Powe's book offers a much-needed counterweight to the frequently heard claim by many liberal intellectuals that we need a new First Amendment in which the government has an affirmative duty to regulate all communications media, including the traditionally untouchable print media, so as to guarantee "fairness" and "access for all viewpoints." These intellectuals fear that the dissemination of ideas and information will become the exclusive prerogative of the very wealthy, leading to a society in which the only ideas heard are those that support the status quo.

From its earliest years on, regulation of broadcasting has been used to silence or intimidate.

There is, of course, nothing new in the assertion that society must be protected from the influence of the rich. Variations on that argument have been around for a long time. Nor is Powe's book intended as a direct refutation of that position. Instead, he calls into question the notion that we can count on such regulation to accomplish its intended goal.

Powe shows that, from its earliest years on, federal regulation of broadcasting has repeatedly been used to silence or intimidate people who would use the airwaves to criticize those in power. The Federal Communications Commission (FCC), with its various regulations (especially the now-defunct Fairness Doctrine) and its power to decline to renew a station's license, has been used by both Democratic and Republican administrations to strike fear into the hearts of opponents.

Especially interesting is the chapter on the assault on the media during the Nixon administration. But for the intervention of Watergate, Powe shows, Nixon might very well have succeeded in silencing many of those who opposed him.

Economists of the "public choice" school of thought have long argued that we should not expect regulators to act according to the so-called public interest. Rather, their regulating will largely reflect their own self-interest. Those who think government regulation is a means to make markets act in ways more consistent with what they see as the common good are almost certain to be disappointed with the results.

Powe's history of broadcast regulation is entirely consistent with the public choice critique of regulation in general. It should invoke rethinking about the advisability of reinterpreting the First Amendment in a manner that would require the FCC to guarantee "fairness."

Powe's book is also especially good in its analysis of the rationale for governmental regulation. Ask almost any legal theorist why we regulate broadcasters but not publishers, and the instant reply is "scarcity." Supposedly anyone can print a pamphlet or begin a newspaper, but because of the finite limits of the electromagnetic spectrum, not everyone can communicate over the airwaves. Hence the need to regulate the latter.

Powe does a marvelous job in dissecting this feeble line of reasoning. "It is true that if everyone broadcasts, no one can be heard," he writes. "But it is also true that if everyone at a park speaks at the same time, no one can be heard and, equally, that if you write your message on a piece of paper and I write mine over it, no one can read your message." But, he observes, "the real-world solutions are that most people listen rather than speak at the park and that our system of property rights prevents the person who does not own the paper from writing over the owner's message. It is not technical scarcity that is at work but lack of a property mechanism to allocate the right to broadcast."

Exactly. Our great mistake in this field was made very early, when legislators decided that the solution to the problem of stations interfering with one another's broadcasts was federal licensing and regulation rather than allowing the courts to work out the problem by applying common-law property concepts to radio and television broadcasting. Had we followed the latter course, we might have suffered with a somewhat untidy broadcast spectrum for a longer period of time, but we would not have had to endure the long-term problems that have accompanied government regulation.

Powe's research is solid, his logic sharp, and his writing engaging. I predict many future citations of his work in law review articles, essays on public choice theory, and (I hope) some court opinions.

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The Soviet Economy: A Hopeless Cause?

By Paul Craig Roberts

Gorbachev's Challenge: Economic Reform in the Age of High Technology
By Marshall Goldman, New York: Norton, 296 pages, $16.95

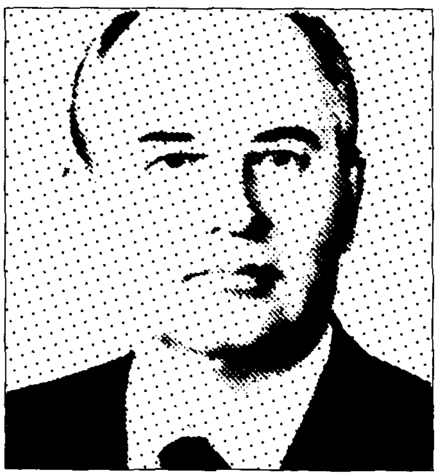
The Soviet economy long ago ceased being the wave of the future. Fundamental reform has been the watchword ever since the early 1960s when Soviet economist Evsei Liberman tried to rationalize the system by substituting profits for gross output indicators. Harvard University Sovietologist Marshall Goldman in his book; *Gorbachev's Challenge*, makes it clear that every conceivable reorganization of Soviet central planning has been tried—all to no avail. Gorbachev's challenge is: how do you reform a system that cannot be reformed?

