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The Dean Rusk Center was established in 1977 to foster interdisciplinary research, service and education concerning institutions and processes basic to efficient intercourse among nations. U.S. fiscal and monetary policy has separate emphasis, due to its increasing impact upon international commerce. U.S. trade and investment in a world environment remains the primary focus of its study and policy recommendations sponsored by state and federal entities. The Center also recognizes that informal dynamics of nations remain the major determinant of international relations and that domestic concerns about the quality of life, stability and efficiency will continue to vie for dominance in determining a nation's posture in world affairs. Thus, much of the Center's data collection and analysis dwells on domestic events of nations and diverse disciplinary explanations of their presence and evolution.

Admittedly, the interactions of fiscal and monetary policy, international arrangements and domestic events cannot fully be analyzed in a specific geographic or subject context. Nevertheless, many of the Center's policy development activities concentrate on the North American region and related subjects of agriculture, national development, business-government relations and public governance. These bi-weekly briefings reflect the convergence of the Center's diverse activities and interests.

Facts and details of events addressed in Briefings are gathered through a scanning of major daily newspapers and weekly periodicals, which are cited throughout each article. Sources of related policy and disciplinary material appear in a listing following each article. The purpose is to link facts with policy implications and academic points of view in order to present an integrated in-depth approach to current issues. Views expressed are not necessarily those of the Rusk Center.

1. FISCAL AND MONETARY POLICY

A. FISCAL - SMALL BUSINESS INNOVATION ACT

SMALL BUSINESS INNOVATION ACT - In the recent past, Congress has attempted to provide government assistance to disadvantaged groups by requiring federal agencies to earmark a portion of their resources for them. One such "set-aside" program, administered by the Small Business Administration (SBA), allocates small government procurement contracts for noncompetitive award to minority-owned small businesses to assist their entry into the open market. Of $4.1 billion in government purchases from minority contractors during the last fiscal year, $1.77 billion was distributed under the SBA set-aside program (Bus. Wk., 4-19-82, pp. 126-31).

Legislation now being debated would create a new set-aside program targeted at the research and development (R&D) activities of small businesses (those with fewer than 500 employees). In December 1981, the Senate passed its version of the Small Business Innovation Act (S881), which requires agencies, beginning three years after enactment, to restrict 1% of their R&D funds to small businesses. The House version (H4325), now working its way through committee hearings, would require agencies with research and development budgets in excess of $100 million eventually to set aside a larger portion of their grants for small businesses: 0.5% the first fiscal year, 1% the second, 2% the third, and 3% each year thereafter. Both versions of the Act are intended to encourage the development and marketing of new products without incurring any additional costs for the government. Sponsors anticipate that innovations developed to meet government needs will subsequently be marketed commercially (Wall St. J., 4-19-82, p. 29; Congressional Qtrly. Wkly. Report, 2-27-82, p. 474; 12-19-81, p. 2632).

Proponents, such as Senators Edward Kennedy (D., Mass.) and Warren Rudman (R., N.H.), argue that smaller organizations have historically demonstrated a greater ability and willingness to market innovative products than have giant corporations, which typically are able to
Invest far more in R&D. In addition, the approximately $400 million set-asides (i.e., the Senate bill's 1% of the $40 billion federal R&D budget) would provide direct aid as well as likely sales spin-offs for the nation's small businesses, traditionally a large constituency and special favorite of Congress now undergoing financial stress (N.Y. Times, 4-9-82, p. 26; Wall St. J., 4-19-82, p. 29).

This latter benefit may be particularly important: Business bankruptcies, largely the result of high interest rates, are at a 21-year high; and the SBA indicates that small companies will bear the brunt of this trend. Proposed cuts in the SBA guaranteed loan program as well as in the SBA set-aside procurement program for minority-owned small businesses have led to calls for the administration to provide more aid to these concerns during the weak economic period. Last year the portion of federal procurement dollars going to small businesses dropped to 21%, down from 24% the previous year. This happened in spite of a joint SBA/Air Force project which demonstrated an average 30.5% savings on spare parts purchased from small organizations as compared with large defense contractors (U.S. News & World Report, 5-3-82, p. 82; Wall St. J., 4-26-82, p. 29).

Yet this effort by Congress to spur innovation while stimulating hard-pressed small businesses has encountered opposition from a variety of sources. University researchers fear the loss of grant funds, and several federal agencies oppose the program since it would eliminate some of the discretion available to bureaucrats in distributing monies. Surprisingly, even representatives of some small business associations oppose the measure, although much of their membership would benefit from it. They cite alleged waste and fraud evident in other set-aside programs. For example, the SBA program for minority-owned concerns is widely believed to need reform: while 4,600 contractors currently participate, only 160 firms have successfully made the transition to open market competition in the 13 years of the program. Small R&D firms fear that a set-aside program for them would lead to similar charges of ineffectiveness or inefficiency, whether justified or not (Bus. Wk., 4-19-82, pp. 126-31; Wall St. J., 4-19-82, p. 29).

