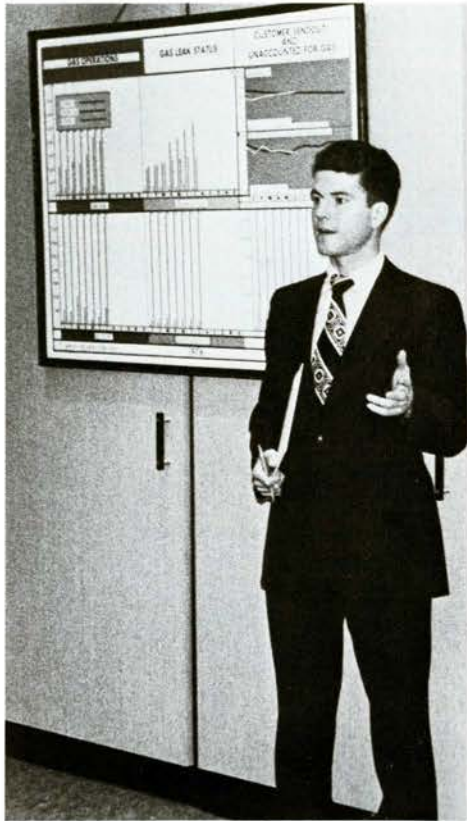
At Washington, D.C.'s, Woodward and Lothrop department store, Reid Denham acted as an assistant buyer, finalizing inventory reconciliation, planning promotions, and preparing the Christmas catalog.

H. Keith Hunt, business management department chairman, discusses a research project with a student. As president-elect of the Association for Consumer Research, he is organizing national conferences in Miami and Chicago.

Going directly into management training at J.C. Penney in Columbia, South Carolina, Cindy Fish was responsible for promotions, mark-downs, inventory reports and employee scheduling in four dress subdivisions.

Diane Collram frequently found herself making presentations to managers and employees of Procter and Gamble in Dallas, Texas. Some of these discussions dealt with plant safety and affirmative action programs.

Becky McKay, intern at the Office of Education, Washington, D.C., developed a bibliography of publications dealing with student financial assistance.



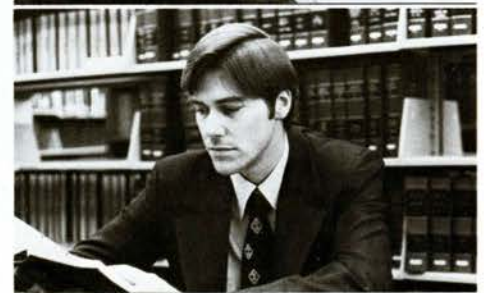
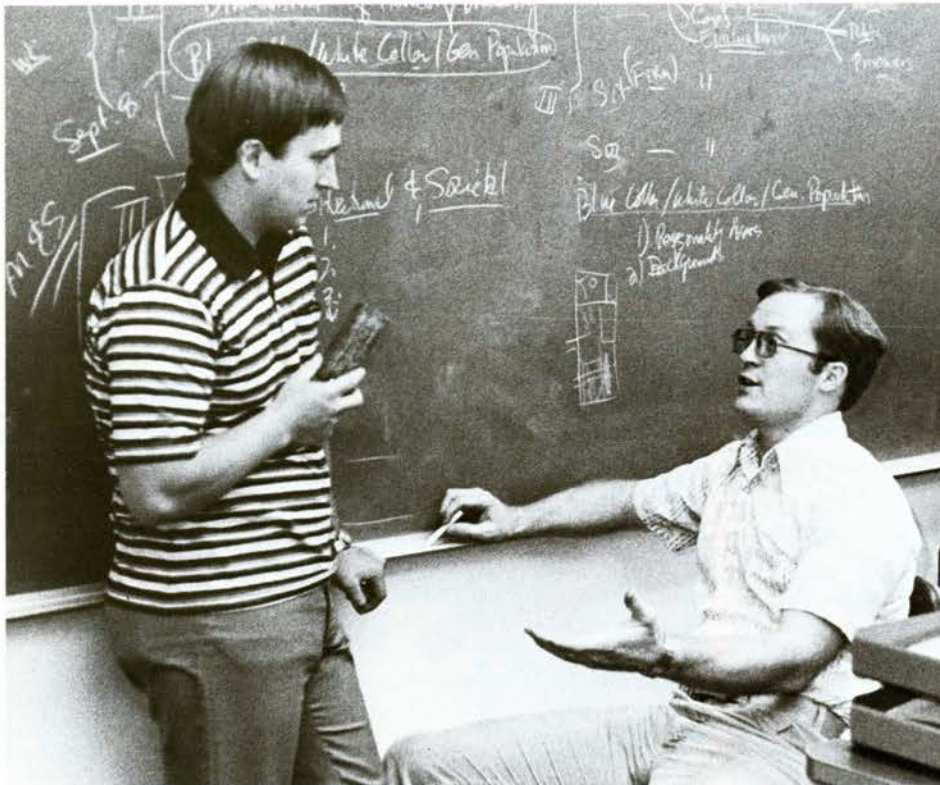
Dale Wright, a member of the National Advisory Council for Health Professions Education of the Department of Health, Education, and Welfare, advises on educational policy.

Drafting articles for the Ernst & Ernst in-house publication, J. David Horspool found working in the Big 8 firm's National Tax Department in Washington, D.C., allowed him to utilize skills acquired in his law and accounting joint program.

"Expansion increases the need to process material so that vital information is assimilated and distributed. Organizations need the most efficient and least costly methods available," comments Betty J. Petersen, currently working with The Church of Jesus Christ of Latter-day Saints on a professional development leave.

Accounting faculty members Steven Albrecht's and Marshall Romney's research investigating management fraud is funded by the Peat, Marwick, Mitchell and Co. Foundation. "Our end objective is developing a comprehensive list of red flags that will tip an auditor off that a fraud might exist."

At Arthur Young and Co., in Reston, Virginia, Lynn J. McKell (left) is working to identify needs and develop curriculum for the firm's training effort. McKell is on leave from the University and is working with David P. Pearson, Arthur Young's director of education. Much of the curriculum will be filmed.



