

Business world at Capitol: Consider this...

by Tom Becker

The first in a series, this column seeks to foster thought and insight with respect to the role of the student in society and the role of society in a student's life.

With that, let us consider a recent event which has received far too little press. The subject is the proposed "bailout" of the U.S. shoe industry.

The battle shapes up like this. The industry is on one side. The shoe manufacturers are being squeezed by foreign competition. They wish to have the U.S. government initiate protectionist policies in order to make the domestic producers more competitive.

We find President Reagan on the other side. Citing principles found in laws addressing market structure, such as antitrust, the request is denied.

Now, it is quite simple to see the reasoning behind each stand. The shoe industry - management and union - wish to maintain their personal standard of living without altering capitol requirements or production standards. Foreign competition is forcing domestic producers out of the market.

On the other hand, Reagan feels that bailing out the industry is subsidization of inefficiency. To do so would be to subsidize the people in this industry at the expense of the rest of the taxpayers. The government feels that this is inappropriate and is not consistent with the common welfare of all the people.

Clearly, the ramifications would be a virtual blank check to inefficient industries. We, as a nation, would not only be tolerating inefficiency, but fostering it as well. We would be artificially supporting an uneconomical product. In effect, inefficiency and waste would be rewarded.

What about Chrysler? They are an extreme example. The sheer size and composition of Chrysler and its role in the auto industry as well as the overall economy warranted government action. Denial of assistance would have resulted in a violent upheaval within the industry resulting in massive unemployment, sympathy strike movements, riots, political instability and more.

Chrysler was a victim of a violent, sudden world crisis. The shoe industry has had time to respond to the changing environment but failed to do so. Clearly, bailing out Chrysler falls under the heading of, "provide for the common defense." There is no comparison between Chrysler and the U.S. shoe industry.

Returning to the subject, the ramifications of not protecting the industry are also clear. The outflow of money to foreign countries increases the federal

trade deficit and we all know what goes with that. Also, a large number of unemployed must be absorbed by the nation.

Causing this is not the intent of the president. What is intended is firmly entrenched in economic theory. By not bailing out the industry we are forcing the firms to deal with the reality of the free market and the infamous "invisible hand".

Briefly, this means that efficiency through allocative and managerial means is guaranteed by the market. Resources are employed to the market level of efficiency and residuals are free

for other markets or firms.

In any case, unemployment or subsidization, the taxpayers must be burdened. However, to subsidize is to perpetually burden the nation with inefficiency while allowing the market to decide, guarantees only a short-term burden while resources migrate to other industries.

So what does this mean to the student? Well, regardless of who is right and who is wrong, the stand by Reagan for efficiency over subsidization is echoed by students everywhere.

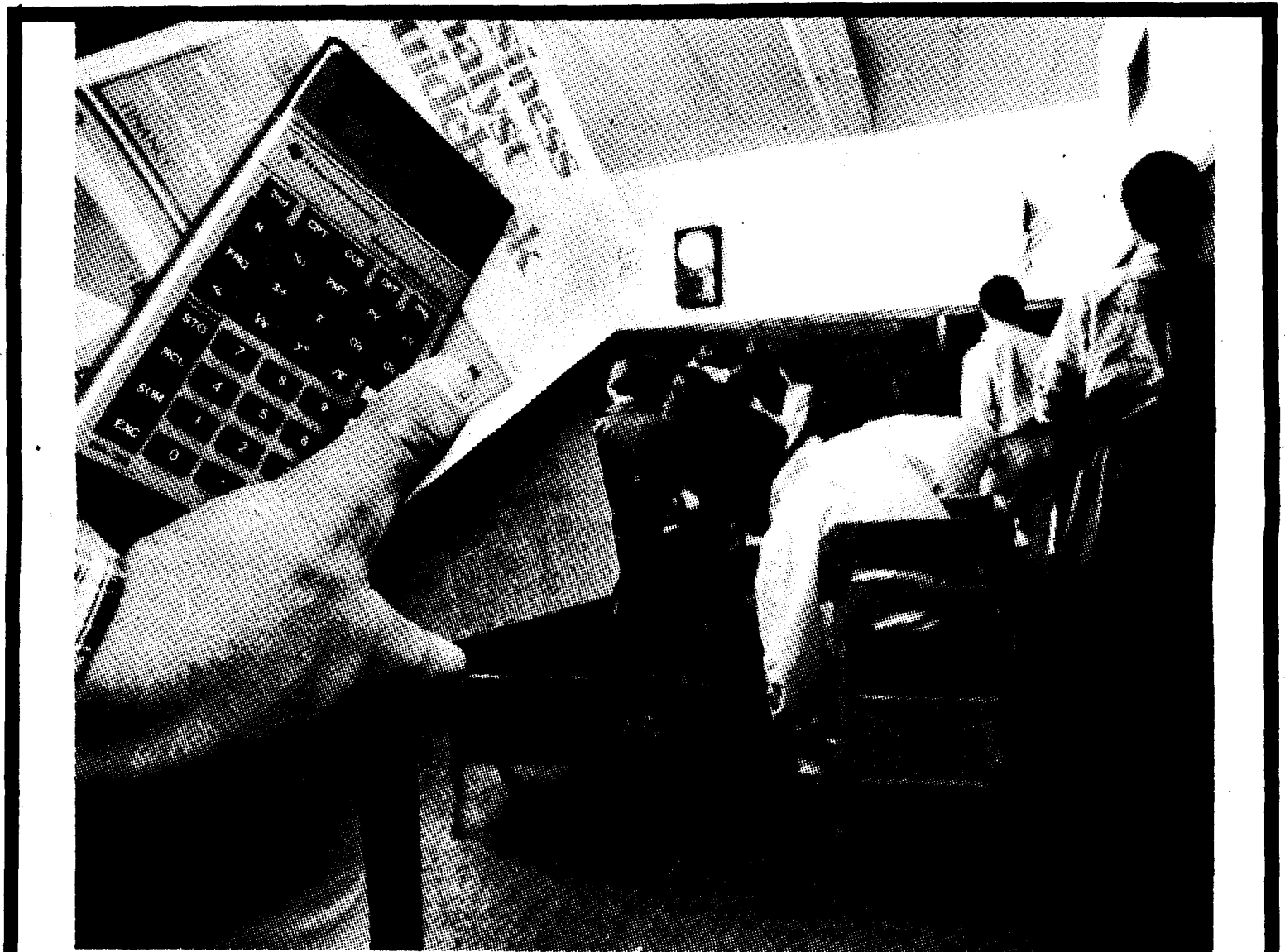
Particularly here at Capitol Campus (at least in principle). I'm sure many students object to the argument against intervention in this case. However, collectively, the students must agree with the president's position, in principle.

The reasoning is, again, simple. One of the top concerns of students across the country is ineffective performance among tenured professors. Right or wrong, this sentiment appears to be very strong on this campus. The scenario goes something like this: Give professors tenure and they're

guaranteed a job for life. They become lazy, insensitive to student's needs, and ineffective. Further, there is nothing that can be done by the student to rectify this. If students have their way, course evaluation would be replaced with tenure review.

In principle, the administration is subsidizing tenured professors. Students collectively abhor this practice and therefore must side with President Reagan, in principle, or abandon their own.

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