What was tried was simply a halt in the seemingly inexorable increase of tax rates over the past several decades. And that seems to have had some quite salutary results. Inflation and interest rates are down sharply, the value of the dollar is up, unemployment is finally beginning to ease, and real economic growth is positive and strong.

If simply stopping the increase in tax rates, while continuing to run massive deficits, can produce these kinds of results over a fairly short period, think what we could accomplish if we controlled the growth in federal spending so that the deficit were eliminated, actually cut the overall tax rate, and then held to those policies for enough years so that people would believe we were serious.

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FRED BARNES

Ask yourself how many candidates for Congress in closely contested races next year are going to bill themselves as supply-siders. Not many, I'd guess, and maybe none. That ought to tell you something, namely that it isn't good politics to be linked to supply-side economics. Or at least it's not good to be linked to the name; supply-side is now an epithet. People tend to associate supply-side economics with the recession, which was long and deep and painful, and with deficits, which are enormous. Granted, this isn't a totally fair-minded assessment of supply-side economics. It's breathtakingly superficial, but most people have no deeper an understanding of economics than that. They get to vote anyway. They know what seems to help or hurt. If the recovery stays strong and endures for a few years, perhaps folks will change their minds and credit supply-side economics. But probably not. At best, they may judge part of the supply-side program to have worked—the tax cut side. Even some liberal Democrats realize there is something to tax cutting. They are wise enough not to call it supply-side.

But there is more to supply-side economics than tax cutting. There is, for instance, the puzzling matter of monetary policy. I never figured out what a supply-side monetary policy is. Is it a gold standard? Not necessarily. Is it fixed exchange rates? Some, but by no means all, think so. Is it easy money, as some enemies of the supply-side movement now claim? Or is it restrained growth of the money supply? Some supply-siders—I can think of particular individuals in the Reagan Administration—said slow, measured growth was what they wanted. In other words, tight money. It would knock down the rate of inflation, while the tax cuts would stimulate a burst of economic growth. Certainly that was the official policy of the Reagan Administration. The Federal Reserve tried to go along on the monetary front and look what happened. A recession, the political effects of which should not be underestimated. Sure, you can blame the Fed for implementing the policy poorly, for allowing wild gyrations in money growth. Still, the pursuit of tight money, favored by at least a faction of supply-siders, was the ultimate source of the problem.

I'm stopping short of saying that supply-side economics was done in by its own monetary policy; many wouldn't be so hesitant. At a minimum, monetary policy critically wounded supply-side economics. And overpromising by supply-siders didn't help. I know: a lot of the inflated talk about instant nirvana was simply to get the tax cut through Congress in 1981. Just political rhetoric of the sort that accompanies the push for any sort of legislation. The whole world was watching once the bill passed, however, and what happened instantly was a recession, not a boom. True, delaying and back-loading the tax cut—not 10 percent on January 1, 1981, but 5 percent nine months later—may have abetted the recession, but I've never bought the argument that the recession would have been averted if the original 10-10-10 cut had gone into effect as initially scheduled. The monetary crunch was just too much.

The fallout from supply-side isn't all bad, though. The ill effect of high marginal tax rates, indeed the whole debate about incentives and disincentives, was foisted on the national agenda by supply-siders. And you only have to listen to Senator Bill Bradley of New Jersey, a liberal Democrat, to know that this has had some lasting impact. He has all the supply-side jargon down pat, and his bill dropping the top rate to 30 percent is better than anything the White House is proposing these days. Bradley's bill would eliminate most shelters along with lowering the rate, which is a reasonable tradeoff. Supply-siders should have thought of that. His embrace of supply-side thinking is proof that the supply-side dream hasn't died. It's just going under a new name.

Fred Barnes is National Political Reporter for the Baltimore Sun.

ROBERT BARTLEY

Is supply-side economics dead? What an absurd question. Everyone knows that we are now in the worst economic predicament since 1929. There is not a soul in the land that doesn't long to return to the days before any supply-side experiment, back when inflation was only 14 percent and the prime rate only 20 percent. Three years after the Reagan inauguration, and a year after the first net tax cuts in the President's phased-in program, inflation may be contained, and production may be rising. But, horrors, the statistical yardsticks are awry. The dread deficit has turned structural. M-whatever is not on target. And the balance of trade shows that foreigners are shipping us goods and services in return for mere paper. What is one to believe, the economists' doodlings, or what is actually happening in the real and financial sectors? Why, if supply-side economics were not dead, we would have to send all the conventional economists back to their drawing boards.

Robert Bartley is Editor of the Wall Street Journal.