Spending a year with the Institute for Economic Research at Hitotsubashi University in Tokyo, Richard K. Nanto is joining an international group of economists working to computerize and analyze data on income distribution for East Asian countries.

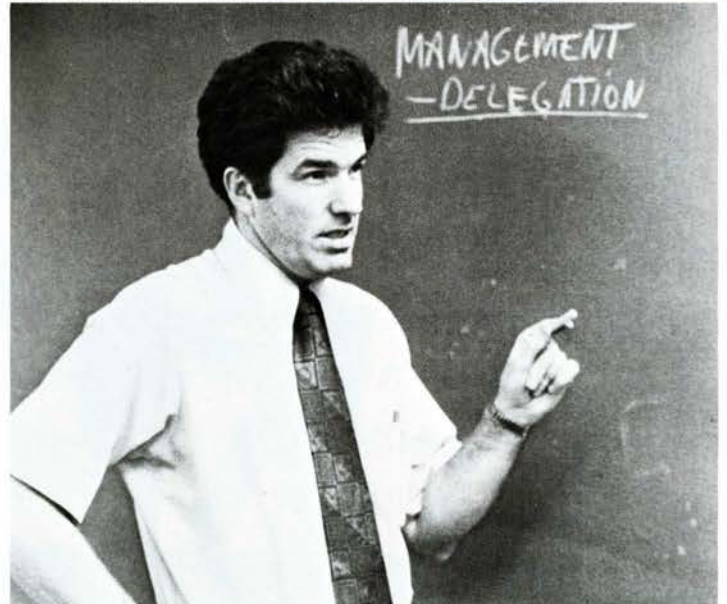
Dean Nyffeler, an MPA student, researched the reactions of sensitive clays to seismic shock for the Geological Survey of the Department of the Interior.

At Sears in Glendale, California, Craig Williams worked in the audit department processing daily sales, helping with midyear inventory, and handling invoices. An accounting student, Williams spent time on the loading dock to "see all sides of the store's operations."

At Phillips Petroleum in Bartlesville, Oklahoma, Carey Petersen worked evaluating training programs. In addition, she interviewed in the patent division regarding career development and rewrote performance appraisal materials.

"I was assigned to analyze financial statements on some of the largest companies in Japan and to advise our clients on the reliability of those statements," reports Kent Gilbert. Studying for degrees in both business management and law, Gilbert translated a large volume of Japanese labor law into English. He worked for the firm of Baker and McKenzie in Tokyo.

Paul H. Thompson, professor of organizational behavior and assistant dean of the School of Management, is working with Bendix Corporation in Southfield, Michigan, evaluating engineers' work assignments, compensation, and promotions.



At Citibank in New York City, Professor Gene W. Dalton works with the National Banking Group developing a training program for managers. Having written extensively on professional careers, Dalton (with Paul H. Thompson) is writing a book on career paths in organizations.

Mark S. Crego and Laura Moss, undergraduates in economics, researched projects at the Library of Congress. Crego contributed to a data base for a major economic demography project funded by the National Science Foundation. Moss investigated current legislative issues such as deep-sea mining, domestic violence, and inflation for Congressman Gunn McKay.

Designing programs for training and developing managers from the lowest supervisory level through the highest corporate level, Stephany Sharp interned at San Francisco's Crocker Bank.

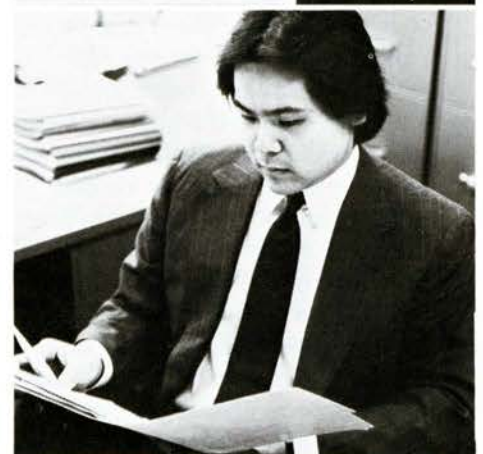
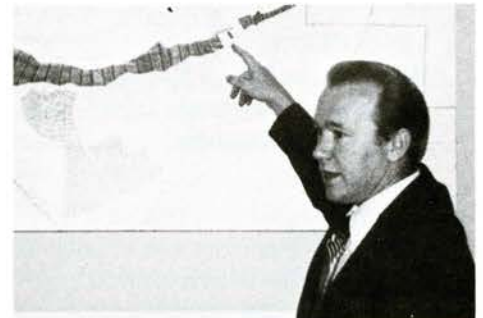
Working with the Corps of Army Engineers in Washington, D.C., and Portland, Oregon, faculty member Dee W. Henderson helps groups to set goals, plan programs, and understand conflicting strategies.

"Being in the personnel office, I probably know more executives than I would have had I gone straight into a buying or manager position," says Cheryl Garber (left). "There really are chances to move up at Bonwit Teller." She worked with Audrey Lynn (right), director of executive placement.

Kent McKinnon served as an analyst in the Las Vegas city manager's office, working on street department projects, budget augmentation, pet licensing, and building and safety inspector staffing requirements.

Managing a \$2 million-plus men's wear department, Cody Kondo at Nordstrom in Tacoma, Washington, was responsible for merchandising, sales, and personnel administration.

MBA student Gordon Wilson at Kaufmann's in Pittsburgh worked with store buyers evaluating and recommending goods in terms of quality and cost.



SPEAKING OUT

Adapted from a speech given at
Brigham Young University

My goal is to convince you that the past has important lessons for our time. To do this, I will suggest five lessons that appear to have particular meaning for the American society today.

