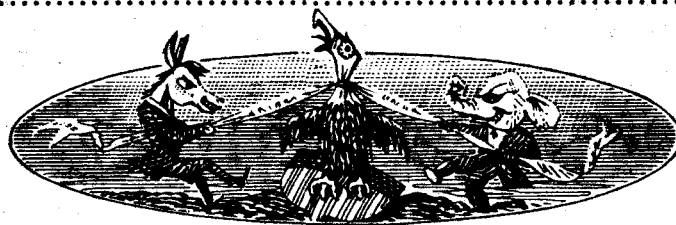


CAPITOL IDEAS



SOUND MINDS

by Tom Bethell

To cheer me up for Christmas, the Manhattan Institute for Policy Research sent me a small parcel of books published under its auspices. The first one I perused was *The Economy in Mind* by Warren T. Brookes, whom George Gilder describes in an introduction as "the nation's best columnist on economics and society." As an occasional columnist on economics and society, I must concur, although reluctantly. Warren Brookes is very good, as anyone who has read his column in the *Boston Herald-American* must know. (The column also appears from time to time in *Human Events*, and in the *Washington Times*, the welcome and much-needed addition to the Capital's press.) To those who have wondered if economic columnizing would ever rise above the old-fashioned approach established by Hobart Rowen, Leonard Silk, and several other old buffers of the Keynesian persuasion, Warren Brookes will come as treasure.

In the old-fashioned view, let me explain, "the economy" is thought of as an interconnecting system of pipes with "liquidity" flowing through them. The whole system is designed in such a way as to be controlled from a central point. At this central panel, where there are levers and dials (as in an airplane cockpit or power-station control-room), sit some very people called economists who work for the government. To them, Rowen, Silk, et al. address their advice. This advice always turns out to be in the direction of making Central Control more important (eliminate autonomous economic units; raise taxes, etc.). The economists at Central Control may ease forward or back on the levers of power. This in turn "stimulates," or "applies the brakes to," or sometimes "overheats" the unitary, interconnected machine called "the economy." In short, this "economy" contraption can be

"steered" this way or that by government economists, who of course have an ear cocked to the advice of good old Bart and good old Leonard.

In the more modern view, epitomized by Warren Brookes, there really is no such Central Control panel. The dials are mostly phoney, allowing economists to play around with statistics and enjoy the pretense that they are scientists. He points out, for example, that the GNP statistics are a con game because they include (as we are never told) government spending as a component of national product. Since this spending is achieved by coercively diverting dollars away from the private sector, it follows that money in the public sector has less value than it had before it was seized by the law; otherwise it would not have been necessary to seize it. A dollar spent by the Department of Health and Human Services thus does not have the same value as a dollar invested in a new company. But both have the digit "one" written on them, so both are said to contribute equally to the chimera called "gross national product." The GNP dial in Central Control is a sham.

To the extent that there really is central control, i.e., to the extent that government can cudgel us all over the heads with prison-threatening laws, its operation is harmful to the

country as a whole. Only by relaxing this central control, that is, by decentralizing the operations of the "power station" can the government economists do any good. In other words, they must be willing to do things that undermine their own sense of power and importance. But economists are human, too, so they don't like to do this.

That reminds me of the time I met Barry Bosworth, then billed as the "house conservative" at the Brookings Institution. Bosworth made the simple point that there were understandably not many free-market economists, because if the theories of the free marketeers were correct, there was no real need for economists. In short, market economists talk themselves out of jobs and are bad for the profession. A few years later, Bosworth went to work for the Carter Administration as Chief Price Controller, the head of something called the Council on Wage and Price Stability, the function of which was to try to u-r-g-e prices not to rise too much at a time when G. William Miller was churning out brand-new money every day from Federal Reserve computers. Of course, this money had nowhere to go *except* into prices.

Well, witness the change that came over Barry Bosworth after he stepped into this Central Control

Panel job and his youthful countenance had been spotted on evening TV a few times! No longer was he anyone's pet house conservative! Now he was there to tell us that prices could be cajoled and talked to sternly. Admonition was the correct solution to the inflation problem. He then left the government, and I have noticed that he still occasionally pops up as a great champion of wage and price controls as the solution to rising prices—a solution which I am afraid is more normally advocated (although I am sure not in Barry Bosworth's case) by people who have not read Chapter One of their Introductory Economics Texts, dealing with the important role of prices in economics.

Somehow I seem to have strayed rather far from Warren Brookes. Where was I? I wanted to say that although he suggests we should ignore some of the official statistical dials—such as GNP—Brookes is paradoxically extremely good with statistics of his own. He has lots of charts and tables, and sometimes you get the feeling that he painstakingly compiles them himself. He also has a way of unexpectedly juxtaposing one set of figures against another, and, from the comparison, drawing some original conclusion which lay right under our noses all the time but which no one had quite noticed.

For example, Brookes points out that almost everyone today is complaining about the soaring rate of immigration—Cubans and Mexicans flooding into the country, and so on. He continues: "Americans do well to remember, however, that this nation's greatest economic growth took place from 1880-1930, when we took in 37 million immigrants who, with their offspring, accounted for fully 60% of our huge population growth in that period." Today, by contrast, "less than 30% of our annual population growth" comes from immigration. Unexpected conclusion: "The nation as a whole may



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well be suffering more from restricted immigration than benefiting from it." Even though the many Cubans who have arrived in Florida recently were penniless, they "brought their wealth with them." Wealth is metaphysical, not material; it is "in mind," not in pocket. Hence the title of Brookes's book.