It is typical of our complex fiscal process that competing interests, because of their different experiences and priorities, see different potential outcomes from proposed programs. Proponents of the R&D set-aside believe in the efficacy of small business and its ability to contribute much needed innovation to the economy (N.Y. Times, 4-9-82, p. 26). Detractors focus upon previous experience with similar programs and point to examples of fraud or waste which, if repeated in this case, would squander scarce R&D resources needed to restore America's productivity and its international competitiveness. Each position speaks a truth derived from its own unique perspective. The making of fiscal policy in America is often haltingly slow as well as subject to pressures from disparate interests, but the pluralistic system allows for a remarkable interplay of "facts" in the policy crucible.


development of constituencies in the U.S.—to do so. These methods may have important constitutional implications. On February 1, Governor John Spellman of Washington announced that the state's Department of Commerce and Economic Development had reached an agreement with Marubeni, the second largest Japanese trading company, to handle the state's marketing research for distributing its products in Japan. Primarily involved are high technology items, forest products, and construction contracts. The agreement, which does not bind the state to trade exclusively through Marubeni, has been approved by the state attorney general (Spokesman Review, 2-2-82, p. 1). In another action, the Japanese government has intervened on behalf of Kawasaki Heavy Industries, Ltd., to enable it to win a contract with the city of New York to deliver 325 subway cars for $274.5 million. The Japanese government will provide $126 million in loans to New York at 12.25% (Wall St. J., 3-9-82, p. B). On May 3, State Representative Hosea Williams of Georgia returned from a trip to Japan with plans for joint ventures between Japanese businesses and American firms owned by blacks. Two of these concerns are non-profit, the other for-profit (Atlanta Constitution, 4-8-82, p. 2A; 5-14-82, p. 1A). Such plans, though appearing to have little bearing on future legislation and policymaking, could give foreign elements direct influence on a part of foreign policy that is primarily domestically inspired.

Adverse economic conditions as well as genuine economic opportunities interact with the needs of Japan, a major export-oriented economy. The declining competitiveness of many northeastern locales has made them search for unusual sources of good investment terms, including foreign ones. The financial difficulties of New York City are legion. Washington State, like many others, is assiduously locating markets abroad for its products and seems willing to make agreements directly with other countries to secure them. Blacks fear that Reagan administration proposals for cutbacks in social expenditures and other aid to minorities is threatening black opportunities for advancement and will increase black unemployment even further. Administration attempts to restrict the number of contracts awarded noncompetitively to minority-owned businesses and to end the Small Business Administration's loan program are particular foci of black grievance. Blacks must now compete with state, local, and private requests for funds; and their business receipts have been declining proportionately in the last decade, from $4.5 billion, or 0.22% in 1969, to $11.26 billion, or 0.18% of the total in 1980 (Bus. Wk., 4-19-82, pp. 126).

To maintain export levels, Japan is working to make their export markets as secure as possible, perhaps even to the point of influencing foreign domestic policy in order to create a favorable political environment for Japanese exports. One approach may be to take advantage of economically rooted discontent among powerful political groups and regions by giving them a stake in lobbying for free trade policies beneficial to Japan. In particular, Japanese strategy seems to be to separate liberals who stand to gain from Japanese investment and munificence from those who want to protect regional industries from international competition. Congressional elections in November might be a key object for mobilization of support for the Japanese.

These moves illuminate the constitutional problems of a foreign power seeking to intervene directly in federal-state politics. At one point the Constitution expressly forbids states to enter into any "treaty, alliance, or confederation" (Art. I, Sec. 10, Cl. 1), but also where it seems to leave room for the possibility of some types of arrangements between states and foreign governments: "No state shall, without the consent of Congress...enter into any Agreement or compact with another State, or with a foreign Power" (Art. I, Sec. 10, Cl. 3). If state and local governments are relying on investment and/or selling supported directly by a foreign government, it is probably necessary to ask whether they will rely on foreign countries to a degree that intrudes on the constitutionally prescribed distribution of national power.