LESSON I:
Households Play a Key Role in the Process of Economic Development and Change

There are three basic institutions which play central roles in the process of development and change in the economy—business firms, government and the household. Obviously all three of these institutions combine together with other institutions such as schools and churches to form the pattern of economic change. But which of these institutions dominates or initiates major change in the American economy both in the past and today? Certainly, government is by far the most visible of these three institutions. Newspapers, television, and other modes of communication report the activities of government with much more detail than the actions of any other institutions. Political figures are instant celebrities who compete with athletes and entertainers for recognition and space in the gossip columns. If I ask you to name five major political leaders, it presents no difficulty. But if I ask you to name five business leaders, most people are stuck after Colonel Sanders and Ronald McDonald. Households are, of course, completely invisible.

Thus our attention is focused largely on government with some attention given to large businesses (though not to their leaders). The

household receives almost no attention except for an article from time to time indicating that a sexual revolution has just occurred and the family as a viable and relevant institution is doomed. Yet despite this lack of attention given to the family, history suggests that the decisions made by households, rather than business or government, initiate the process of economic change over long periods of time and should therefore be given more attention. The decision of when to marry, how many children to have, whether to divorce, how much to save, when and where to move, what job to take, how much education to obtain are family decisions which have enormous impact on the course of the economy. Clearly these decisions are influenced by market conditions and other factors that are, in turn, influenced by the actions of government and business. But our attention on government in particular seems to be misplaced if we are interested in fundamental economic change.

To illustrate the importance of the household or family decisions in the historical process, consider the process of urbanization—the movement

from the farm to the city which has continued in the U.S. for at least the past 150 years. What has generated this process?

The process of urbanization starts with a simple biological fact—we can only eat so much. Because we can eat only so much, very little of the increase in income that people have enjoyed over time has gone for the purchase of food. As incomes have grown, households have chosen to spend a smaller and smaller fraction of income on food. The expenditure on food has fallen from 60 to 70 percent of the family budget in 1830 to less than 20 percent today. This means that an increasingly smaller proportion of the work force is needed in agriculture.

The market system accomplishes this shift of workers by rewarding the urban worker and penalizing the farm worker through differences in wages which have induced millions of people to move to the city. The process of urbanization starts with households choosing to spend an increasingly smaller proportion of their income on food. No government program initiated this action. No telegram was sent to farm families saying: "Leave the farm—go to the city." No Bureau of Urbanization was organized. No firms were in the business of pushing people off farms. It started with families making simple decisions about how they spend their income. Ironically, this process of urbanization—generated by the cumulative decisions of households or families—has in turn had an enormous and significant impact on the family.

In an agricultural setting the family (isolated to some degree from others) is the dominant moral and cultural (as well as economic) institution with tight control over individuals within the family. The

THE AMERICAN ECONOMY: LESSONS FROM THE PAST

by Clayne L. Pope

family worked, played, and lived together. Moreover, the values of the individual families were known to the community, and the community reinforced those values. One is never anonymous in a rural community. I grew up in a small rural community, and people knew who I was and what I should and should not be doing. The move to the city dramatically changes this relationship between the community and the family. Anonymity describes the normal relationship between most individuals. The community no longer knows or cares about family values and is not instrumental in strengthening the values of the family. In contrast to my experience in that dusty Idaho town, I remember the feeling of freedom and anonymity which I felt in Chicago when I was there as a graduate student. I could go to State and Randolph in downtown Chicago, with thousands of people, yet remain anonymous and alone in a way that I could never be in rural society.

Urbanization, then, weakens the family. The work of the father and many times the mother is removed from the lives of the children. Children spend much of their time away from parents. The family in the city struggles to retain its power competing with peers, schools, fellow workers, and others for influence over members of the family. Thus, simple household decisions have, in turn, had grave consequences for the family.

But what does this lesson of the key role of households in long-term economic development mean for us today? It means that we should direct more attention toward households. It is more important to study changes in the labor force participation of women than it is to debate the ERA. It is more important to study change in savings behavior of families than it is to know the name of the junior senator from South Dakota. And it may be more important

to know the impact of a government program on households than it is to know the impact of a program on the snail darter or the frobusher fern (two species of current concern in Washington). Unfortunately, it is difficult to study the family. It is an intimate institution that makes decisions behind closed doors, has no press agent, and publishes no annual report. Yet this is what we must do if we wish to understand the direction of change.

LESSON II: Natura Non Facit Saltum (Nature Does Not Move in Jumps)

The single cause of the great leap forward has great attraction for all of us. It is the nature of all of us to be drawn to a single dramatic policy, technical change, or industry as an explanation for the course of development. Unfortunately, history teaches us that such single-cause explanations have little or no validity. In other words, "Everything matters, but nothing matters all that much." No technical change, industry, or single government policy is indispensable or crucial to the economic health or progress of an economy as large and varied as that of the United States.

To illustrate this point, consider the most dramatic technological change and new industry of the nineteenth century—the railroad. This change moved transportation from the slow pace of canals and rutted wagon roads to the speed, noise, and distance shrinkage of the railroad. The iron horse was a dramatic change in the way that few developments have been. But how much difference did the railroad really make? Its supporters claimed that the health of the economy was inextricably tied to this dynamic change in transportation.

As it says in the song, "It ain't necessarily so." One can use economic theory to hypothetically reconstruct the economy as it would

have been in the nineteenth century if the railroad had never been introduced into the economy. That is, one can build a hypothetical economy based on canals, lakes, rivers, and roads as transportation. Professor Robert W. Fogel has done this and found that output for the whole economy would not have been more than 5 percent lower in 1890 had the railroad never been invented. The most dramatic technological development of the nineteenth century did not increase output by 5 percent. This is obviously a significant but not indispensable technical change for the economy. We can certainly say that the railroad mattered, but we cannot say that it was crucial to economic health.

Just as the railroad was not crucial to the economic growth of the country, economic historians have not found other industries or technical changes or particular economic policies that have had a large impact on economic growth. Rather economic growth is a process in which small technical improvements combine together with investment in an appropriate economic environment. But no single government policy or technical advance appears to have overwhelming significance. This lesson is probably of even more relevance today than in the past.

