

# POLITICAL BOOKNOTES

**Day of Reckoning: The Consequences of American Economic Policy Under Reagan and After.** Benjamin M. Friedman. *Random House, \$19.95. On Borrowed Time: How the Growth in Entitlements Spending Threatens America's Future.* Peter G. Peterson, Neil Howe. *ICS Press, \$24.75. Rendezvous with Reality: The American Economy after Reagan.* Murray Weidenbaum. *Basic Books, \$19.95.* It's no surprise that many Americans have given up worrying about budget deficits. After all, the economic Cassandras who warned of their dire effects in the early 1980s turned out to be dismally wrong.

In 1981, for instance, a host of economists told us that deficits cause inflation. The following year, inflation collapsed, despite the biggest deficit in American history. Then in 1982 they told us deficits would stifle the expansion. Within months, the economy began its recovery at a spectacular pace. Ever agile, the prophets of budget doom argued deficits would cause the economy to overheat and quickly lead to another recession. Today, almost six years into the longest peacetime expansion on record, that warning also rings hollow. Most Americans may still believe that deficits matter, but they've lost all faith in the economics profession to tell them how.

That's too bad. Because finally, a consensus has emerged among mainstream economists that provides a convincing view of the deficit's dangers. The new story is more modest than before, and therefore more credible. Its basic point is this: Budget deficits may or may not lead to inflation or recession. But deficits certainly lead to debt. And sooner or later, one way or another, debt must be repaid.

The consensus is reflected in three new books by prominent economists, each of whom comes from a different point on the political spectrum. Benjamin Friedman, a Harvard professor, is relentlessly anti-Reagan. Peter Peterson, investment banker and former Nixon administration official,

attempts to hold himself above partisan politics and parcels out blame to Reagan and his rivals alike. And Murray Weidenbaum, former chief economic adviser to President Reagan, does his part to defend his former boss. But all three adopt a common theme whose nature is readily apparent in their foreboding titles: *Day of Reckoning*, *On Borrowed Time*, and *Rendezvous with Reality*.

Friedman's *Day of Reckoning* is especially unforgiving in its critique of Reagan's policies. Those policies were not just wrong, in Friedman's view; they "violated the basic moral principle that bound each generation of Americans to the next since the founding of the republic: that men and women should work and eat, earn and spend, both privately and collectively, so that their children and their children's children would inherit a better world."

But there is more to this book than indignation. Friedman has a story to tell, and he tells it convincingly, with numbers to back it up. Enormous budget deficits have soaked up most of the nation's pool of savings, he argues, leaving little for private businesses that wish to invest. Starved for savings, the nation has been forced to borrow from abroad.

The reader may ask: Didn't the U.S. accumulate foreign debt throughout its industrial development in the late 1800s? True enough, Friedman responds. But the money was invested in plants and equipment that increased the nation's ability to produce, grow, and pay off its debts. The level of investment in the 1980s, on the other hand, has "fallen beneath that of any previous sustained period since World War II." The results:

► American standards of living will stagnate, as the nation is forced to divert more and more of its resources to servicing foreign debt. "We are not borrowing against the future earning power of our new industries, for there are none," Friedman says. "We are simply mortgaging our future living standard."

► Foreign ownership of U.S. businesses and U.S. real estate will

continue to rise rapidly. "Like a family that owns a house and a car, and some stocks too," the U.S. "can keep excess consumption going longer by selling these assets off one by one," Friedman says. But "becoming a nation of tenants rather than owners will jar sharply against our traditional self-perception."

► U.S. power in the world will decline. "World power and influence have historically accrued to creditor countries," he writes. America's slump into debtor status "cannot help but alter America's international role."

Friedman's vision of the future may be unduly apocalyptic, and he overlooks the fact that under Reagan both inflation and unemployment were reduced—something the president's critics thought would be impossible.

Nevertheless, the core of Friedman's argument, if not his conclusions and his searing tone, is largely shared by Peterson and Weidenbaum as well. They don't give Reagan all the blame, but they raise the same troublesome questions about the nation's commitment to its future.

But while these three men agree on the problem, they disagree over the solution. The budget deficit must be eliminated, but how?

