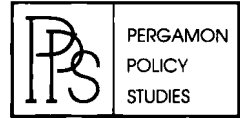


The Future of Business

Global Issues in
the 80s and 90s

Edited by Max Ways



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Preface

Amos A. Jordan

"Few explicit attempts have been made to analyze how changes generate within business and how changes in the relations between business and other organs of society, especially governments, affect international relations. In consequence of this inadequate attention, a serious gap exists in the organized information and decision brought to bear on international affairs." This judgment was made by Max Ways, editor of a new series of essays, of which this volume is the first. To narrow the gap, the Center for Strategic and International Studies has undertaken the program on the Future of Business.

In developing the program, we do not hope to impale the future upon a pin for examination. Nor is our effort another exercise in forecasting. Past discussions have usually turned on narrowly drawn topics (such as material shortages or capital formation) outside an interdisciplinary long-range, and international context. Our principal purpose is to broaden the dialogue on the opportunities and problems facing business, focussing it upon the basic forces and trends - both internal and external to business - that will largely shape it in the coming decades and then to relate these to society in general.

We believe that, in an interdependent world, domestic trends are often determining factors in strategic and international affairs. The internal health and vigor of the business system of the United States is central to any world strategic, political, and economic calculation. Hence, the international and domestic aspects of business are equally important to us.

Social and moral issues affecting the future of business are also strategic in the sense that public opinion is greatly influenced - positively or negatively - by perceptions of the human relations of business. The United States, as the leading "business society," is deeply involved in these value judgments made both inside and outside its borders, as are Canada, Japan and the countries of Western Europe that make up the NATO alliance.

This collection of essays on the future material, social and intellectual vigor of U.S. business enriches the traditional lines of the Center's work. Produced in the first year of the Future of Business program, these essays are only one of the four arms of the Future of Business program.

Under the leadership of Henry A. Kissinger, the Center has established an International Council comprised of 25 leading businessmen and policymakers from both OECD nations and Third World countries. The Council will serve as an avenue for dialogue on the role of business in a complex new era and bring together the expertise of entrepreneurs and policymakers. Members include the chief executives of such multinational corporations as General Motors, DuPont, ALCOA, Bayer A.G., N.V. Philips, Texas Instruments, Olivetti, C.Y. Tung Shipping Company, International Nickel, and the American International Group. The Council will meet in annual plenary session, with subcommittees also convening to consider and report on problems and trends in international business.

Another dimension of the Future of Business program is a series of forums and roundtables for analyzing specific domestic and international business problems. Under this section, members of the American and foreign business, governmental, and intellectual communities investigate trends and forces in the overall international and domestic business environments, the prospects for and business implications of technological developments in the next two decades, the changing nature of government-business relations in the United States, and case studies of various nations' attempts to move their largely socialized economies toward the market.

Finally, with the objective of helping rising leaders of multinational corporations to analyze and to understand the place of the business system in Western political and economic strategies and the impact of international economic and political developments upon long-term business planning, CSIS and the Oxford Centre for Management Studies have created a structured 17-day program of seminars and case studies, supplemented by extensive discussions with major political and business leaders in Washington, the United Kingdom, and Western Europe.

The Center is deeply appreciative of the widespread and continuing support the Future of Business program is receiving from members of the international business community, with special thanks due the Mobil Corporation, which has provided the generous initial grant that launched the Future of Business program and made this book possible.

Amos A. Jordan
Executive Director
Center for Strategic and International Studies
Washington, D.C.

Introduction

Max Ways

This series of essays has a bold title. Some consider it rash. It implies that useful predictions, reaching forward more than two decades, can be made about a system dependent on future decisions of millions of businessmen, consumers, employees, politicians and - not least - voters. An introduction to such a series must first set forth the basis for its predictions and call attention to the limitations inherent in the exercise. At the very outset, it should be made clear that the assumptions of this project do not include a belief that the future is determined in accordance with inviolable "laws of history." Neither is the future to be reached by a "random walk" where a step in any direction is no more and no less likely than a step in any other direction. Between those extremes lies a huge domain of varying probabilities. Many probabilities can be foreseen, however dimly, by examining trends and patterns now present in the society. The purpose of this series is to array probabilities bearing upon the business system's future in a way that is not essentially different from the way many individuals try to foretell the circumstances of their own lives.