There is no single key to unlock the door to economic progress, no magical technological change that eliminates all problems, and no single government policy which will sweep away the barriers to growth. This also means that no mistake, technical regression, poor government policy, or other problem can, by itself, impose catastrophic costs on society. The only kind of policy mistake that can impose sizable costs is one that has significant compounding effects. (For example, mistakes that affect the rate of technical change or the rate of investment.) Thus we need to be wary and discount inflated claims. It is un-

likely that any tax cut would immediately generate change and move the economy too far in any direction. No industry is vital to economic health; therefore, subsidies, tariffs, or special consideration are not justified. As a society we are held hostage by interest groups because they have convinced us they are indispensable. The concerns about energy sources are often expressed in catastrophic terms and the benefits from new alternative forms of energy are often described in language of unbounded growth. Both expressions are in error. Change in the economy leads neither to nirvana nor to doomsday.

Lesson I (the importance of the household decisions in economic growth) and Lesson II (nothing matters all that much) combine together to help us to catch a vision of the nature of economic change. There is an analogy that helps to make this view of the historical process clear. Think of the American economy as a raft on a sea of economic change. As we are on the raft we see waves of political change, technical advances, and changes in government policy smash against the side of the raft moving the economy slightly, causing a small movement of some sort. The communications media point these waves out to us on a daily basis and we rush to see them and consider them important because they appear dramatic. But our attention is misplaced if we are interested in knowing where the economic raft is headed. It is the currents deep beneath the surface that determine the course we take. These currents are comprised of the daily decisions of millions of households and the compounding of thousands of small changes in technology and business organization as well as the daily decisions of millions of government workers. For the most part, these currents go uncharted, unnoticed, and undiscussed as we ponder the meaning of the waves.

LESSON III: The Market Deserves Consideration

One of the basic decisions we make in society is the choice of economic system—will markets with free exchange or government planning be used to organize the economy? Clearly, through time we have chosen to substitute more planning for the free market system. Government expenditures as a percent of GNP, a rough indication of our increased reliance on planning, had increased from 1.8 percent in 1840 to 3 percent in 1929 to about 25 percent today. Regulatory agencies have grown dramatically. We have reached the point where any three letters chosen randomly from the alphabet are likely to be the letters of a regulatory agency. There is little doubt that we have turned increasingly to planning to solve economic problems. This is especially true of new areas of concern. We are currently involved in a national debate over an energy policy. At the heart of this issue is the basic question—will we use markets to cope with the energy problems, or will we rely on government planning? Yet we appear to commence the discussion by assuming that the market, being an old outmoded institution, cannot cope with this new and perplexing problem.

One of the lessons of our past is that the market or free enterprise system deserves serious consideration as a solution to most economic problems. To examine this lesson consider 1870 to 1910, one of the most unpopular times for the capitalist system. This period was characterized by intense criticism of the market system. The populists, progressives, grangers, trade unionists, and yellow journalists all attacked the market system and called for increasing government

control of the economy. Entrepreneurs were portrayed as "robber barons." The first regulatory agency (ICC) was created during this period. Laws involving monopolies, child labor, working hours, and working conditions of women were passed to correct perceived abuses of the free enterprise system. Yet contrary to the impression left by these attacks on the market system, an examination of the performance of the economy over these periods produces surprising results.

Output adjusted for inflation rose over five times during this period. Per capita income rose two and a half times. This is exceptional economic growth. It is difficult to find another 40-year period with this level of economic growth, which is even more impressive when one considers the rate of immigration. By 1910 almost half of the total U.S. population was either foreign born or children of foreign born, and over 27 million emigrants entered the U.S. during this 40-year period. In peak immigration years, one person out of 70 had immigrated that very year. If that were true today, we would have over 3 million immigrants into the U.S. for 1978. Imagine the stress this kind of influx of foreign workers would place on our economy today. There would be an immediate outcry to slam the door shut on immigration. The entry of a modest number of political refugees from Cuba and Viet Nam caused considerable stress in some minds, yet immigration of millions was routine in the late nineteenth and early twentieth centuries.

Structural change within the economy was also impressive. Petroleum replaced coal and whale oil as the major source of energy. Steel replaced iron as the major metal. Giant new industries such as petrochemicals, electricity, and autos established themselves in the economy.

This growth and these structural changes were largely accomplished by a market or capitalistic system with little government involvement in the economy until the end of the period. There is no strong evidence that the distribution of income changed significantly, and yet the market was under great attack in this period and has been continuously since this time. The market system has demonstrated a capacity to organize economy with efficiency and growth; the alternative, government planning, has a mixed record at best, generating some growth but never being subjected to the demand of being efficient. And yet the market has consistently lost ground to government planning. This fact presents one of the most interesting intellectual challenges of our time—why has a system of economic organization which has served us so well been increasingly pushed aside for a system with a record of dubious performance? Part of the answer is found in Lesson IV.

LESSON IV: The Distribution of Income Is a Key to Political Conflict and Change

Economists and economic historians are concerned with three basic questions: Is the economy efficient? Is it growing? Is the distribution of income fair? Political conflict and action seem to be largely centered on the third question. People appear to be more concerned with how the pie is cut than with the size of the pie. It has been shown many times that society can help the poor more through economic growth than redistribution of income; yet income distribution remains the central political concern. Indeed the drive for equality appears to be the central political theme of our time.

History does not tell us how economic goods should be



**PEOPLE
APPEAR TO BE
MORE CONCERNED
WITH HOW THE
PIE IS CUT
THAN THE SIZE
OF THE PIE**

distributed, but it does tell us that we must be very careful about how income and wealth are distributed lest political conflict and violence follow. The Civil War provides an excellent example. This war, costing the death of about 1 out of every 50 Americans alive in 1860, was one of the great tragedies in the American past. Economic historians have estimated that the total economic cost of the war was over \$14 billion—three and a half times the national income of 1860. (If we were to expend a comparable amount today relative to our income, we would have to spend about \$7 trillion.) Slavery, the central issue of the war, presented the nation with a complex distributional problem. Slaves in 1860 were valued at about \$2.7 billion and added 30 percent on average to the income of free Southerners. The slaves could have been purchased and freed several times over the cost of the war. But society was unable to cope with the distributional problem, and the conflict could not be politically resolved short of a bloody and protracted war. Note that this was true even though the moral position of the South was on tenuous ground. I doubt that Southern slave owners believed their own justification of slavery. But to simply ask them to give up much wealth because the holding of such wealth had become morally unacceptable proved too much, and conflict followed. The slavery debate was not the only conflict over the distribution of income and wealth. The populist revolt, the tariff controversies of the nineteenth century, the progressive movement, the union movement, the civil rights and women's movement of today are or were to a significant degree political movements with one objective—that being the redistribution of the economic rewards of society.

