Some Reflections on Business-Government Relations

Carl Kaysen

Follow this and additional works at: https://scholarship.law.umn.edu/mlr

Part of the Law Commons

Recommended Citation
https://scholarship.law.umn.edu/mlr/948
Some Reflections on Business-Government Relations†

Professor Kaysen examines an idealization of the business community's view of proper business-government relationships, and analyzes the extent to which practical considerations frequently lead businessmen to prefer relationships contrary to the precepts of the idealization. He notes a trend toward pragmatic solutions to problems on ad hoc bases, replacing the former preference for the predictability of a priori commitments.

Carl Kaysen*

I. INTRODUCTION

Arguments concerning the character and principles of business-government relations have been a staple of American political discussion since Colonial days. When such specific issues as chartering the Bank of the United States, federal regulation of railroads, or creation of the Federal Reserve System were debated, the intensity of argument rose, and the level of concern in the business community was high. When President Calvin Coolidge could say that the business of America is business, we were passing through what was perhaps the last period in which the issue seemed settled, even to one of the major parties in the discussion.

Since the Depression, the problem of business-government relations has been near the forefront of business thought, though the intensity of concern with it has fluctuated with the level and character of government activity. Regulatory legislation, government spending, government deficits, and changes in taxes retain their capacity for arousing interest, but the additional

† From the inaugural lecture on May 18, 1966, in the Ruvelson Lecture Series on the Relationships of Business and Government at the University of Minnesota School of Business Administration. The author wishes to express his indebtedness to Mr. Ruvelson and to the School of Business Administration for the opportunity to give the lecture.

A similar lecture was given by the author at the American Bankers Association Symposium on Business-Government Relations held in Washington on April 1, 1966. This material is used with the permission of the American Bankers Association, and the author acknowledges their courtesy in allowing its use.

* Director, Institute for Advanced Study, Princeton University; formerly Lucius N. Littauer Professor of Political Economy, Harvard University.
novel elements of wage-price guidelines and government targets for private business transactions in foreign markets represent both objects and modes of government activity in the economic sphere that have aroused intense new concerns in the business community.

II. THE BUSINESS VIEW IDEALIZED

There is wide agreement in our individualistic society on the effectiveness of market institutions as the chief means of organizing and controlling economic activities. Accordingly, there is a presumption in the economic sphere against use of non-market means in general, and against government activity in particular. A synthetic view of business discussion of government intervention in economic life suggests that three kinds of limiting criteria are considered desirable: limitations on appropriate sphere or objectives; limitations on appropriate means or policy instruments; and limitations on total extent.

A. LIMITATIONS ON SCOPE OF GOVERNMENTAL ACTION

This view would admit some enlargement of Adam Smith's three categories of appropriate functions for the state: defense, administration of justice, and maintenance of such public works and institutions "which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expense to any individual or small number of individuals, though it may frequently do much more than repay it to a great society." Or as expressed in the terminology of modern welfare economics, this means those activities for which external effects are significant. Smith further divided this category into those public works required for facilitating commerce and those involving education.

1. Shift in Emphasis

Perhaps the first modern enlargement would be one of emphasis, interpreting the administration of justice to give a greater role to law making, law interpreting, and law enforcing institutions in providing the framework of legal rules within which private transactions in an enterprise economy can take place. It would be recognized that there is no "natural" set of rules that hold good for all time. New situations may demand new definitions of what is a "property right" and what is not. The Securities Exchange Act can be pointed to as marking one such
change, and the current discussion of fair housing legislation as marking another.

2. **Additional Public Works**

The second enlargement would recognize several further categories of public works and institutions. Legitimacy of government spending on problems relating to public health is hardly questioned. Neither is spending to advance basic scientific knowledge. Whether it is the responsibility of government to provide for conservation of irreplaceable natural resources, such as forests or wild seashores, may be less widely agreed. Within this category there would also be a shift in emphasis from Smith's original insistence on the desirability of financing education largely from fees to a greater willingness to believe that quality education can be supported by tax revenue or private foundations.