That interest groups and state and local governments perceive a need to resort to investment from and governmental cooperation with foreign countries raises questions about the values underlying the political system. The primary constitutional reason for prohibiting
relations between states and foreign powers is to maintain the proper balance of power between the states and the federal government; but also implicit in the Constitution is the need to satisfy the demands of clashing interest groups in a stabilizing manner. One of the most important themes of American political science literature today is the inability of the political system to arbitrate satisfactorily the competing claims of interest groups. When the domestic economy no longer seems strong enough for interest groups to deal exclusively with the domestic private sector or with state and federal agencies, so that they look outside the national structure to achieve their aims, they offer foreign governments a means to manipulate the allocation of resources to their advantage. The constitutional implications of state and local relations with foreign powers continue to be refined as new developments occur. Although no a priori reason exists for asserting that all agreements, especially trade agreements between states and foreign governments, are suspect, it is perhaps in the national interest to avert the gravitation of American interest group loyalties toward Japan or some other foreign power. While policymakers are not now placing a high priority on meeting the immediate demands of blocks, for example, pragmatism might dictate that they take more interest in black concerns rather than have the Japanese do so in their stead. Such a stance could not only make the Reagan administration commitment to free trade more politically palatable at home but also help create an international dimension to American public philosophy that addresses, within a constitutional framework, a broad spectrum of political demands in an increasingly interconnected world.


B. SOCIAL/CULTURAL - MISSIONARIES AND INTERNATIONAL RELATIONS

Reported Jesuit sympathies with certain left-wing causes, coupled with the increased martyrdom of many missionaries, especially in Latin America, contributed to Pope John Paul II’s decision to call an unprecedented meeting with the international Jesuit leadership last March. One purpose of the conference was to emphasize the Pope’s desire to thwart political involvement of the Jesuits in liberal and left-wing affairs in Latin America and to encourage a more conservative approach to the mission of soul saving. Jesuits are reportedly active in revolutionary movements in Guatemala, El Salvador, and Nicaragua; and Pope Paul hopes to curtail future accusations of this kind. But many Jesuits, as well as other missionaries in Latin America, prefer a more activist approach to mission work than that advocated by the Pope. This approach, known as liberation theology, calls for a process of consciousness raising among peasants in order to educate them about their rights and help them organize to effect the kind of permanent change that will afford them and their children a better life. With its clear ramifications beyond the spiritual realm, the approach is affecting political institutions and economic development throughout Latin America and in other third world countries, as well as value perspectives within the religious community about the proper role of mission work (N.Y. Times Magazine, 2-14-82, pp. 24-29; Time, 3-15-82, p. 78; Newsweek, 3-15-82, p. 64).

Liberation theology, a concept derived in the 1960s from the teachings of the Catholic theologian Rev. Gustavo Gutiérrez of Peru, influences many of the Catholic missionary orders, including the Jesuits, Maryknoll, and the Comunal Indigenist Missionaries. The concept dictates that missionaries live among the poor and help them recognize and change the social structures which condemn them to poverty. The Maryknoll organize Christian "basic communities" in which community leaders are taught to relate the Gospel to their own social and economic situation. Maryknoll Sister Joanne Comel contributes to consciousness raising by recording programs, such as "Know Your Human Rights," in the Aymara Indian language for radio broadcasts in Bolivia and Peru. Understandably, missionaries who practice the theology of liberation can
become the target of attacks by right-wing groups who see them as a cause of unrest in Latin America. Indeed, the Maryknollis and Jesuits helped found, in 1962, a program called Los Cursillos de Capacitación Social, which was dissolved in 1967 by the Catholic Church for its Marxist and militant tendencies. The program was originally founded as an anticomunist movement to raise the social and political awareness of young people; but by 1967 the group had determined that philosophic Marxism and Christianity were compatible and, overlooking materialistic contradictions between the two, began using Marxist interpretations for its work. Many of the former members of the organization are now sold to form the backbone of the left-wing insurgents in Latin America (Wall St. J., 8-14-81, p.14; Newsweek, 3-8-82, pp. 69-70; Newsweek, 12-22-80, p. 75; Comparative Studies in Society & History 23(1):130-49, Jan. 1981; Latin American Perspectives 7(2/3):78-89, Spring/Summer 1980).