Friedman says taxes. "It is increasingly clear that Americans want the level of government activity that we have and that we can afford that level," he writes. "The question now should be how to pay for it."

Yet what's clear to Friedman isn't at all clear to Peterson and Weidenbaum. Peterson's book documents in frightening detail the explosive growth in Social Security and Medicare spending that will come in future years as the result of a convergence of various trends: an aging population, a declining fertility rate, increasingly expensive health care, and increasingly early retirement. Any attempt to pay for that with taxes, he insists, would lead to "a taxpayers' revolt of unprecedented proportions." Instead, the only answer is to cut Social Security, Medicare, and other

"middle-class entitlements."

Weidenbaum shares Peterson's views on taxes, agrees on the need for cutting entitlements, and also suggests an attack on a handful of non-entitlement programs—the space shuttle program, foreign aid to Middle Eastern countries—and the elimination of food stamps.

Here, then, is the stuff that should fuel a great national debate. Not *whether* to cut the deficit, but *how*. Imagine a Democratic presidential candidate who had laid out a plan to close the budget gap with higher gasoline taxes, higher cigarette taxes, and a modest rise in the top tax rate; and imagine a GOP contender who had said the only answer is to cut back Social Security and Medicare for the affluent elderly. There would have been great wrenching and screaming, angry claims followed by angry counterclaims. And when it was all over our nation's politicians might have had some notion of what the public really wanted them to do.

Unfortunately, that's not the way it worked. Both candidates gave vague lip service to the deficit, but neither

acknowledged the choices that must be made to tackle it.

—Alan Murray

**Countdown.** Frank Borman. *Morrow*, \$19.95. What goes up must come down. That's a brief Newtonian synopsis of *Countdown*, an autobiography of Frank Borman, the man who guided the Apollo 8 mission around the moon, and then, as the CEO of Eastern Airlines, steered the troubled carrier into a crash landing—when a collision course with Eastern's unions forced the sale of the company to the airline raider, Frank Lorenzo.

The up side of the story is the stuff of which American myths are made. The only son of a gas-station operator becomes a pilot so skilled that he is tapped to lead the first spaceship around the moon. But *Countdown* tells of Borman's fall with much less honesty than his rise, and it contains an unintended moral: outer space may not be the best place to learn how to run a company.

The book is the latest in a series of

joint-venture autobiographies. Like most of his kind, Mr. Borman's co-author, Robert Serling, is paid to make his subject look good. In so doing, he renders the odyssey from gas pump to lunar orbit to Eastern shuttle with folksy similes and the glib PR patter that makes everything sound like a press release. (Mr. Serling, whose brother Rod created TV's "Twilight Zone," had already written the official history of Eastern Airlines, *The Captain and the Colonel*, which, like *Countdown*, too often dresses up the truth until it's close to fiction.)

Plenty of the real Borman comes through, however. He's a feisty character who goes after his enemies like Jake LaMotta. Give Borman credit for this: He jabs at just about everybody—from Carl Sagan and Chuck Yeager to Michael Dukakis and the Columbia students who pelted him with marshmallows during a speaking tour. With the exception of his wife Susan, Richard Nixon, and a few others, Colonel Borman fingers enough "nerds," "phonies," and "dumb bastards" to fill a convention hall. On the other hand, judging from his long and loving descriptions of airplanes, from T-33s to A-300s and 757s, Borman never met a machine he didn't like. (Indeed, he liked them so much that he went on a plane-buying spree at Eastern that, some say, permanently saddled the company with debt it could not afford.)

The NASA years are chronicled in great detail, and space junkies will find much in those sections to interest them. For myself, I am perversely drawn to the saga of Eastern Airlines. Ridiculed for years by discontented passengers, and still the battleground for one of the most bitter and destructive labor-management wars in recent memory, Eastern somehow managed, in 1984 and 1985, to invent one of America's most far-reaching programs of worker ownership and labor-management cooperation. As CEO, Borman saw the best and worst of that tortured company. In *Countdown*, I was looking for clues in Borman's NASA career that would let me better understand Borman the executive.

There's no question that Borman had "the right stuff" for an astronaut. Whether in a T-33 or an Apollo 8 capsule, Borman displays what he calls

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