3. **New Categories**

In addition, at least three wholly new categories would be added to Smith's original three. The first is the provision for relief or welfare for those unable to earn or otherwise obtain a minimum standard of living. The second involves prevention of artificial or contrived monopoly and regulation of technically inevitable or natural monopoly. It is now generally recognized that simple *laissez faire* does not guarantee maintenance of competition, the central regulator of a market economy. Some policy to prevent restriction of competition by those who would otherwise be forced to compete is recognized as a necessary task of government, though there are wide differences in the definition of kind and degree of government activity called for. It is also widely, if not unanimously, recognized that, in those industries in which the efficient scale of operation in relation to market size makes monopoly or near monopoly inevitable, regulation which prevents the monopolist from charging what the traffic will bear and from discriminating among his customers is necessary and desirable. Again, the specific form of regulation is frequently an object of debate, the principle is not.

In Adam Smith's day, the state appeared to be the source of all monopoly, and thus it is not surprising that he neglected this category of regulatory activities. Today the importance of the state as a source of monopoly power is perhaps less talked about by businessmen than by economists. One reason for this
may be that there are significant areas where businessmen are the beneficiaries of state creation of monopoly power. The shipping industry could be mentioned as a striking example of government created monopoly which benefits a segment of business for which the rest of us suffer.

The third additional category of activity now generally recognized as appropriate for government is provision for a monetary mechanism and regulation of the supply of money. Here again questions of how much, what, and by what instruments are subject to debate. The principle is not. It is worth noting that in 1912, when the late Senator Carter Glass proposed legislation to create the Federal Reserve System, leading bankers and businessmen testified that to do so would be to end the free enterprise system. But here again is an example of new understanding leading to new views of what is appropriate policy. The Federal Reserve System has come to be regarded as something of a bulwark of free enterprise rather than its enemy.

A fourth category of legitimate government functions in economic life is regulation of aggregate demand at a level not so low as to permit unnecessary unemployment, and not so high as to promote inflation. This would clearly be recognized as an appropriate responsibility of government by the consistent, unprejudiced, politically neutral, neo-classical economist intent on obtaining the most efficient performance possible from the market economy. It is not yet certain, however, that the consensus in the business community recognizes this as equally appropriate with the preceding three additions to the original list. Skepticism in this regard may be unwarranted. But in spite of widespread enthusiasm for the results of the 1964 tax reduction, the understanding of the requirements and possibilities of an active fiscal policy, which is the necessary prerequisite of honest acceptance, seems to be lacking. Current discussion of the desirability of a tax increase and the wisdom or necessity of cutting federal expenditures lends substance to these doubts.

B. LIMITATIONS ON MODE OF OPERATION

Here, our ideal business view would be cast in terms of the polarity between "rules" and "authority," between a government of laws and a government of men. Government is viewed essentially as a rule maker and umpire for the actors on the economic scene, rather than as one of the actors, save perhaps in the sphere of defense. Government of law, embodied in well-defined rules, predictable in their scope and impact, is the desirable ideal.
Conversely, existence of wide areas of discretion for decisions of governmental authority, bounded only by agreed upon goals which the authority can seek through any action appropriate to particular circumstances, is undesirable. In terms of the political machinery of the American government, this tends to translate into a preference for legislation and the Congress over discretion and the Executive. If legislation cannot be self-defining and self-enforcing, the "independent" commission is preferred over a department of the executive branch. Since the executive branch of government is organized for effective action, this explains the preference against it. Further, discretionary authority is susceptible to favoritism and corruption on the one hand, and unfair pressure and politically selective application on the other. By contrast, the impersonality of rules helps to insure equity and honesty in their application. A further element in selecting the suitable mode of government action is localism—a preference for state over federal and local over state action.

