

ters. Both films are about people matter-of-factly committing outrageous crimes (in *Blood Simple*, a man hires someone to murder his wife in cold blood); in both films, criminals betray each other, and violence begets violence. Both films, indeed, are gruesomely, grotesquely violent, violent to the point of hilarity, like a Monty Python movie. (The most memorable sequence in *Blood Simple*—in which a man has to reach out of one window and into another, in the next room, to remove a knife that has been plunged through the wall and into his hand—has a very similar counterpart in *Raising Arizona*.) Like some of the Python movies, moreover, the films of the Coen brothers, for all their absurdity, nevertheless reflect an acute and pained awareness of the evil of which human beings are capable.

But to go on too long about such matters would be to suggest that the film is more serious than it is. In the main, *Raising Arizona* is a top-notch screwball comedy. Perhaps the funniest sequence is one that begins when Hi and Ed drop by a convenience store to buy some Huggies for Nathan, Jr., and Hi, unable to resist the temptation, holds up the joint. The ensuing chase—complete with police cars, a vicious watch dog, and a pimple-faced counterboy who turns out to be far more bloodthirsty than Hi ever was—builds wonderfully, has a terrific pace, and is as elegantly choreographed as a Balanchine ballet. (Nicolas Cage, it should be said, is far more effective here than in his uncle Francis's *Peggy Sue Got Married*; one is almost tempted to say that Cage was born to play Hi McDunnough—a frightening thought.)

Another particularly funny sequence is the one in which Gale and Neville, having found out Nathan, Jr.'s true identity, tie up Hi and make off with the baby, determined to hold him for ransom. Yet they're not completely evil: when they stop to rob a bank, they're conscientious enough not to leave the baby alone in the car for five minutes—so they drag him, car seat and all, into the bank with them. Soon afterwards, when they just miss losing Nathan, Jr., due to a foolish mishap, Gale and Neville weep tears of relief and Gale decides that they'll never give him up: "He's our little Gale, Jr., now."

One of the things that separate this movie from the typical witless and pallid contemporary film comedy is its plethora of wacky, weird details:

the vulgar five-baby wooden crib, for instance, in the Arizona nursery, on which the boys' names are printed over their respective heads; the sign reading FARM SUBSIDY CHECKS CASHED HERE in the rural bank that Gale and Neville rob; the Mondale-Ferraro sticker on Gale and Neville's car. Another delightful aspect of the film is that the Coen brothers make fun not only of contemporary American manners and morals but of contemporary American film: *Raising Arizona* is full of camera moves and angles that parody the visual clichés of *Friday the Thirteenth* and *Halloween* type movies, as well as of Steven Spielberg. *Raising Arizona* is not a work of genius, by any means, but it is inspired and inventive throughout—and this alone places it head and shoulders above most of the comedy films of the day. □

## THE PUBLIC POLICY



### COMPETITIVE URGES

by John A. Barnes

The TV ad shows a middle-aged man—presumably a laid-off blue-collar worker—huddled under a blanket. "Something could have been done back in '87," he says disgustedly. But apparently nothing was and the result, we surmise, was disaster for America. "It's a damn shame," he declares. Then, at the fade-out, the logo of the United Auto Workers flashes on the screen and a voiceover warns: "We need a tough trade policy!"

The idea is catching. "No more Mr. Nice Guy," blares *Forbes* magazine. "For going on forty years, the U.S. has been sacrificing national interest to the bigger cause of keeping the Free World prosperous. Simple arithmetic says the party is over."

Exactly what sacrifice the editors of *Forbes* are talking about is not immediately clear, since during those forty years the U.S. has without question been the most prosperous country in the world. Nevertheless, 'tis the season to be a pessimist, especially inside Washington. In 1980, it is pointed out, America was the world's largest creditor nation, with over \$150 billion in outstanding loans. By the end of next

*John A. Barnes is chief editorial writer for the Boston Herald.*

year, we will be the largest debtor, owing perhaps as much as \$500 billion around the world—easily eclipsing Brazil.

For as long as the dollar appeared to be overvalued on world markets, the growing trade deficit could be safely dismissed as nothing more than a phase. But even after Treasury Secretary James Baker succeeded in forcing down the value of the dollar, the deficit continued to grow; and now the doom-sayers are arguing that there is something structurally wrong with the U.S. economy: Reaganomics is built on a house of promissory notes, and the 1980s will be remembered as the last spree before the start of our post-imperial decline.