Today's typical men and women are less disposed than ever before to cast themselves inertly upon the bosom of destiny. They want all the choices they can get, but they sense that their choices will be made more effectively and intelligently if they have a correct perception of the way their world is moving. As to any given trend, they may decide that resistance or support or deflection is the stance they wish to take. But they want to know - and they need to know - what the trends are. In this sense, a project to study the future of business should not be prejudged as rash or odd. It is an exercise in line with thousands of other attempts to elucidate some aspect of our changing world. The only oddity is that there have been so few attempts to deal seriously with the future of business.

THE BUSINESSMAN AS PLANNER

Efforts to discern future events and patterns make up a large part of any businessman's work. Will customers buy this product? Will prices of supplies rise or fall? How many and what kinds of employees will be needed in a month, a year or in five years? What will be the shape of capital markets in a few years hence?

No businessman thinks he can answer such questions with certainty and precision. Yet he knows he must seek answers that can be expressed as probabilities and approximations. He is not stabbing blindly at the veil of the future nor relying on superstitious crystal-gazing. He is involved in a rational, though fallible, attempt to draw tentative conclusions and inferences about the future from past and present facts, known incompletely and imperfectly. He is said to operate within a calculus that compares estimated risks against estimated rewards. What a businessman does today is guided largely by his view of what will be the likely consequences of various actions, presently possible, in various possible sets of future circumstances. In other words, his actions are based on predicted consequences within a predicted context.

To think in this way is to plan. Obviously, planning has not been confined to business nor to the modern era. People have always been able to apply reason to experience. "Common sense" has been - and remains - an important part of the intellectual base of prediction. Without science or elaborate technology or computers, individuals, groups and whole societies have used planning to increase food supply, conduct war, change political forms and alter moral behavior. Many such efforts have worked.

Until recently, the feasibility of planning was narrowly restricted by the scarcity and unreliability of information. Instead of trying to assess future contingencies, people in former ages made the tacit assumption that, for practical purposes, tomorrow's field of action would not be much different from today's.

In the modern era the incidence of planning done by individuals, groups, and governments has multiplied many times. We have greatly enhanced our ability to make changes and to foresee changes. The dynamism of today's society increases the need to look ahead. But it also makes prediction more difficult. In no field, least of all in business, is it prudent to assume that future conditions will be the same as present conditions.

The "Mixed Base" of Prediction

On the positive side, the rise of the sciences has been the most important factor in strengthening, directly and indirectly, predictive power. Science has opened up wide areas where the informational base is firm; within these areas consequences of given actions, in given conditions, can be foreseen with certainty. It is important to keep in mind, however, that these triumphs of disciplined intellect, broad though they are, cover only a very minor fraction of the decisions that humans make. Many actions today proceed from a knowledge base that is partly scientific and partly nonscientific. Prediction

in these cases can be no more certain than would be justified by the weaker part of the base. When a rocket blows up on a launching pad that is not, strictly speaking, a "failure of science." It may be a failure of technology or a human error in the use of technical means.

Science, in addition to its many direct contributions to predictability, has also profoundly affected the way we handle the area of knowledge that is nonscience. Inspired by the achievements of science proper, many analogous methods of seeking and organizing knowledge have come into use in the twentieth century. Some of the social sciences fall far short of meeting all the requirements of science; yet they may be improvements on methods previously available. People, today, approach many practical decisions using methods that are more or less reflections of the scientific mode. A corporation that bases a major decision on market research knows, one hopes, that it is not getting the level of certainty that a chemist expects in a laboratory demonstration; but market research often yields predictions with higher probability than mere executive hunch or "the vapor of past experience."

