Greed Is Not Enough: Reaganomics, by **Robert Lekachman.**
Pantheon, 213 pages, $13.50.

Envy is not enough

STEPHEN CHAPMAN

ROBERT LEKACHMAN likes to think of himself as a fearless left-wing iconoclast, but the most diligent reader will find nothing in this book that has not already been popularized by every major organ of the capitalist establishment press. *Greed Is Not Enough* is a traveler's guide to the prevailing conventional wisdom. Scarcely an inch of the trail blazed by Leonard Silk of the *New York Times* and Irving R. Levine of NBC News is neglected. This is economics so simple that a child can understand it, and so crude that a television reporter can believe it.

Nonetheless—excuse me, consequently—it has become the unofficial bible of the liberal opposition. John Kenneth Galbraith, who bears approximately the same relationship to Lekachman as the ventriloquist does to the dummy, testifies on the jacket that the "only thing better than this book is its exquisite timing." Robert Heilbroner calls *Greed Is Not Enough* a "devastating critique of Reaganomics." Representative Henry Reuss of Wisconsin, chairman of the Joint Economic Committee, says it "shows eloquently how failure by supply-siders and monetarists has gone to their heads," whatever that means. What George Gilder's *Wealth and Poverty* was last year to the administration's economic gurus, this book is to their critics.

Lekachman's refrain is by now as familiar as the Ty-D-bol man's. For the obstinately inattentive, it goes as follows: Ronald Reagan's economic program betrays him as a scourge of the poor and an apologist for the rich. Supply-side economics is a blind religious dogma, groundless in theory and discredited in practice. The free market is a myth concealing the oligopolistic predations of mammoth corporations. Efforts to restrain inflation by checking monetary expansion have proved a dreadful failure, succeeding merely in strangling economic growth. Only a more activist government, assuming responsibility for the direction of the economy and the redistribution of its wealth, can restore prosperity and protect the downtrodden.

This book has other flaws besides its slavish devotion to predictability. Lekachman is best known for his magazine articles, which have earned him the reputation of the rare economist who can express ideas with wit and style. The reputation is not wholly undeserved, though it owes a large debt to the standard of comparison.

Lekachman's refrain is by now as familiar as the Ty-D-bol man's.

But his prose, occasionally charming in a short essay, becomes unbearably cloying in an extended argument—like a meal composed of six dessert courses. The book is also a clear case of the market's hastily responding to consumer demand, a phenomenon that has no place in Lekachmanland. It most resembles those quickie paperbacks on Jim Jones's massacre in Guyana, suffering from too much haste in the quest for a buck. There is no apparent original research or thought, just page after page of arch polemics. As Macaulay said of the U.S. Constitution, the book is all sail and no anchor.

But consider Lekachman's arguments in turn. First, Ronald Reagan, the people's enemy: "This amiable gentleman's administration has been engaged in a massive redistribution of wealth and power for which the closest precedent is Franklin Roosevelt's New Deal with the trifling difference that FDR sought to alleviate poverty and Ronald Reagan enthusiastically enriches further the already obscenely rich." It takes a special prism on the world to interpret measures to let people keep a larger share of what they honestly earn as "redistribution." And Lekachman makes no effort to defend the present highly progressive tax system, which extracts 41 percent of all taxes from the top 10 percent of income earners, who earn less than a third of all income. The only effect of Reagan's program is to make federal income taxes slightly less progressive, which hardly qualifies as redistribution.

Lekachman also fails to note that even if the entire three-stage cut finally comes to pass—not likely—federal taxes will absorb roughly the same share of the nation's income in 1984 as they did in 1978, long before the man Lekachman calls the "first reactionary American president" arrived in the Oval Office. Reagan's tax "cut" was designed merely to head off the huge unlegislated tax *increases* that would have accrued from inflation.

As for redistributing from the poor to the rich: The poor have not gotten much from antipoverty programs. A recent *Newsweek* cover story excoriating Reaganomics conceded that "for every dollar spent on the war on poverty today, only ten cents ever directly reaches the poor." The other 90 percent goes to the people who administer the programs. Lekachman should sleep better knowing that what Reagan is "stealing" from the poor, they weren't getting anyway.

Greed Is Not Enough offers more proof, if any were needed, that supply-side economics is the most maliciously misinterpreted economic doctrine in memory. "Supply-side theory is so simple-minded as to make one wonder why reasonably intelligent people give it credence," he says at one point. The supply-siders' "faith is touching, but their works are inadequate," he concludes at another. But supply-side economics is neither new nor baseless. It goes back as far as Adam Smith. It is really nothing more than a new name for an old insight: that taxes attenuate productive incentives. Even Lekachman, incongruously, cites David Hume's contention that "exorbitant taxes, like extreme necessity, destroy industry by producing despair." But he insists that supply-siders have no evidence that taxes have reached the point where they produce despair. To believe them, he says, "we require faith. Supply-siders *know* that American taxes are high, in particular those

STEPHEN CHAPMAN is on the editorial board of the Chicago Tribune.

that apply to the incomes of the more successful."