The list of complaints seems endless. American cars need 3.5 repairs a year compared with 1.1 for Japanese cars. The U.S. is the king of technological inventiveness but cannot exploit its own discoveries—the VCR, for example, was invented on these shores, but it took the Japanese to market it. The best graduates of the elite schools shun manufacturing for the glamour of high finance and the law, choking the country with litigation and accounting tricks that prop up dying corporations.

Thus the Democrats, joined by some

in the business community and organized labor, have discovered "competitiveness," a wonderful term that can mean almost anything to anybody. For business, it means labor working longer hours for lower wages; for the education lobby, it means higher salaries for teachers; for scientists, it means more government grants for "basic research"; for big labor, it means "managed trade" and a "level playing field."

Now none of this is intended to suggest the dreaded *p*-word—"protectionism." Everybody, it seems, admits that the protectionist Smoot-Hawley Tariff Act strangled world commerce and largely brought about the Great Depression. "Nobody here wants protectionism," says South Carolina Republican Strom Thurmond. "We just want to keep out a few imports, that's all." Restricting those imports, of course, would hurt consumers. But Congress is responding to different pressures. The interests affected by those "excess" imports are large and often concentrated in congressional districts. Consumers, on the other hand, are an amorphous breed, dispersed around the country and largely uninterested, as a class, in the ramifications of trade policy.

A few examples, however, show the hidden damage of the "competitiveness" obsession. Early in this decade, "free trader" Ronald Reagan slapped a "voluntary quota" on the number of Japanese cars that could be imported into this country. The idea was to allow the inefficient and unresponsive U.S. auto industry to get back on its feet. The quotas stayed on for nearly five years and undoubtedly saved jobs. But Robert Crandall of the Brookings Institution estimates that during that period consumers paid about \$1,500 more per car, thanks to the quotas. Each job "saved" cost something like \$150,000, money that won't go to create other jobs in other sectors of the economy.

Then there's textiles. Keeping out lower-cost shirts and dresses made in the Far East may save a few jobs in North Carolina (where the unemployment rate is something like four percent). Meanwhile the poor (especially) end up having to shell out more for their clothes.

But the competitiveness boys are trying to make larger points as well. It is certainly true, as they say, that the U.S. economy has been undergoing

a major change during the Reagan years. In 1980, the U.S. had a \$13 billion surplus in manufactured goods, which had turned into a \$145 billion deficit by last year. The computer market, supposedly the salvation of the American industrial economy, is now 25 percent held by foreign makers; in 1980, the figure was seven percent. And so on. The cause of this, though, is not a malaise in American capitalism, or an abundance of slothful workers and incompetent managers. If anything, it is precisely the opposite.

The U.S. economy has boomed these last few years, creating 12 million new jobs since 1983. Western Europe has not created one since 1974. Productivity in the last six years has been the highest in our history, rising at a stunning 24.3 percent, far outclassing Japan's performance. The U.S. also has the highest rate of employment in its history, with 61 percent of Americans over sixteen holding jobs. That's the nub of the problem: high U.S. growth while the economies of our trading partners have been lagging.

"If anything, Japan has become a little less protectionist," says Max Destler of the Institute of International Economics. IBM, for example, is the largest retailer of computers in Japan. Unfortunately, U.S. manufacturers often do little to tailor their products to the Japanese market, in contrast to the prodigious market research the Japanese do before introducing a product here.

In comparing the U.S. with Japan the protectionist lobby ignores the very major differences between the two economies. There is no secret to what the Japanese have been doing since the end of World War II: they have been starving their domestic economy in the interest of exporting everything they can as cheaply as they can. The same Japanese-made goods that are cheap in this country cost a good deal more in their land of origin. That is why the barriers to imported goods are often so frustrating to navigate: the Japanese want their people to buy mostly their own goods in order to subsidize them for cheap export.

The U.S., by contrast, has never been a big exporter of manufactured goods. Almost from its beginning, the U.S. exported raw materials and agricultural goods and directed its manufacturing sector almost exclusively towards the domestic market. Americans bought the goods out of patriotism or convenience. Our export of manufactured goods in the postwar age was an advantage that grew artificially out of World War II, when the U.S. was the only going concern around. To try to fashion policies that would somehow return the

U.S. to that sort of dominance is just misplaced nostalgia, and dangerous nostalgia at that.