The employment of science-like methods of prediction in fields that science has not mastered brings dangers as well as benefits. Because of the resplendent prestige of science, predictions that are science-like may be given more credence than is warranted; when the predictions prove wrong, disappointed people may come to distrust and reject all predictions. A case in point is the reaction to economists' predictions about the course of the United States economy in the 1970s. Economics, the most solid of the social sciences, has at its core a body of cause-and-effect propositions that are as true, in their way, as the equations of physicists. But this hard core of economic truth falls far short of covering the vast and varied field of causation at work in the actual economy of the United States. The science of economics attained its solidity by excluding large areas of this field, and by grossly simplifying its assumptions about patterns of human behavior. "Economic man" - the human personality assumed by the science of economics - is far less complex than the personality described by psychology or that observed by common sense. The millions of actors who affect the actual course of the U.S. economy are subject to hopes, fears, and perceptions formally excluded from the purview of economics. Excluded, too, are such external matters as the attitude of politicians, labor leaders, and investors. How will investors in 1982 be influenced if a sharp increase in the capital gains tax passes Congress in 1978? This is not the kind of question to which economists can give a scientifically valid answer - although they may be able to throw much light upon it.

Predictions made by a wide consensus of economists at the beginning of the 1970s, about growth rates and inflation rates in the United States, were necessarily derived from a mixed base - partly scientific, mainly non-scientific. When such predictions do not work out no one should be embittered, disgusted, or surprised. No group is better placed than economists to make such predictions. The public should regard such predictions as highly fallible and tentative efforts to apply observation and reason to the bewildering complexity and volatility of a world in which people could not maintain their confidence, their ability to act, and their social solidarity unless they kept trying to see where they were going.

Prediction versus "Animal Spirits"

Some predictions stand for a long time before they are fully tested by reality. There is a danger, especially when the planning process is highly sophisticated and elaborate, that those responsible for action will be inhibited by the influence of the prediction from exploiting vigorously the full range of possible action. In the early 1960s the United States Department of Defense took further steps toward the elaboration of decisions affecting the choice of weapons systems. The comparison of predicted costs and predicted benefits was carried to the point that alarmed some officers who believed that the will-to-win might be impaired. History, they pointed out, has many examples of battles won by resolute commanders in circumstances where any rational calculation of relative strength would have predicted their defeat. Predictions, taken too seriously, would so undermine morale that efforts to change the predicted circumstances would be enfeebled.

The danger may be recognized but should not lead to the rejection of elaborate military planning. The complexity of the decisions and the magnitude of the costs and risks precludes returning to decision-making by intuition. Theoretically, at least, mathematics need not be fatal to elan. Indeed, no major nation today would fail to apply rational analysis to every aspect of military planning. Nor would it fail to recognize that rational prediction can never replace factors of morale, will, and intuition.

In business an analogous problem would occur if a corporation's elaborate planning resulted in damage to what J. M. Keynes called "animal spirits." He deemed a measure of intuitive optimism, a will to master circumstance, to be essential to the healthy functioning of a business system. Yet Keynes' respect for "animal spirits" did not lead him to eschew efforts to lay platforms of rational analysis under economic decision-making by companies and by governments. In principle, the predictive power of rational analysis may - but need not - destroy business initiative. Without that predictive power, initiative alone would, in present circumstances, be quite helpless.

The foregoing remarks do not apply to "government planning" of economic activity, a topic important to the future of business and one to be explored in this series. The dangers of government planning do not arise from prediction as such, but from the coupling of the planning function with coercive police power. This danger appears not only in government efforts to "plan" the general shape of the economy, but also in government regulation of particular industries or particular aspects of industry. Even where regulation is justified by considerations of public interest, the intervention of governmental coercion tends to confuse responsibility, weaken business initiative, and increase costs which fall upon all participants in the economy. In one of the following papers Murray Wiedenbaum argues cogently that the whole field of regulation in the United States needs to be subjected to a rigorous comparison of predicted social benefits vs. predicted social costs.

Prediction as a Substitute for Stability

The limitations and the pitfalls of prediction mentioned above - along with many others - would have retarded the spread of planning if the need for it had not been increasing so rapidly. Nowhere is this need felt more keenly than in business. The very act of mobilizing capital and manpower in an enterprise implies a large set of judgments about the future circumstances in which the resources will be used. If we look back on business before the twentieth century, the necessary judgments appear easier than they are now. A nineteenth-century entrepreneur, deciding to manufacture axes, was not troubled by doubts that the axe market would endure. In the twentieth century, all products, all processes, all merchandising techniques have become more vulnerable to technological advance and to shifting consumer preferences. In a competitive system this vulnerability tends to increase risks for all actors in the economy.

