

15 Top Economists Oppose SST

Most of the opposition to the controversial supersonic transport (SST) project has been based on a feeling that the SST does not warrant a high national priority and on fears that the SST will cause annoying, perhaps even catastrophic, environmental problems. But last week, as a crucial Senate vote on continued financing for the controversial project was drawing near, 15 of the nation's leading economists, reflecting both conservative and liberal viewpoints, declared in separate statements that the SST would be an unwise investment for the government to make. The statements, which had been solicited by Sen. J. William Fulbright (D-Ark.) and by the Sierra Club, both SST opponents, were inserted in the Congressional Record by Fulbright on 15 September, together with the statement of a single economist who gave the project a qualified endorsement.*

A constant strain running through the opponents' comments was the belief that the SST should stand or fall in the competitive marketplace. As Milton Friedman, of the University of Chicago, expressed it: "If the SST is worth building, the market will make it in Boeing's interest to build it without a subsidy; if a subsidy is needed, the SST should not be built." As for assertions that the project is too mammoth to be financed by private companies and banks, Richard R. Nelson, of Yale, noted that Boeing recently was able to borrow more than \$500 million to finance the 747 jumbo jet, and Merton J. Peck, also of Yale, noted that the automobile industry regularly finds private financing of \$500 million each year for its model changes. Thus the two economists suggested that the SST program, which will cost an estimated \$1.6 billion over several years for prototype construction, should be able to find private financing if it were really a good investment.

Most of the economists rejected contentions that the SST is needed so that the U.S. aircraft industry can maintain its technological lead and thus continue to sell planes abroad in sufficient quantities to avoid possible adverse balance of payments problems. Indeed, many of the economists argued that the future balance of payments situation and the impact the SST will have on it are unpredictable, and that such considerations should not rank high in considering the merits of the SST anyway. "What we need are efficient exports that can pay their way . . . not contrived, subsidized additions to our balance of payments," said Paul Samuelson, of M.I.T. Friedman called the balance of payments argument "a complete 'red herring' as is obvious if you reverse the question and ask whether, if somehow our balance of payments were to move toward a large surplus, Boeing would then urge that the SST project be dropped."

As for contentions that the SST program is needed to spur employment in the sagging aerospace industry, Samuelson had this to say: "Any way that the U.S. government or anyone else spends a billion dollars on goods will make a billion dollars worth of jobs, and it would be a return to the outmoded depression philosophy of makework—in which men are hired to do useless things like digging holes and filling them up again . . . if we were to succumb to the make-jobs argument."

The sole supporter of the SST was Henry Wallich, of Yale, a consultant to the Treasury, who noted that while "the gains from faster and more frequent travel seem small," nevertheless "we must proceed on the assumption that supersonic transports will fly, ours or someone else's" and consequently the United States "had better proceed to capture such economic advantages as are to be had by building the plane." Not what you could call a hearty endorsement.—PHILIP M. BOFFEY

* Opponents of the SST included Kenneth J. Arrow, Francis Bator, William M. Capron, John Kenneth Galbraith, and Wassily Leontief, all of Harvard; W. J. Baumol, Princeton; Milton Friedman, Chicago; Walter W. Heller, Minnesota, former chairman of the Council of Economic Advisers under President Kennedy; C. P. Kindleberger, Paul Samuelson, and Robert M. Solow, all of M.I.T.; Richard R. Nelson, Merton J. Peck, and James Tobin, all of Yale; and Arthur M. Okun, Brookings, former chairman of the Council of Economic Advisers under President Johnson. The sole SST supporter was Yale's Henry C. Wallich.

use of what little power was available to him and reorganized the Foundation. A lot of the statesmen of science felt that money, not organization, was the problem. But, when friends are scarce, one tends to indulge their obsessions.

Whereas the original NSF Act specified that only the director was to be appointed by the President, the Daddario version gave the White House responsibility for appointing also the deputy director and four assistant directors—all of which is a lot of Presidential appointments for what is, after all, a relatively small agency. The idea, of course, was to give NSF greater political visibility on the Washington landscape, and to move it away from the notion that it fares best out of the mainstream of White House concern. Whether this is the case remains to be seen, but, almost all along, it has been Congress, not the White House, that has remained unpersuaded about the role and importance of NSF.

Other Daddario-inspired changes increased NSF's authority to support applied research; this, since it was unaccompanied by any wherewithal, produced diplomatically suppressed groans among the Foundation's basic research clients. And then the revision replaced NSF's open-ended financial authorization and put NSF in the class of those federal agencies that must annually go to Congress to have a ceiling set for their appropriations, before going on to the appropriations committees to plead for funds that actually reach that ceiling. Since House appropriations hearings, which are usually the crucial ones, are held in closed session, the new arrangement did guarantee the scientific community an opportunity to state its case publicly, in Congress, and there is now an assurance that, even post-Daddario, the opportunity remains. The underlying assumption, of course, is that Congress is responsive to rational argument.

The National Science Policy hearings, involving 28 witnesses over 15 days, spread out from 7 July to 17 September, can be viewed as Daddario's farewell to the science-government relationship.

The cast of characters was, in large part, so familiar that the official transcript shows the chairman and many of the witnesses addressing each other by their first names. Equally familiar was the consensus that emerges from over 1000 pages of statements and dialogue: NSF needs more money; NSF should be the centerpiece of fed-