



## Treading water

RONALD REAGAN DID the smart thing after being sworn in as the 40th President of the United States. He immediately proclaimed to the American people that "we are in the worst economic mess since the Great Depression."

And the new President's echo, George Will, wrote of the Reagan team, "They ... are amazed to discover the economy's in as bad a shape as they said it was. Worse, really."

Such public observations did well to disinculpate the Reagan crowd for the economic crisis, and that, of course, was a politically astute move. Not so convincing is Mr. Reagan's free market propaganda blitz.

The notion that dismantling government and returning functions to the private sector could save the economy is not in doubt. What is in doubt is the President's determination to act after his rhetoric leaves off. There are disturbing indi-

cations that he will increase government spending and interference rather than the reverse.

Take for example the "windfall profits" tax. Last year during the election campaign, Reaganites were stentorian in their criticism of this confiscatory, energy-production retardant piece of legislation. But this year, with the realization of power, the Reagan people have become strangely taciturn on this subject.

The explanation, as the modern-day Paul Bunyan, David Stockman, divulged in his Senate confirmation hearings, is that the windfall profits tax is "a pretty prodigious revenue generator." The OMB Director indicated that as a result of the windfall profits tax, the Reagan Administration will have an additional \$22 billion to play with. Moreover, by making the decontrolling of oil one of the new administration's first acts—a gesture calculated to gain Reagan points as a true lover of the free enterprise system—another \$2 bil-

lion in revenue has been won.

This new found fondness for the windfall profits tax is an all the more curious phenomenon in that it flies in the face of supply-side economics—the self-chosen, oft-advertised emblem of the Reagan Administration. Because oil companies retain only about 15 percent of the price rise from decontrol after taxes, there is little inducement for them to increase exploration and production. There is no significant incentive to increase supplies, only a discouragement of consumer demand.

More interestingly, as the price of world oil goes up, the U.S. government collects more and more money from the consumer, through what is actually an excise tax on crude oil, laundered through the oil companies under the guise of a windfall profits tax.

It may come as a surprise to those consumers who have unwittingly financed the government's "windfall" profits through decontrol by tanking up the family car or heating their homes, that there is still

not enough money floating around in Washington to balance the federal budget.

In fact, Mr. Stockman had better put that trusty ax to the sharpening stone one more time, for, as a by-lined piece by David Boaz in the *Washington Post* (February 15, 1981) pointed out, the OMB Director "has proposed \$26 billion in reductions from a proposed budget that is \$77 billion higher than the previous one. That is not a budget cut; it is a budget increase."

In trying to understand the Reagan-Stockman financial circus, it is essential to realize that it is employing its own version of the "supply and demand" theory. Taxpayers are demanding a solution to the economic mess, so the administration is supplying one.

Therefore we have had Stockman, carefully crafted as the archetypal budget slasher, stirring fear into the hearts of the poor. Then Reagan stepped up to assure everyone that basic social services would remain intact—that is, that their proposed increases would not be cut. As a result, citizens get the "best" of both worlds, the belief that responsible fiscal steps are being taken *and* the reassurance that no one will be adversely affected.

A quick look at those parts of the budget that Reagan declared to be "off limits" will illustrate the impossibility of a serious budget reduction. These are the "Seven Beauties": the basic social Retirement fund, future cost of living increases, Medicare, Supplemental Security Income, veteran's benefits, Head Start, and free breakfasts and lunches for school children. These programs alone account for \$216 billion out of a \$700 billion budget.

Add to this amount the proposed \$31 billion increase in Defense spending, bringing the total to \$189 billion (necessary, in the eyes of the Administration, to secure our position in the world) and the spiraling \$100 billion a year interest payment on the Federal Debt, (resulting from our having secured our position in the past), and one observes that a full 70 percent of the budget is untouchable. When the battles in Congress over the remaining 30 percent have ended, we may find that the budget increase

far exceeds the billions already proposed.