Limitations on mode and limitations on scope need not fit neatly together. Not every objective of government policy included on the list offered above can be attained most efficiently, or even at all, by use of what are considered appropriate policy instruments. An effective defense procurement policy, for example, might require a large degree of discretionary executive authority both in choosing sources of supply and in negotiating contracts; this is quite at variance with the notion of impersonal, universally and uniformly applicable rules. Making monetary policy provides another example of the need for a wide degree of discretion as well as a question as to just where in the apparatus of government this discretion should be lodged, especially in relation to discretion in other areas of economic policy. In both cases, some accommodation is made to pragmatic necessities, although there is usually little recognition of them in broader philosophic discussions of what is "right."

C. LIMITATIONS ON TOTAL EXTENT

In general, the abstract business view prescribes limits on government activity. Accordingly, it emphasizes restrictions on appropriate modes at the expense of efficient performance of appropriate functions. This general orientation is expressed in the third kind of limitation, resting on a quite different rationale: a limit on the absolute size of government activity. This emphasis in turn leads business spokesmen to emphasize inefficiency and corruption in all government operation. The proposi-
tion that more government is worse government is frequently expressed in terms that go a great deal more than halfway in the range from Lockean distrust of the element of coercion that appears to be inescapably bound up with government activity to the Birchian belief that each dollar of government expenditure is further progress down the road to socialism.

It is tempting to enter into a discussion of the correctness of the set of judgments embodied in this somewhat sketchy synthesis of what might be called the business consensus on business-government relations. But instead let us look briefly into the sources of the views on correct relations of business and government and consider the extent to which the business community chooses to support policies conducive to the idealized business-government relationship.

III. ORIGINS OF THE BUSINESS VIEW

A. HISTORICAL

One important element in explanation of the business view on these matters is that, historically, it has been substantially the American view. It is not merely a coincidence that Wealth of Nations was published in 1776. The American Revolution was, in great part, a revolt against the impact of mercantilist policies of the mother country on the colonies. Though the Constitution did not enact Herbert Spencer's Social Statics, Lockean traditions of the value of private property and the dangers of government power were built deeply into the foundations of American ideas of the good society. These same traditional sources bear with equal weight on the choice of preferred modes of government action: executive discretion in the hands of the monarch spelled tyranny; a government of laws, freedom.

A century later, when much of the basic legislative foundation for the relation between business and the federal government was enacted, the climate of popular attitudes toward business did much to reinforce the effects of these earlier experiences, although operating in quite a different fashion. Popular hostility toward big business expressed itself in a variety of ways, including, most importantly for present purposes, the embodiment in the Interstate Commerce Commission and Sherman Acts of a particular conception of proper relations between business and government. Government was to enforce rules of socially desirable conduct on a business community which, instead of regulating itself naturally, was banding together to exploit the public. Hence, agencies which carried out the regula-
tory task and business enterprises subject to their scrutiny stood at arms length, viewing each other with suspicion and even hostility. Basically, this attitude still remains, and is considered the appropriate stance for regulator and regulated. To be sure, in the case of the ICC a long and familiar association has dulled somewhat the keen edge of this relation; a similar process of growing intimacy between every regulatory agency with a fixed clientele and its clients has occurred with similar results. Nevertheless, in a broad sense the hostile attitudes toward business—especially big business—which expressed themselves in the original legislation made a permanent imprint. Nor have populist sentiments vanished with the social and economic settings which engendered them. There is still a broad popular suspicion of big business, and the admiration with which the general public views its achievements is mixed with some fear of its powers.

