

PERSONAL AND ECONOMIC FREEDOM: YESTERDAY, TODAY, AND TOMORROW

By Ira G. Corn, Jr.

Ira G. Corn, Jr. is a co-founder and present Chairman of the Board for Michigan General Corporation, in Dallas, Texas. He is also the co-founder and director of the Tyler Corporation.

He attended Little Rock Junior College and the University of Chicago for his A.B. and M.B.A. degrees. Before entering business in 1954 he was an assistant professor at Southern Methodist University in Dallas. Among his most recent publications are The Story of the Declaration of Independence and Businessman Answers Questions from College Students.

Mr. Corn delivered this presentation at Hillsdale during the Center for Constructive Alternatives seminar, "Leading Corporate Heads Assess America's Future."

"The history of the world is none other than the progress of the consciousness of freedom." So wrote the notable German philosopher, George Hegel. I like to believe him, because I tend to think of the future—and of freedom—in relationship to its progress from past experience to today. Yet, Hegel also wrote, "What experience and history teach is this—that people and governments never have learned anything from history, or acted on principles deduced from it." That, unfortunately, seems all too true much of the time.

Our history teaches us to value our personal and collective freedoms, but many no longer seem to understand that it was the Industrial Revolution and the invention of creative capitalism that helped make possible our freedoms. We study 18th and 19th century events under a microscope colored by late 20th century thinking, and we don't recognize that cultural standards of those earlier days bear little relation to ours.

We recently heard the chancellor of an educational foundation criticize capitalism by citing the poor treatment of Irish tenant farmers by their landlords in the 1840s—a period when the Emerald Isle had not yet



had its industrial revolution; when massive population growth led to massive poverty, because employment opportunities were missing in a feudal society. Landed gentry still ruled. Yet, the chancellor blamed capitalism for the inability of the political leaders of their day to prevent the great potato famine. His thinking just doesn't apply. Ireland, 150 years ago, was a holdover from medieval times.

To paraphrase Thomas Ashton, the technical and economic changes wrought by the Industrial Revolution were not the cause of the calamities of the 18th and 19th centuries. The central problem was how to feed, clothe, and employ generations of children that far outnumbered those of an earlier time. If England, for example, had remained a nation of cultivators and craftsmen, she hardly could have escaped Ireland's fate. That England was spared those same calamities was not a tribute to her ruling class, but a gift from the young entrepreneurs of the budding Industrial

im•pri•mis (im-pri-mis) adv. In the first place. Middle English, from Latin *in primis*, among the first (things).

IMPRIMIS is the journal from The Center for Constructive Alternatives. As an exposition of ideas and first principles, it offers alternative solutions to the problems of our time. A subscription is free on request.

Revolution—no doubt seeking their own narrow ends—who had the wit and resources to devise new instruments of production and new methods of administering industry.

As it stands, thousands more Irish might have had to emigrate and thousands more might have starved had not the Industrial Revolution and capitalism finally come along to provide a means for them to support themselves.

For some, though, capitalism continues to be blamed for Ireland's problems, rather than lauded as their solution. It's much the same with America's problems and the constant self-criticism from well-known people who ought to know better. Capitalism is blamed for everything from the deplorable conditions of child labor 100 years ago, to our own Civil War, to the exploitation of Indians, and so on, *ad infinitum*.

These "expert" critics conveniently overlook how recently the average citizen's life has changed from a battle of survival to a battle with affluence. Take child labor. Up to 100 years ago, nearly every family knew that every one of its members, including the children, had to contribute to their collective survival. Everyone worked. Efforts to ban children from the productive work force were considered terrible restrictions on the family's personal freedom to conduct its own affairs. It had nothing to do with capitalism. Child labor laws, to many people of the time, simply were anti-America, much as some of today's citizens don't believe their taxes should be spent on the welfare of the weak and impoverished.

Capitalism, however, finally made it possible for children to be excluded from the productive work force. Why? Because for maybe the first time in history a family could survive without its children's labor. Because we became part of the Industrial Revolution early in our history. Because the Industrial Revolution produced for us more personal freedom in fact and theory than any other nation in the world. Although it has been an extraordinary accomplishment, some of our fellow citizens still haven't learned that our creative capitalism has been the fountainhead of our progress and our consciousness of freedom.

