



INPRINT

ECONOMICS

Rebuilding AmericaBy Gar Alperowitz & Jeff Faux
Pantheon Books, 319 pp., \$20.00

By Herbert Gintis

Like an ailing head of state, the American economy is being pumped full of pain killers and paraded gingerly before an anxious public. The Reagan administration is banking on its maintaining form, at least for the duration of the electoral campaign.

Insiders wonder only whether the temporizing will fail before or after the ballots are counted in November. Through it all, one thing is clear: we can no longer hope that the 1984 presidential campaign will provide a forum for the intelligent discussion of economic issues.

But equally true is the fact that in the long run economic policy is the political challenge of the late 20th century. And solving the problems of inflation, unemployment, productivity and economic growth are the keys to political power in capitalist democracies.

Many solutions have been offered over the past decade—among them reindustrialization, supply-side economics, monetarism, wage-led growth, constitutionally balanced budgets and revival of the gold standard. In *Rebuilding America*, Gar Alperowitz and Jeff Faux offer yet another. They have not given their vision of recovery a pithy label, but it might be called community economic development.

They approach economic problems by asking how they have affected the average worker and consumer. Then they identify two types of problems. First, people suffer increasing costs and declining availability of basic necessities: food, energy, medical care and housing. They respond by suggesting democratically planned community-based initiatives to tackle and control these prob-

lems. Second, people increasingly live under the threat (or worse, the reality) of unemployment. To counter this, they propose extensive public programs, putting the unemployed to work building bridges, highways, roads, railroads, harbors, mass transit systems, water supply networks and other forms of social infrastructure that have deteriorated during the past two decades.

Most noteworthy is their stress on community participation and preservation. Conventional wisdom, they point out, "places no value on community.... It favors policy that assists 'people' rather than 'places.'" They contrast this with community-oriented approaches such as that of Dan Luria and Jack Russell, who propose concrete, economically feasible and locally-controlled alternatives to the automobile industry.

It is easy to understand why the programs sketched in *Rebuilding America* might be opposed by the rich and the powerful. Increasing democratic planning implies curbing elite control, and enhancing the power of local communities curtails the options of national and multinational corporations. Stressing basic economic necessities leaves the affluent consumer less than wildly enthusiastic. And curing unemployment through vigorous public works programs has certainly not pacified conservatives, who are panicked by the threat and potential high cost of "tight" labor markets.

The authors combine the Students for a Democratic Society's

vision of participatory democracy and economic justice with Saul Alinsky's stress on community-based power, and they package the message in traditional liberal language. The goals are admirable and the packaging no mean feat. Too often the American left has spurned popular discourse for the stilted idiom of other cultures, other eras and other political battles. Writing in accessible contemporary political language is one of Gar Alperowitz and Jeff Faux's great strengths.

Yet although they inspire confidence as builders and architects, their insight into political economy is shaky. And although they discuss creatively and intelligently the planning of public

and seriously underestimate the obstacles to their rebuilding plans. Thus their proposals are too radical to implement in the current economic context, while at the same time too conservative to achieve the structural changes needed to cure our economic ills.

The current economic situation reflects a structural failure: the rules and institutions that worked well in the first two post-war decades have seized up. To get the economy back on track, it is not enough to suggest a change of leadership, economic philosophy, public commitment or distributional priorities. We need changes in economic institutions and the relationship between state and economy at least as extensive as the ones the Keynesian welfare state inaugurated between 1935 and 1945.

The authors rightly scorn liberals and conservatives, who are more comfortable advising cutbacks than contemplating fundamental change. Yet they themselves do not attempt to identify structural problems. The main culprit is what they call the broker state, "a haphazard arrangement in which spending programs are awarded to those groups that develop sufficient political clout to get a favored space at the Keynesian spigot." The offending groups are the military, demanding bloated defense expenditures; the super-rich, demanding tax cuts; and the largest corporations, demanding tax relief and bail-outs for weaker members like Penn Central, Lockheed, Chrysler and Franklin National Bank.

The current economic situation reflects a structural failure.

works programs, the structuring of community development corporations and the formulation of energy policy, they are unconvincing when discussing inflation, unemployment, productivity and international trade.

They misunderstand the origins of our economic quandary

Their plan, however, is no more structural than the more traditional offerings. Alperowitz and Faux's alternative (democratic planning) involves redirecting government beneficence away from special interest groups to the people as a whole.

Unsystematic insights.

Why has economic productivity declined so precipitously in recent years? Why has it become impossible to keep the unemployment rate at a reasonably low level without excessive and accelerating inflation? Why have problems of the international economy so severely restricted progressive economic policy?

Alperowitz and Faux provide unsystematic insights. They are agnostic on the sources of productivity decline, which they explain by saying that "everything went wrong at once." The deterioration of U.S. competitiveness in the world economy is treated as a minor annoyance whose dangers have been dramatically overstated.