The answer is that you have to abandon it. Goldman senses this himself, and the longest chapter in his book is about the Chinese economic reforms of Deng Xiaoping. Goldman writes that "it may well be that future historians will proclaim Deng the true revolutionary of the twentieth century." Deng is clearly what used to be called a great man. He is the first to lead a totalitarian coercive economy back to private property, individual incentive, profits, and production for market. China has even reintroduced the capital market. Enterprises are allowed to sell stock to the public and use the proceeds to buy equipment. A bond market was opened in Shenyang in August 1986, and stock markets in Shanghai in September

1986 and in Beijing in January 1987.

Goldman makes it clear that the ideological and vested-interest opposition, which has frustrated previous reform efforts in the Soviet Union, is unlikely to allow Gorbachev to travel the Deng road. Moreover, he doubts that Gorbachev understands that the failures of the Soviet economy do not reduce to human failings but are deeply systemic.

What is likely to happen? Here there is only speculation. Gorbachev might reform himself out of power by pressing harder than others are willing to go. On the other hand, he might achieve,



Mikhail Gorbachev: *It's doubtful he can travel the Deng road.*

and be satisfied with, marginal improvements that would make him a relative success.

One thing is certain. The Soviets are concerned about falling behind in technology. The United States and its allies could, if the desire existed, make the Soviet Union's massive military investment obsolete and vastly reduce Soviet power on the world stage. That the Soviet rulers worry about a possibility that the West cannot even contemplate is, perhaps, an indication of the different nature of their priorities and goals.

Practically speaking, the Gorbachev reforms might become part of the trappings for acquiring Western technology. Gorbachev can use the fabulous publicity Ronald Reagan gave him to make it socially chic for Western bankers and industrialists to compete in lavishing loans and joint ventures on the Soviet economy. They might never see their money again, but they can boast of their progressiveness in saving Gorby from the Soviet hawks. The mindlessness of the West is one thing Lenin thought the communists could always count on.

Academics such as Goldman have amassed much detailed information about the Soviet system, but they lack a paradigm for interpreting it. Consequently, they can never tell a grand tale. Their books contain interesting details and perceptive observations but are nevertheless boring.

There is a grand tale to be told, but it has to creep out between the lines of every page. The grand tale is the utter superiority of private property. Revolutions that attempted to achieve socialist economic organization that would be superior productively and morally to private property have now demonstrated that no such outcome is possible. The Chinese have understood, if only intuitively, that the absence of private property is an enormous tax on production, a tax that their society with massive population and little capital literally cannot bear. It apparently never occurs to Goldman that his history of the reform efforts points time and again to attempts to achieve the results that flow from private property.

It is possible that Goldman knows this but feels that he cannot say it and be successful. Western Sovietologists have not been without their own antipathy to the market. Moreover, the Soviet Union can influence their relative success by deciding who gets access to its archives. An unfriendly critic is unlikely to receive Soviet help in sharpening his scholarly edge.

I have argued that the Soviet story is one of the interaction of speculative excess or utopian aspirations with refractory reality. But scholars cannot see this as long as they believe that Soviet central planning originated not in an effort to eliminate the market but in a decision to squeeze agriculture in order to rapidly industrialize. Alexander Gerschenkron's dogma "that hardly anything in the momentous story of Soviet economic policies needs, or suffers, explanations in terms of its derivation from Karl Marx's economic theories" has blinded scholars to the meaning of their material.

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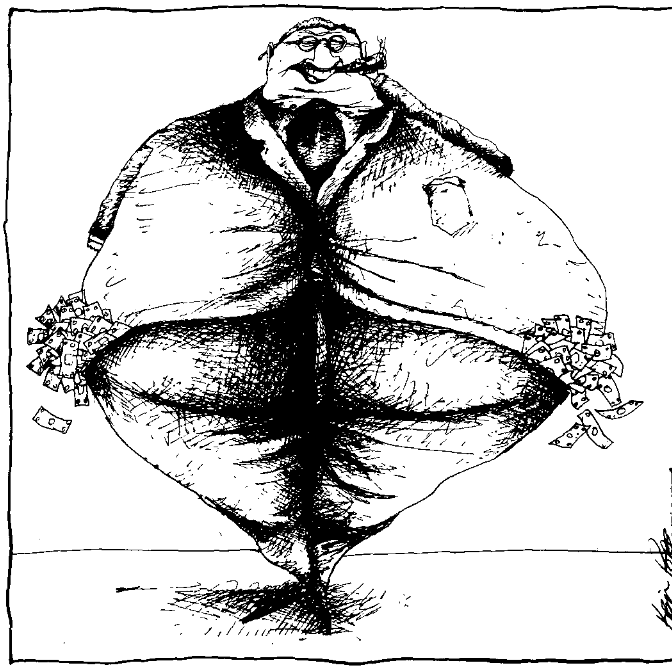
VIEWPOINT