B. Business-Government Hostility

The ideological preference for impersonality of formal rules over intimacy of discretionary authority in business-government relations is reinforced by an attitude of hostility between the two parties involved. This attitude is sometimes given fairly open expression in administration of anti-trust law. Businessmen often view prosecutions under these laws as simply attempts at punishment of success, or of inevitable business conduct. On the other side, many officials of the anti-trust agencies are sustained in their efforts by a crusading spirit of anti-big business zeal. This reflects a widely popular sentiment which goes far to explain the continued vitality of antitrust laws three-quarters of a century after their original enactment. Indeed, it is striking that, in spite of a constantly high level of business grumbling about their capricious enforcement and their anti-economic effects, these major pieces of economic regulatory legislation have suffered little significant legislative amendment. In fact, they have grown harsher in their standards and broader in their reach through the process of administrative application and judicial interpretation. This may reflect the depth in the public mind of the sentiments and attitudes they embody, rather than a widespread, passionate attachment to the significance of the equilibrium of perfect competition.

C. Competition for Leadership of Society

Beyond these explanations in terms of history and tradition, the struggle for power and prestige in a politically competitive
and pluralistic society is an important current element in the antagonistic relations between business and government. In our highly industrialized and democratic society, big business is obviously a minority group, and it naturally views a government responsive to popular demands for welfare, economic security, and income redistribution as at least potentially hostile. Nor has the record shown these suspicions to be groundless, whatever one may think of the wisdom of business views on any particular piece of legislation or social policy. Further, there is a general struggle over the symbols of leadership and legitimate power. Business leaders and politicians are competitors in the race for social leadership, and one side's gain is considered the other's loss. Certainly competition in this respect was one of the more important facets of the dramatic clash over the price of steel between the President of the United States and the President of United States Steel Corporation. This point may also be related to the importance of localism in business views about government, since smaller governmental units are obviously easier opponents in every way. The same steel corporation looms incomparably larger in Pittsburgh or Wheeling than in Washington, D.C.

D. The European Experience

Although the same basic potential for political conflict exists in Europe, even the most superficial comparison between the United States and the industrial market economies of Western Europe emphasizes the special character of American views on proper relations of business and government. In none of those countries does the view prevail that somewhat hostile, arms-length, formally prescribed relations should be the norm. This is seen in acceptance of informal contacts, and in more or less direct, though not legally prescribed or circumscribed, negotiations between the executive authorities of government, business executives, and business associations. To be sure, the difference between parliamentary and congressional government accounts for some of this difference since the executive branch of the United States is simply less free to engage in such negotiations. But the critical difference lies deeper. The kind of relationship between government planners and business groups on which the French planning process depends is hard to comprehend in the United States outside of a war economy. Even then it would depend to a great extent on specific statutory authority. Or to take a quite different kind of example, a Monopolies Com-
mission proceeding in the United Kingdom can recommend that a Minister and the companies investigated privately and informally discuss ways of improving practices that were subject to complaint. Or, in the Netherlands and Sweden, wage negotiations between Trade Union Federations and Employers' Associations, with or without formal participation of government representatives, have a quasi-governmental status, and an effect as strong as if they were legally prescribed.

The place of business and businessmen in European history has been different and lower than in America. High prestige of government and natural popular acceptance of broad governmental authority result from continuity with the monarchical and aristocratic past. Whether these differences in historical experiences and tradition are sufficient to account for the striking difference in American and European views of proper business and government relations is not clear.

E. AN IDEOLOGICAL ELEMENT

To these causes should be added the existence of a purely ideological element in the hostility of American business toward government. In legitimizing its own place in the social world, business has found it ideologically and emotionally useful to cast government in a negative role, i.e., to project onto it responsibility for what goes wrong in the economy in particular and in society in general, and to find in the politician an anti-hero, whose vices underline the virtues of the businessman. Businessmen, or at least successful businessmen, are energetic, practical, inventive, responsible, and subject to the discipline of the balance sheet and the test of the market place. Government, by contrast, is run by a mixture of politicians and bureaucrats. The politicians are seen more or less explicitly as corrupt, and engaged either in pandering to voter prejudice or deceiving the electorate. Bureaucrats appear in the alternate images of routine time servers, or impractical, academic theorists—professors in disguise—who have never met a payroll. Money received in taxes is “taken” from the consumer or businessman; however, money received by him in a particular market transaction is “given” to and “earned” by the recipient. Since government can spend where it has not earned, it can never achieve that responsible conduct of its affairs which is enforced by the discipline of the market place. This of course is caricature, but caricature is the essence of ideology, and is what public pronouncements of the business community and its agencies say about government.
The ideological element in business hostility to government is important precisely because it does not yield to explanation on pragmatic grounds. While the struggle for power and prestige may be viewed as rational, complete rejection of the strategy embodied in the old axiom "if you can't lick them, join them" is not. This ideological element is precisely what is absent in European business attitudes, and its absence is consistent with the much greater tendency of European businessmen to follow the axiom in their relations with government.