A stable prospect has always been and will always be desired by businessmen. Ironically, business itself has been the main agent in destroying a kind of "stability" which had previously existed. Since no society and no living individual has ever on earth attained a state of perfect stability, the word is obviously used in a relative sense. Nevertheless, we must recognize "the prevalence of change" in the last hundred years as an immense difference between modern conditions and all those that preceded it. The difference is much greater than that implied by the word "revolution," which suggests an upheaval to be followed by a new period of relative stasis. In the modern situation change of an unprecedented scale and pace is expected to go on.

No significant number of businessmen could have consciously wished, much less conspired, to destroy the old stability. Yet that is what their system has done. It not only generated technological advances, but invented new kinds of human organizations and other relationships flexible enough to live and prosper in a world of flux. Moreover, individuals and firms within the business system came to understand that their economic health - indeed, their survival - depended on further innovations. Today, the axe manufacturer, becoming conscious of his product's vulnerability, might seek more distant markets, or try desperately to cut costs, or hedge his bets by diversifying into power saws, or candy bars, or car rentals.

At every such step he would be involved in comparative prediction among possible risks and rewards. His planning would take more of his and his associates' time and would become more elaborate and more rational, at least in intention. If one could no longer assume that "things will remain about the same," then actors on the economic scene had to make calculations relevant to the available choices as to what the consequences of each course would be. In a world where the prospect of rapid and general change had to be accepted, prediction became for businessmen a substitute for the old stability.

Perhaps the most solid prediction that can be made about the business system in the generation ahead is this: businessmen and firms will intensify their efforts to improve the quality and to extend the scope of their predictions.

Business prediction is not, however, the only possible way that an economy could cope with the heightened potential of change. A society could set its collective jaw against modern dynamism. It could - but, interestingly, not a single one of today's nations has adopted that truly conservative posture. In varying degrees, all strive for participation in a mode of life that brings profound and continuing social disturbance. Or a society can seek a substitute for the old stability by concentrating all economic - and much other - decision-making power in the hands of its government. This way sharply diminishes the variables. Prediction is less difficult, and far less important, where "central planning" makes a high proportion of the more significant economic decisions. Soviet planners do not engage in market research to predict how many consumers will buy a given product at a given price. Central planners, moreover, can suppress or retard those changes that would require massive, costly, and hard-to-predict adjustments elsewhere in the society. Soviet planners postponed the widespread use of automobiles for decades, an example of "conservative" avoidance of the challenge posed by modern dynamism.

Free Choice Can Be Coordinated

An economy that works mainly through business cannot be stabilized in this way. The contrast will be clearer if at this point a definition of "business" is introduced. In this project, business means an economic system, coordinated by competitive markets, in which individuals and organizations, seeking profit and accepting risk, employ people and privately-owned resources to produce and distribute goods and services.

In a discussion of prediction what needs to be stressed is that every element of this definition depends on choices that are not rigidly determined. A market supposes that a potential seller may choose not to sell and a potential buyer not to buy. Business organizations are voluntary associations; people enter and leave them by choice. Employment is based on contract. Where and when, and at what wage, and to do what work a person is employed depends upon a bargain between employer and employee, not on law or hereditary status. Resources used in business are, in the main, controlled by individuals or private groups, and the choice of whether and where resources are to be employed in the business system is essentially theirs.

Freedom, like stability, is relative. Actors in all parts of a market economy complain that they are not as free to choose as they should be. Workers take jobs inferior to the jobs they want because they feel "coerced" by high unemployment rates. Consumers often feel "coerced" into buying by the probability that tomorrow's prices will be higher than today's. Employers feel "coerced" by labor unions, by consumer activists, and by government regulations. Each of these complaints represents a real subtraction from ideal economic freedom. Nevertheless, the residue of choice open to each group is far higher than it would be in an economy coordinated by central political direction instead of by markets.

To say that markets "coordinate" the trillions of (relatively) free economic choices made every day does not mean that any authority within

the market willfully determines the choices. A market system can influence the terms of any transaction by bringing the parties information about other transactions. A market, strictly speaking, has no power and no will. It is a neutral information system linking seller and seller, buyer and buyer, seller and buyer, employee and employer, consumer and investor. A businessman makes his decisions within this informational network, which helps him to predict the patterns of action that will be pursued by other actors. Neither the market nor any other institution guarantees the correctness of his decisions.

