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FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB93
 Title An Act relating to the decentralization of the executive branch of state government
 Requested by Nancy Groszcek (4954) Date 1/22/81

II. FISCAL DETAIL

Agency Affected All agencies
 Program Category Affected All categories
 BRU, Program, or Subprogram(s) Affected _____

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL		1445.0	220.0	270.0		
300 CONTRACTUAL		162.0	35.9	35.9		
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		1607.0	305.9	305.9		

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND		1607.0	305.9	305.9		
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

FY 82 Fiscal impact should be appropriated to the Office of the Governor, where it will be redistributed to state agencies by reducing appropriations in the Governor's Office and increasing appropriations in other state agencies. The amount requested on this fiscal note is based on consolidating all responses received from agencies to date. As additional analysis is completed or additional information received, this fiscal note may need to be revised. Agency responses are attached.

IV. DATE 3/16/81 PREPARED BY Jeff Morrison
 AGENCY Division of Budget and Management
 PHONE 465-3587
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

FISCAL NOTE TO SB93

FISCAL SUMMARY OF AGENCY RESPONSES

	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>
Governor's Office	0	0	0
Administration	0	0	0
Law	0	0	0
Revenue	*	*	*
Education	*	*	*
Health & Social Services	*	*	*
(1) Labor	1,582.0	0	0
Commerce	25.0	305.9	305.9
Military Affairs	0	0	0
Natural Resources	0	0	0
Fish & Game	0	0	0
Public Safety	*	*	*
Environmental Conservation	*	*	*
Community & Regional Affairs	*	*	*
Transportation & Public Facilities	*	*	*
	<hr/>	<hr/>	<hr/>
TOTAL	1,607.0	305.9	305.9

* No response received. Impact is assumed to be zero until additional information is provided.

(1) Impact of indemnification act was included in Labor response but is not included in the consolidated fiscal note.

MEMORANDUM


State of Alaska

TO: All Administrative Officers

DATE: January 23, 1981

FILE NO:

TELEPHONE NO: ...

FROM: Ronald D. Lehr, Director 
Division of Budget & Management
Office of the Governor

SUBJECT: Fiscal Note to SB93

We have been asked to prepare a fiscal note to SB93, relating to the decentralization of the executive branch of state government. Since the fiscal impact of this legislation would affect all agencies, the Division of Budget and Management will coordinate the preparation of a single fiscal note. Please prepare a fiscal note for your agency and send it to Budget and Management no later than February 9.

cc: Keith Specking
Nancy Groszeck

MEMORANDUM

State of Alaska

TO: Ron Lehr, Director
Division of Budget & Management
Office of the Governor

DATE: February 4, 1981 RECEIVED

FILE NO:

FEB 5 1981

TELEPHONE NO:

BUDGET AND MANAGEMENT

FROM: Tom Bergstrom, Director
Administration & Management
Dept. of Natural Resources

SUBJECT: Fiscal Note to SB93

DNR anticipates no fiscal impact should SB93 become law. DNR is already decentralized to a greater degree than contemplated by SB93 and DNR has a delegation of authorities manual which we believe would satisfy 44.18.030(2) and (3).

MEMORANDUM

State of Alaska

TO: Ronald D. Lehr, Director
Division of Budget and Management
Office of the Governor

DATE: February 17, 1981

FILE NO:

TELEPHONE NO: 465-4120

FROM: Russell H. Clark, Director
Division of Administration
Department of Fish and Game

SUBJECT: Senate Bill 93

In response to your request for fiscal notes regarding the above :
referenced Senate Bill, I have reviewed this item and find it will have
little or no impact on the Department of Fish and Game.

This Department is currently divided into six regional areas, with five
regional offices, more than twenty area offices, and twenty hatcheries
located around the state. The majority of the personnel, full-time and
seasonal, are not associated with our headquarter's function. Even our
Division of Administration has 25% of its staff decentralized at the
present time.