But as so often happens when we are warned of looming public policy disasters, the problem has begun to resolve itself just as the debate reaches a crescendo. The trade deficit is in fact shrinking, and the demagogues must

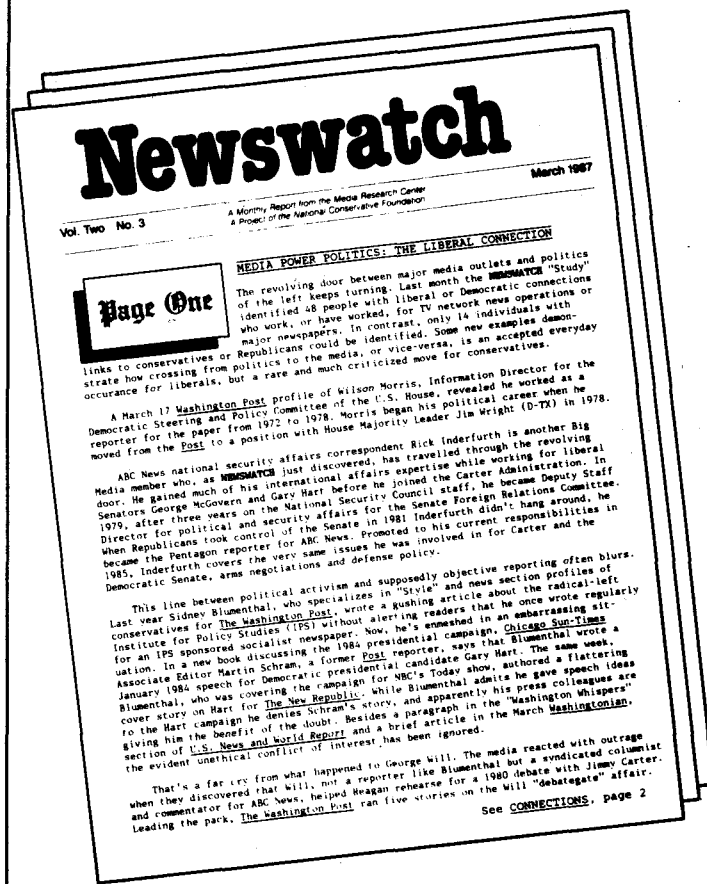
be held at the gates a few months longer before they can do anything that will wreck this happy situation.

Because imports go up in price faster than Americans stop buying them, there is a lag of as much as eighteen months before more expensive American goods become competitive again and people start buying those. There's no question that Secretary Baker's effort to drive down the value of the

dollar over the last year and a half has resulted in the worst trade deficit figures in history—a record \$60 billion with Japan and nearly \$25 billion with the European Community. But since Panasonic stereos, for example, will soon be more expensive than American-made ones, we are reaching the bottom of a "J" curve that will soon start on the way back up. The deficit has been showing declines in recent

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months. (Figures showing increases in the trade deficit are almost always revised downward a few months after their release, when no one is watching.) The 1988 trade deficit, assuming Congress does nothing to botch things up, could be as low as \$100 billion, down from the current \$178 billion.

Such an analysis, if correct, undercuts the entire protectionist argument

that the American economy requires structural changes which only Democrats and their allies can identify and bring about. Consequently they are rushing to pass a protectionist trade bill before the news gets any better. The "Gephardt Amendment," which actually passed the House last year, would have imposed punitive sanctions on any nation that ran a consistent trade surplus with the U.S. Fortunately,

the Republican Senate said nix. Now that brake is gone. Anything could happen this year, and Reagan will have to have his veto pen ready.

Unfortunately, the Administration has been wobbling like a gyroscope on this issue. In his State of the Union address, Reagan talked tough about not being "trade patsies" to the rest of the world and even threatened to impose massive import restrictions on Euro-

pean wines and cheeses. That was averted, but the Administration has also offered its own "competitiveness" package that would give the Democrats blocks to build on. While these efforts are meant to undercut the opposition's arguments, they also have the effect of undermining the Administration's ability to say no when a protectionist bill is finally passed. Slapping tariffs on Japanese goods for the first time since World War II, as Reagan did in April, also indicates the Administration may be starting to believe its own rhetoric.