In fact the supply-siders have ample evidence for their belief. The comparatively poor health of the U.S. economy is doubtless partly due to its high marginal tax rates on middle to upper incomes, the source of most investment and savings. A taxpayer making $50,000 a year and living in California faces a marginal tax rate of more than 57 percent. In Japan his marginal rate would be 49 percent, in West Germany 51, in Switzerland 36, and in France 28. One reason capital investment in the United States runs so far behind Japan and West Germany (which Lekachman notes as evidence of the incompetence of American capitalists) is that the United States taxes capital gains and assets at about four times the rate they do. Until last fall, it also taxed investment income at up to 70 percent. Even Lekachman concedes that "punitive taxation, it is only common sense to realize, diminishes any activity to which it is applied."

But even supply-siders don't blame tax rates for everything. Japan and West Germany also have avoided our chronic high inflation, which tends to consumption. They have accomplished this enviable feat by stricter monetary policies—the same kind that Lekachman regards as an obstacle to growth here. Low inflation, penalize productive investment, reward speculation in unproductive ventures, and artificially stimulate however, deserves much of the credit for their high rates of saving, an essential to economic growth.

One reason capital investment in the United States lags behind Japan and West Germany is that we tax capital gains and assets much more heavily.

In Lekachman's view, the Federal Reserve's recent experiment with monetarism has been a perfect flop. "In 1981, monetarist policy did little to diminish actual inflation and less to reduce anticipation of inflation in the future," he says. Since October of last year, in fact, the annual inflation rate has run consistently below 5 percent—down from a double-digit rate when Reagan took office. In March the Consumer Price Index fell for the first time in seventeen years. (So much for Lekachman's belief that "in the short run, across-the-board tax reductions are inflationary.") Interest rates peaked in the spring of last year: The yield on 90-day Treasury bills has dropped from 17 percent then to less than 13 percent today. Yields on long-term notes have also fallen. That rates have not dropped still further is not the fault of the Federal Reserve's adherence to monetarist prescriptions over the last two years, but more likely of its failure to heed them over the previous fifteen.

Lekachman, however, insists that monetarism is keeping rates up. Rapid growth of the money supply always means lower interest rates than slow growth, he thinks, "just as a surfeit of avocados brings that delicacy within the reach of the rabble." What Lekachman overlooks is that loose money means each dollar is worth less, inducing lenders to demand more dollars in repayment and borrowers to pay them. Lenders will charge, and borrowers will pay, whatever rate they think necessary to ensure a real (non-inflationary) return. If money is loose, people will expect inflation, and interest rates will rise. But don't take my word for it. When the Fed took Lekachman's advice to loosen the monetary reins at the end of 1981, short-term rates jumped from just over 10 percent to more than 14 percent.

So why is the economy in such poor shape right now? Lekachman would have us believe that our problems are due entirely to the administration's unkindness toward the poor and working classes and its devotion to outmoded economic orthodoxy. But the truth is that a long period of chronic inflation, like the United States has suffered since 1965, cannot be concluded without pain. Workers and employers make decisions based on expectations of continued inflation. If they expect 10 percent annual inflation, in line with recent experience, they will demand wages and prices to keep them abreast. If inflation drops, they will find themselves priced out of the market, and bankrupt firms and unemployed workers are the result. Once workers and management realize that inflation has in fact been cut, however, they will alter their expectations accordingly and normal growth can resume. All this takes time.

Lekachman chortles at the failure of Reagan's tax cut to avert a recession. What he stubbornly ignores is that taxes haven't been cut. In any case, supply-side policies could hardly be expected to provide a painless transition from virulent inflation to price stability—though some of their advocates, like Arthur Laffer, can be blamed for predicting they would. And it defies both common sense and even Keynesian prescription to suppose that the economy would be better off if taxes were to be precipitately increased, as they would be in the absence of Reagan's so-called tax cut.

Then there is the author's portrayal of the free market as a quaint myth perpetrated by self-seeking tycoons and naive intellectuals. "The Reagan administration is gripped by a nostalgia for a world of unregulated competition that existed only in the utopias of economists," he says. Here we have yet again the Galbraithian thesis that large corporations are immune to the normal hazards of the marketplace. One would think that the ordeal of Chrysler (once the tenth biggest company in America) would have buried that hypothesis once and for all. Only federal intervention saved the automaker from the unforgiving verdict of the "mythical" free market. (This might be seen as a model for the policy, advocated by Felix Rohatyn and endorsed by Lekachman, of using a "redesigned Reconstruction Finance Corporation to shore up faltering banks and corporations in the distressed Northeast and industrial Midwest.") If sheer size ensures success, how does Lekachman explain the plight of Fortune 500 firms like Ford, Kaiser Steel, International Harvester, and Lockheed, which together lost more than $2 billion last year?