The start of our freedom was somewhat accidental. The first viable North American settlement was at Jamestown in 1607. For nearly 150 years after, the British king refused to send enough troops to back up the authority of his colonial governors, mainly because his advisors thought North America was a poor investment. Almost the only way troops could be obtained to enforce the royal decrees and prerogatives occurred when the entrepreneurs holding the colonial charters were willing to pay for troops out of their own pockets.

As a result, the colonists from the beginning did many things their own way. Self-government de-

veloped, and the royal governors could do little to stop it. If one colony became overly restrictive, the colonists would vote with their feet and move to another colony. The governors soon realized they had to keep their constituents happy to gain maximum productivity.

Thus was born early American democracy by courtesy of the benign neglect of His Majesty, The King. The word spread rapidly. Immigrants were numerous. Capital was readily available from individual entrepreneurs and joint stock companies. Between 1607 and 1640, more than 200,000 immigrants, equal to five percent of England's population, poured into North America. Their financing came from individual investment and not from the king. Thousands of experiments in democracy took place in every village and town in every colony—experiments that culminated in 1776 with the birth of a *republic still totally unique in the world's history*.

Contrast that history and the growth of our freedoms with South America, where the Spanish king sent large numbers of troops. The Spanish colonial governors were European autocrats whose soldiers enforced iron discipline among native populations. Such autocratic efforts in North America resulted in instances of England's colonial governors fleeing for their lives; America's colonial entrepreneurs, pioneers of our own industrial revolution, wouldn't stand still for the kind of treatment being handed out south of the border.

The negative result was a lack of large-scale immigration, because conditions in Spain's New World weren't much better than in its Old World. Possibly they were worse. The open and only accepted purpose for anyone going to South America was to exploit the natural resources; take the gold and silver; return nothing. Monumental suffering and poverty were the consequences.

The U. S. colonists developed confidence, nerve, motivation, experience, knowledge, and *personal resourcefulness*. All of these were built up over the 169 years from 1607 to 1776, and formed the bedrock on which our own revolution was fought and won. Individual freedom combined with a free market became productive beyond our wildest imagination. Unprecedented personal freedom was the catalyst that enabled North America's settlers to build our unique nation.

As our citizens became more resourceful, our society grew more affluent. Today we allocate part of our productivity to supporting children without homes, providing education for all, helping others in emergencies, providing special training for those who cannot provide for themselves—services that have grown immensely with each passing decade. Thus capitalism began solving problems left over from long ago, problems of racial, social, and economic animosities that have existed since history began.



Where are we now? To start, the amount of freedom achieved by 1776 is miniscule compared with what we enjoy today. Our past produced a growing freedom to make today's life extremely productive. Despite current doomsday forecasts, we are closing a 30-year period in which per capita income, in real dollars, has more than doubled. No society has ever come close to achieving so much at such a mature age.

Since 1948, the number of individual business enterprises has jumped from 4 million to 14 million. Widespread participation in cultural affairs—the arts, dance, ballet, opera, symphony, sports, community involvement—has grown more rapidly than any other activity. Ours is not truly the materialistic society so often charged by our society's critics. Five hundred million people went to museums last year. Our record of charitable contributions and church participation surely exceeds the rest of the Western world put together.

Yet, out of this freedom, we have reached a point at which our political leadership accuses us of having fallen into a malaise of our own making; a point at which our leading liberal thinkers can accuse business and industry of destroying something called the quality of life.

That is nonsense. Capitalism not only is improving the quality of our lives, it's the only reason we have so much of it to spread around the world. The only malaise we suffer is too little national leadership and intelligent decision-making and too much "Big Daddy Knows Best" influence by government.

Where has the malaise originated? In great part, it's a problem compounded of great doses of first, overwhelming government growth; second, too many splintering special interests; third, punitive taxes that penalize the productive and reward the idle; fourth, a loss of precision in our language and fifth, the lack of a forum for the entrepreneur. Let's take them one by one.