The businessman "knows," for instance, that in a certain place he can attract, at a given wage scale, a competent and reliable labor force. He "knows" where he can get an ample line of credit. He "knows" what his costs will be and how much of his product he can sell at what price. In fact, he doesn't know any of these things. He predicts them - and in case after case such predictions have turned out to be wrong. In a competitive economy even a slight miscalculation can lead to a loss, a painful experience undergone by very large companies as well as small ones. In a centrally planned economy the planners, who are also the scorekeepers, can frequently cover up mistakes or find excuses for waste. In a business economy, the penalties of failed prediction can seldom be evaded. Markets could not continue to perform their coordinating function if risk and loss were not lively elements of business life.

Though many business predictions fail, the record of business expansion shows that the quality of prediction, taken as a whole, has not fallen behind the new challenges presented by the increased complexity and the more rapid rate of change. Critics of business are able to point to many blunders and aberrations of business judgment. Businessmen themselves believe that the efficiency of the market system has been undermined by government (and other) interventions. Concern with either kind of criticism should not distract us from the fact that the business system, for all its imperfections, does work. Whether and how it will continue to work is the question to be explored in these papers.

THE VACUUM THAT DOOMSAYERS RUSH TO FILL

We have been discussing predictions made by individuals and organizations, each operating within a field of interest that is very narrow in comparison to the whole business scene. Concentration of effort within a narrow field is a characteristic of business, as well as of other sectors of modern life, notably science. It would be disastrous - and, fortunately, almost impossible - to destroy the modern mode of concentrating attention on a narrow field.

In the real world these fields are not walled off from one another. The condition of business in one country alters the prospect of other countries. Any firm's business is influenced by all others. And business, considered as an entity, is powerfully affected by "external" fields such as government, education, journalism, and even entertainment. The best-laid plans of any particular business can be upset if the future of business in general has been

mistakenly appraised. No doubt, businessmen will and should devote much the greater part of their attention to their respective businesses. But any rational analysis of what elements are needed in their planning would include some serious effort to foresee the future of business as a whole.

The need to think about the future of business extends far beyond businessmen. Government officials, educators, and "the public" cannot rationally assume that the business system in essentially its present shape - or in any shape - will always be there. In a world destabilized by modern dynamism, inertia cannot be counted on to maintain business or any other social structure. Study of the prospect facing the business system is needed to inform the present decisions of businessmen, politicians, intellectuals, and voters. Efforts to illuminate that prospect have not been numerous or vigorous.

Lack of such analytical efforts leaves the field to emotional, or polemical, or lazy-minded views about what will happen to business. There is no lack of predictions that business is inevitably doomed. These gush from very different fonts. The influence of Marxist and quasi-Marxist predictions is still strong. They include the prophecy that the business system must destroy itself through its own internal contradiction, thus fulfilling a law of history that requires the triumph of socialism. Faith in Marxist prophecy has been shaken by the advance of business in the twentieth century; nonetheless, millions cling to the view that business, somehow, must be identified with a discredited and vanishing past.

Curiously, many businessmen and business defenders adopt a similar view. They identify their political position as conservative and seem to accept the notion, leftist in its origin, that the business interest is fighting a rearguard action against change. Meanwhile, in their business lives, they continue to lend strength to one of the most effective agents of change ever seen.

Another group of doomsayers predict that business must decline and fall because fuels and materials will soon be exhausted. Business, they think, cannot cope with material scarcity - overlooking the fact that business began in a world of scarcity, and that all market mechanisms are based on a need to relate one scarcity to other scarcities.

A large number of people, including some of the best and the brightest, have never formed any view of the future of business because they do not regard the topic as interesting. Possibly, a broader and livelier discussion could reach these people by indicating that the future of business is intertwined with some other strands of civilization that they do care about, e.g., the future of intellectual freedom, the future of education, the future of voluntary association, the future of personal development and the future of political democracy.

BEYOND THE SHORT-RANGE FORECASTS

There is one important set of exceptions to the generalization that recent efforts to foresee the future of the business system have been few and feeble. The middle decades of the twentieth century brought a surge of economic forecasting. Most of these are attempts to read closely the movements of

the short-range business cycle, as modified by governmental fiscal and monetary policy. Every year these forecasts improve in technical competence, although they do not necessarily gain in their ability to predict what will happen in an increasingly complex real world. Business executives avidly absorb these forecasts; many decisions of firms, especially as to the timing of actions, are dependent on these projections of six, twelve, eighteen or twenty-four months. In a small proportion of such forecasts the range is extended to five or ten years or longer.

