

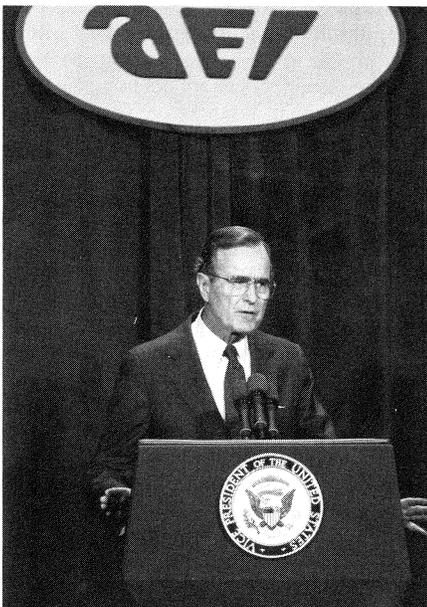


MEMORANDUM

1150 17th Street, N.W., Washington, D.C. 20036

Winter 1987—Number Fifty-two

Bush, Packard, Sprinkel Speak at Public Policy Week



Vice President George Bush

Vice President George Bush's first public remarks on the arms sales to Iran were delivered during AEI's tenth annual Public Policy Week in December.

"The question remains of how the administration could violate its own policy of not selling arms to Iran," Bush said. "Simple human hope explains it better than anything else. The president hoped that we could open a channel that would serve the interests of the U.S. and our allies in a variety of ways. . . . It was risky, but potentially of long-term value."

Bush admitted that mistakes had been made and that he had been aware of the Iran initiative but not of the diversion of funds to the contras.

The speech, characterized by one reporter as "one of the most important in Bush's political career," was made to an overflow crowd of AEI guests and the media and received heavy international coverage.

David Packard, chairman of the Hewlett-Packard Company and an AEI trustee, re-

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DeMuth Becomes AEI President

Christopher C. DeMuth, a Washington lawyer and former associate director of the Office of Management and Budget, was elected president of AEI at the December 4 meeting of the Institute's Board of Trustees.

Willard C. Butcher, chairman of the board, announced that DeMuth was chosen to replace interim president Paul W. McCracken.

"Chris DeMuth will bring dynamic leadership to the American Enterprise Institute," Butcher said. "He brings to the job a superb blend of public policy expertise, academic credentials, and management skills. We look forward to an exciting new era in AEI's development, as AEI plays a vital role in the nation's public policy process."

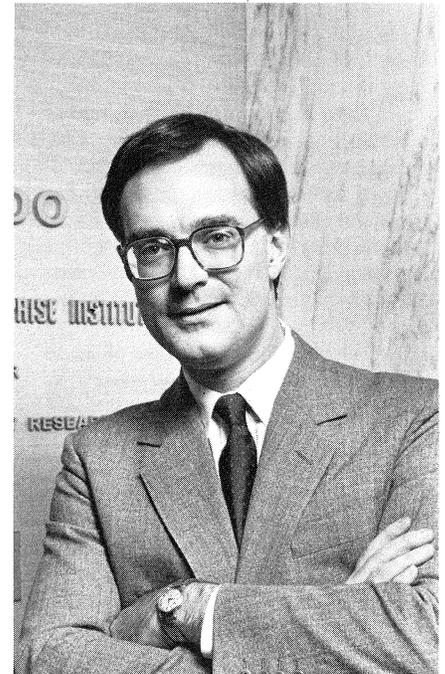
DeMuth, 40, has been managing director of Lexecon Inc., an economic consulting firm with offices in Chicago, Washington, and London, since leaving the Office of Management and Budget in 1984. At OMB he served as administrator of the Office of Information and Regulatory Affairs from 1981 to 1984. In his role at OMB, he was charged by President Reagan with responsibility for reviewing all regulatory measures proposed by the federal government. DeMuth also served as executive director of the Presidential Task Force on Regulatory Relief, a cabinet-level group chaired by Vice President George Bush.

DeMuth was a lecturer in public policy and director of regulatory studies at Harvard University's Kennedy School of Government from 1977 to 1981. He earlier served as a staff assistant to President Richard M. Nixon and as associate general counsel of the Consolidated Rail Corp.

DeMuth is publisher and editor in chief of *Regulation* magazine, which he acquired from AEI last spring. He had been a frequent contributor to the magazine while it was published by AEI (1978-1986).

He holds a bachelor's degree from Harvard and a law degree from the University of Chicago.

DeMuth's election was recommended by a board search committee consisting of Butcher, McCracken, Paul F. Orefice (the board vice chairman), and Richard B. Madden (the former board chairman). They began the search in July following the resig-



AEI President Christopher C. DeMuth

nation on June 26 of William J. Baroody, Jr., and the appointment of McCracken as interim president.

McCracken, the Edmund Ezra Day Distinguished University Professor Emeritus of Business Administration, Economics and Public Policy of the University of Michigan, was elected a trustee. "We owe an incalculable debt of gratitude to Paul McCracken," Butcher said. "His calm leadership and giant intellect were invaluable during this transition period, and I am delighted that he will continue to contribute his enormous talents to AEI as a member of its board."