Incidentally, we should all heave a great sigh of relief that the dreadful new immigration bill supported by Senator Alan Simpson, Representative Romano Mazzoli, the *New York Times*, the *Washington Post*, and *Mother Jones* finally failed in the House of Representatives. It would have restricted immigration; made millions of people in this country eventually eligible for welfare and union organizing, and thus reluctant to perform the many jobs that it is illegal for American citizens to perform (those that are below minimum wage); and made U.S. employers responsible for enforcing the immigration laws by applying criminal penalties to those who hired "illegal aliens." This would have constituted the most burdensome increment to regulation since the creation of the

Environmental Protection Agency.

In case you are still a bit uncertain about immigration, perhaps I can win you over by quoting *Mother Jones*, the left-wing monthly (January 1983): "Some progressive Americans are worried, and with very good reason, that the political beliefs of many of the new immigrants are dangerously reactionary. They believe, with Ben Wattenberg, that Latin America and the Far East have blanketed us with a horde of uncompromising anti-Communists."

Right. One of the best things about immigrants is that they are mostly pro-American. So, the more of them the better. They are badly needed to offset our home-grown blue-bloods with their tired old faded blue genes. Shame on you, Senator Simpson! Don't be misled by those "strange new respect" stories about the delightful lanky homespun senator from Wyoming in the East Coast Establishment press!

Now a brief word about the two other books from the Manhattan Institute, both dealing with economic

problems and both offering unconventional theses. Walter Williams, a black economist (by which I mean he is not one of your certified "Safe," anointed octoroons), has written a book called *The State Against Blacks*, in which he points out that, despite our loudly professed "concern" about race, many federal, state, and local laws discriminate against blacks. He cites occupational and business licensing, minimum-wage laws, and so on. Such laws discriminate against blacks because they work to the disadvantage of latecomers and outsiders who are trying to work their way onto the ladder of economic achievement. Nevertheless, the laws are stamped with the seal of liberal approval because they are derived from union influence and pressure. Unions, of course, are legal conspiracies against non-union employees, among whom most blacks are numbered. I don't think Walter Williams can be too popular among the anointed ones or the liberal choir for urging an end to this de facto discrimination against blacks, and for that reason his book is worth reading.

Finally, a word of congratulations to Melvyn B. Krauss for his immensely readable *Development Without Aid*, which sets forth the recent evidence for the case, originally made by P.T. Bauer, that foreign aid harms the countries that receive it, and that the big-government, high-tax policies bequeathed to the decolonized nations by the post-World War II socialists have done nothing but harm. This, rather than racism or exploitation, has been the true colonial legacy. Although the evidence is now decisively on the side of Krauss and Bauer, we characteristically hear nothing but silence from the opposition. This colonial legacy—the legacy of Lords Kaldor and Keynes—the Left is not eager to part with.

I wish Krauss had mentioned one country which might dramatically illustrate the point of his thesis: dealing with foreign aid to Israel. They receive a lot of it, and their economy is chaotic. Those who wish to see the Israeli economy improve should urge the reduction of its aid. Only necessity can beget painful reforms. □

EDITORIAL



FREE SHCHARANSKY

Did it ever occur to you that this whole Cold War pother extending from the 1940s to the present could have been avoided if Stalin or one of his successors had been astute enough to hire a sharp New York public relations agent? The idea is not all that silly. Surely it has crossed the mind of that eminent student of Soviet affairs, George F. Kennan. He and many like him see much of the friction between the United States and the Union of Soviet Socialist Republics as the painful consequence of two nations' failure to communicate. Well, I hereby offer my services to Soviet party leader Andropov on a *pro bono* basis.

His proposal to reduce the USSR's European arsenal of over 600 me-

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dium-range nuclear missiles to the 160 presently maintained by Britain and France was a splendid public relations gesture. I congratulate him, but there is something else he can do to present the Soviet Union in the halo that he doubtless seeks. He could free a sick and anguished man now wasting away in one of his modern prisons, Anatoly Shcharansky. Shcharansky, once something of a whiz kid on the Helsinki Watch Committee, was arrested by Soviet authorities five years ago and sentenced to 13 years in prison. Since then a growing international chorus composed of practically every element of political expression from Ronald Reagan to François Mitterrand has sought Shcharansky's release. The catalyst of all this has been Shcharansky's wife, a very sympathetic lady who so far as I can tell is no political threat whatsoever to

Andropov and the colleagues. Releasing Shcharansky now would be a very savvy act.

When it comes to politics, Westerners are stupendously optimistic given the paucity of good news that they have had to go on in this century. There is no nation on earth, at least no socialist nation, that they are not willing to see in a new light if only some pretty music can be played. Andropov's promise to reduce his nuclear force was a lovely lilt, a trio by Schubert on a cold Bavarian night. Now why not raise Shcharansky from his cell; send him to Zurich on the first plane. Let him grumble about the treatment he has been getting. The Solzhenitsyn lament has already, it seems, been played out in the West. Shcharansky has been on a hunger strike and is in dreadful physical condition. Surely the Soviet government can depreciate

his complaints as the delusions of a sick man or a spoilsport.

It is not without precedent to release a prisoner to the West at his wife's behest. Back in the 1930s, Mrs. André Malraux's dramatics got Malraux freed from captivity in Cambodia. Franco's Spain freed Koestler after Dorothy Koestler aroused fellow writers in London. Western intellectuals of a distinctly anti-Soviet passion are getting a lot of mileage out of Shcharansky's imprisonment; I counsel releasing him posthaste.

Recently the *Wall Street Journal's* Suzanne Garment alleged that Soviet jailers under Andropov's direct control had been particularly cruel: raising Shcharansky's expectations for amelioration of his penal regimen and then plunging him into the most ghastly form of solitary confinement,