If we want to relate the past to present and future, we have to study the apparently irresistible trend toward government dominance over our society and its impact on personal freedom. It is a frequently heard lament. Much of the problem seems to stem from the growing entrepreneurial instincts of bureaucrats who stoke the government boilers.

Much of the growth of bureaucracy has come from government agencies following the lead of business. Their ambition has led them to develop what business generally refers to as "profit centers." Profit centers decentralize management. Responsibility is closer to the scene of the action.

In business this profit center concept creates better morale, more motivation and incentives and more effectiveness in the marketplace. It removes day-to-day operating authority from top management and dele-

gates it to an entrepreneurial-minded profit center manager. Management can then concentrate on monitoring profit center operations with computers and speedy data flow techniques.

Bureaucracy's rapid transition into these same business methods has been remarkable. It is contributing significantly to the government's success—if "success" is measured by the growth in the number and size of agencies and staff, by the size of budgets and the scope of activity and authority.

The only real difference between the rewards of private business entrepreneurs operating in a profit-making role and public bureaucratic entrepreneurs operating for what is supposed to be a non-profit-making role is in how you define the rewards. In business, the rewards are likely to be a great degree of personal satisfaction and a considerable amount of money. In government, the rewards are not that much different! The bureaucrat expands his functions by a very literal interpretation of the written laws he has been hired to administer—except that that very literal interpretation can be misleading and much more broad in interpretation than might be intended. This self-serving interpretation the bureaucrat does with a vengeance. And he does it with the support and encouragement of the lawyers who define his bureaucratic operation, by the activists of the pressure groups who need his bureaucratic activity to achieve their own ends, and by the politician who gets re-elected because of the agreements which he has struck.

Second, a most informative article on entrepreneurial government was printed recently in the May issue of *Fortune* magazine. In the article entitled, "Why Bureaucracy Keeps Growing," Tom Alexander says bureaucrats behave just like everybody else in wanting to build their empires into self-perpetuating enterprises; he describes how that is accomplished through an Iron Triangle of bureaucrats, special interest groups, plus our senators and congressmen.

The Iron Triangle's strength is described as the unspoken but real arrangement by which congressmen and senators are re-elected 95 percent of the time by supporting special interest groups and the bureaucracy in exchange for reciprocal support. Special interests help legislators get elected; legislators cause laws to be written that will enlarge bureaucracy's growth, authority, responsibility, employment, and status; bureaucracy supports the special interests to keep them happy; and all legs of the triangle have achieved their mutual goals mainly involving their self-perpetuation.

If we are to control this Iron Triangle, we must know more about it. What encourages a responsible bureaucrat to become an entrepreneur? We must recognize that each young congressional aide is motivated to increase his responsibilities. We must learn to limit these government entrepreneurs to acceptable levels of achievement.

Much of the problem is that we have created in Congress the equivalent of a local city council. We have done this by placing at Congress' doorstep an incredible number of local housekeeping issues that should be left to our cities and states.

Every six months, the U.S. Chamber of Commerce publishes "Congressional Issues." The latest edition identified 82 "major" issues currently before Congress. That's an overwhelming challenge to our legislators and their staffs. And those are only the major issues; each has dozens of related sub-issues. To accomplish anything with all those issues, Congress has to rely on a multitude of staff persons, each of whom has his own axe to grind or specialty to build upon.

Every issue also has its own special interest groups. Some are for the issue; some against. Each group is funded separately. Each specializes in contacts with congressional staff and regulatory agency personnel to guide thinking about and the wording of key legislative proposals. Few staff members or elected representatives can resist the overwhelming number of vested interests involved in the legislation they are responsible for writing; few can resist the insatiable pressures to enlarge their responsibilities and their staffs.

Add to that the seeming inability of professional bureaucrats to ever stand still with their original missions; they must be expanded to justify new jobs, budgets, etc. The Iron Triangle embraces more and more of our freedoms in its rigid framework.