Several factors contribute to the increased popularity of liberation theology in mission work during the past two decades. As third world countries began to achieve independence during the 1950s and 1960s, religious organizations had to compete with Marxist and socialist movements which appealed to much of the peasant class. Christian mission work also encountered nationalistic movements which identified Christianity as an alien religion of the West. During the same period, the formal doctrine of liberation theology was beginning to develop; and missionaries themselves were realizing that their work was benefiting the wealthy by encouraging peasants passively to accept the status quo, while neglecting a long-term solution for the problems of the poor. These trends resulted in increased missionary involvement with the poor in a sincere effort to ameliorate their plight and out of a desire to cultivate popular support for their mission. More missionaries began to live and work directly among the poor, rather than simply ministering to their spiritual needs from the relative isolation of mission enclaves. Many have subsequently become politically polarized to leftist causes, perhaps without fully understanding the overall problems of economic development. This polarization creates friction between mission groups preaching liberation and right-wing governments who resent their work and charge them with economic illiteracy. In the case of the Philippines, both church and state proscribe concern for the amelioration of social disparity, but each views this economic problem from a different perspective. Advocates of liberation theology in the Philippines see poverty as being produced by exploitation from both local and international capitalists, and some view the solution as the overthrow of the government which supports that system. For the Philippine government, the problem of poverty is one of underdevelopment resulting from the inefficient use of natural resources, and the solution is modernization with economic activity organized by private enterprise. The question then becomes whether to accept the established government's point of view based on economic studies or the missionaries' viewpoint based on humanitarian ideals (N.Y. Times Magazine, 2-14-82, pp. 24-294; Social Research, Summer 1979, pp. 327-49; Christianity Today, 3-5-82, pp. 244; Worldview, 2-82, pp. 5-8; Wall St. J., 8-14-81, p. 1+).

While many missionaries have become politically active in third world countries, most evangelical missionaries are still conservatives who support the ruling regime or preach acceptance of one's earthly lot in anticipation of a better afterlife. The Wycliffs are one such group that openly supports the governments of countries in which they work. The mission of the Wycliffs is to translate the Bible into every language so that all cultures will have access to the Gospel. Because the Wycliffs see the government as their best ally in this mission, they coordinate their work with the government rather than with local religious organizations. The Wycliffe practice of obtaining government sanction for their work, however, does not insure political immunity, since a government turnover is always a potential threat to their position in a country. Additionally, they are faced with the possibility of terrorist attacks from leftist groups who resent their rapport with the government (Newsweek, 12-22-80, pp. 69-70; Christianity Today, 2-19-82, pp. 20-25).

Thus political neutrality of religious organizations in Latin America and elsewhere is often impossible. No longer can theologians measure the success of their missions by the number of souls they save. Because volatile political conditions effectively force them to take
sides, missionaries must also consider the short- and long-term effects of their actions on the political and economic institutions of the countries where they work, as well as the future of Christian doctrine around the world.


III. DOMESTIC ISSUES

A. VALUES - SUNBELT DEMOGRAPHICS AND POLITICS

Although the rise of the Sunbelt, which encompasses the southern and southwestern portions of the United States, has been recognized as an important trend in American life, the assumptions on which Sunbelt growth is occurring have received less direct attention. Migrations into and within the region signify changes in value structures as migrants bring their attitudes with them and develop new lifestyles and new economic and political interests. Two events show conflicting concepts of economic growth and distribution of wealth occurring in the U.S. today and provide insight into the future of life in this section of the country.

On October 24, 1981, the AFL-CIO formally embarked on a $1.7 million campaign to unionize skilled workers in the South. Counting upon a favorable response to the campaign among black and Hispanic workers, the AFL-CIO is using a strong activist strategy to recruit workers into its ranks. High expectations concerning the success of the strategy are rooted in the large number of "organizable" workers in Houston, where 13% of the 703,000 workers are organized already (Bus. Week, 9-19-81, p. 43).

Late last year a journalist and an executive talent scout from Massachusetts conducted a survey to determine the most desirable cities in the U.S. for living. Using the criteria of climate, housing, crime, transportation, education, recreation, the arts, taxes, and jobs, they found that Atlanta ranked first on these criteria more often than other cities measured. Significantly, wages were not included in this list of quality-of-life indicators. Of the top 10 cities, seven are located in the Sunbelt (Time, 1-11-82, p. 87).

On a variety of economic indicators the Sunbelt has been registering gains that make it fare well in comparison with the Northeast and north Midwest. In the categories of industrial income, retail sales, bank deposits, and construction, the North has been falling behind the South. Factors facilitating Sunbelt growth have been lower living costs, lower taxes and concomitantly fewer social services, lower energy costs, and lower land costs. A major reason for the establishment of industry in the South has been the low level of union presence, which, when viewed in terms of growth over time, is 20 years behind the North (Society 17(4):17-21, May/June 1980; Dissent 22(1):475-504, Fall 1980). Of the 20 states with "right-to-work" laws, 14 are in Sunbelt states (Nation's Business, 6-81, p. 39). Major employers are information-systems firms and the federal government; the South and West have a higher proportion of civilian government workers than the nation (Abbott, 1981). These developments indicate that the Sunbelt is undergoing major economic expansion along both industrial and post-industrial lines. Whereas Northern economic growth relied predominantly on heavy industry, the South is relying on a combination of heavy industry, service, and communications. As a result of economic growth the average per capita income in southern states has risen to the national average, thereby reducing the notoriously low southern poverty levels of years past. A 14.7% decline in the number of poor families in the South between 1969 and 1975 has been registered, as compared to a 7.5% decline in the Northeast. Though Sunbelt affluence is a product of postwar
Interregional competition, it is perhaps more instructive to view Sunbelt development as a process of equalization with the Northeast; thus, the issue is not one of equity for all, but of Sunbelt convergence with the rest of the nation. Business and industry are not relocating in the South or opening branches so much as new businesses are springing up while many northern ones are dying (Society 17(4):17-21, May/June 1980). Thus, decentralization of business is occurring rather than a regional shift in corporate location (Economic Review, Atlanta Federal Reserve Bank, 5-83, pp. 4-13).