One final comment, this piece of legislation could have a tremendous
impact on the Department of Administration. I hope they are requesting
major technology improvement dollars in their fiscal note to decen-
tralize, or they should request a modification of the proposed legislation
for Administrative functions.

cc: Mary Jablonski

RECEIVED
FEB 20 1981

BUDGET AND MANAGEMENT

MEMORANDUM

State of Alaska RECEIVED
FEB 9 1981
BUDGET AND MANAGEMENT

TO: Ron Lehr
Director of Budget & Management
Office of the Governor

DATE: February 5, 1981

FILE NO:

TELEPHONE NO: 2277

FROM: Judy Crondahl
Director
Division of Administrative Services
Department of Administration

SUBJECT: Fiscal Note SB 93

In response to your request for a fiscal note for Senate Bill 93, the following information is provided.

The FY 82 level of authorized positions for the Department of Administration is anticipated to be 393, of which 393 (39.9%) would be in central offices in the state capital. By division, the breakdown is as follows:

Commissioner's Office	7
Office of Information Management	6
Risk Management	11
Administrative Services	43
Equal Employment Opportunity	7
Personnel	58
Finance	55
General Services	66
Data Processing	54
Pioneer Benefits	7
Retirement	53
Labor Relations	12
Public Broadcasting Commission	4
Telecommunications	10
Total	393

In order to reduce this to the mandated 15% would require the transfer of 240 positions. It is noted that the restriction of 15% is applied to the total number of state employees and is not necessarily meant to be applied equally to every department. One could assume that it would be more reasonable for Departments which have primary program responsibilities outside the state capital to have fewer than 15% in the capital, and that a central administrative agency such as the Department of Administration might have more. For that reason, no assumptions are made here as to which divisions would be transferred outside the capital. Neither have any assumptions been made as to the number of employees in the Department beyond FY 82.

I hope this provides you with a basis for calculating the costs of the fiscal note. If you have any questions, please call me.

JC/ke

MEMORANDUM

State of Alaska

TO: Ron Lehr, Director
Division of Budget and
Management

DATE: February 23, 1981

FILE NO:

TELEPHONE NO: 465-3500

FROM: Rod Mourant, Director
Administrative Services

SUBJECT: Fiscal Note SB. 93

I apologize for the tardiness of this memorandum. This is to confirm our telephone conversation of a couple of weeks ago during which I indicated the Office of the Governor currently operates its offices in as decentralized an organizational plan as is possible. Consequently, Senate Bill 93 would have no fiscal impact upon this office.

RECEIVED
FEB 24 1981
BUDGET AND MANAGEMENT

TO: [Ron Lehr, Director
Division of Budget & Management
Office of the Governor

DATE: 02 Feb 1981

FILE NO:

TELEPHONE NO: 465-4600

FROM: Lois L. Richardson, Director *LR*
Administrative Services Division
Department of Military Affairs

SUBJECT: Fiscal Note to SB 93

The fiscal note for SB 93 for the Department of Military Affairs will be -0-. The Department currently has 12 positions in the state capital which is less than 12% of the total department employee of 101. If the capital were to move to another location only 8 or possibly 10 employees would possibly move with the capital as 2 of the current employees in the capital are regional employees. Also, if the capital were moved to the Willow/Anchorage area, these 8 or 10 employees would probably move to the Office of the Adjutant General when they construct their office building at the Fort Richardson complex.

LLR:sl

RECEIVED

FEB 5 1981

BUDGET AND MANAGEMENT

FISCAL NOTE

RECEIVED
FEB 3 1981
BUDGET AND MANAGEMENT

I. REQUEST

Bill/Resolution No. SB 93
Title "An Act relating to the decentralization of the executive branch of
Requested by Budget & Management Date 1/30/81
the state government; and providing for an effective date."

II. FISCAL DETAIL

Agency Affected Department of Law
Program Category Affected General Government, Admin of Justice, Public Protection
BRU, Program, or Subprogram(s) Affected Legal Services, Prosecution, Consumer Protection
(Note: If more than one budget component is affected, separate line-item amounts and funding for each
component in the analysis section.) C.J. Planning

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	0	0	0	0	0	0

FUNDING (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

No fiscal impact for the Department of Law, would occur as a result of the enactment of SB 93. State capital employees of the department, assigned headquarters duties, currently number far less than 15 percent of the department's total workforce. The Legal Services BRU employs 124 persons. Of this number, 14 employees are assigned to headquarters activities. This BRU has regional and district employees at the following locations: Anchorage (52); Fairbanks (14); Juneau (41); Bethel (1), and; Nome (2).