Conflict over the distribution of income is not dangerous simply

because it may lead to war. (Civil war between men and women does not appear imminent.) The distributional conflict, resolved in the political arenas, has grave consequences for economic efficiency and growth as well as freedom. The growth of government has largely been a result of inefficient attempts to redistribute income to various special interest or disadvantaged groups within society. Each of these attempts has had costs in terms of efficiency and growth. Evidence is accumulating that the attempts by government to change the basic distribution of income have been largely unsuccessful and that further redistribution may be very costly if not impossible.

It is imperative that we find a way to achieve economic justice, however that should be defined, without sacrificing economic efficiency and growth. Above all we must find a way to approach economic justice without serious political conflict while maintaining freedom. One must say in all candor that the record of the past is not encouraging in this respect. Thus one lesson that comes clearly out of the past is that we must be very careful and wise about distributional issues—even those changes that must necessarily be implemented.

LESSON V: The Past Gives Us a Sense of Perspective

Finally and perhaps most importantly, a knowledge of the past gives us a sense of proportion about our standard of living, the quality of our material life, and the size of our problems. A comparison with the past must leave one convinced that our economic well-being far outstrips the historical standard of living. A comparison of 1850 with 1970, which is about five generations, shows income per capita has increased tenfold. The normal

work week has fallen from 70 hours to 40 hours during the same time that our income has risen so dramatically. The share of our income spent on food has fallen from about 50 percent to 16 percent, much of which goes to processors and distributors rather than farmers. This suggests the luxuries now available to us. Life expectancy has risen from 38 years for males in 1850 to 68 years today. Similarly for females from 40 years to 75 years. A good part of this change is a decline in infant mortality. For whites in 1850, infant mortality was one of eight; one of every eight children born died within the first year of life. For black slaves the figure was one out of six. Thus, compared to the past, we live longer and healthier lives, work less, have a much higher income, and enjoy a dazzling array of goods that would stupefy the nineteenth-century American. What is the result of this growth in material comfort? Do we move our attention away from material goods to more elevating interests? Do we accept the changes in the prices of the goods we buy or the resource we sell with equanimity and patience? Not quite. Americans are becoming more shrill if anything in their cries of pain over the vagaries of economic life.

The Gallup poll runs a survey each year asking individuals what the most serious problems facing the country might be. Economic problems usually come in first and second unless we are directly involved in a war. Gallup often asks a question about our prospects for the future: "On the whole, would you say that you are satisfied or dissatisfied with the future facing you and your family?" From 1963 to 1973 the percentage satisfied fell from 63 percent to 52 percent even though real per capita income had risen about 20 percent over this period (adjusted for the business cycle).

Thornton Wilder in his classic *Our Town* writes the third act with those who have died grouped together up on a hill in the cemetery observing the passage of time. Suppose we adapt that device for our consideration of the American economy. Suppose we assume that those who have gone before are sitting and watching us today. I wonder how they would respond to our trials.

I wonder how the settlers at Jamestown who had, after arrival, a life expectancy of only a few years once they stepped ashore in North America react to our complaints against the cost of health care and our demand that we have a nationalized health plan.

I wonder how settlers who walked and drove wagons over the muddy ruts called roads, as they moved west across the Alleghenies, react to our consternation because the price of gasoline has doubled.

I wonder how blacks, who under slavery strove heroically to stay together as families and build a life as best they could, react to the oft-heard remark that marriage today entails too many responsibilities and limits freedom.

I wonder how people who spent their lives in sod huts or dirt-floor cabins react to the complaints that houses are too expensive and interest rates on mortgages are too high.

The people of the past must be amazed that we have so much, and yet we project the image of almost total incapacity and bewilderment when confronted by the relatively minor problems that are before us. If we gain nothing else from the study of our past, we should at least take a feeling of intense gratitude for the material abundance that is ours and a resolve that our stewardship of the American experiment will not diminish, but rather add to the record of achievement over the past two centuries.



FACING EXTINCTION?

Burch

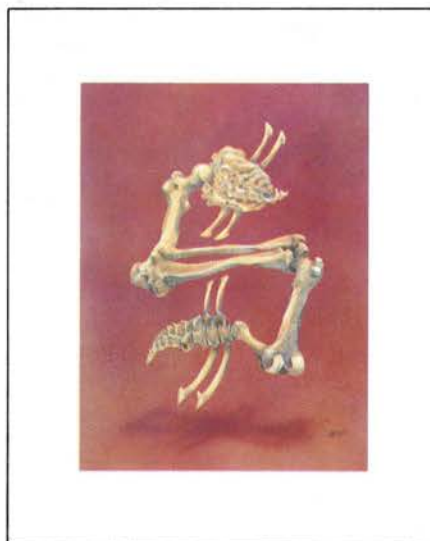
IS FREE ENTERPRISE FACING EXTINCTION?

by
Glen L. Boyer and Gary R. Smith

The American free enterprise system has been described by some as the eighth wonder of the world. If that is the case, the ninth wonder of the world is our ignorance of that system. During most of our lifetimes, we have seen a steady eroding of the basic concepts of free enterprise. Just as the dinosaur has become extinct, so might free enterprise. The dinosaur vanished because it was unable to adapt to its changing environment; free enterprise—defined as “freedom of private business to organize and operate for profit in a competitive system without interference by government beyond regulation necessary to protect public interest and keep the national economy in balance”—runs the risk of becoming as extinct as the dinosaur.