IV. DIVERGENCE IN PRACTICE

Such are the precepts, but are they indeed followed in practice? On the whole, they are not. While it is not feasible to demonstrate this by a comprehensive and concrete examination of the whole range of business-government relations, the salient examples presented below will give this assertion sufficient weight to make the proposition interesting, if not indubitably convincing.

A. ANTITRUST LAWS

Antitrust laws often serve as useful symbols of just the kind of ring-holding function that government should perform. In general, business commentators on antitrust policy tend to argue for "rule of reason" doctrines, and against per se rules of liability. Yet it is per se rules that provide the closest approximation to the automatic, uniformly enforced, impersonal rule. The rule of reason allows for a wide range of interpretation in which prosecutors can select different cases as exemplifying illegal conduct, and different courts can come to different conclusions, with the consequence that predictability of the law's application declines. Recent cases on conglomerate and vertical mergers, and large differences in the way various trial courts have treated problems of market definition or exclusionary effects of vertical mergers, amply illustrate this point. Recent amendment of the Bank Merger Act—which had the support of the business community—exemplifies this point in concrete terms. The new Act provides agencies with regulatory responsibility for banking—the Controller of the Currency, the Board of Governors of the Federal Reserve System,—wide latitude in approving bank mergers. The agencies may evaluate "banking factors" in relation to "competitive effects." Even if a merger has a prospective negative effect on competition, they may approve it if advantages in terms of banking factors outweigh competitive disadvantages. The
situations before enactment of this legislation had—through judicial interpretation of section 7 of the Clayton Act and the earlier version of the Bank Merger Act—settled down to a per se rule whereby it could be confidently predicted that any bank merger involving banks which in aggregate controlled more than twenty-five per cent of the local market would be outlawed. From the point of view of banks which wish to grow by merger, the reasons for preferring the new to the old situation are clear; from the point of view of an ideal theory of business-government relations, the reason for the opposite position is equally clear.

B. AT&T AND THE FCC

Recent relations between American Telephone and Telegraph Company and the Federal Communications Commission provide another example of a preference for authority over rules. The Commission has power to regulate interstate rates of the company. For some time now, this has been done by informal discussion between the company and the Commission. Recently, the Commission initiated a formal rate-making proceeding, with hearings, a written record, and an opinion of the Commission. The company reacted strongly and negatively; private negotiation had worked satisfactorily in the past, why not continue it? Again, the company's reasons for its position are not too hard to find. The formal proceedings would produce a record which some of the more aggressive state regulatory agencies—for instance those of California and New York—might find useful in their own proceedings, especially in the difficult matter of separating property of the company and its subsidiaries used in interstate business from that used intrastate. Further, the very formality of the proceedings might induce the Commission to deal more sternly with the company than it had in its informal proceedings. The company had a good basis for rising above principle; nonetheless, the fact that they did so is worth noting.