Despite all-time-high levels of affluence, prosperity, and success, the constant cry from the Iron Triangle is more—more change, more laws to perfect the change, more bureaucrats to promulgate the regulations and monitor and enforce their application.

Our level of affluence feeds the Iron Triangle. We have reached a point where we willingly and foolishly fund an almost endless variety of single-purpose, single-issue legislation, all aimed openly at the elimination of some activity that once was one of our personal freedoms. Alarming, we're usually not consulted directly on that funding. The money is taken from us in the form of higher taxes caused by inflation or by higher speeds of the government printing presses. Somehow, so the myth goes, it will be paid for "later."

Third, the federal government's tax revenues are estimated at more than \$500 billion this year, compared with \$120 billion in corporate profit after taxes. It is clear from those figures who dominates whom.

Political power on the part of business is a myth that increases with each passing year. I don't think most businessmen really want political power, as such. They'd much rather tend to their businesses. Yet, business activity and the resulting taxes fund 100 percent of all government income.

Notice my earlier phrase, "corporate profits after taxes." This phrase, as generally understood, is incorrect, intellectually dishonest, and inappropriate in describing any company's taxes—because all it refers to are *federal* income taxes, even though stated as "after tax."

In 1976, we asked our auditors to check Michigan General's true pre-tax profits versus true after-tax profits. To calculate pre-tax profits we listed all taxes, including sales, real estate, withholding, franchise, payroll, hotel occupancy, excise, etc., as well as the federal corporate income tax.

The result was an entirely different picture. Yes, our effective federal corporate tax rate was *only* 45 percent, but our true tax rate, after all taxes were separately identified so we could get a true pre-tax total, was an astonishing 86 percent. After all was said and *done*, *only 14 percent of the money we earned* was left for the investors who had put up 100 percent of our capital. Our multiple government bureaucracies had absorbed the rest like some vengeful sponge hurled at us from outer space by our worst enemies.

What worries me most is that 86 percent is getting awfully close to 100 percent. That's how close we may be nearing to the complete demise of the personal freedoms we've labored so long to build. When all 100 percent goes to the government, we will have lost. Our job—yours and mine—is to see to it that it doesn't happen.

If all that money were not made available to government, then the extreme positions taken by the special interests and bureaucrats could be subjected to compromise. As long as the funds hold out—our funds—the extremists hold out; they must have their own way at the expense of everyone else, as long as everyone else keeps paying for it.

This is one of the major differences between the politics of yesterday and today. Less money is available for savings and capital formation. And it's affecting more than our finances. It's affecting how we elect political representatives who will be responsible to our needs. Researchers have observed that the success of the Iron Triangle can be measured by the fact that the turnover rate in the House of Representatives from one Congress to the next has dropped from an average of about 50 percent in the 19th century to about 15 percent today. When turnovers resulting from death and retirement are eliminated, turnover in our last two elections was less than five percent.

This means the Iron Triangle is real. Congressmen make deals with the pressure groups; pressure groups deliver their votes; bureaucrats encourage pressure groups with information on how to influence the congressmen some more; and on and on and on. The result: each bureaucrat playing the special interest-game becomes his own profit center. Just like the

independent entrepreneur, with one difference. He does it with other people's money—yours and mine. Money is no longer available for motivation and investment.

Fourth, much of the problem of too-much-government also stems from the impact of language, or non-language, as the case may be. Our growth as a society, indeed the development of the ideas that have helped mankind grow through the years, has been based on and ruled by language and the thoughts it represents. We cannot communicate our ideas effectively or persuasively enough to accomplish anything without a keen grasp of our language and its meaning. Thousands of judges make new laws every day by language. Our politicians, our opinion leaders, express themselves in language.

Sad to say, much of today's language is phony—phony in the sense that the words we use really do not portray the meanings we intend. We have had an excessive amount of language misdirection since the early Sixties. Let's examine two simple cases. First, a middle-ground word like "authority." To the average reader, authority may mean a person having commanding knowledge; an expert. To a government theoretician, however, it may mean authoritarian to an extreme degree, such as a dictatorship or society bound and tied by strong rules and regulations. When a theoretician asks for more authority, it may be given to him by citizens who really don't understand the question.