The regional legal services employees assigned to Juneau are attorneys and legal secretarial support personnel who provide

Richard I. Pegues

IV. DATE February 2, 1981 PREPARED BY Richard I. Pegues, Dir., Admin. Sv
AGENCY Department of Law
PHONE 465-3695
Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

legal services to heads of other departments, the Governor's Office and, in some circumstances, the legislature. Of the total 55 state capital legal services employees, 35 are assigned to government programs which are directly related to state capital legal services activities. Six legal services employees are devoted to field level legal services for the Southeastern region of the state. It should be noted that the employees assigned to state capital activities, although mostly housed with the headquarters staff, are not involved in the department's management and they do not serve a headquarters function. The remaining 14 state capital employees are, as stated previously, headquarters personnel.

The Prosecution BRU has regional offices and employees at the following locations: Anchorage (58); Bethel (4); Fairbanks (19); Juneau (7); Kenai (7); Ketchikan (4); Kodiak (4), and; Nome (5). This BRU also has a headquarters office in Juneau with 7 employees.

The Consumer Protection BRU has its headquarters in Anchorage. Two employees operate the BRU's Southeast Regional Office in the state capital and these two employees are not involved in any headquarters activities. This BRU has a total workforce of 16 employees.

The Criminal Justice Planning BRU has 15 employees who are all based in the capital city. The mission of the agency is to provide planning, coordination, research and evaluation for components of the criminal justice system. Because these services are primarily provided for headquarters units of other departments, this agency is necessary based in the capital city. Of the agency's 15 employees, two serve a headquarters function.

Out of a total workforce of 270 employees, 23 headquarters employees, or 8.5 percent of the total workforce, are located in the capital city.

FISCAL NOTE

BUDGET AND MANAGEMENT

I. REQUEST

Bill/Resolution No. SB 93
 Title Decentralization of executive branch
 Requested by Division of Budget & Management Date 2-9-81

II. FISCAL DETAIL

Agency Affected Department of Commerce & Economic Development
 Program Category Affected Development & Protection
 BRU, Program, or Subprogram(s) Affected All
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL			270.0	270.0		
300 CONTRACTUAL		25.0	35.9	35.9		
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		25.0	305.9	305.9		

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND		25.0	305.9	305.9		
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section IID)

SEE ATTACHED

IV. DATE February 9, 1981

PREPARED BY Lois Cook, Director
 AGENCY Department of Commerce & Economic Development
 PHONE 465-2505 Division of Administrative Services

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Background:

	Juneau	Anchorage	Fairbanks
Current Positions	134	220	6
Percentage	37%	61%	2%

Number of positions that must be transferred from Juneau to meet 15% limit is 54.

Assumptions:

1. Per employee personal move cost \$10,000
 2. Per employee office move cost 1,000
 3. Per employee office set-up cost 200
 4. Office space per employee;
100 s.f. @ \$1.30 s.f. 130
- $\$11,330 \times 54 = \$611,820$
5. Assumed office space in Juneau would remain a cost to the State since all employees are in the S.O.B. and it would remain vacant.

FY '82 funds required to develop a plan for relocating the 54 employees.

The actual relocation of employees would occur during fiscal years 83 and 84.

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 93
 Title "An Act relating to the decentralization and providing an effective
 Requested by Parr and Stimson Date 2/9/81"

II. FISCAL DETAIL

Agency Affected Labor
 Program Category Affected All Programs
 BRU, Program, or Subprogram(s) Affected All BRU's
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL	-0-	1,445.0				
300 CONTRACTUAL		137.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		4,845.0				
TOTAL	-0-	6,427.7	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND	-0-	6,427.7	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section II)

The impact of Senate Bill 93, relating to the decentralization of the executive branch of the State government would have the following impact to our agency:

Based on the Department of Administration's PCN Listing Report of January 27, 1981, our agency has 598 filled positions statewide. A limitation of 15 percent to the number of State employees in the Capital would allow 90 positions in Juneau. Currently the Department has 292 employees in Juneau, of which 32 employees are local and regional employees. The limitation would require 170 employees to move.

