The generals took steps to bring their troops under control. They let it be known that crude public behavior would not be tolerated. On the sex front, the army in 1946 let soldiers bring their wives to Germany to live as dependents. Also, the relatively few GIs in serious relationships with German women were allowed to marry. The strong dose of domestic bliss helped to settle things down. Still, many young, unmarried soldiers remained, with no shortage of impoverished Fräulein willing to accommodate them. But the German economy noticeably improved in 1948, and the next year, the relatively independent Federal Republic of Germany emerged. The sex threat to German democracy was over.

A High-Tech Boomerang

"The 'Velvet' Revolution in Military Affairs" by John Arquilla, in *World Policy Journal* (Winter 1997–98), World Policy Institute, New School for Social Research, 65 Fifth Ave., Ste. 413, New York, N.Y. 10003.

Among defense specialists there is much talk of an information age "revolution in military affairs," and many of them urge the United States to rush to accelerate it. Arquilla, a professor of defense analysis at the U.S. Naval Postgraduate School, argues that a little caution is in order.

The revolution is marrying long-range precision weapons to advanced targeting and information management technology. Detailed information from satellites, ground sensors, and other devices will guide "smart" weapons such as ballistic missiles that drop dozens of guided submunitions, or "bomblets," on the soldiers and tanks below. Sounds easy, but Arquilla warns that the new reality might well prove *less* advantageous to the United States.

Other governments, as well as terrorists, he points out, are likely to be able to replicate whatever innovations the United States devises. Many of the new advanced-information technologies can be purchased off the shelf. If each side has equal information about the other, the edge goes to "the side that can stay put and hide," Arquilla says, rather than the one that "must try to seize territory or insert forces upon some distant shore." Adversaries who can't match U.S. war-fighting technologies can simply avoid conventional warfare and instead opt for guerrilla fighting or tactical nuclear weapons.

The U.S. military today is in much the same position as the British Royal Navy was during the 19th and early 20th centuries, Arquilla contends. "It was clear that naval affairs were being revolutionized by the shift from sail to steam, from shot to shell, and from wood to steel. Yet the faster Britain moved ahead in naval technology, the faster its maritime mastery was eroded." The new fleets of the industrial age required large, complex logistical support facilities, which hindered far-flung operations. Regional powers, such as Japan, were correspondingly strengthened. But by carefully timing "the introduction of innovations," Arquilla says, the British were able to extend the useful life of their existing ships and weapons, and thus slow the inexorable decline of British sea power.

The United States today, with no obvious challengers, and with unmatched military power, should not be "so hell-bent on the immediate pursuit of revolutionary change," Arquilla concludes. While technological advances seem inevitable, the British example shows that "there is often benefit in timing their introduction strategically."

ECONOMICS, LABOR & BUSINESS

Regulation, More or Less?

A Survey of Recent Articles

It was a landmark event of sorts last year when specialists from think tanks on three distinct points on the ideological spectrum found themselves in agreement on the urgent need for regulatory reform, and issued a joint pamphlet making their case.

"The problem is not simply that current expenditures mandated by regulation are large—on the order of $200 billion annually for environmental, health, and safety rules alone," said the specialists from the Brookings Institution, Resources for the Future, and the American Enterprise Institute (AEI), in excerpts published by *American Enterprise* (Nov.–Dec. 1997). It is, rather, that much of that spending is ineffective. "More intelligent policies could achieve the same social goals at much less cost, or more ambitious goals at the same cost." For instance, a gas tax might have been a much more efficient way to reduce fuel consumption than imposing fuel-economy standards on Detroit.

Robert E. Litan, director of economic studies at Brookings, Robert W. Hahn, a resident scholar at AEI, and their colleagues said they were not for or against regulation per se, but believe that specific regulations should be judged by their individual costs and benefits. They also complained that Congress frequently does not let regulatory agencies consider costs when promulgating new rules. It also frequently "specifies the technical means for achieving regulatory goals instead of letting consumers and firms decide" how best to meet them efficiently.

In a special issue of *Brookings Review* (Winter 1998) on regulatory reform, guest editor Pietro S. Nivola notes that estimated regulatory costs declined in constant dollars between 1977 and 1988, "as the economy realized tens of billions in savings from deregulation of the transportation and energy industries and from the Reagan administration's concerted efforts to curb costly new regulations." Since then, however, costs have been on the rise. "A profusion of new rules and legal liabilities increasingly bore down on business decisions about products, payrolls, and personnel practices," writes Nivola, a Senior Fellow in the Brookings Governmental Studies Program. "By the mid-1990s these costs were approaching $700 billion annually—a sum greater than the entire national output of Canada."

Much of this regulatory activity, Nivola says, is political "pork" in a new guise, an "off-budget spoils system" devised by Washington politicians to serve favored interests in an era of fiscal constraints. "For instance," he writes, "rules that have encouraged the use of ethanol (a fuel made from corn) are a kind of pork for corn farmers." At costs of up to "billions of dollars per cancer prevented," the Superfund toxic waste cleanup program has produced one clear winner: lawyers.