The second buzz word even more prone to misinterpretation is "planning." It's a nice word. One plans a family vacation, for example. Once there, the family may plan a detour which may not have been thought of originally. But the plan is subject to change at any given moment—at the planner's option.

A plan is not the same thing to the government. When HUD plans to erect new housing, it encompasses condemnation of land by force, construction of buildings according to blueprints that have few options to change after the contracts have been let, then operating and leasing the housing according to specific authoritative plans also spelled out at some time in the dim past.

No one who is part of that sequence of implementing the plans has any authority to make changes. Few variances are permitted. For someone to walk into a room under construction and suddenly say, "I believe this door should be over there," would be inconceivable. This is not the case when you or I plan to build a home. We may and do make changes on the spot, depending on developing events and more attractive ideas. Bureaucratic administrators never can do that, because by law they can't permit a flexible plan that encourages freedom to make changes as they are needed. When a politician or bureaucrat says, "Let's

have a plan for the next five years," he's saying something vastly different than you or I planning our next trip.

To understand how government today threatens our freedom, we must understand those semantic distinctions between a bureaucrat's use and our use of words. We particularly have to distinguish between the two words I've been using as examples: authority and planning. Their misuse is legendary.

How do we plan without inflexibly overstructuring our governmental direction and activity? How do we grant authority without setting up rigid bureaucratic dictatorships whose primary goal is self-perpetuation? How do we prevent government from intruding in areas where the freedom to make and change our own plans according to our own authority has given us so much?

Let no one think I believe all government intrusion is bad. But we must distinguish between intrusions that can be beneficial to freedom, as opposed to intrusions that limit freedom. Beneficial intrusions say, "Thou shalt not run red lights! Thou shalt not cheat customers! Thou shalt not make phony advertising claims!" Undesirable freedom-limiting intrusions say, "Thou shalt hire this person you fired for incompetence! Thou shalt design your products as I say!"

It is one thing to tell people what not to do; something else entirely to tell them what they must do. The latter approach severely limits our personal freedoms today, and we see it getting worse before it gets better. It's a situation we have to change. While we work toward changing the situation, we have to recognize that many of the intrusions are well-intentioned. Many are created as much by misunderstanding as by deliberate misdirection. Many of the problems that tend to divide us are akin to whether you're a pessimist deciding a glass of water is half empty or an optimist who sees it half full.

Fifth, our society in the form of the business/entrepreneur/industrial revolutionist/social scientist has been the greatest agent for change and progress that ever existed. Business investment and leadership have given us the wonderful economy we mostly enjoy and provide us with the benefits of constantly improving technology and easier, more productive living.

So, how come business and businessmen are today's whipping boys? Why do we seem to have so little voice in preventing the deterioration of our freedoms, while those who would deny us those freedoms seem to hold such great sway?

One reason is that business leaders, for all practical purposes, have virtually no platform, no forum where they can be heard by those who vote for our decision-makers. To the point, a major attraction of this Hillsdale lecture series is its unique ability to be heard

among national opinion leaders. One might expect, naively, that our major business publications would gladly provide this kind of platform—if only in the form of the pastor preaching to the choir. That's not true, though. Two of our leading business publications deny businessmen the platform they need to present their views.

Let's look at *Business Week* and *The Wall Street Journal*. In recent months, they have pointed at business executives for not speaking out. For example, Vermont Royster, in his May 16 *Journal* column, said, "...while politicians were making headlines attacking the oil industry, where were the chief executive officers of major companies coming publicly to its defense? They were most conspicuous by their silence." Later in the same column, he said, "Where were the chief executives of the company who designed and built the Three Mile Island reactor, or the utility companies that sell electric power, speaking out and explaining the matter of nuclear power? Again, silence." The irony, of course, is that *Business Week* has an absolute rule against printing any articles signed by business leaders, and *The Wall Street Journal*, for all practical purposes, has virtually the same rule.

