gold. Private gold-owners would sell their holdings, forcing the Federal Reserve to issue more paper money. The result: inflation.

Moreover, Cooper argues, by fixing the price of gold arbitrarily, Washington would undermine the faith in its unchanging value. The public might regard the gold standard as "a fair weather vessel, likely to capsize and be abandoned in the first serious storm."

Learning from West Germany

"Germany's World Class Manufacturers" by Joseph A. Limprecht and Robert H. Hayes, in *Harvard Business Review* (Nov.-Dec. 1982), Subscription Service Dept., P.O. Box 3000, Woburn, Mass. 01888.

Cultural differences make it difficult to apply the lessons of Japanese industry in the United States. But according to Limprecht and Hayes, respectively a U.S. Foreign Service officer and a Harvard professor of business, West Germany is similar enough to offer useful models for U.S. managers.

Industries in the two countries face major problems. A doubling of real wages during the 1970s to an average of $16,000 made West German workers among the world's highest paid. Yet the 12 percent factory absenteeism rate is the world's second highest, only behind Sweden's. Moreover, German factories must import many raw materials; they must find overseas markets for 50 percent of their business, versus only 10 percent for U.S. firms.

The West German reputation for quality goods, the authors argue, is the result not of German cultural traits but of a deliberate strategy: The West Germans stress technical competence. Students are introduced to the sciences early, studying physics in fifth grade, and those not bound for college enter three-year company-run apprenticeship programs at age 16. Some 350,000 companies offer such programs; half of all 16-year-olds enroll annually. Experienced workers, not recent MBA graduates, are given shop-floor supervisory positions.

Indeed, there are no graduate business schools in West Germany; managers hold degrees in engineering and other technical fields. This nuts-and-bolts orientation, along with infrequent transfers (once every seven or eight years versus once every two or three for U.S. executives) ensures that managers stay in touch with workers on the shop floor. Such communication is a hallmark of the West German style. By law, all major corporate decisions must be ratified by worker councils.

West German management is distinguished by other traits. It tends, for example, to emphasize long-term planning over short-term performance. Indeed, corporate financial statements often obscure quarterly results. West German industry also leans heavily on incremental technological changes, while, "as the [U.S.] auto, steel, and machine-tool industries grimly attest," the authors say, top American managers slight such improvements and seek technological breakthroughs.

Although U.S. executives are widely admired for their financial and marketing acumen, Limprecht and Hayes note, they are often bested overseas because their competitors offer better products and customer service. Such attention to basics, they conclude, is not "so indelibly 'German' that Americans can't learn from it."

SOCIETY

The Other Social Security Crisis

"Social Security: The Coming Crash" and "The Salvation of Social Security" by Peter G. Peterson, in *The New York Review of Books* (Dec. 2 and 16), Subscriber Service Dept., P.O. Box 940, Farmingdale, N.Y. 11737.

Washington today is struggling to resolve a Social Security financial crisis that could plunge the system into bankruptcy by 1984. Yet Peterson, chairman of Lehman Brothers Kuhn Loeb, argues that a far more ominous long-term crisis has gone unrecognized.

Many specialists assume that payroll tax increases scheduled to take effect between now and 1990 and increased revenues as "baby-boom" workers reach their peak earning years will guarantee the system's long-term stability. But Peterson argues that their estimates of future economic growth, productivity increases, and unemployment are too optimistic. The projected 1985 Social Security deficit of $30 billion pales beside the pessimists' prediction of a $16.3 trillion annual deficit by 2035. Closing that gap would require raising Social Security taxes to 44 percent of every U.S. worker's taxable income.

Social Security itself is a key source of the economic problems that threaten it, Peterson contends. Since 1949, payroll taxes have jumped by 3,960 percent, accounting for the entire increase in Washington's share of the U.S. gross national product since 1955. At $190 billion in 1982, Social Security consumed 26 percent of the federal budget.

The system today provides far more generous benefits than were originally intended. When it was created during the 1930s, life spans were shorter, the elderly comprised only 5.5 percent of the U.S. population (versus 12 percent today), and other sources of support were slim. Yet increases in benefits and life spans, as well as other factors, mean that the average worker who retired at age 65 in 1982 will collect some $520,000 during his remaining years. His total payroll tax contribution: $7,209. Generous benefits have encouraged the elderly to retire rather than to keep working: In 1950, nearly half those over age 65 were working; by 1980, only 19 percent.

Moreover, notes Peterson, the notion that many of the elderly are poor is mistaken. Indeed, two-thirds of the elderly own their own homes "free and clear."

Peterson contends that serious Social Security reform would not produce the political backlash that Washington fears. Among his propos-