The very foundation of that system is threatened by increasing: governmental intervention in the affairs of private business; demand by various segments of our society for security regardless of the expense; abuses of the public on the part of some business leaders; neglect of customer needs; and public apathy and general ignorance concerning our economic system.

Research studies throughout the years confirm the fact that citizens from all walks of life are basically ignorant concerning the free enterprise system. Even after students have taken courses in either economics or free enterprise, surveys indicate that they are still



basically unknowledgeable.

One study indicated that students who have taken a free enterprise course did not have any better understanding of free enterprise than students who had not taken such a course. Sears, Roebuck and Company conducted a similar study of high school students and their teachers to determine attitudes and levels of economic literacy. This study not only indicated that students were basically economically illiterate, but that even those teaching economics and free enterprise at the high school level did not have an adequate grasp of economic principles.

The University of Texas recently concluded a study in all areas of functional competency for adults.

The study revealed that one-fifth of the adult population in the United States is functioning with difficulty in all areas tested. In the economics area (which involved largely consumer economics), 30 percent of the adults in this country are basically illiterate, while another one-third are functional (but not proficient). This means that approximately 35 million adult Americans are functioning with difficulty—while an additional 39 million are functional (but not proficient)—in consumer economics.

In a study recently conducted in Utah by the authors, the basic conclusions of these and other studies were substantiated. Approximately 1,600 individuals from four sectors of society were surveyed. Respondents included high school distributive education students, post-secondary accounting students, persons employed in business occupations, and private citizens. The questionnaire/opinion poll consisted of 121 items and was designed to determine perceptions and attitudes of individuals concerning various economic issues and institutions operating in America today.

Forty-three percent of those surveyed expressed a *great deal* of confidence in people running institutions in the areas of religion and medicine. Thirty-seven percent expressed a *great deal* of confidence in people running banks and financial institutions, while

education, small business, and the scientific community received percentage ratings of 34, 33, and 27, respectively. Conversely, respondents expressed *little confidence* in people running the following institutions: automotive dealers (44 percent); advertising (37 percent); television (34 percent); Congress (30 percent); and the executive branch of government (26 percent).

The accompanying table indicates responses the various groups made concerning key statements in the survey. Responses to these and other statements in the study indicate that people have mixed feelings concerning business and other institutions in our society. For example, while 77.6 percent of those surveyed felt that much of today's advertising is dishonest, 74.6 percent felt that young people would be well-advised to consider the business world for a career. In addition, while 74.3 percent felt there is too much power concentrated in the hands of a few large companies, 71.1 percent felt that most companies were making an honest effort to insure equal opportunities for women in business. Only 59.2 percent of those surveyed felt that most large companies were trying to prevent and correct any pollution they might be causing.

The individuals surveyed were not all that impressed with the job labor unions are doing either. Only 42.7 percent of those surveyed felt that most unions are making a positive contribution to society's well-being. Nearly two-thirds (65.3 percent) felt that unions are more concerned with their own power than with benefiting their members.

While only 27.8 percent of those surveyed indicated they felt business makes too much profit, 72.8 percent felt that many big companies take advantage of consumers by cheapening products and raising prices.

Other opinions expressed in the responses of the various groups surveyed indicated that there is a need for concern in the area of

AGREEMENT WITH SELECTED KEY STATEMENTS

AGREE	DIS- TRIBUTIVE EDUCATION	AC- COUNTING STUDENTS	PRIVATE CITIZENS	BUSINESS PERSONNEL	COMPOSITE
Much of today's advertising is dishonest or misleading	76.6%	73.2%	88.9%	72.4%	77.6%
Business makes too much profit	29.3	15.9	44.5	23.0	27.8
There is too much power in the hands of a few large companies	74.3	65.6	79.6	74.4	74.3
In general, prices can best be kept down through competition	78.5	92.1	90.9	89.5	87.6
Young people would be well-advised to consider entering business	74.6	73.3	71.7	79.3	74.6
Many big companies take advantage of consumers by cheapening products and raising prices	79.2	73.3	73.2	64.2	72.8
Most companies are making an honest effort to insure equal opportunity for women in business	70.2	70.5	72.1	72.1	71.1
Most unions make a positive contribution to society's well-being	56.5	31.4	45.4	36.7	42.7
Unions are more concerned with their own power than benefiting their members	54.3	67.9	75.8	64.9	65.3
Most large companies are trying to prevent and correct any pollution they may be causing	56.5	52.8	66.9	62.3	59.2

economic literacy. For example, the individuals were asked: "The best single way to raise the standard of living is to: (1) increase productivity; (2) reduce prices of products; (3) increase wages of employees; (4) don't know, or (5) other (please specify)." Individuals with a basic understanding of economics understand that the appropriate response to this statement is to "increase productivity." The standard of living enjoyed by any society or any group of people is directly related to the productive capacity of that group. However, only 38 percent of the individuals

surveyed believed that increased productivity represented the key to a better standard of living.

The respondents were also asked: "On each sales dollar taken in by the average business, about how many cents do you think is profit after paying all wages, expenses, and taxes?" The distributive education students felt that average profit was 20.65 cents; the post-secondary accounting students indicated it was 15.06 cents; the business personnel placed the figure at 15.30 cents; and the private citizens listed it as being 15.93 cents. The actual net profit figure

enjoyed by most businesses is about five cents. The composite average of all four groups surveyed was 16.74 cents, or more than three times the actual net profit figure.

Respondents were also asked: "What do you believe is the best economic system for the United States?" Choices given them were socialism; capitalism; communism; combination of capitalism and socialism; don't know; or other. Fifty-one percent of those who responded indicated they felt that capitalism was the best economic system. Seventeen point two percent indicated they didn't know which system would be best, and another 16.7 percent felt that a combination of capitalism and socialism would be best. Only 32.8 percent of the high school students surveyed indicated that capitalism is the best, and only 52.3 percent of those working in business felt that capitalism is the best economic system for the United States.

Clearly business leaders, educators, and others have their work cut out for them if they are to play a role in changing the attitudes and perceptions people have of various institutions and economic understandings. How can we work to overcome this basic lack of economic understanding? Is economic ignorance the problem?