Migration has also contributed to the emergence of the Sunbelt. While the West's population has doubled since 1950, the South has gained more people than any other region in the 27-year period from 1950 to 1977. Migration to the South accounted for 19% of this population growth. In the North, however, population growth has halted. With declining birth rates interregional migration has become the most important reason for national population shifts. From 1970 to 1977, 2.5 million more people left the North than moved to it (Society 17(4):17-21, May/June 1980). Urbanization, a correlate of industrialization, also increased—from 56% of non-southern levels in 1940 to 83% in 1970 (Abbott, 1981). Though migrants have come from the North, they have also come to the suburban-urban areas from rural southern regions. The mechanization of agriculture after World War II is primarily responsible for the influx of rural whites and blacks to the cities. As a result of the migration of northerners, 17 congressional districts will move from the Northeast and Midwest to the South and West before the November 1982 elections. This means the North will lose 17 electoral college votes (Nat'1 J., 11-14-81, pp. 2032+).

The rise of the Sunbelt and decline of the North have brought to focus a conflict of values. Homelors in the South rural values, such as devotion to the family and community, were dominant; new money-making, trade, salesmanship, and economic growth are slowly replacing them. By contrast, the Northeast has passed this stage of economic development to embrace postindustrialism, communitarianism, and state paternalism. The price Northeast locales are paying in striving for equal
distribution of goods and services is economic stagnation vis-à-vis the Sunbelt and the world. Continuity with the traditional American growth ethic is found in the inheritance by Sunbelt cities of "boosterism," or the promotion of civic pride. This is represented by the growth of modern enterprise, the holding of industrial and professional conventions, and the construction of freeways. Competition with other cities is expressed by municipal efforts to construct financial center facilities and public administration office buildings. The political context of Sunbelt growth has been marked conservativism, investment incentives are offered, comparatively little business regulation exists; and union activity has been discouraged. On the other hand, the emergence of the South has been based on the rising influence of blacks that has given them both purchasing power and the ability to contribute to the passage and enforcement of civil rights laws that protect their gains. Black political power is so significant that no serious candidate or officeholder in a major southern voting area can ignore black demands when forming coalitions and alliances.

The conflict between pro-business politics and the politics of modernization which directly benefits blacks, Hispanics, and women is a significant tension in Sunbelt politics today. An enterprise climate has been formed to attract investment to the region; implied in this strategy is the deprivation of social issues. Workplaces continue predominantly to be open shop, and wages and work safety standards are lower than those in the North. However, the gains of blacks are due to heightened social consciousness among large voting groups and interest sectors across the country that shows no signs of diminishing significantly. Future policy deliberations in the South will probably revolve around the trade-offs between investment and business requirements in a deregulatory political climate, on the one hand, and labor and minority rights, on the other. Ironically, the expectations of many Sunbelt migrants for a higher quality of life may be frustrated because companies establish and relocate themselves in the Sunbelt to secure cheaper inputs, including labor. Nevertheless, work in the South and Sunbelt is no longer predominantly the subsistence wage labor it once was. Theoretically, the Sunbelt may for a time experience a drop in the role
of progressive norms in the region's politics. Some southern politicians are asking whether federal legislation can finally be passed to dilute the enforcement of voting rights laws in the South now that the region is more powerful. That pro-voting rights sentiment remains strong throughout the country has militated thus far against such legislation. Problems of sex discrimination will also have to be faced. Economic growth in the Sunbelt carries with it the seeds of socioeconomic equity in the long run, inasmuch as it provides its inhabitants with the expectations that will lead them to demand a higher standard of living. Research has yet to be conducted that measures the rate at which blacks and women are making career progress. Whether northern norms of egalitarianism or more traditional southern ones will prevail cannot be known; quality-of-life factors are what attract northern migrants to the Sunbelt, and these are not necessarily egalitarian. An equilibrium might eventually be found between the desire for economic growth and the demands for social equity that the Northeast is struggling to meet.