Lekachman's ideas for a more activist government are nothing if not well worn: wage and price controls, government allocation of credit, government-financed "universal health care." Here he is even brisker than usual, neglecting to consider the most obvious failures of such programs where they have been tried. He offers not a shred of evidence to support his odd thesis that capital markets are uncompetitive; his real complaint seems to be that they don't direct capital where he thinks it should go (urban areas, the Northeast, and declining manufacturing industries). His grasp of the defects of government social programs can best be illustrated by his belief that social security is one of the "most successful social programs." Imagine what the failures must look like.

But the central flaw in this book is revealed in its title. Does capitalism not have anything nobler to offer than the enshrinement of greed? Of course it does—namely the realization of the inviolable rights of each human being, the rejection of violence and coercion as instruments for organizing society, and the insistence that all relations among people and institutions be voluntary. Capitalism does allow people to be greedy—just as it allows them to be altruistic. But in neither case does it allow them to employ force to achieve their desires. The capitalist, however avaricious, cannot force anyone to work for him, to sell to him, or to buy from him. He can only get what he wants by persuading others to cooperate with him. This is what Samuel Johnson meant when he said, "There are few ways in which a man can be more innocently employed than in getting money." That stress on the interaction of the self-interest of free persons is the moral foundation of capitalism, as well as the engine of its phenomenal productive capacity.

Lekachman's analysis founders on his failure to understand the nature of the free market. His favorite epithet for profit-making companies is "predators"—as if there were no difference between a pirate, who makes his living by theft and murder, and an entrepreneur, who makes his living by providing others with the things they need and want. What Lekachman rejects is not merely greed but the fundamental principles of a genuinely free society. He is happy to abridge the freedom of individuals as much as necessary to enforce the economic egalitarianism he prefers. His program purports to topple the god of greed—only to install envy in its place at the altar. That approach is bound not only to violate rights, but also to forfeit the unprecedented material advances achieved by capitalist economies over the last century. It will make us not only poorer, but less free as well. ■

The Man Who Wanted to be Guilty, by Henrik Stangerup. Translated by David Gress-Wright. Marion Boyars, 128 pp., $12.95.

Rotting in Denmark

ANTHONY BURGESS

THIS NOVELLA, WHICH may only loosely be classified as SF or hypofiction or futfic, may be a picture of life in a Scandinavia that does not yet exist, but to anyone who knows Scandinavian Pelagianism it must seem like a harsh black and white photograph of the Nordic present.

I use the term Pelagianism, which I oppose to Augustinianism, because it seems to me that the milder forms of socialism, devised for the benefit of the citizen and not for the aggrandizement of the ruling party, are based on a conception of man that denies original sin and relates wrong to social maladjustment. Augustine said that man was evil, Pelagius that man was neutral. This meant that man did not need God's grace and could attain heaven through his own efforts alone. This, if we regard heaven as a secular notion signifying a sempiternal state of social happiness, is the philosophy of the Danish state as presented in Stangerup's nightmare. The nightmare is the more terrifying because it is very close to a known waking situation—one in which society has decreed that man must not suffer either physically or spiritually, that the state has the duty of securing minimal health and prosperity for all, and that concepts like guilt and anxiety have no meaning. Søren Kierkegaard, the greatest of Danish thinkers, has no place in this innocent polity.

The hero, Torben, is a writer. He has a wife and a son and he lives in a small apartment decorated with a bonsai tree. A Copenhagen that has lost, through the operation of antiniv-al salt, all its real trees lies dully all about him, and the Baltic is dying. You may say that nature has been regular Aggression Control sessions under the supervision of functionaries known as the Helpers. The future of a civilized Danish race is assured through the vetting of parental qualification (there is a certificate issued known as a Mum and Dad Card) and tamed, and this includes human nature. The fact of human aggression is admitted, but this is taken care of by the control of the media, which must exhibit nothing of an antisocial nature. Even Hans Christian Andersen is purged of his grosser elements, and television is as arid as the earth, lifeless as the waters.

Stangerup's nightmare is terrifying because it is very close to a known waking situation—one in which society has decreed that man must not suffer.

Torben, with all these advantages, nevertheless gets into a drunken rage one evening and brutally kills his wife. There is no question of trial or punishment. The psychiatrists take over, the Helpers help, and Torben is permitted to return to a solitary life in which the truth of the murder is well hidden and his wife is presented as having gone to South America. But he is not permitted to have custody of his son, Jasper: He is unstable, unsuitable for parenthood, unworthy of a Mum and Dad Card. Unable to write, or rather to publish, since his known work does not conform to the society-enhancing values that earn for publishers subventions from the state (this is terribly close to the Nordic truth), Torben works for the bureau known as BLIMP,

ANTHONY BURGESS's most recent novel is Earthly Powers.