In their joint statement, Hahn, Litan, and their colleagues urged, among other things, that Congress give back to the states responsibility for overseeing local matters such as waste disposal and safe drinking water. But wouldn't the states "race to the bottom" as they competed to attract businesses? Mary Graham, a Fellow at Harvard University's Kennedy School of Government, says in *Brookings Review* that "overwhelming" evidence shows that business decisions on location or expansion are seldom influenced by state environmental programs. Some states, she points out, "lead in economic growth *and* environmental protection," while other, often relatively poor states "lag behind in both." Since the 1970s, state politics and public attitudes have become much more sensitive to ecological concerns. The federal government, she suggests, should set clear national goals, give states flexibility in meeting them, and concentrate its oversight "wherever states are weakest."

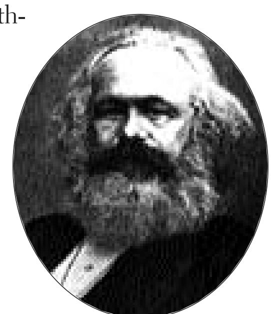
The nation's rapidly changing financial markets are also ripe for a "more flexible approach," argues another *Brookings Review* contributor, Steven M. H. Wallman, a Senior Fellow at the think tank and a former commissioner at the Securities and Exchange Commission (SEC). Regulation needs to become "more 'goal-oriented,' with regulators articulating broad goals and allowing market participants to determine how best to satisfy them." To general satisfaction, the SEC, for example, has done just that in allowing firms to make obligatory communications with investors electronically. But more far-reaching reform is needed, Wallman says. Traditionally, financial institutions have been regulated by agencies tailored to their particular kinds of business: the SEC oversees securities firms, banking regulators deal with banks. But these institutions are diversifying, and banks, for example, are taking on some functions of brokerage houses, and vice versa. Eventually, Wallman believes, the government will need to reinvent its regulatory institutions.

Not all the *Brookings Review* scholars champion drastic regulation overhauls. Thomas E. Mann, director of the

Was Marx Right?

One hundred and fifty years after *The Communist Manifesto* (1848), it is obvious that Marx and Engels got a lot wrong. But they also got some important things right, says Shlomo Avineri, a political scientist at the Hebrew University of Jerusalem, writing in *Dissent* (Winter 1998).

While they were among the first to appreciate capitalism's immanent radicalism, they were obviously wrong when they asserted that as capitalism developed, its social tensions would grow more extreme and its classes more polarized. Almost the precise opposite came to pass. . . .



Still, although polarization did not, as a rule, take place within *advanced industrial societies as Marx and Engels predicted, something quite like it did occur on the global level: the widening gap between industrialized and less-industrialized lands is a consequence of the very integration of the latter into the globalized economy. Third world populations have become integral parts of a world market, as both (low-paid) producers and consumers. Instead of an internal polarization between capitalists and proletarians there is an external one between "capitalist" and "proletarian" nations.*

So polarization has been exported from and universalized by the industrialized nations. If Marx and Engels's analyses are mostly invalid for the advanced nations today, they have been vindicated by the facts of globalization—the sweatshops of Asia, Africa, and Latin America, with their child labor, their horrendously unsanitary working and living conditions, and their lack of minimum-wage laws and basic social welfare networks. Here, then, are the successors of the sweatshops of London's East End or New York's Lower East Side.

Brookings governmental studies program, comes out against a congressional proposal to deregulate campaign finance while mandating disclosure of contributions to candidates for federal office. The proposal, he says, "is less a solution to the clear shortcomings of the existing regulatory model than a fanciful exercise in wishing those problems out of existence." He favors "muddling through the complexity of the present system."

And there still are some problems that cry out for *more* government regulation, contends Nurith C. Aizenman, formerly an editor at the *Washington Monthly* (Oct. 1997) and now with the *New Republic*. She warns, in particular, of "the recent massive increase in the volume of hazardous materials streaming across our nation's highways and railroads." Rail transport of "hazmats" jumped 27 percent between 1990 and 1995. In 1995 alone, there were 12,712 incidents involving hazardous materials released from trucks and 1,330 such incidents involving railcars.

Overwork is a major cause of accidents. In 1994, a propane truck crashed into the column of an overpass near White Plains, New York, igniting the propane and propelling the gas's container through the air onto a nearby house, which was quickly engulfed in flames. The driver died and 23 others were injured. What caused the accident? The driver dozed off at the wheel. He had been driving continuously for 35 hours.

Though truckers can be legally required to work only 10 hours, they are paid by the mile, not by the hour, Aizenman says, and "trucking companies routinely—and knowingly—put them on schedules that make a mockery of the law." When the Federal Highway Administration "bothers to conduct [safety] inspections," she writes, "it tends to favor the velvet-fist-in-the-velvet glove approach." The Federal Railroad Administration, which oversees rail safety, is hardly more rigorous. Much more regulation is needed, Aizenman unfashionably concludes.