Mr. Royster claimed, "There was no conspiracy or silence about the news media. The views and comments of these chief executives would have been news had they been forthcoming." His justification was that they had no response from two executives. If I were a *Wall Street Journal* editor and were seriously interested in comments by corporate executives concerning the energy crisis and Three Mile Island, I certainly would have gone a lot further than calling just two executives. Long ago I informed *The Wall Street Journal* that I am one corporate executive they can talk to but I have yet to hear a question. I don't really think they want to talk to business executives.

As Al Smith said, "Let's look at the record." I recently analyzed *The Wall Street Journal's* editorial pages. I found 389 bylined articles, 56 percent of which were written by the newspaper's staff. Of the 44 percent contributed by outsiders, 62 percent were from professors, 15 percent from government bureaucrats, 13 percent from miscellaneous writers, and 10 percent from business leaders connected with private industry. Of that latter 10 percent, which represented only 18 articles by 15 writers in a year-and-a-half, nine were by business economists. My survey results showed that over an 18-month period the six articles written by business executives and entrepreneurs were only 1.5 percent of the total. That's not much of a platform, Mr. Royster!

Calling two executives and quitting when you get no response is not providing much of a platform either! Reporters, intentionally or not, when they're under deadline pressure to "write something!", frequently convey an attitude of antagonism and doubt.

There often is little time for the executive being questioned to form a coherent, well thought-out response that will be reported in anything close to its entirety. Off-the-cuff interviews with antagonistic reporters are not the same thing as a written, bylined article which can present a thoughtful expression of opinion on a controversial subject.

Mr. Royster's column went on to say, "Run down the list of the chief executive officers in *Fortune's* 500. There are not many who can conceive, write, and deliver a thoughtful speech on any public question." That's an interesting charge.

I know of only one non-business publication that frequently publishes business leaders. It's the highly respected bi-weekly, *Vital Speeches of the Day*. In a random selection of 37 issues of *Vital Speeches*, roughly equal to the same 18 months' coverage by *The Wall Street Journal*, I found that 124 out of 331 speeches were by business executives. That's about 37 percent, compared with the *Journal's* 1.5 percent, and it left some 63 percent for the potentially opposing viewpoints of professors, lawyers, foreign and domestic political leaders, bureaucrats, cabinet ministers, college presidents, engineers, preachers, accountants, trade associations, and *The Wall Street Journal* personnel.

Perhaps Mr. Royster doesn't read *Vital Speeches*. He might learn that his statistics about the writing ability of executives are slightly faulty. He might learn, as have the editors of *Vital Speeches*, how to present pertinent business views and still maintain objectivity.

Hillsdale College provides a more open forum for business than the two major business publications in the United States. Isn't that amazing? All the money earned by both publications comes from our independent economic system, but neither seems to be interested in the least about the specific, unedited views of business leaders.

Executives in the two industries mentioned by Mr. Royster as not speaking out on the issues are involved in oil and utilities—the two most-regulated industries in our entire economic system. Mr. Royster blithely ignores many of the problems businessmen have when it comes to speaking out on the issues—particularly when you're in an industry absolutely at the mercy of the regulatory bureaucracies. The public words of our business leaders are read by those in the government agencies, and many of them have the authority to make it exceedingly difficult for the executive who is prone to speaking his own mind.

In a recent address to a financial management conference in Boston, I pointed out that the SEC is entering dangerous waters by trying to comment on the characteristics of transactions that must be registered. To cite a quotation from an SEC examiner,

"We don't like your paying this interest rate on these bonds...." If the SEC adopts an attitude that it must analyze and evaluate the merits—such as the interest rates—of every transaction that comes before it, we are entering a new era of bureaucratic supervision from the federal government that we've not experienced before and is certainly not called for in the law.

Let's think about the likely attitude of the SEC examiner who reads my Boston comments and then is called on to pass judgment on my next filing. Doesn't any citizen—even a business executive—have a right to speak out on issues of public importance? Or is that examiner going to hold my views against me? Most business executives, especially of regulated industries, think twice before speaking out, and when they do so it's as carefully as possible. They know that the ability of regulatory agencies to block action and misinterpret their charters is as vicious and unilateral as any dictatorship that ever existed.