Educators can help by moving away from theoretical processes in teaching economics. Rather than have students memorize, draw charts and graphs, and other related activities, concepts as they relate to the world in which we live and function need to be taught. Students who are not going to become economists do not need to know how to compute marginal utility or chart diminishing returns. Involvement in activities that will make economics a meaningful, relevant experience in their daily lives is what is needed. Knowledge of how inflation erodes the buying power of those on fixed incomes and the social impact involved is important, and not simply that six percent is the magic figure we need

to consider when it comes to controlling inflation. Students need to be able to apply economic concepts to experiences that occur every day and must especially be able to analyze the impact of political events on economic processes.

It is one thing for a student to consider all aspects of an equitable tax system; it is quite another thing to make an unbiased, intelligent decision at the polls when some of his or her own hard-earned money will have to go to support a tax proposal. Realism is difficult to achieve in a classroom setting, but teachers must still implement simulations and even employ actual business situations such as operating a business as a class project or buying stock and analyzing its growth or decline. The more frequently a teacher can relate economic concepts to reality, the more frequently students will be able to see the necessity for becoming more literate in economics. When a consensus favoring economic literacy is achieved, fewer students will leave formal economics classes with an unfavorable impression, hoping, as is now too often the case, that they never have to have anything to do with the subject again.

Business leaders can best help in alleviating the problems discovered in this and other studies by coming to a realization that *private* business still has a *public* responsibility if it wants public support and cooperation. Business leaders need to realize that economic information is not going to suffice for the customer who has been treated shabbily or the consumer who has gotten a "lemon" for a car. It is difficult to convince a customer who has to take a car into the repair shop three times to take care of the same problem that business leaders are concerned about the needs of the consumer and that free enterprise is the best economic system for this nation.

Rather than just be concerned with legal and economic processes, business must think in political and

particularly moral contexts as well. Trite as it may seem, the "golden rule" still represents the most functional approach business can apply. Rather than reducing everything to engineering terms and profit figures, business leaders must think in terms of what is best for the common good. Business must learn to think and act in ways more in keeping with the social good, rather than merely propagandizing about the merits of free enterprise. Until the business community can articulate what its position is socially, economic education will be meaningless.

True economic education will be accomplished when businesses can involve more people rather than just be disseminators of information. Practicing the art of citizenship and assuming the responsibility of more public involvement will be an initial step for many organizations. When business leaders treat the consumer as a coequal and not as a gullible, mindless entity that represents only dollar signs, a meaningful alliance with the public will be forthcoming.

Our free enterprise system will function properly as long as all parties concerned contribute to the vitality and well-being of that system, and the government recognizes its role as being primarily regulatory in nature. If any of the parties involved in our system are slighted, or feel slighted, a lack of trust will result. A lack of trust could be the eroding force that can bring down our free enterprise system. Just as the dinosaur was unable to adjust to its environment, if we are unable to adjust to ours we may find that business, government, consumers, and labor unions will all become enemies. If this occurs, chaos and hatred will result. Our system would then be susceptible to extinction.

While some may feel *competition* is what has made our businesses what they are today, *cooperation* is what has made America what it is today. Only time and effort on all our parts will tell if we are equal to preserving our system of free enterprise.

A PENNY (OR MORE) FOR YOUR THOUGHTS

by Harvey B. Merkley

People have real feelings about money. It has tremendous implications in their lives and yet they are often unable to clearly define why their financial relationships with others should create so many hard-to-scale barriers to understanding.

Most of us would like to be able to talk about it. We would like to be able to raise the problem of payment before a contractual relationship really gets rolling, rather than soft pedaling until we finally reach a point where it becomes awkward. Few things increase misunderstanding more between people than not clarifying what is being sold, what the other thinks he is buying, and what both parties perceive to be the amount that will change hands.

It would be a lot simpler if we all wore price tags—or at least let others clearly see the tags we do wear. The cost of a pair of shoes ranks them. A badge gives priority to an officer and flashes his worth to those seeking a sign of *ad valorem*. But not everyone carries overt insignia advertising expertise or competency.

The number of people caught in this difficulty seems to be great. Clients frequently hire lawyers all the while wondering how much they will be charged. Job applicants often cannot bring themselves to ask possible salaries because they might give the "wrong impression." Only after dental patients receive their bills do they generally acknowledge the real meaning of the services performed for them. Consequently, great numbers of us are continually led to worse difficulties by letting the money issue slip until after the agreement to do business.

The lack of discussion of financial matters is nothing new. Most people have already run headlong into unhappiness over the subject. Yet as we negotiate through life's muddled transactions, we have learned so little about proposing what we want for what we are willing to give. (Would it not be absurd, for example, if game show participants squealed excitedly while naming a tune or answering trivia questions without knowing their potential rewards, or at least knowing what others had received.)

There is a lot taken for granted, in a deeply earnest sense, by various consultants—lawyers, engineers, accountants, behavioral scientists, and



others. They assume that they will be paid for their work. They also frequently believe, while surveying his newly landscaped plant grounds, that the client will be prompt in payment as well as appreciative of the work.

That, of course, can be enough to make some people laugh. You see, what the receiver-of-help thinks about mostly is getting help. Surely in the midst of a factory's flooding basement, a discussion of repair costs, fee schedules, consultant's reputation, etc., must wait. Understandably, management really wants to talk about its more pressing concerns.

For either party, wondering aloud about payment seems wrong while management is in the act of letting the professionals take the worry out of the situation. You just do not talk money during the transfer of a load from one to another, not in the critical opening periods—at least that is what we have been seeing (and saying). The topic is set aside. "Oh, just send me the bill, whatever you think," can be dangerously unrealistic. (Dentists could be well advised to raise the subject of price while the patient's tooth still aches.)

It becomes apparent that there is a question of when help begins to be "given" and, on the other hand, begins to be "gotten." Those seeking help, we can assume, begin to receive some of it from the very first point of contact. However, it should be remembered that "thanks a lot" is all right as appreciation goes—but that is all it is. Humanity and giving is a two-way process. Did we mention pay to the person whom we hired, who professionally aided us when we needed aid? Not likely in those relieving moments when we impose our burdens on others.