C. WAGE-PRICE GUIDELINES

Consideration of wage-price guidelines, which are the center of much of the current controversy on our topic subject, is more complex and perhaps less dramatic. In general, individual business firms have accepted, sometimes rather reluctantly, what might be called government reminders on price guidelines. The business community as a whole, however, has reacted strongly and negatively, believing that they represent a classic case of the
“wrong” kind of government action, the kind that is described as “interference” with functioning of the market. This view has also been shared by trade unions, but that is the subject of another paper. Today it is doubtful that the guidelines alone could be depended on to achieve price stability due to the already low levels of unemployment and continuing high aggregate demand. Some further restraints on aggregate demand also appear desirable. But this has not been forthcoming since the wage-price guidelines were first articulated in the 1962 Economic Report. Criticism of them was no less intense then than now, but no alternatives were advanced for moving toward high employment and maintaining price stability which were more in keeping with standards of appropriate government policy. It can be speculated, however, that if the business community had been offered a choice between the guidelines and a sufficiently vigorous antitrust policy in the relevant markets—including both movements against collusive pricing and structural reorganization in highly concentrated industries—to reinforce competitive constraints on wage-price interaction, it would have chosen the guidelines. This, of course, is only speculation, and the difficulty of specifying how “hard” an anti-trust policy of structural reorganization would have been needed to achieve the desired results makes the hypothetical choice involved less than precise. But we can say that the “minimum” would require a much more vigorous effort at dissolution in a number of highly concentrated markets producing basic materials, capital equipment, and consumers’ durables than has ever been contemplated by those who enforce antitrust laws. Further, the argument is complicated by the possible conflict in values between the business community and successive governments on the relative importance of low unemployment and price stability. Since it is difficult to explicitly express opposition to lowering unemployment, attack on the guidelines offered a less direct approach, though fortunately not a particularly effective one.

Today the hard edge of the problem lies in the question of a tax increase. Business should “in principle” prefer a tax increase to a continuation of informal controls and presidential exhortations. Better suspension of the seven per cent investment credit than acceptance of unspecific White House urgings to trim investment programs.

D. THE BALANCE OF PAYMENTS PROBLEM

Business reception of government policies directed toward
eliminating or reducing the balance of payments deficit provides a final and even sharper example of the divergence between precept and practice. Here again government has resorted to a set of measures that contradict the canons of proper policy. From the interest equalization tax to the targets for foreign transactions of individual firms, arrived at by private informal discussion between high officials of the government and executives of the firms involved, enforced by public and private exhortation, and without the warrant of legislative authority, the whole process displays every characteristic of policy making that the business view condemns. The clear alternative is to rely on the price system, either by devaluing the dollar or allowing it to float against Continental currencies. Devaluation would require agreement from reluctant surplus countries, but a floating exchange is available as a unilateral choice. There are strong arguments to be made against both of these policy choices, but the arguments are not so overwhelming as to rule these alternatives out of consideration. Many academic critics, covering the whole spectrum from "liberalism" to "conservatism," have supported some such policy. Yet no business critic of foreign investment guideposts and other informal controls on international capital movements has put the alternative forward. In fact, banking and business leaders, both by what they have said and what they have not said, have made it plain that they prefer the informal controls. Indeed, the strong attachment of the banking community to the present international monetary system has been one of the moving forces that has led the government to the kinds of policies it has chosen.

V. FUNCTION OF THE IDEAL STANDARD

These examples suggest that the business community gets the style of government policies it wants, even if this is not at all the style it commends in abstract discussion of appropriate relations between government and business. Of course, in every case particular pragmatic reasons can be discerned which account for espousal or acceptance of a policy line so much at variance with professed ideal standards. But then what is the function of the ideal standard?

Treating this question as literal and not rhetorical, two dissimilar answers are suggested. Discussions of the proper role for government or the proper mode of government activity can be seen as simply an instrument in the political power struggle, a way of advancing group interests of business against other group
interests. The particular arguments used can be interpreted as a method of securing a more favorable bargaining situation for business interests by attacking a variety of kinds and modes of government activities which historically have been used more on behalf of other interest groups than on behalf of business. Government activity in the economic sphere has been in the direction of changing the status quo, whether in distribution of income or distribution of power. Business has resisted the change, and business arguments on the proper role of government have formed part of the instruments of resistance.