B. HUMAN DYNAMICS - UNIVERSITIES: PURPOSE, FINANCING, AND MANAGEMENT

Although universities have been experiencing financial difficulties since the late 1970s, their ability to fund their diverse activities without relying too heavily on one source is more problematic than ever. Funding restrictions are requiring new money-saving approaches to finance and administration. Some members of the university community are deeply concerned with preserving the ability of institutions of higher learning to conduct value-free thinking and research without external interference. Others are concerned with managing the university in an efficient manner and securing reliable sources of funding so that their institution remains financially solvent or, alternatively, maintains its reputation in and outside academia. Carnegie-Mellon University, which follows industrial production trends, has announced it is planning to enlarge its robot research program in order to generate contracts with industry (Wall St. J., 9-11-81, p. 14). More significant are decisions made by prestigious research universities to generate funds by utilizing faculty expertise and facilities for profit. The trustees of the Massachusetts Institute of Technology (M.I.T.) has decided to accept a $125.5 million offer from the Whitehead Institute to construct biomedical research laboratories at M.I.T. The Institute and M.I.T. will cooperate in controlling the facilities. Last fall, Stanford and the University of California at Berkeley set up a nonprofit corporation with faculty researchers to act as a buffer in channelling research money given universities by business firms into a variety of projects. To avoid conflicts of interest, the money flow would be supervised by three nonpartisan trustees working in the best interest of the two universities (Economist, 1-9-82, pp. 241). Though numerous questions of economy, efficiency, and control over research priorities are important, the fundamental consideration in these new types of arrangements seems to be what place the university will occupy in a society which makes great demands on academic productivity in an age of fiscal austerity.

Financial stringencies are the primary cause of changing attitudes toward research and education. Formerly, the business sector was one of the smaller contributors to education: In 1970-71 federal and state government funding accounted for 44% of expenses, tuition fees for 21%, and "voluntary contributions" from foundations and businesses for 7%. Universities have tried to rely on multiple sources of funding to avoid becoming overly dependent on a single source (National J., 11-29-80, pp. 22014). Rising costs and government cutbacks have forced an increased reliance on tuition fees, foundation awards, and especially, contributions from industry. Proposed cutbacks in student financial aid and
and research grants are now focusing additional attention on industrial sources of funding that will, in the minds of some, fund research projects they value and, for others, help cover costs for a broader range of university activities. In making contributions and special arrangements to improve education and research, corporations may expect to benefit over the short term from academic research, and they will be less interested in projects that cannot reach fruition within the near future. Yet the groundwork laid by basic research and development may be vital to the future market health of those same corporations.

University interest in securing private funding is so great that some faculty members have become concerned about the possibility that they may be prodded prematurely into involvement with research projects from which their universities stand to benefit. Faculty need to be fully apprised not only about how those projects would affect the development of their own research interests, but also about what role participation might play in meeting criteria for tenure and promotion. A shift in administrative priorities could conceivably result in a requirement that faculty contribute to the conduct of research for an industry or firm with which the institution is associated in lieu of making intellectual contributions deemed of intrinsic worth by their professional peers.

Financial difficulties have not only elicited calls for increased reliance on private sector funding, but for structural reforms within the university. Management and accounting standards of organization are often cited as the most effective ways of governing an institution on grounds that a hierarchical structure for decision making and implementation is more efficient than the collegial method of operation traditionally employed by universities (American School and University, B-01, pp. 241). Though university bureaucracies exhibit many characteristics of other nonprofit organizations, inasmuch as they lack economic incentives to allocate time and resources as effectively as businesses, the academy serves different purposes and has operated successfully on different organizational assumptions. A primary purpose of universities is to expand the general body of knowledge by seeking input from many sources and then allowing ideas to prove themselves through their ability to withstand the rigors of questioning and debate. In an analogous way schools have operated on a consensus basis, using persuasion to reach decisions, rather than relying on central direction.

Because the private sector will surely come to play a larger role in the academic community, the latter must give serious thought to the ways and extent that corporate interests will be represented. The infusion of managerial techniques could be advantageous to universities in controlling such unproductive conditions as overstaffing in the administration, partisanship, and uncomprehending cost accounting; but universities must guard against having their priorities upset and control relinquished to a centralized administration striving to achieve nonacademic goals. The university possesses invaluable potential to aid the private sector in endeavors that are also legitimate academic pursuits, such as in the management of international economic development and the provision of policy-specific work from the social sciences. Tension has always existed between academe and business over university teaching and research agendas; but as solutions emerge to meet the university's financial squeeze, universities must reconcile their need to serve society and finance their operations without abdicating their duty to the pursuit of knowledge.


