ECONOMICS, LABOR & BUSINESS

Gains and Losses on Regulation

"Will Carter Put Out the Fire?" by David R. Gergen, in *Regulation* (Sept.-Oct. 1977), 1150 17th St., N.W., Washington, D.C. 20036.

President Carter's early pledge to reduce "the burden of over-regulation" on business contrasts with his administration's early record of "almost studied ambiguity" toward regulatory reform, contends Gergen, a former aide to President Gerald Ford. This uncertain approach, he believes, is incapable of dealing with federal regulatory growth that has developed a momentum of its own, propelled by statutes already on the books.

The White House has made some changes, Gergen concedes. It has formed a new division in the Office of Management and Budget to oversee regulation. It has supported bills to require periodic "sunset" reviews and eliminated some overlap and contradiction among federal regulatory agencies. Moreover, new guidelines now take into account the economic impact on businesses of proposed regulations.

Other Carter initiatives, however, encourage more regulation. The administration has proposed sweeping new controls over energy production, pricing, and consumption, over toxic chemicals, water quality, on-the-job safety, hospital costs, and the operation of oil tankers. (In the first six months of 1977, 34,000 pages of new regulations were published by the federal government, up 25 percent from the previous six months.) Carter has also appointed administrators with pro-regulation backgrounds to high-level positions in the Federal Trade Commission, the Federal Energy Administration, and the Department of Transportation.

In sum, Carter has steered a "jagged course" on regulation, writes Gergen. He has been willing to favor more regulation rather than less when faced with strong political pressure. Unless there is a sharp change in strategy, Gergen predicts, regulatory "strangulation" of U.S. businesses will continue for some time to come.

Homo oeconomicus and Rational Fools

"Rational Fools: A Critique of the Behavioral Foundations of Economic Theory" by Amartya K. Sen, in *Philosophy and Public Affairs* (Summer 1977), P.O. Box 231, Princeton, N.J. 08540.

Two centuries ago, economist Adam Smith (1723–90) first suggested that a decentralized economy guided by individual self-interest and supply and demand would allocate economic resources more efficiently than alternative, "controlled" systems.

The hardening of this view into dogma in the ensuing years, says Sen, an economist at the London School of Economics, occurred amid Victorian debate over Utilitarianism, which held that the interest of all is the interest of each. The Utilitarian program of seeking the greatest good for the greatest number was challenged by Victorian economists like

Francis Edgeworth (1845–1920), who believed that, on the contrary, "general happiness" is to be achieved through each individual's pursuit of his own happiness. Edgeworth promoted the idea that *Homo oeconomicus* is motivated solely by the selfish desire to increase "maximally" his own welfare; using this assumption, he was able to express economic principles in mathematics. This view—and the mathematical approach that followed from it—is "more or less intact" in contemporary economics and has been little questioned; nevertheless, claims Sen, it is mistaken.

Edgeworth's economic model, which held that individual self-interest would lead to market equilibrium (the point at which no person's welfare can be materially improved without worsening the welfare of another) led later mathematical economists to analyze consumer demand as a function of "rational choice." This analysis supposes that there is a "single relation" between a person's real preferences and actual decisions. Utility fails to be maximized only when a consumer's preferences are inconsistent (and thus irrational).

In all this, Sen suggests, there is something profoundly disturbing: the virtual neglect by economists of the role that altruism has played in public policy and private conduct. To the extent that different varieties of "commitment" and "principle" influence personal economic decisions, he argues, so far has the classical notion of economic man as a blindly consistent egoist—as a rational fool—artificially limited the range of academic analysis.

PRESS & TELEVISION

Putting Dissent in Perspective

"Soviet Dissidents and the American Press" by Peter Osnos, in *Columbia Journalism Review* (Nov.-Dec. 1977), 200 Alton Pl., Marion, Ohio 43302.

The Soviet Union is grappling with social problems common to all industrial nations, but the only Soviet domestic issues heavily covered by Western newsmen are those raised by the dissident movement. Osnos, a former Moscow correspondent for the *Washington Post,* worries that "Americans hear so much about dissidents" that they can no longer see the Soviet scene in proper perspective.

Are the dissidents that important? Probably not. According to Osnos, this "small number of little-known private citizens" has helped to "highlight" Soviet repression as well as growing disaffection among ethnic minorities, liberal intellectuals, Marxist theorists, and religious groups. But it is a mistake, Osnos warns, to confuse the courage of a few with mass alienation.

Foreign correspondents and dissidents in Moscow are "mutually useful": Reporters want to meet "real" Russians and get a good story of