It's real, no matter how much Mr. Royster would like to ignore the complications we face from regulatory agencies. Our problems are not the same as those of the editor controlling his own editorial pages.

My remarks about the SEC and other regulatory agencies are totally appropriate to our speaking here at Hillsdale. This institution, more than most, recognizes the problems inherent in working with government, and it has gained a national reputation for defying the federal experts.

There may have been some perceptible slowing of these government expansionist trends in the past few years. There may also be a more selective attitude on the part of the voters. We must do everything we can to turn back the tides of centralized control of our lives.

Can we see the end of the road? Is the current favorable trend toward more conservative standards real? More and more people are becoming aware of the failure of big government to produce value for value received. Many agree with Milton Friedman's frequent comment, "How thankful we all can be that government is so incredibly inefficient."

I am optimistic about the long-term survival of our freedoms, but I do think we must be extremely careful, because the entrepreneurial growth that's brought us this far *is* in danger. As Pogo once said, "We have met the enemy, and it is us!" I don't think anyone but ourselves can halt the progress we've made and are still making as a nation and a society.

To succeed in rolling back bureaucracy, we must have greater differentiation between government and private planning. We must re-establish greater control over our regulatory agencies, and over the taxes levied by our elected officials, and over our special interest groups. We must build a better platform for business-

men to speak out on the issues. As with Hegel, I think we are once more becoming conscious of our freedoms—and their genesis—and that our historical pro-

gress will continue toward achieving the greatest individual freedom commensurate with our collective responsibilities.

HEW Reversal

President George Roche of Hillsdale College has announced the latest decision of the Reviewing Authority in the administrative appeal of the HEW-Hillsdale controversy. The HEW Reviewing Authority has ruled in favor of the Department of Health, Education, and Welfare, reversing the decision made by Administrative Law Judge Herbert L. Perlman in August, 1978, Roche said.

"The results of these proceedings should be a surprise to no one," Roche commented, "because the administrative proceedings which have been under way are essentially a process whereby HEW rules on HEW."

Roche went on to point out that Hillsdale had participated in the administrative proceedings on the advice of the college legal counsel, so that subsequent action in the federal courts could be undertaken after having exhausted all administrative remedies. The most surprising part of the process to date has been that the HEW administrative officer presiding in the initial proceedings himself ruled against HEW. The first hearing officer, Herbert L. Perlman, had already stated that the HEW action in the Hillsdale case was beyond the scope of the Department's authority. He described the HEW action as "...an abuse of discretion, and arbitrary and capricious...."

Roche added, "The trustees of the college remain determined to pursue the issue in the courts. There are some basic questions about the rights of private institutions and the independence of Hillsdale College which still demand resolution."

"There are several channels for legal appeal," Roche concluded. "We have not decided which route to follow yet, but Hillsdale College will definitely initiate legal action."

Hillsdale's dispute with HEW began in December, 1977 when HEW's Office of Civil Rights threatened to withhold federal loans and scholarships to Hillsdale students because the college refused to file Assurance of Compliance forms to HEW as mandated by Title IX of the Education Amendments of 1972.

At that time, Roche stated, "Hillsdale College as an institution does not accept federal funding, and thus we refuse to have our affairs controlled by Washington. We have no intention of submitting the Title IX compliance forms."

HEW launched enforcement proceedings which resulted in Judge Perlman's decision in favor of Hillsdale over a year ago. The recent decision was in response to appeals made by both parties.

Hillsdale College officials do not question the content of the Title IX provision which prohibits sex discrimination in any federally funded education program or activity. Hillsdale insists that it has always had a voluntary policy of non-discrimination.

"We only want to preserve our independence and autonomy," Roche said.

In order to continue its traditional independence, the college is engaged in a \$29 million fund-raising campaign which will provide an endowment for additional scholarships and other campus programs. The campaign was initiated in November, 1976 largely as a result of Hillsdale's conflict with HEW. To date, nearly \$20 million has been raised.