TOM BETHELL

Supply-side economics, which promised tax cuts, a restoration of incentives, and decentralized decision-making, came under attack from the liberal-left almost as soon as it emerged in the newspapers, beginning in 1979. It is a hallmark of leftist ideology today that it always wears the cloak of pragmatism: for one reason or another the idea under attack is found to be currently inappropriate, unworkable at the present time, and so on. You know for sure that this apparently cautious advice is ideological, not pragmatic, when the rationale shifts but the policy outcome remains the same.

Here is just one illustration of the way the anti-supply-side argument ran almost three years ago. In January 1981, Tom Wicker wrote a column in which he used comments by House Budget Committee chairman James R. Jones as ammunition against the Kemp-Roth tax-rate reductions then under discussion. Jones's "gravest fear," Wicker wrote, "is that Kemp-Roth would further drive up interest rates because the credit markets and the Federal Reserve would take it as a signal that the new Administration was no more serious about ---------------- than the old one was."

Quiz time: fill in the two missing words.

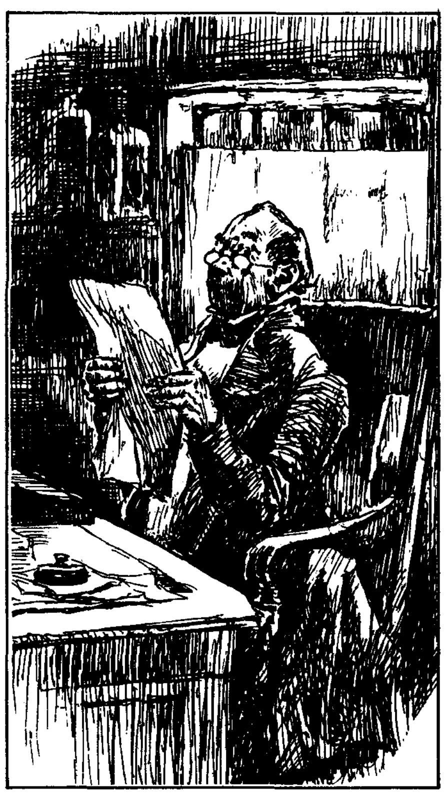
If you put "budget deficits" or "reducing deficits" you go to the bottom of the class. The correct answer is "fighting inflation." Well of course after the tax cut went into effect inflation went down. But that didn't matter because what the liberal-left dreaded was not inflation but tax cuts. As soon as the inflation rate began to drop, those who had been shedding crocodile tears on behalf of stable money retired to the dressing room and emerged quite implausibly garbed as old-fashioned fiscal conservatives: Oh dear me, they now said, taxes must be restored because of the "frightening" budget deficits. This refrain we still hear today, and we will continue hearing it until next year's indexing of the income tax brackets is rescinded.

Supply-side economics was and is

unpopular among the left-liberal intelligentsia because it restored the topic of incentives to economic discourse. In the Keynesian Era incentives weren't mentioned. All was "equilibrium": the economy was a system of ducts, pipes, locks, dams, and canals through which the liquidity of national income flowed. Sometimes there was a problem and pumps had to be primed. Did someone mention motives, incentives, and desires? My God man, this was the twentieth century! Everything was planned and scientific. Hadn't one heard?

Leftists wanted economics without incentives because in their worldview people were supposed to resemble ants—willing to work for the collective. In the anthill there was no "greed." Greed is what they called wanting to keep your *own* property. (Thomas Aquinas thought it meant wanting other people's property.) So the lefties were intensely irritated by the restoration of all this talk about incentives. Hobart Rowen and others did their best to rid themselves of the specter haunting economics, the specter of incentives, by calling it an untested theory. More recently, the *New York Times* editorial writer Peter Passell has dropped the ideological camouflage and disclosed his true animus by calling supply-side economics a "rationalization for greed."

The record will probably show that in Reagan's term of office, 1981-84, tax rates were scarcely if at all reduced, except in the "unearned income" bracket. All Reagan did was stop the rates from rising. It will take Democrats to lower tax rates. Still, supply-side economics, enacted only to a minor extent, has proved to be a moderate success. Income tax rates are now, and will continue to be, the crucial determinant of economic rise and fall.



Supply-side economics says that if you increase the return on effort and reduce the return on leisure then people will increase their work and reduce their leisure. This has been true for thousands of years and it will remain true in the future—unless men suddenly adopt the mentality of ants, bees, or termites. It is safe to say this is not going to happen, so we can conclude that supply-side economics has a secure future, although it will no doubt be called something else in the years ahead.