IV. NORTH AMERICA

CANADA'S ENERGY PROBLEMS - Energy self-sufficiency for Canada by 1990 has been a major goal of Prime Minister Trudeau's government. Recognizing that tar sands are a potential source of future oil supplies, Trudeau based a portion of his projected energy goals on the Alands consortium, an $11 billion effort to mine the tar sands of northern Alberta. An estimated 10% of Canada's energy needs would have been met by the 137,000 barrels of synthetic fuel to be produced daily from the tar sands. However, in February 1982 Dome Petroleum, Standard Oil (Indiana), Standard Oil of California, and Shell Oil's Shell Explorer Division decided to withdraw from the project. The companies, which together owned a 50% interest in the consortium, cited the burden of government taxes as the reason for withdrawal. Other, smaller companies had already pulled out. In an effort to save the Alands, the Canadian federal government and the province of Alberta each offered to assume a 25% interest for approximately $5.5 billion along with C$7.4 billion in loan guarantees; but despite recruiting efforts, new private sector investors could not be convinced to join the venture. Now, two other members of the consortium—Shell Canada and Gulf Canada, with a 25% and an 8% interest, respectively—have withdrawn, even though Energy Minister Lalonde boldly offered tax concessions to participating companies. The Alands consortium has thus effectively collapsed. Although total synfuels production was expected to provide 50% of the necessary energy for Canada by 1990, the ripple effect of the Alands failure is likely to halt other Canadian synfuel projects for the near future (Petroleum Intelligence Wkly., 5-10-82, p. 5; Oil & Gas J., 5-10-82, p. 94).

A major item in the controversy surrounding Canada's energy dilemma is the National Energy Program (NEP). The federal government in Ottawa is trying to "Canadianize" the industry by increasing Canada's ownership of petroleum projects to at least 50% by 1990. As part of the NEP Ottawa has established policies not only to reduce foreign control of petroleum, but to increase federal oil and gas revenues enough to make the energy program self-sustaining. While Canadian ownership has increased from 20% to 35% under the NEP, the diversion of funds to purchase equity from foreigners has left the energy industry short of cash for daily operations and for capital investment (Petroleum Intelligence Wkly., 4-19-82, pp. 4-6; Canadian Bus. Rev. 91(10):15-19, Spring 1982). The Canadian Petroleum Association contends that the National Energy Program is responsible for the loss of 15,000 jobs and a reduction of 22% in drilling operations. Moreover, Association leaders question the legality of an NEP incentive program which would allocate $1.9 billion for exploration grants at the end of 1982 to fully or partially Canadian-owned companies. They contend that such a policy is in direct conflict with Canada's charter of rights, which states that laws must be equally enforced despite the nationality of involved parties (Oil & Gas J., 5-10-82, p. 94). Government concern for self-sufficiency is rooted in the need for a secure oil supply and in the importance of the petroleum industry to the domestic economy. Foreigners own 60% of the assets and receive 70% of the revenues from petroleum. From the Canadian government's viewpoint, Canadians are receiving an inadequate share of the benefits from energy production. Although Canadianizing the petroleum industry could lessen Canada's foreign debts, economic growth has slowed as foreign investors refuse to commit themselves to Canadian projects because of energy policies. They consider overall harshness (Canadian Bus. Rev. 91(10):15-19, Spring 1982).

Another aspect of Canada's current energy problems is the delay for at least two years of the $10 billion Alaska National Gas Transportation System (ANGT). Following the route of the Alcan Highway, the Angst pipeline will cover 4,000 miles through Alaska, Canada, and the U.S. Once completed, the system will provide an estimated 2 billion cubic feet daily to America. The gas deposits have a projected worth of $10 billion (U.S. News & World Report, 2-8-82, p. 40). Canadian natural gas flows to California through the western leg of the pipeline. The Canadian federal government is justly concerned since many of the Canadian sections of the pipeline are under construction or have already been completed. Both the Carter and the Reagan administrations gave official assurances to Canada that the pipeline would be built. The delay marks the first time Canada's support for Angst has been in question; an
The strategy behind Trudeau's energy plan was to increase domestic control over the petroleum industry through higher taxes and a phased decontrol of domestic oil prices. However, as oil prices declined worldwide, Canada's tax revenues have suffered. Foreign oil corporations, which presently pay 92% of the oil taxes, refuse to invest in new projects and are hesitant to continue with energy exploration in Canada (Bus. Wk., 4-12-82, p. 47). Attempting to stimulate production, Alberta, which produces 85% of Canada's oil and gas, is forgoing provincial royalties and taxes: approximately $1 billion will accrue to oil companies almost immediately, along with a projected CS1.8 billion in 1982-83 and CS0.55 billion in 1984-85. Alberta is initiating action to induce the federal government in Ottawa to increase natural gas exports to the U.S. Concerned over future competition, particularly from Mexico, and the possibility of losing market share in the U.S. gas market, Alberta is calling for a reevaluation of Canadian-U.S. relations (Petroleum Intelligence Wkly., 4-19-82, p. 5). To revitalize the energy industry in Canada, government and business may find it necessary to work together to reduce the high financial risks and thus encourage private sector development.