"Our coal, natural gas, sunlight and even oil taken together could make us energy self-sufficient in a few short years.... Perhaps the most basic difficulty with our public debate on America's role in the world economy is simply the excessive emphasis given to trade-related issues. Trade policy should be the natural outgrowth of full employment and price stability policies."

The authors' treatment of the unemployment/inflation relationship—on whose shoals the most imaginative economic programs have foundered—denies its existence. European socialists, who have had three decades to grapple with the effectiveness of social-democratic programs such as these, would doubtless marvel at the credulity of their American counterparts.

Such programs have contrib-

FICTION

A novel more like memory than history

Democracy

By Joan Didion
Simon and Schuster, 234 pp.,
\$13.95

By Rachel B. Gorlin

Consider this bare outline of the action in *Democracy*: in the spring of 1975, Inez Victor, wife of liberal-chic former U.S. senator and presidential aspirant Harry Victor, returns to her native Hawaii after her somewhat crazy father shoots her sister and the U.S. congressman with whom the sister was probably having an affair.

While in Honolulu Inez runs into, and then runs off with, an old flame, Jack Lovett, more than 20 years her senior, with whom she started sleeping while she was in high school. They have not touched each other since 1953. Starting in the early '50s, Lovett became involved in only vaguely specified ways with the American military, the Central Intelligence Agency and the international "intelligence" network's activities in Southeast Asia.

Which is to say that the wife of a man who had been one of the Vietnam war's chief congressional opponents goes off to Southeast Asia with a spook.

Also consider that Jack Lovett comes off as a considerably more attractive human being than Harry Victor—the sort of CIA operative Yves Montand might play in a Costa-Gavras movie. And consider that Joan Didion, who rather confusingly refers to herself by name as the narrator of this novel, believes "fiction is in most ways hostile to ideology." This assumption turns out to be enormously helpful in creating *Democracy's* milieu, because a history of recent events in Southeast Asia seems hostile to ideology as well.

Democracy—or, more precisely, the idea of it—emerges as a conceit. Harry Victor, at a dinner of the "Alliance for Democratic Institutions" (obviously a send-up of the now-defunct Center for Democratic Institutions, about which Didion wrote snidely in *Slouching Towards Bethlehem*), declares that he never talks down to the American people. "Either

Jefferson was right or he wasn't," Harry had said. "I happen to believe he was."

Politicians like Harry Victor make a mockery of Jefferson's democracy, Didion implies, without indicating that the alternatives are any better or even more efficient, as Jack Lovett might have claimed before the "fall" or "liberation" (depending on your point of view) of Southeast Asia in spring 1975.

For some of us, the spectacle of what happened in Southeast Asia in the first half of 1975 marked the true psychological end of the '60s—or should have, except that it came too late. In retrospect, many people who shared Harry Victor's political orientation at that time probably underestimated the damage the U.S. had done in Vietnam, Laos and Cambodia by thinking that enough of the political culture had been left intact to allow for some beneficent governance. While Jack Lovett and his fellow inhabitants of that shadow world of "intelligence" understood the extent of the destruction, it simply got factored into the cost of doing business.

Democracy looks at the costs of doing various kinds of business—electoral politics, covert operations, modern marriage and the intrigues of Hawaii's oli-

garchy. Implicit is the assumption that the price paid is too high, unless the commerce is seen as a game. And even then players are consigned to an emotional and moral purgatory, or, alternatively, death itself.

Jack Lovett dies, Harry Victor ends up as a special envoy to the Common Market, and only Inez Victor—who describes "memory" as the major cost of public life—is left in Southeast Asia, resettling refugees in Kuala Lumpur. Now, as Didion herself might ask, what does that tell you?

It would be helpful for the purposes of determining more precisely how Joan Didion's *Democracy* is hostile to ideology if we knew Inez Victor's thoughts about political values or even events in Southeast Asia. But like nearly all of Didion's women, Inez spends most of her mental energy in the service of elaborate mechanisms to cope with the exigencies of daily life.

A state of mind.

Since that perspective is available only by implication, we go with what we have. And what we have is a searing indictment of late 20th-century American political and social values, convention and practice. Nevertheless, it is an indictment with ample room for

mitigating and extenuating circumstances. Didion's genius is for the mitigating circumstance rather than for the broad critique.

Many of the worlds depicted in this book have been scathingly portrayed elsewhere—the circus of American political campaigns in Gore Vidal, the privileged Manhattan of Bloomingdale's and the Dalton School in literally dozens of novels, Southeast Asia particularly memorably by Graham Greene. *Democracy* makes connections between these states of mind, but the effect is more like memory than history.