Tom Bethell is The American Spectator*'s Washington correspondent.*

WARREN T. BROOKES

Liberal Massachusetts Governor Michael Dukakis has a penchant for telling political whoppers that belie his vaunted personal integrity. Last year, he made points by arguing that "Reaganomics is taking this state's economy apart job by job!" And his knockout punch was calling conservative Democrat Ed King, his Primary opponent, "Ronald Reagan's favorite governor." Now, both the state and, presumably, Dukakis understand why.

For nearly 26 months, once impoverished Massachusetts has been enjoying the lowest unemployment of any major state. In July, when the national unemployment rate dropped from 10.0 percent to 9.5 percent, Massachusetts dropped from 6.9 percent to 5.9 percent, nearly 40 percent below the nation. In August, that rate dipped again to 5.8 percent. The nearest major state is Texas with 7.8 percent unemployment.

In fact, Massachusetts is now employing almost 64 percent of its adult (over 16) population. Not only is this an all-time record for the state, it is a record for the nation. The highest figure ever reached by the U.S. was 59.8 percent, and the best Japan has ever done is something like 55 percent.

To put it bluntly, Massachusetts may well be the best performing state economy in the world. On September 5, ABC called it "the strongest industrial state economy in the nation."

What is galling to Dukakis is that all of this took place well before his first new budget took effect. He (and we) know that since 1979, under Ed King, no other major state economy has more strenuously pursued the Reagan supply-side policies, cutting taxes, curtailing bureaucracy and welfare, slashing regulations—and the results have been positively stunning.

Not only was the August unemployment rate the lowest in the nation, it was actually a half-point better, in the midst of a national recession, than the 6.4 percent rate which Michael Dukakis left to Ed King during the national economic boom year of 1978, and 2 points lower than the 7.8 percent Dukakis averaged in his first term (1975-78) when Massachusetts was consistently the worst state economy!

In fact, Massachusetts' total employment in August 1983 was almost 180,000 higher at 2,832,000 than the 2,653,000 who were at work in August 1978. There were 7,000 fewer Massachusetts unemployed in the 1983 "Reaganomics Recession" than in the 1978 "Carter Boom." All this, mind you, in spite of a 35,000 drop in state and local government employment from 1980-83.

To add insult to injustice, on Tuesday, September 6, Dukakis learned that Massachusetts per-capita personal income was now up to tenth highest in the nation, at 109 percent of the national figure, six points higher than the 103 percent figure which he had left to Ed King in 1978, the weakest in two decades.

Liberal apologists ascribe all this "good luck" to the "high tech" boom, as if that were a fairly recent and wholly exogenous event. Not true. The strongest Massachusetts employment growth since 1981 has actually been in non-high-tech jobs, while high-tech itself has been mired in a minor slump.

Furthermore, Massachusetts has been a high-tech state since the early 1950s, when Route 128 was already known as "high-tech highway."

Massachusetts was also a high-tech state in 1975 when, in the previous recession, its unemployment of 11.3 percent was the worst of any state, and in 1978 when its personal income growth was third-worst in the nation and its employment growth was only 60 percent of the national average.

Finally, today, other high-tech states—California, North Carolina, Texas, and New York—are performing far less effectively than Massachusetts. So high tech alone has not been a panacea.

What, then, accounts for Massachusetts' extraordinary good economic health? There is only one plausible answer: its changing tax climate.

Between 1970 and 1978, under liberals Sargent and Dukakis, the Massachusetts tax burden grew from twenty-eighth to fifth highest in the nation, rising from 14.2 percent of personal income in 1970 to 17.5 percent in 1978, and from 3 percent below the national average to 11 percent above.

Since 1978, with the help both of the King administration's tax and spending caps and Proposition 2½, the Massachusetts tax burden has fallen dramatically. As of fiscal 1982-83, it stood at 14.4 percent, a full point below the national average that has stabilized at 15.5 percent. Not surprisingly, just as our income in Massachusetts had plummeted in the face of a rising tax burden, so our income has soared as the tax burden waned, and by 1982 was back up to 109 percent of the national average. We hadn't been that high since 1972. The Laffer Curve lives.

Dukakis knows all this, and so far he has been fortunate that the vicious and successful public outrage at his bloated first budget (which contained 3,000 new state jobs) and his aborted April 4 attempt to water down Proposition 2½ have forced him to "stay" King's basic supply-side course.

Cheer up, Mike. To paraphrase Richard Nixon in 1972, "we are all supply-siders now." Just relax and enjoy it.

Warren T. Brookes is author of The Economy in Mind *and a syndicated columnist for the* Boston Herald *through Heritage and Hearst Features.*

JOHN BURTON

Supply-side economics is Janus-faced. It has one face grounded in economic wisdom, and another based on a combination of dangerous optimism and political marketing.

The positive sense in supply-side