Aside from the runaway Federal budget, there have been other indications that Mr. Reagan may not be the free market advocate in practice that his own polished speeches present him as being. His refusal to let Chrysler die a natural death, his silence on the tobacco subsidy, a renege on the campaign promise to abolish the Departments of Energy and Education, continued talk of a New York City bailout, and failure to defuse the Danforth-Bentsen quota bill, a protectionist measure to curtail US importation of Japanese autos by 400,000—all show a remarkable lack of commitment to laissez faire economics by one of its supposed proponents.

Whether the economic policies of Reaganism succeed or fail over the next four years only time will reveal—though as long as the Social Security-Welfare-Defense apparatus retains its sacrosanct status, the prognostication seems negative. But there is a more compelling question. How would the American people respond to a failure? Would it be said that the free enterprise system has been tried and failed? If so, then Ronald Reagan will have performed the ultimate disservice to America. By treading water now, he may precipitate a further shift from economic freedom in the election year of 1984.

—Lee Williams

## Time marches on

"JEFFERSON, WHO VALUED the press, could turn apoplectic when he considered the newspapers of his day. Said he: 'The man who never looks into a newspaper is better informed than he who reads them, inasmuch as he who knows nothing is nearer the truth than he whose mind is filled with falsehoods and error.' Imagine what the sage of Monticello would have had to say about television."

Imagine what the sage of Monticello would have had to say about *Time*, Inc. and its "Special Project: American Renewal," from which, ironi-

cally, the above is taken.

More than merely a pretentious archipelago of editorials stretching through *Time*'s empire of magazines, "American Renewal" is an anticlimactic sequel to the "American Century" proclaimed just before World War II by *Time*'s founder and publisher, Henry Luce. Explicitly interventionist, Luce's *Time* proclaimed that America "must undertake now to be the Good Samaritan of the entire world... America as the dynamic center of ever-widening spheres of enterprise, America as the training center of the skillful servants of mankind, America as the Good Samaritan, really believing again that it is more blessed to give than to receive, and America as the powerhouse of the ideals of Freedom and Justice—out of these elements surely can be fashioned a vision of the 20th Century to which we can and will devote ourselves in joy and gladness and vigor and enthusiasm."

But now, more than forty years later, *Time* finds that something went wrong. Editor-in-Chief Henry Grunwald recites a litany of worries—declining industry, incompetent government, challenges to American influence and power overseas—and asks, "Is this what has become of the American Century?"

Not really, is Grunwald's own reply. Not only are things not as bad as they seem, but America can, with "a great and disciplined effort [exact] a considerable price," regain its proper place in the world. We can achieve an American renewal.

*Time* spent 100 writers and researchers, 150 pages, 23 separate articles, and one million advertising dollars on a project which can perhaps be most accurately described, despite the incongruity of the term, as ostentatiously reformist. Thousands of words are spent to declare the need for such changes as mandatory presidential debates, four-year terms for U.S. Representatives, and revision of the civil service system. Thousands more are used to call for more effective nuclear weapons, stronger ties with our allies, clearer goals in our diplomacy, higher levels of conventional military forces, and a return to the draft. Other articles agonize over such

questions as economic growth, technological advancement, education, the role of competition, revival of responsibility, and the benefits of voluntary service to others.

As with trying to lasso a waterfall, the fundamental problem with "American Renewal" is what isn't there: no central core, no basic premise, no principle. The concept of rights is utterly ignored, analysis of the nature of government is totally absent, and the idea of liberty is mentioned only in passing as a "value," to be offset by other, competing values. Because of what isn't there, "American Renewal" fails, both to answer what became of the American Century and to build a convincing framework for a true renewal.

What did become of the American Century? Henry Luce's vision of it never approached reality—it was an outgrowth of the myth that the United States government was somehow synonymous with America, its people, and its spirit of liberty. "America the Good Samaritan" inevitably became America the interventionist, America the friend of dictators, America the clear and present threat to lives and property both at home and abroad.

The *Time* of 1981 commits the same tragic error, attempting to fuse America, the symbol of hope and liberty, with the American State, the weakened superpower. This is an error that "the sage of Monticello," as *Time* called Thomas Jefferson with typical bombast, did not make. He knew the two concepts to be antithetical.