As easy as it is for those giving help to see that they are doing so, on the other side of the coin it can be equally as difficult for those receiving it to be aware that they are

getting it. Management and the consultant are not operating on the same level. Management receives trained expertise from a "professional." Yet it also receives help from an "economic man," not only committed to serve, but with a subtle devotion to get what he needs for his personal survival. In the middle of this, to raise a discussion of remittance seems quite out of place, sometimes unreal, and sometimes relentless. Yet the thoughts we have of price and payment are there, and they do, in fact, remain an abiding interest. One of the reasons consultants become consultants is to pay their way into the future, in addition to settling up past financial costs of acquiring the very skills they now use in serving others. Management is excused for not raising unidentified financial feelings because the firm has other pressing problems. We do, however, rake professionals over the coals for leaving until later the handling of a matter that gets more delicate with the passing of time.

Utilizing extremes. In asking consultants and firms what they charge, too often the reply is, "It is difficult to come up with exact figures." The reasons given are often centered around the problem of estimating all that will be involved in determining the price. Thus, there is the tendency toward words and phrases deemphasizing the expectation of a close estimate. To deal with this, then, it becomes appropriate to move away from exactness and explore fees over greater and broader ranges and thus expand the possibilities in the process. "Well, give me an idea." To this we shall regularly hear a disavowal: "I can't. It's just too difficult."

This leads to calling on certain extremes. These may be said in the form of simple pleasant low-keyed inquiry: "Would it be say . . . half a million or . . . uh . . . seventy-five

thousand?"

Probing the borders. Exploring boundaries and ranges is a serious way of helping to put borders on what have been boundless and undisciplined grabs at numbers—hoping that they are "reasonable." "Oh no, it's not too much," is very useful because it begins the narrowing process to a final and livable sum. We continue to assist the whole process by asking for digits. We may say, "Can you put your finger on it . . . give me some idea . . ."

The approach to this common problem is to ask for accuracy and tentativeness in close quarters with one another. The request to "put your finger on it" can be described as an attempt at exactitude, while "some idea" leaves room for much movement. In the same league is the inquiry, "Are we looking at five thousand? Or fifty?" The provision of wide and narrow limits helps to bring thinking about costs into a practical setting. The parameters consultants provide are the bounds organizations have in narrowing their choices.

Ideas and tastes vary greatly. The disparity with which people value services compared to the estimate of the individual providing it will always exist. In this connection, the assessment of services—put into money terms—is always a good topic for raising differing views. (It also brings out the bad in people.)

A great temptation in life is fantasizing about what we are going to buy and how we are going to spend. Closely allied with that is the dream that spending or collecting funds will somehow take place in a mutually understanding situation. Both parties, of course, thinking it was a "good deal." This may not always be the case. Yet a thorough discussion of fees can only serve in the interest of both parties—"Well, we got that out of the way; now we can focus on the other business." ■

ABOUT THE AUTHORS

Glen L. Boyer, associate professor of business education and administrative management, has taught at Kansas State College and the University of North Dakota. He is a specialist in systems analysis, data processing, and records management.

CPA John W. Hardy, formerly with Arthur Anderson & Company, is an associate professor of accounting. The author of numerous articles in *CPA Journal* and *Accounting Review*, he is currently researching accounting techniques in retail operations.

The former city manager of Daytona Beach, Florida, **LeRoy F. Harlow** has served as a consultant to the U.S. Department of Housing and Urban Development, and state agencies in New Jersey, Georgia, and California. He is a professor of public administration.

Norman C. Hill, training and communications coordinator for Exxon Company, USA, works in the area of managerial and organizational development. His articles have been published by *Business Horizons*, *Group and Organizational Studies*, and *Training and Development Journal*.

Accounting Professor **R. Dee Hubbard** has worked and researched in the areas of health care, cost control systems, and financial controls for nonfinancial managers. He received his Ph.D. from the University of Washington.

Dean of BYU's J. Reuben Clark Law School, **Rex E. Lee** served as assistant attorney general, U.S. Department of Justice, from 1975 to 1977. A former clerk to Supreme Court Justice Byron R. White, he is a graduate of the University of Chicago, where he served on the law review.

Harvey B. Merkley received a doctorate from the University of Utah in educational administration. He is currently a consultant specializing in the areas of human relations and administrative practices.

Edwin B. Morrell was a recipient of both Ford Foundation and Danforth fellowships. An associate professor of political science, he is a former intelligence analyst for the U.S. Army. His graduate work was completed at Harvard and the University of Moscow in the Soviet Union.

Since receiving his Ph.D. from the University of Chicago, associate professor of economics **Clayne L. Pope** has written frequently on income distribution. A specialist in economic history and theory, he has taught at the University of Michigan and William and Mary.

Formerly chairman of BYU's philosophy department, **Noel B. Reynolds** has researched and taught in the areas of legal and political philosophy. He has received awards and fellowships from Harvard University and the National Science Foundation. He is currently an associate professor in the Department of Government.

Professor **Thomas R. Rogers**, formerly director of the BYU Honors Program, has written extensively on authors Tolstoi, Dostoevsky, Chekhov, and Pasternak. In addition to numerous articles related to the USSR and Eastern Europe, he is the author of *"Superfluous Men"* and *the Post-Stalin Thaw*.

Gary R. Smith is a professor of business education and the author of *Display and Promotion* and *Exploring Marketing Occupations*. He serves frequently as a consultant, director, and lecturer to national organizations in the areas of vocational training, secondary education, and business.

Assistant Dean of the School of Management, **Paul H. Thompson** has published numerous articles in the *Harvard Business Review*, *Journal of Accountancy*, and *Organizational Dynamics*, among others. A former member of the Harvard Business School faculty, he is the author of *Organizations and People* (with J.B. Ritchie).

School of Management
154 Jesse Knight Building
Brigham Young University
Provo, Utah 84602

Address Correction Requested

Nonprofit
Organization
U.S. Postage
PAID
Provo, Utah
Permit No. 49