In the computation of the estimated cost for this move the agency used the following assumptions:

-continued- *Nico Bus*

IV. DATE 2/11/81 PREPARED BY Nico Bus, Finance Officer
 AGENCY Labor
 PHONE 465-2720

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Repeals: AS 09.25.110 (Inspection and Copies of Public Records); 09.25.120 (same title); and 09.25.125 (Enforcement: Injunctive Relief). Does not provide for effective date.

Introduced January 15 and referred to State Affairs and Judiciary.

Drug Paraphernalia

SENATE BILL NO. 91, by Senator Bradley. Outlaws use, possession, manufacture and delivery of drug paraphernalia to "plant, propagate, cultivate, grow, harvest, manufacture, compound, convert, produce, process, prepare, test, analyze, pack, repack, store, contain, conceal, inject, ingest, inhale, or otherwise introduce into the human body a controlled substance in violation of AS 17.10 or AS 17.12." Person who violates this is guilty of a misdemeanor. A person over 18 who delivers drug paraphernalia to a person under 18 who is at least three years his junior is guilty of a felony. Provides for forfeitures of drug paraphernalia to the state upon conviction for illegal use, etc. Defines "drug paraphernalia" and "paraphernalia" as "equipment, products, and materials of any kind which are used to intended for use in planting, propagating, cultivating, . . . a controlled substance in violation of AS 17.10 or AS 17.12." Does not provide for effective date.

Introduced January 16 and referred to Judiciary.

Veterans' Guardianship

SENATE BILL NO. 92, by Senator Bradley. Adopts the Uniform Veterans' Guardianship Act as new Ch. 17 in Title 26. "Application of Chapter" states: "Whenever, under a law of the United States or a regulation of the Veterans' Administration, the administrator requires, before payment of benefits, that a guardian be appointed for a ward, the appointment shall be made as provided in this chapter." Sections include: number of wards; appointment of guardian; evidence of necessity for guardian of minor; evidence of necessity for guardian of incompetent; notice; fitness of guardian; bond; accounts: notices and hearings; penalty for failure to account; compensation of guardian; investments; maintenance and support; copies of public records; commitment; regulations of the Veterans' Administration; transfer of persons from the Dept. of Health & Soc. Services; and discharge of guardian. Does not provide for effective date.

Introduced January 16 and referred to State Affairs and Judiciary.

Executive Branch (decentralization of)

SENATE BILL NO. 93, by Senators Parr and Stimson. Findings state: ". . .The legislature finds it necessary and in the public interest to mandate a decentralization of decision-making authority to regional, district, and local offices and to limit the number of state officers and employees in the headquarters offices in the state capital." Requires that after June 30, 1985 no more than 15% of the total number of state employees may be employed in the headquarters offices of the principal executive departments in the state capital. Governor is required, within 180 days of the effective date of bill, to prescribe, for each department, the number of employees who may be employed in the capital. The Governor may from time to time amend this directive.

Requires each department to prepare a plan "for the phased decentralization of its activities to meet the ceiling imposed by the governor." Requires the Governor to submit a report of the progress on decentralization with his fiscal year 84 and 85 budgets. No budget for 1986 or succeeding fiscal years may propose to employ more than 15% of the total number of state employees in the principal executive departments in the state capital.

Bill specifically states that it does not prohibit the establishment of a regional, district, or local office of a principal department in the capital "if there is a clear functional division between it and the headquarters office." Employees in regional, district, or local office may not be counted against the Governor's ceiling number of employees.

Departments which on the effective date of bill have their headquarters offices located outside the capital are excluded from the computation of total number of state employees. Divisions which on the effective date of bill are not located in the capital shall be included in the departmental plans for phased decentralization. Those plans must be submitted to the First Session, 13th Legislature, no later than 10 days after it convenes. Provides Act effective July 1, 1981.

Introduced January 16 and referred to State Affairs.