Jefferson is probably best known for an opinion which *Time* neglected to quote: that it is a self-evident truth that all people are endowed with certain unalienable rights. *Time* could have served its millions of readers well by pointing out that such rights are fundamental, not subject to renewal like so many magazine subscriptions, and that they should be the starting point for any discussion of how to improve the American experience. Real renewal for America will spring, not from renewing the power of the American State, but from renewing the liberty of the American people. □

—Chris Hocker



## The ABC's of interventionism

CHRIS HOCKER

LET'S FACE IT, ON ECONOMIC matters so far, Reagan sounds pretty good — or at least far better than what we've been hearing from Presidents for a long while. He says he's for tax cuts (sure, he means cutting tax *rates*, not the actual dollar amounts), and spending cuts (I know, I know; he's only cutting the rate of increase so that actual spending will be higher), and decontrolling oil prices (yeah, yeah, the windfall profits tax is still there), and deregulating industry (well, except maybe for trucking and a few others). Why, he's even suggested that inflation has something to do with the supply of money in the economy; that there's more to it than high prices. Isn't all this preferable to higher taxes, higher spending, more regulation, and scapegoating Arabs every time the price of hamburger goes up?

Sure it's preferable. In the same way a cold is preferable to pneumonia.

Instead of just gratefully blowing our noses, we should be looking for ways to stay out of the oxygen tent. We should be checking to see if any of the

viruses responsible for the serious disease are still there, even if dormant.

The virus of interventionism is still there, and now in a more virulent form than under Jimmy Carter. The central message of the Reagan foreign policy appears to be, "We will intervene," without further elaboration, qualification, or reservation.

I don't know, maybe I'm hallucinating, but every time I watch President Reagan on TV talking about how he's going to free up the economy, I see Al Haig standing next to him saying, "And if that doesn't work, we can always have a good war."

I realize that's a monstrously cynical thing to say, particularly in this Era of Good Feeling. It's considered the height of tacky to suggest that anyone, even Al Haig, would actually *want* war. No one *wants* war.

Actually, it would make things a lot easier if Haig or Cap Weinberger or someone in the Reagan Administration would announce at a news conference, "Ladies and gentlemen, today we decided to have a war. Not a great big nuclear war, just a medium-sized conventional war, just big enough to boost American industry, create jobs, and get people's minds off the problems of the economy."

"Mr Secretary, Mr. Secretary!" the reporters would ask, "have you decided where you're going to have this war?"

"We're waiting for the Task Force on Economic Revitalization to submit its report," would come the reply. "We'll be releasing full details on May 4. But I can tell you that we've narrowed it down to a choice between Central America and the Horn of Africa."

Like I say, this sort of thing would make political commentary a whole lot easier, because then we could focus on the major issue of war, which is that people are killed in large numbers. Instead, unfortunately, we're given phrases like "stopping terrorism" and "not backing down" and "protecting our vital interests," and since you'd have to be un-American not to favor all that, few people like to speculate about what the ultimate consequences of such policies might be.

One consequence might be war and killing people — but let's not talk about that, it's unpleasant and it leads to awkward gaps in the conversation.

Hmm, yes. (polite coughing and drumming of fingertips on the coffee table)

An even more certain consequence of an aggressive, interventionist foreign policy is that it will cause the failure of any free market oriented economic program that President Reagan comes up with. For the domestic economy, the implications of such a policy are simply devastating.

First and most obvious is the contradiction between "making government live within its means" — cutting taxes and spending, and reducing the budget deficit, even a little bit — and increasing the military budget by tens of billions of dollars, as Reagan has said he will do. Supply-side economists insist this really isn't a problem at all; if everyone gets a small tax break, the economy will take off like a rocket (a Titan missile, no doubt), all this new wealth will be created, and government will get more revenue while everyone pays proportionately less. Sort of like the miracle of the loaves and the fishes.

Suppose the supply-siders are right, and we really can get two pounds of flour out of a