A consensual faith in the short-range forecasts does provide a mental environment of "stability" within which businessmen and other actors in the economy, including employees and consumers, can make their own decisions with some confidence. But an 18-month forecast of cyclical behavior is of little help to a firm deciding whether to make an investment which will not begin to pay off for seven years; nor to a young man or woman deciding whether to follow a business career; nor to a legislator deciding on proposed modifications in a basic tax structure or on a new set of regulations for business.

Some of the most significant trends within business and around business have little or nothing to do with business cycles. For example, the young person contemplating a business career may have heard that business life is "oppressive," that large organizations tend to restrict personal scope and development - and that such oppressive corporate tendencies are increasing. A potential entrant to business might be interested in evidence that an opposite trend has been running for a long time in business organizations. There is a strong probability that in the generation ahead business will give more and more responsibility to more and more employees.

Certain external trends, beyond the reach of economic analysis, will also affect the business future. When a businessman says, as many do, that he fears the business system will not survive or will not maintain its health over the next 25 years, he is probably not worrying about business cycles. He is much more likely to be anxious about the impact of government on business. To some extent, government interventions in business can be interpreted as reaction to unsatisfactory business performance in filling the economic wants of the society; the better the performance, the less the intervention. (In the United States the New Deal is usually viewed as a governmental reaction to the Great Depression.) Recently, however, the correlation seems to be reversed. During the last 30 years, in almost all countries, the provision of goods, services, and jobs has increased rapidly and fairly steadily. Despite the amazingly strong performance of the market economies, governmental interventions and threats of intervention have been mounting. Obviously, trends that are not reactions to business inadequacy are now running in government.

Questions of whether the magnitude of government interventions is likely to increase have become centrally relevant to the future of business. Moreover, such interventions differ markedly, one from another, in their impact on business. Some of them (e.g., laws forbidding conspiratorial price-fixing) support the principle of allocation through competitive markets and are usually deemed helpful to business. Others (e.g., price-fixing by government) are deemed harmful. These differences raise questions about

the quality of government interventions as judged from the viewpoint of the business system's own vigor. In many cases, government interventions are frankly admitted to be harmful to business, but are defended on wider grounds of social policy. Such cases require a calculation of the tradeoff between the harm done to the productive system and the social benefit sought by the intervention. For example, certain antipollution rules may achieve high social benefit at low cost; others may impose high cost for low benefit.

Both the quantity and quality of future government interventions are beyond the reach of analysis based on economic considerations alone. But they are not necessarily beyond the reach of informed curiosity. Intelligent speculation can be applied to future trends in governmental policies. Many predictions of what governments will do to business are now made. Most of them are prey to crude ideology or to emotional conclusion-jumping.

For instance, a prediction frequently made by businessmen holds that business in Great Britain will continue to decline toward extinction because government intervention will drain more and more vigor from the market economy. A similar conclusion, reached in quarters hostile to business, attributes the predicted decline of British business to its internal weakness and to a democratically expressed public preference for a different kind of economic system. In the United States either of these predictions may be coupled with an unexamined assumption that the U.S. political economy "must" follow the British path.

A more careful look at economic, political, and social differences between the United States and Britain would disclose the fragility of the thinking that tightly links the fate of the U.S. economy to that of the U.K. Moreover, the extinction of the latter's business system is far from certain. In 1977, many observers recognized, belatedly, that North Sea oil will give the British economy a respite that can be used by British politics either to confirm or to reverse trends such as the nationalization of industries, the persistence of high inflation, the shackling of capital formation by the tax structure, and the economic disruption caused by labor unions. Britain, in the next ten years, could go either way. Which way is a matter of considerable importance - though not a life-and-death matter - to business systems in other lands. The vigorous rise of stock prices on the London exchange in 1977 indicates that many investors think the British trends of recent decades can be reversed. On the other hand, hopes of the British Labor Party were stimulated by public opinion polls in the Fall of 1977.