Butcher, the board chairman, is chairman and chief executive officer of the Chase Manhattan Bank. Orefice is chairman, president, and chief executive officer of the Dow Chemical Company. Madden is chairman and chief executive officer of the Potlatch Corporation.

See President's Comments, page 2.

AEI Briefs

President Reagan, in his final radio address of 1986, cited a recent book by AEI Senior Fellow **Ben J. Wattenberg**. In summing up the year's developments on December 27, the president said:

A fine writer and social commentator from the American Enterprise Institute named Ben Wattenberg has written a book entitled *The Good News Is the Bad News Is Wrong*. Well, in it he pointed out that while daily news reports in recent years have focused on negative events and predictions of gloom and doom, our country and our people actually have been moving forward, problems solved, opportunity opening.

Living in a time of great change as we do, it is easy to be apprehensive, especially about events on the international scene. The Iran controversy has certainly been a disappointment for all of us. Nonetheless, I am committed to getting all the facts and fixing whatever went wrong, and 1986 has been a good year for the cause of human freedom and good for the cause of world peace. . . .

1987 marks the fiftieth anniversary of the publication of **Gottfried Haberler's** *Prosperity and Depression*. The original version, published by the League of Nations, was issued in English and French. It was released subsequently in Japanese (1938), Swedish (1940), Spanish (1942), Greek (1943), German (1948 and 1955), and Russian (1960). Haberler, the Galen L. Stone Professor of International Trade Emeritus at Harvard, has been a resident scholar at AEI since 1971. He will have a chapter in the 1987 edition of AEI's annual volume, *Essays in Contemporary Economic Problems*, due out in the spring.

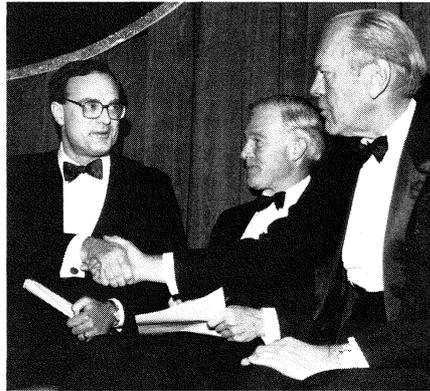
President's Comments

AEI: The Long-Run View in a Short-Run City

Christopher C. DeMuth

It is a great honor to have been asked by the trustees to assume the presidency of the American Enterprise Institute. I accept with pleasure and high hopes for AEI's future.

AEI is in a difficult period of transition—one that is quite common, however, in ventures as successful as AEI has been. An organization comes to prominence through the vision and spirit of an individual entre-



Former President Gerald R. Ford congratulates new AEI President Christopher C. DeMuth (left) as Henry Wendt (center), president and chief executive officer of SmithKline Beckman Corporation, looks on.

preneur and then, when the entrepreneur is gone, faces the dilemma of what it will be in the future. Some fail and disappear from the scene. Many maintain themselves by becoming something other than what they had been. Others succeed by rededicating themselves to their founding vision. William Baroody, Sr., was a man of such singular qualities, whose life's efforts were crowned by such success, that it should not be surprising or discouraging that his passing was followed by a period of great uncertainty.

I am confident AEI will not only succeed but do so in a way Bill Baroody would approve. American government and politics need the American Enterprise Institute, and so does American business. Ideas have consequences, but there is no principle that says the best ideas are the most consequential; and without them government risks becoming nothing but a scramble for resources. To attempt disinterestedly to study and understand the issues facing our country, to be engaged in policy debate without being preoccupied with the headlines of the moment, to offer blunt criticism without losing sight of the great virtues of our political system—these services are not in urgent day-to-day demand in Washington; yet Washington cannot survive without them.

So the supply side is alive and well at AEI, at least insofar as the marketplace of ideas is concerned. And AEI is well endowed to supply this market. It enjoys the good will and loyal support of many prominent individuals, corporations, and private foundations. It is the home of several of our nation's most gifted and productive scholars. It has a distinguished alumni serving in the senior ranks of all departments of the federal government. It has a longstanding affinity with certain essential presuppositions of serious political thought (the worthiness of a liberal economic order, resolute foreign policy, and tradition-proven cultural values) whose modern resurgence is just beginning. It has earned a reputation for intellectual quality and integrity no partisan can ignore.

We live in a time when everyone seems to think everyone else is infatuated with the short run. Government officials say this about business executives; business executives say it about politicians; the older generation says it about the younger; almost everybody now says it about Keynes. At least we can take solace that we all seem to recognize how dependent we are on each other's acting with a view toward the long run—that, despite all our riches, we have not lost sight of the primacy of investment over consumption. AEI's specialty is to advance the long-run view in a short-run city—in defense and foreign policy, in economic and social policy, in the preservation of our political institutions—and we are in it for the long run.

MEMORANDUM is the official newsletter of the American Enterprise Institute for Public Policy Research, a nonpartisan, nonprofit, research and educational organization.

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These remarks were delivered at the tenth annual Public Policy Dinner in Washington, D.C., on December 4, 1986. Mr. DeMuth was elected president by AEI's Board of Trustees earlier in the day.