What We Are Learning From JAPAN

Via decentralization
Charlie
↓

By William S. Anderson

ARNOLD TOYNBEE once described the rise and fall of nations in terms of challenge and response. A young nation, he said, is confronted with a challenge for which it finds a successful response. It then grows and prospers. But as time passes, the nature of the challenge changes. And if a nation continues to make the same, once-successful response to the new challenge, it inevitably suffers a decline and eventual failure.

As we begin the last two decades of the 20th century, the United States faces such a challenge. At stake is the industrial supremacy which this country has enjoyed for most of this century. And it is Japan, more than any other nation, which exemplifies the seriousness of the challenge to American industrial leadership.

Why have the Japanese been so successful?

In recent months the media have been flooded with attempts to explain the Japanese phenomenon. Everyone wants to know how the Japanese did it. There are, of course, scores of explanations. But it seems to me that Japan's postwar economic growth—the most spectacular the world has ever

WILLIAM S. ANDERSON is chairman of NCR Corporation. This article and the accompanying text have been excerpted from an address he gave as part of the ITT Key Issues Lecture Series at the College of Business Administration, University of Notre Dame.



seen—is the direct result of two fundamental characteristics of the Japanese nation in the years following World War II.

The first of these is Japan's unerring sense of national purpose and its establishment of clear-cut, readily understandable goals reinforced by a willingness to do what is necessary to achieve those goals.

I believe the second major ingredient in the Japanese success formula is the personality of the Japanese people themselves.

Perhaps the greatest catalyst for Japan's remarkable economic achievements has been its near-obsession with finding new ways to increase personal and group productivity. Indeed, the

Japanese people come very close to worshipping productivity. We see this in virtually every industry in which they have chosen to compete. The most dramatic recent example is the phenomenal growth of the Japanese auto industry. Twenty years ago Japan produced fewer than 100,000 automobiles a year. Today the Japanese auto industry has accelerated past the European auto industry. And in 1980, for the first time, it produced more vehicles than the American auto industry as well.

In automobiles—as in steel-making, camera production or almost any other Japanese manufacturing operation—productivity is nothing short of amazing. The latest study I've seen shows that Toyota is producing 60 cars per man-year compared with fewer than 20 cars per man-year for any European manufacturer.

How have they done it? That's what the president of the Ford Motor Company wanted to find out. So he sent whole teams of people to study this latest Japanese miracle. They reported that it's largely a matter of productivity-oriented methods and management, plus an unusually high degree of automation.

At Toyo Kogyo, where Mazda cars are manufactured, there are only five organizational levels between the production-line employe and the vice president in charge of manufacturing. This compares with at least a dozen layers of management in a typical European

or American auto manufacturer.

The Ford study teams also found that the Japanese workers maintain their production equipment so carefully that machine breakdowns almost never occur. As a result, Toyo Kogyo can get by with carrying only one or two hours' supply of parts inventories to keep its production lines running. This compares with parts inventories for as much as three weeks in the plants of the company's American and European competitors.

In addition, suppliers are closely keyed into the production system. The supplier of ornamental trim, for example, drives his loaded truck right into the assembly plant and personally unloads it at the production line. Then he picks up the empty containers, puts them back on his truck and—believe it or not—actually tidies up the area before returning to his own plant for more parts.

This clocklike approach drastically reduces factory space requirements. It lowers overhead and material-handling costs and reduces the number of employees required to turn out a given number of cars. To quote the president of Ford Motor Company, where the concept of the production line was born:

"All the Japanese have really done is to take Henry Ford's basic principle—that is, keep the production line moving in a continuous, rhythmic, dedicated process—and go a few, admittedly brilliant, steps further."

INNOVATIVE USE of supplier capabilities is widespread in Japanese industry. Nippon Steel, with half as many employees as U.S. Steel, achieves approximately the same output. Part of this is due to Nippon's more modern plant, but the biggest factor is that the Japanese steel company makes extensive use of low-wage subcontractors. This holds down its own labor costs and results in more steel per dollar of wages.

In many industries, the Japanese go even further. In the electronics industry, for example, many small subcontractors farm out much of their work to even smaller firms or sometimes individual families. Approximately 180,000 Japanese are busy producing electronic components in their homes for these subcontractors, who in turn supply subassemblies to the major electronics manufacturing companies.