V. EDITORIAL

BARTER AND BUSINESS-GOVERNMENT RELATIONS - For the last decade much discussion has occurred concerning the ability of multinational corporations either to mold or to evade the policies and regulations of sovereign states. Of greater import to this issue is the rise of barter as an acceptable, if not preferred, vehicle for conducting business. The number of barter transactions within the domestic economy has skyrocketed. Barter has always existed in the U.S. economy; but since the rise in interest rates, it has become an accepted and valuable medium for conducting business among a wide range of people and organizations. In international business barter transactions have long been important. Almost 40% of East-West trade involves barter, and in many instances monopoly exports cannot be sold to cash-strapped countries without it. While the use of barter is growing domestically and internationally, little or no attention has been given to its impact on the relative roles of government and business.

Initially, international barter transactions emerged as a popular means of circumventing financial regulations used in many nations as a mechanism for restricting imports. Now the use of barter has increased because many nations are strapped for hard currency; barter avoids the costs associated with high interest rates and financial intermediaries. While the economic constraints facing these nations are thus eased, governments have measurably lost freedom to formulate and implement their own economic and foreign policies. For many nations the simplest, if not the sole, means for controlling what and with whom goods are bought and sold is through credit and monetary exchange restrictions. In instances where the taxing and commerce agencies of a nation do not have the necessary resources or expertise to control trade, the central bank represents the only governmental monitor of international transactions. Obviously, barter transactions can circumvent any and all
central bank regulations. In order for nations in this predicament to regulate the volume and composition of their imports in the face of intensifying demand for barter transactions, they must seek alternative means of controlling their domestic economies or else gain greater cooperation from business—a difficult task. Because of the dynamics of the process, miscalculations and uncertainty in the formation of governmental economic policies will be unavoidable and more prevalent, resulting in increased governmental impatience with private domestic enterprise and strained relations between the two sectors. Yet many third world nations are not in a position to deal positively with these problems: because of their shortage of hard currency, barter may be the only means available to obtain foreign inputs needed for economic development.

Of primary importance is the impact barter has on the domestic economy of a nation, since it complicates both fiscal and monetary policies. As the domestic use of barter increases, targeted growth rates for the money supply must be cut back; otherwise, unintended inflationary pressures will result. Moreover, monetary policies may lose some of their effectiveness. The impact on fiscal policies is even greater. Barter distorts many important accounting and statistical calculations and has the potential for causing goods and services to be misallocated within the economy. Traditional methods for monitoring economic activity are less likely to pick up barter transactions, which also encourage growth in the underground economy, already estimated at close to $400 billion (Bums, W., 4-5-62, pp. 66). Clearly, the traditional fiscal and monetary policies which rely on tax incentives and control of the financial markets are undermined by the use of barter.

Barter also has a dynamic influence within the business world, since it threatens the prominent role of the banking industry. However, bankers have been quick to recognize the need to respond positively to the growing importance of barter. The new Trading Company Act before Congress will permit banks to become equity owners in international trading companies. Undoubtedly, they will seek similar legislation enabling them to participate more fully in barter transactions at home. Though bankers have recognized the shifting roles of traditional financial markets and trading companies, it is still unclear whether they will be able to adapt to the new situation and provide vastly different risk-sharing and other services required of trading companies.

Admittedly, barter has many advantages which make its greater use inevitable. But because barter can disguise the condition of the economy, this trend will strain the ability of governments to recognize the nature of economic and political ills, develop policies for curing them, and then assess the impact of those policies. It would be naive to think that greater cooperation between business and government, with their many diverse interests, could in itself compensate for the problems posed by barter. Nor is it probable that governments will give in to the problems presented by barter transactions and defer to the judgment of private business in the field of economic and social policy. In response to barter, governments will attempt to improve their monitoring of the economy. The increased use of innovations in electronics office equipment for transacting business can make that monitoring easier, though it will involve further governmental intrusions into individual privacy. The conflict between the government's need for information and the private sector's right to privacy will not be easy to resolve. Even so, governmental policies can no longer be based on the assumption that they will necessarily be shapers of business conduct; to the contrary, major forces of change are making the business world increasingly independent of government influence and dominance. Future governmental policies must be formulated in light of business activity which may be immune to governmental influence. Finally, greater cooperation with business will be needed if the government is to achieve many of its goals. While the ultimate product of this dynamic state of affairs is unclear, the increased use of barter transactions will require greater sophistication in formulating and implementing governmental policies.

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Briefings

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