**F**ree traders in both parties should counter-attack. For starters, they could point out ways the U.S. shoots itself in the foot on trade issues. Japan, for example, would love to buy Alaskan crude oil. It is much closer to home and a far more reliable supply than that from the Persian Gulf. A federal law passed back during the height of the "energy crisis" in 1973, however, forbids the sale of Alaskan oil overseas. Raw U.S. timber also cannot be sold to Japan, despite its desire to buy. The repeal of these two laws could slash the trade deficit with Japan by as much as a third.

Government is very limited in what it can do to make uncompetitive industries competitive again. Devising a cure for a problem whose origins are so long standing and diffuse is both impossible and dangerous. In the 1950s and 1960s, the U.S. was able to raise its labor costs almost with impunity because it had little or no competition. But once Japanese steel and automakers could produce higher quality products at less labor cost and with more modern equipment, the U.S. steel and auto industries had to adapt. To a large extent they did not; workers in these areas paid with their jobs. The surviving, slimmed-down industries, however, are becoming more competitive, largely because of intense foreign competition. This is another advantage that may be lost if imports are shut out.

The most government can do is to create as favorable a climate as possible for economic growth. The 1981 tax cuts, combined with last year's tax reform, and the big slowdowns in inflation and government spending are all solid accomplishments of the Reagan years. Improvement is coming, but the changes will be slow and gradual. Meanwhile, the competitiveness bandwagon provides excellent cover for business and labor groups seeking special advantages from government. The temptation to grant them must be resisted, or we may well end up worse off than when we started. □

## LibertyPress

### ORIGINS OF THE COMMON LAW

By Arthur R. Hogue

**F**irst published in 1966 by Indiana University Press, Arthur R. Hogue's *Origins of the Common Law* looks at the deep medieval roots of our legal system during the early formative period of the common law. Between 1154 and 1307, from the reign of Henry II to that of Edward I, common law experienced a spectacular growth as a legal system enforced in the English Royal Courts. Paraphrasing Professor Hogue: in the form of writs, judicial decisions, treatises, royal ordinances, and parliamentary statutes, the common law, in large part the definition of established customs, emerged into explicit written form and formal procedure to order better such ordinary relationships among Englishmen as those between landlord and tenant, merchant and money lender, and buyer and seller.

In his final chapter, "From Medieval Law to Modern Law," Hogue concludes, "The rule of law, the development of law by means of judicial precedents, the use of the jury to determine the material facts of a case, and the definition of numerous causes of action—these form the principal and valuable legacy of the medieval law to the modern law." And one might add, to the growth of the concept of liberty as well.

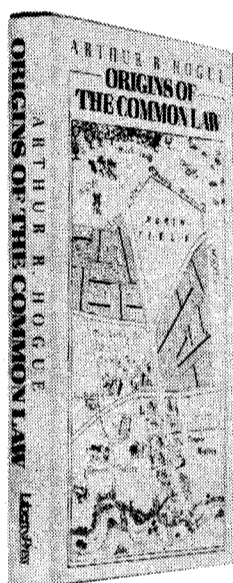
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## HARRY'S ON HANOVER SQUARE

by Joe Mysak

We eat and drink light, or "lite," now, "grazing" on dishes resembling nothing so much as what used to be called hors d'oeuvres, nibbling on nouvelle primitive cuisine served in inordinately large plates. This way to the salad bar, gentlemen, and easy on the dressing, if you please!

Such simpering behavior in males not nominally dancers, hairdressers, florists, and fashion designers is unseemly, although today's media elites will never say so, so afraid are they of being accused of insensitivity. But it was a surprise to see such pop eating crack the ranks of Wall Street, where I work, and where such giants as J. P. Morgan and Jay Gould plied their trade. Bad enough was an invitation to a dainty *patisserie* from a colleague; worse was when another began to declaim on the wonders and benefits of some Guatemalan or Peruvian vegetarian diet.

"All well and good for Third Worlders," I told him. "Empire builders do not live on beans and greens. When was the last creative suggestion or actual idea, invention or art work, to come out of Guatemala? Western Civilization, which has been entrusted to our hands, cannot survive on wood-meat and berries." I added that I was off to a lunch at Harry's, and so would be back a little late.