Small wonder, then, that the Sonys and the Matsushitas are able to keep their total labor costs low, even though

their pay scales are now comparable to those in this country and Western Europe. And in the process, millions of jobs are created for men and women who otherwise would probably be unemployed.

In the never-ending quest for greater productivity, the Japanese do not shy away from killing off dying products and industries. They are constantly asking themselves: "Is this the kind of product or industry in which we can be truly competitive? Or is this something we should get out of, so that we can use our capital and human resources more productively?"

Once dominant in transistor radios, the Japanese have happily forfeited that market to lower-labor-cost countries. They have replaced it with the higher-technology market of color television sets and, more recently, videotape recorders.

Such periodic product transitions are possible only because of the high educational level of the Japanese peo-

Zeal for Learning

Millions of Japanese are fluent not only in English but even in third and fourth languages; how many Americans speak Japanese? Japan, with half the population of the United States, graduates almost twice as many engineers; that's a per capita ratio of 4 to 1. And in international testing programs, young Japanese run rings around their American counterparts, not only in math and science subjects but in many other subjects as well.

It's no exaggeration to say that Japan is today the most literate, best-educated nation in the world.

ple. They transplant more easily into higher-technology jobs.

The shape-up-or-ship-out attitude with which national planners view declining industries is reinforced by Japan's financial structure. Commercial banks, which are the principal source of capital, simply refuse to finance a dying industry or company. Thus, the industry or company must either phase into more productive endeavors or eventually go out of business.

The quest for productivity is almost a national game. Far-out concepts are encouraged. Akio Morita, president of Sony, has said that he "loves to hear

crazy ideas." And employees at Honda use their free time, plus company grants and facilities, to turn their dream inventions into reality—even the ones which Honda says are only good for a laugh.

Consider the Choo-Choo Cycle. It's a giant tricycle on which the rider peddles furiously to generate electricity. This heats a boiler, which produces steam, which in turn powers what Honda describes as "the world's most inefficient vehicle."

TO MANY WESTERNERS, all this may seem rather silly. But for the Japanese, it obviously works. In addition to the industries I've already mentioned, the Japanese zeal for innovation and productivity works in audio equipment, musical instruments, bicycles, sports equipment, machine tools, photocopy machines and many other products not commonly associated with Japanese culture or capabilities.

In only a few short years, Japan has become a competitor the likes of which the world has not seen before. If we compare the competition for international markets with a football game, we must acknowledge that the Japanese have fielded quite a team. In fact, at this point the score is Japan 35 and the Western nations maybe 14.

Many years ago, the historian Edward Gibbon explained the decline and fall of the ancient city of Athens in a few chilling words. He said:

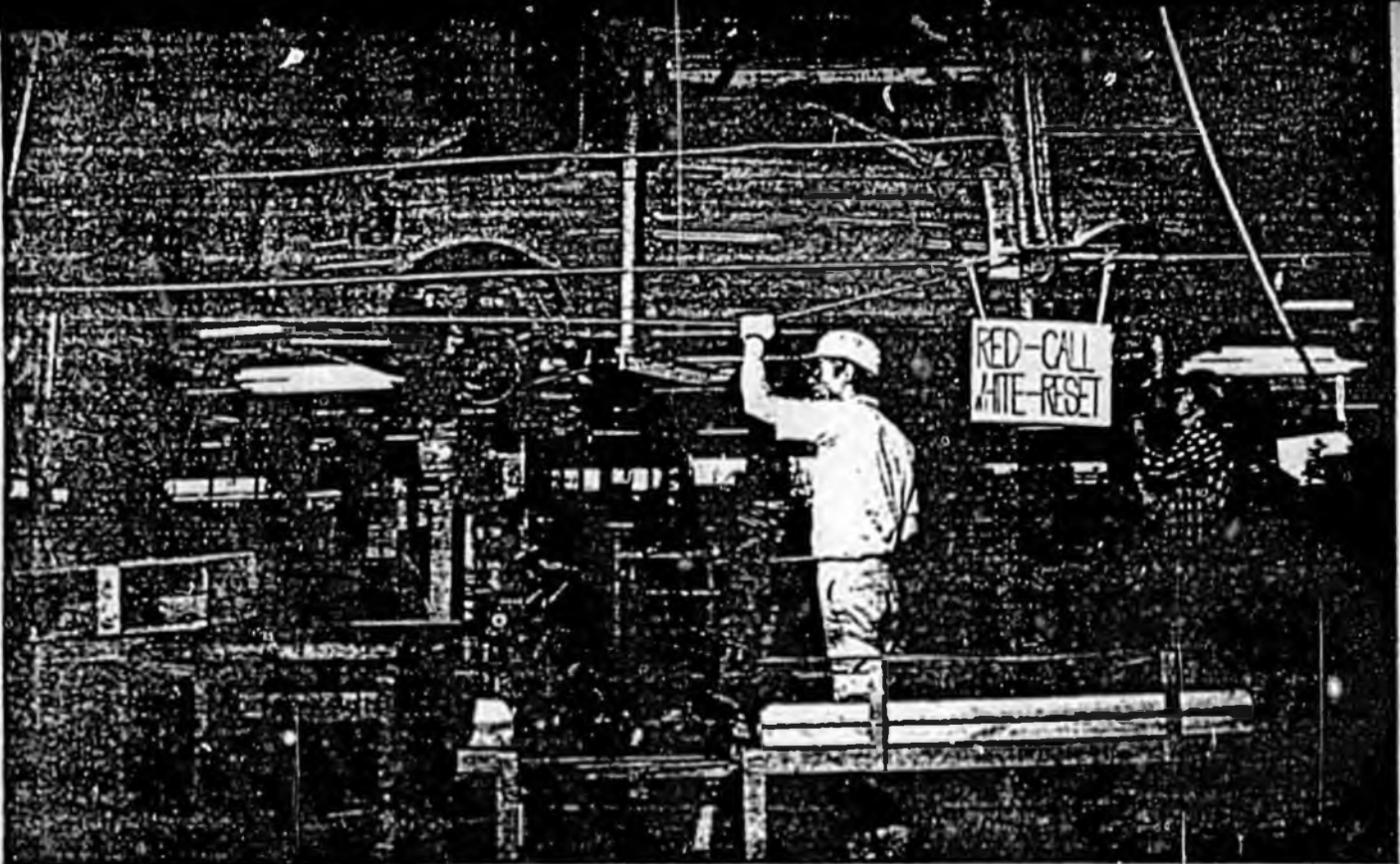
"In the end, more than they wanted freedom, they wanted security. They wanted a comfortable life. And in their quest for it all—security, comfort and freedom—they lost it all.

"When the Athenians wanted finally not to give to society, but for society to give to them; when the freedom they wished for most was the freedom from responsibility, then Athens ceased to be free."

Can the United States escape a similar fate?

I believe that depends, in large measure, on whether this country can regain the competitive edge it has lost in recent years.

Not long ago, a Japanese trade delegation flew to Detroit, ostensibly to buy auto parts from U.S. manufacturers, but also to pour oil on the troubled waters caused by record exports of Japanese-made cars to this country. The delegation brought along a statement from the managing director of Japan's largest auto manufacturer. It warned the American parts suppliers that they



So many American business people are touring Japanese plants these days that the Japanese sometimes feel impelled to put up explanatory signs in English.



To make better use of capital and skilled workers such as those at left, Japan has shifted from making transistor radios to production in higher-technology fields.

had better improve the quality of their products or face the loss of any future business from Japan.

The fact that this could and did happen—in what Americans have always regarded as the auto capital of the world—points up the magnitude of the task confronting American management and labor in the 1980s. It was a classic case of role reversal, with the once-vaunted U.S. auto industry and its suppliers reduced to the status one might give a fledgling industry in some banana republic.

I find it difficult to believe that either American management or American labor will be willing to accept that kind of secondary economic role in the world economy of the 1980s. I don't think anyone in government wants it, either.

Yet there is a clear and present danger that this could happen in many other industries as well.

It seems to me that is the real essence of the economic challenge facing this country. □