The difficulty of this explanation is its failure to account for rejection of the alternative strategy—espousal of close informal cooperation between business and government so that the ends and instruments of government policy are shaped more closely to business desires. The Continental examples illustrate the feasibility of this alternative, and in the United States, where no respectable or popular socialist party or movement exists, obstacles to it would be even less than in Europe. Further, the search for consensus, to which a democratic administration is inevitably committed, makes this a policy particularly suited to the political position of business groups. Objectively viewed, this line is more likely to be successful than the line which has in fact been pursued.

Alternatively, we can recognize that business pronouncements on the role of government are a key part of a more general business ideology. If this view is to be accepted it must also be recognized that the primary functions of ideology are not rational and instrumental. Rather, they are responsive to demands for affirmation of group worth and group solidarity, and for justification—in sociologically rather than logically relevant terms—of group status in a larger world. The function of business ideology is to legitimize the position and powers, functions and rewards, of businessmen and business institutions in our society, both as against other groups and internally to the businessman himself. It is never enough in any society to be rich and powerful. It is always necessary to be justly so. “Divine right of kings” could be viewed as less an argument for absolute power and more as legitimation of whatever power a monarch in fact enjoyed. From this perspective a particularly high correlation between what is said ideologically and what is actually done in a particular context cannot be expected, even though the ideology is cast in the form of prescriptions for right action. Thus the divergence requires no particular explanation. But though ide-
ologies are not detailed blueprints for social action, they can and do influence it by the values they emphasize and the attitudes they embody. Business ideology has helped to nourish and reinforce a degree of hostility between government and business, and to deny legitimacy to some kinds of government policy, in ways that were certainly neither inevitable nor necessarily corresponding with a "rational" view of business interests.

VI. CONCLUSION

A proponent of reasoned discussion of public policy, including a reasoned evaluation of the gains and costs of alternative possible uses of state power, must deplore the large ideological element in business views on these matters. In this spirit, it is tempting to argue that business should either get what it says it wants—which it would frequently be most unwilling to accept—or change its tune, and confess to wanting what it gets. The second alternative would allow more open and focused discussion of genuine issues in terms of the balance among competing values and competing power claims, as subjects for negotiation in terms of more or less, rather than ideological dispute in terms of all or nothing. This in turn might achieve more effective social action where it is indicated, as well as greater social harmony in matters of economic policy, which can be viewed as a valuable goal in itself. President Kennedy, in a speech (at the Yale commencement in 1962) that was received with little enthusiasm at the time and has been widely disregarded since, put forward the need for a more rational, more tolerant, more pragmatic, more managerially oriented discussion of the problems of public policy.

But there is a contrary view. Hostility and conflict have their values, especially in a complicated, diverse, and pluralistic society. Ideology and counter-ideology generate the steam of emotional commitment which is important to the politics of democracy, and too much social harmony may be the inhibitor of social and political innovation. Merely rational discussion of technical problems may be insufficiently energetic to raise as wide a set of alternatives and to stimulate as searching an examination of them as do the more passionate debates produced when ideological commitments are involved. Nor do debates among technicians arouse the interest and involvement of the wider sections of society that should be concerned in these vital decisions. From this perspective, the views of the business community on the proper relations of government and business
should not be evaluated merely in terms of accuracy of their descriptions of the current state of those relations, or of sophistication of their underlying economic models, or of consistency and cogency of the political philosophy they embody, but should be accepted as the expression of a significant and persistent body of sentiment which must be respected in shaping policy.

This is my own view. Perhaps I have come to it more easily because I think the business views that I have here described have for some time been minority views in our society, and I appreciate the role of forceful expression of minority views in shaping social policy. Were these ideological views on proper spheres and modes of government action to replace *ad hoc* pragmatism, which I believe is now the majority view, though largely unarticulated, perhaps I would be stimulated to move from the stance of sociological comment to that of ideological combat.