The dash to Harry's at Hanover Square, a few blocks south of Wall Street, has been made from my office, even by my Marlin Fitzwater-like body, in one minute and 53 seconds, and has been covered in three minutes from Merrill Lynch Capital Markets, 3.5 minutes from Dean Witter Reynolds, 3.8 from Shearson Lehman Brothers, and a flat 46 seconds from Salomon Brothers. The pace is no doubt quickened by the necessity of passing gourmet salad bars, and croissant and quiche shops, which despite the early hour already have long queues of customers clamoring for their tender wares, queues to make a Byelorussian

blush with recognition. The perils of the journey make the arrival at your destination the sweeter.

Harry's at Hanover Square (no relation to any other Harry's besides the one in the catacombs of the Woolworth Building) is located in the bottom of the India House, a landmark Anglo-Italianate brownstone built in 1852, which once housed the Cotton Exchange. The India House was remodeled in 1924 as a businessmen's club, heavy on the Clipper ship memorabilia and overstuffed leather furnishings. Downstairs at Harry's, however, is where the action takes place.

To be sure, it is not a place to get gently stewed: the roar by 12:20 rivals the New York Stock Exchange. Still, it is eminently civilized, with none of the corruptions of the modern age, featuring dark paneling, stained glass windows, and a large, rectangular wooden bar, unadorned except for a brass rail. There are almost thirty tables in the barroom, covered with red tablecloths. I seem to recall the presence of some gold drapes, taken either from the Czar's summer palace or the set of the old Jackie Gleason show. And overhead is an original pressed-tin ceiling, no potted plants, and a pair of *Bond Buyer Wire* machines, the municipal bond equivalent of a stock ticker, for Harry's is favored by the municipal bond crowd: dealers, underwriters, traders, salesmen, analysts. And reporters. The only other piece of decoration in the bar at Harry's—which is the heart of the place—is a painting by Leroy Nieman, the sports artist, of the bar at Harry's.

Professionals invariably stop at the bar for a cocktail or two before lunch, and here again, an appreciation of the classic abides. Bartenders Danny, Jerry, and John are masters of the craft. They pour freehand, and liberally, and use individual splits of mixers instead of the plastic guns that have infected every saloon in the Republic, from the greatest to the meanest. The bartenders are amiable, and chatty, and

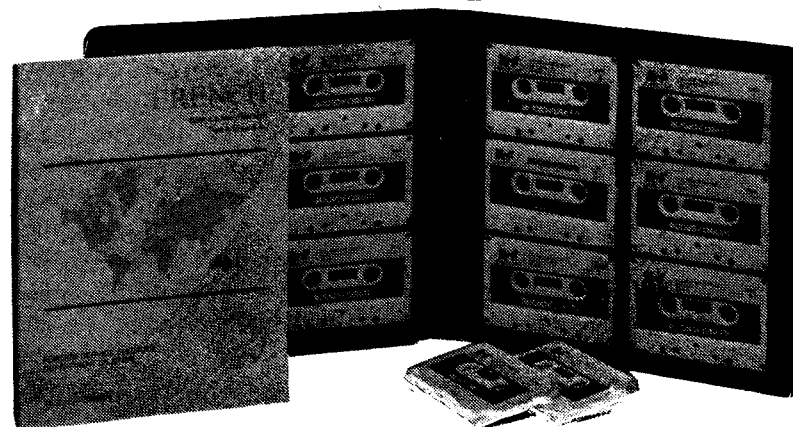
know the regulars. Even the bar snack is right: crocks of sharp cheddar and bread. The price of the drinks, under \$3, is not an insult, and downright inexpensive in a city known for making its populace pay for the privilege. The Beck's on tap is excellent, but the Dewar's moves fastest.

So does the gossip, with much of the

news of the bond industry first overheard at the bar. Nowhere else can one get news of the latest personnel moves, details on the latest multibillion dollar financings, and the inside story of how securities lawyers negotiate with a firm's more fractious clients: "First, we appeal to reason. Then we get tough.

(continued on page 47)

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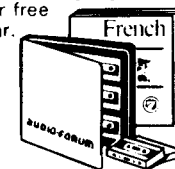
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