Perhaps you recall the urgency of the news accounts of the "fall" or "liberation" of Southeast Asia, the panicked evacuations, the overcrowded air lifts, the procession of orphans and government officials and "those who have been helpful to U.S. interests." On the right there was the incessant talk about the "domino theory." The left had its "celebration" of the peoples' victory in Vietnam, complete with T-shirts and demonstrations in Central Park.

Democracy conjures up such associations with an economy of deft narrative strokes. For example: "Mother wants you to call home," the American Service Radio announcer in Saigon would say when it was time for the final phase of the evacuation, and then a certain record would be played.

"The record to be played was Bing Crosby singing 'I'm Dreaming of a White Christmas.'"

Or: "Oh shit, Inez," Jack Lovett said one night in the spring of 1975, one night outside Honolulu in the spring of 1975, one night in the spring of 1975 when the C-130s and the C-141s were already shuttling between Honolulu and Anderson and Clark and Saigon all night long, thirty-minute turnaround at Tan Son Nhut, touching down and loading and taxiing out on flight idle, bringing out the dependents, bringing out the dealers, bringing out the money, bringing out the pet dogs and the sponsored bar girls and the porcelain elephants: "Oh shit, Inez," Jack Lovett said to Inez Victor, "Harry Victor's wife."

Many settings in the book are familiar from Didion's non-fiction. Her Hawaii is particularly vivid. Not surprisingly, then, the places rather than the characters linger in one's mind. The description of Jack Lovett, as a man for whom "the accidental did not figure" and for whom "information was an end in itself," is fascinating and evocative, yet one knows about him more than one knows him.

Didion's sense of the colloquial is always a delight. In fact, if ideology does not much inform one's description of the U.S. involvement in Southeast Asia, a line of dialogue in *Democracy* could serve as an apt characterization of the whole undertaking: "It's Snow White and the Seven Loons down there."

Yet strangely, given the acerbity of Didion's portraits and the backdrop of a sordid episode in recent U.S. history, *Democracy* on the surface seems much more optimistic than Didion's other novels. Inez Victor is able to settle into useful work in Kuala Lumpur, yet only because she has mastered the technique of a successful refugee. She never looks back, has no past, learns no lessons—in many ways just like American democracy.

Rachel B. Gorlin is a free-lance journalist living in New York.

Joan Didion explores the recent past in *DEMOCRACY*.



Jerry Bauer

Didion believes that "fiction is hostile to ideology." Events in Southeast Asia seem hostile to ideology, too.

uted heavily to European prosperity, but they have foundered with the collapse of economic prosperity. When there is unemployment in Sweden or inflation in France, social-democratic regimes have been quite as confounded as liberal or conservative ones. In England, the Thatcher government was not re-elected on the basis of its promises, but because of public distrust of the Labour Party.

Alperowitz and Faux first show that neither rising credit availability nor deficit spending leads to inflation. Indeed, they take the notion that inflation is related to the money supply as economic mysticism. They then argue that inflation did not result from attempting to maintain employment levels at all. Rather, "The most important cause of our inflation has been a series of price 'jolts,' the effects of which spiral thereafter through the economy in higher prices, interest rates and wages."

Such "jolts" can be handled relatively simply, they believe, with a judicious dose of wage-and-price controls. Yet the standard interpretation holds that there is a systematic trade-off between levels of unemployment and price inflation. This trade-off reflects structural conditions. And the curve has shifted over the past dozen years so that full employment is extremely difficult to achieve without making either structural changes in the relations between business, labor and government, or by creating high, perhaps accelerating, levels of price inflation. While this relationship has been disputed (especially by right-wing monetarists and supply-siders), it has by no means been discredited. *Rebuilding America* does not even seriously make the attempt.

Their attempt to sidestep the structural problems of the capitalist economy, however well intentioned, comes to naught. The American people have hard choices to make in the coming years. The overriding question is: who controls? Both in the U.S. and Europe, the post-war era has witnessed a great increase in the power of workers and citizens to challenge political and economic elites through the democratic process.

These elites continue to control economic power, but popular initiatives have curtailed their freedom to maneuver. The people would welcome change, but lack the power to restructure the economic rules of the game that make change possible. The result is stasis: the current economic crisis manifests this stalemate between producer and consumer, business and electorate, boss and worker. Resolving this crisis will require the collapse of traditional axes of power.

The corresponding structural changes in the economy will either strengthen the propertied and the powerful at the expense of democratic institutions, or will lead to true democratization of decision-making in production and investment. The development of liberal democratic capitalism has extended the range of human rights and has also seen the deepening private power of corporate wealth. The next domain to be conquered by democracy is the economy. Only when workers and citizens gain control of the economic decision-making will they be able to implement the programs outlined in Alperowitz and Faux's book.

Herbert Gintis is a professor of economics at the University of Massachusetts, Amherst.