TRILLION-DOLLAR TROUBLE

BY JAMES BOVARD



The latest problem with the Social Security system—a surplus of nearly $40 billion—could be far more dangerous than previous Social Security cliffhangers. In the past, the system repeatedly tottered on the edge of bankruptcy; in the future, a massive surplus in the Social Security trust fund could give politicians the ammunition to take over the American economy.

This is the fourth major Social Security crisis in 16 years. In 1972, 1977, and 1983, Congress rushed through bailout packages to rescue a Social Security system that was in imminent danger of defaulting on benefit payments. Congress decided in 1983 to massively increase the Social Security system's reserves over the next half century to "finance" baby boomers' retirement. The Social Security Commission thus raised Social Security taxes sharply, wiping out the 1981 income-tax cuts for most wage-earning Americans.

The paranoid Social Security experts on the commission and in Congress wanted a surplus, but they failed to predict that the one they were creating would balloon to $12 trillion by the year 2035. Says Sen. Bob Packwood (R-Oreg.) now, "The information was available, but I don't think anyone paid much attention to it." Sen. Pete Domenici (R-N.M.) observes, "I don't think we focused on it because it was rather incredible."

Social Security is based on the idea that government can "save" money—thus building up a nest egg for each citizen's retirement. But the government doesn't bury young workers' money in the back yard and then dig it up when the workers reach retirement age. If Social Security payroll taxes exceed benefit obligations, politicians "invest" the surplus in Treasury bills.

As a result of the Social Security tax hike of 1983, the system's revenue now far exceeds benefit obligations—and the surplus will mushroom to $93 billion by 1993 and $500 billion by 2020. This surplus could mean that no big-spending politician need go frustrated anytime between now and 2040.

Giving politicians a half-trillion-dollar surplus to play with is like giving a six-year-old an Uzi. Washington analyst Tom Miller puts it succinctly: "As the Teamsters used to say, 'But the pension fund was just sitting there.' " Social Security in the future could be a double-whammy for the American economy: first, Congress will drain the economy's lifeblood by pulling out billions of dollars a year in payroll taxes; then, Congress will turn around and use that hoard to throw wrenches into the economy.

After the Social Security surplus piles so high that politicians have exhausted their capacity to waste money in the public sector, there will likely be a big push for government to invest in the private sector. On the surface, this would be preferable to allowing politicians to spend all the money on the day it arrives in the Treasury. But with trillions of dollars of surplus piling up, government could soon be able to dominate the economy.

Pension fund socialism is a likely result. Money would be available for a thousand Chrysler bailouts, for massive subsidies to unproductive farms, and for "saving" every inept corporation between Miami and Seattle. Government could buy a share of private companies—and then, a few years later, politicians could easily take over daily management of companies, dictating social goals, labor policies, and investment strategies. The Zairean model of development would finally arrive in America.

On the bright side, the surplus provides a golden opportunity for citizens to escape from the floundering Social Security system. If the feds can't bring themselves to privatize Social Security, thereby restoring Americans' free choice about investing for their own retirement, at least they could reduce payroll taxes to only what Social Security needs to pay current benefits—and then require citizens to deposit the remainder of what they previously paid in taxes in a private savings account.

The new private accounts would be citizens' own property, though they'd be denied access to their stash until age 62. This would greatly reduce Social Security's drain on capital accumulation and would stimulate the savings rate. Making the savings accounts mandatory, though reprehensible to libertarians, would satisfy frightened voters' belief that they need to be saved from themselves.

Social Security will never be more trustworthy than the average member of Congress. Social Security makes life in America less secure by forcing people to rely on politicians who have no idea in hell what they are doing. The growing Social Security trust-fund surplus could either bankrupt the nation or provide an escape from political bondage.

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KEVIN POPE