In short, the course of the British political economy over the next two decades is difficult to foresee by rational analysis. Prediction has to reach down into such "soft" questions as how leadership attitudes in the main political parties will change. It has to reach into even "softer" areas and try to foresee whether the high level of British class consciousness will persist. Many political policies and such subpolitical patterns as "unofficial" (i.e., wildcat) strikes are attributable, in part, to the sense of class rivalry which is stronger in Britain than in most other advanced countries.

Analyses of this kind are chancy, but they are not more daunting than calculations routinely made by particular companies, foreign or indigenous, in shaping their own corporate decisions with respect to the British (or any other) national market. Political and legal trends have to be predicted, as do potential shifts in the attitudes of workers and consumers. In short, analyses

required to foresee "the future of business" are congruent to analyses made by a company to evaluate contingencies in its own future.

SOME AREAS TO BE EXAMINED

Today's world contains scores of suspenseful situations comparable to the British case in their significance for the future of business. From among these, essay topics in this series will be selected. Some of them will transcend the framework of specific nations. The future of multinational corporations, for example, must be examined on a worldwide scale. Trends now running suggest that in the next 20 years a smaller proportion of multinationals will be U.S.-based and that governments, including those of less developed countries, will increase their participation in the ownership and direct control of MNCs.

The issue of diminishing natural resources is another that obviously transcends national boundaries. Wilfred Beckerman, a distinguished British economist and author of Two Cheers for the Affluent Society, * examines this issue in one of the essays in this series.

Although the scope of the future of business project is worldwide, a high proportion of the essays will focus on U.S. business. This editorial decision can be defended on several grounds. The United States not only has the largest of the market economies but also one that is, in most (though far from all) respects, the trend-setter. The direct effects of changes in the U.S. economy on the economies of other lands have been conspicuous for 30 years. The indirect influence of the U.S. economy may be even more important. A sustained decline in the vigor of the U.S. business system could, within a few years, undermine the morale and cloud the prospects of businessmen everywhere.

The world political and strategic consequences of such a U.S. business decline would be enormous. In Western Europe and in many of the less developed countries the belief that the business system is doomed now forms an important element in politics. A serious weakening of the U.S. business system, by seeming to confirm this doom, would gravely impair resistance to antibusiness political policies.

It would also weaken faith that economic progress can be sustained in nations with democratic political systems. Before World War II the notion that political dictatorship was necessary to create further material progress for the mass of population had been gaining ground. After the war that idea was weakened by such unexpected economic phenomena as the German miracle, the Japanese miracles, the Italian miracle, and the French miracle. Each of these marvels derived in part from the example provided by the U.S. economy. In how many nations would business systems survive the shock of a really grave and prolonged U.S. business decline? In how many would political

* Beckerman, Wilfred A. Two Cheers for the Affluent Society. New York: St. Martin's Press, 1975.

democracy survive a collapse of their business systems?

Since what happens within the U.S. business system will be of keen interest everywhere, a U.S. framework has been chosen for the discussion of some problems that are especially difficult to analyze on a transnational basis. Reference has already been made to Murray Wiedenbaum's paper on government regulation of business. No business system on earth is free from problems rising from the quantity and quality of regulation. But to remove national frameworks from the discussion of these problems would almost certainly result in a diffuse and pointless paper. Readers in other countries can make the adjustments needed to apply Wiedenbaum's observations to the regulatory patterns of their governments and to assess future consequences of trends in regulation.

Similarly, issues of social policy created by long life expectancy are certainly not confined to the United States. But when Peter F. Drucker, who has been one of the most influential voices calling attention to this issue, discusses retirement policy in his paper, he does so mainly within a U.S. context.

As the examples just given indicate, most essays in this series are concerned with quite specific aspects of the business future. The individual essays are not to be considered as tiles in a mosaic previously designed. No effort has been made to achieve anything approaching a rigorous conformity of viewpoint or method. On the other hand, the authors do share a wide area of common ground. We believe that the business system has economic, social, ethical, and civilizational characteristics that should be preserved and improved. We believe that discussion of trends, probabilities, and parameters of choice will improve the quality of private and public decisions which, in turn, will mold the future of business.

The essays that follow may be better appreciated if they are read against a background that attempts a generalized assessment of the future of business.