miracle. What he is cooking is alphabet soup—MIFA, JTPA, MAP, MTDC, CARD, BSSC, ET, etc. *ad absurdum*.

Of the two biographies it may be worth noting that Turner and Kenney (of *The Boston Globe*) are the smoother writers, and they interviewed Dukakis at length. Gaines and Segal (of the weekly Boston *Phoenix*) had no private access to Dukakis for this book; they diversified their sources and have kept a gritty documentary quality in their narrative.

The most impressive scoop in either book is the Turner and Kenney digging into the tragedy of Dukakis's older brother Stelian. As abundantly gifted as Michael, Stelian had more of his father's gentleness, as Michael had more of his mother's driving intellect. At least partly, it appears, under the pressure of Michael's fierce competition, Stelian collapsed in suicidal depression during college and never fully recovered. In 1973, at age 42, he was knocked off his bicycle and into a coma; four months later his family, including Michael, took him off life supports. "They were very close friends, but the sibling rivalry was something awful," said their mother, the remarkable Euterpe Dukakis.

I was reminded of all the tense, loving, often destructive brotherly contests that have shaped politicians—from Jacob and Esau to Jimmy and Billy Carter. And I am haunted by the question put to Turner and Kenney by Mike Dukakis's high school sweetheart Sandy Cohen Bakalar, who is still among his closest friends. "I think it must have been tough for Stelian," she said. "Would *you* want to have Michael Dukakis for a brother?" □

How the Democrats can beat voodoo economics.

The Case For Competition

by Paul A. London

The title of Alan Blinder's book, *Hard Heads, Soft Hearts: Tough-Minded Economics for a Just Society*, tells a lot about the author's dilemma as he tries to find a place for his views in the Democratic camp. A professor of economics at Princeton and a columnist for *BusinessWeek*, Blinder argues that a refurbished Keynesian economics—driving for low levels of unemployment, opposing protectionism, fighting subsidies and oligopolies—could give us a truly healthy economy, not the precarious prosperity we have now with enormous trade and budget deficits. In a book that bridges the academic and the popular, offering excellent footnotes *and* plenty of one-liners, he spares no one. Taking shots at monetarism (tight money) and supply-side (enormous tax cut) policies, he calls Reaganomics "the worst of both worlds—a soft head and a hard heart." He also criticizes the softhearted but mushy-headed policies of liberals who want to control markets through devices like protectionism or huge agricultural subsidies. Chiding many Democrats on rent control, Blinder recalls the maxim that "after bombing it's the second best way to destroy a city."

As an argument for Keynes and as a critique of recent American economic thought, this book succeeds. But Blinder does not overcome the political problem he sets up for himself—to show how a Keynesian policy that offends both the left and right could prevail. His nemesis is what he calls Murphy's Law of Economics, "a systematic tendency for good economics to make bad

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politics and vice-versa." For Blinder, bad policies (like supply-side tax cuts and rent control) are popular; good policies (like cutting subsidies or eliminating tariffs) are unpopular. The question of how to sell Keynesianism confounds not only Blinder but any Democrat who takes on George Bush and the Republican party's economic line.

"Competition, competition"

It's important to remember that Keynesians have always had political problems, even though they helped shape the economic policies of the Kennedy and Johnson administrations and Nixon said that he was a Keynesian. That's because Keynesianism is a fundamentally radical idea that makes a lot of people uncomfortable. Its emphasis on liberal trade and open markets, for instance, upsets the AFL-CIO. And conservatives become apoplectic about Keynes; after Marx and Freud, he ranks as one of the leading figures of their demonology. With his *General Theory of Employment, Interest, and Money*, John Maynard Keynes took a swipe at businessmen, declaring that consumers are the true engines of the economy. (In many European languages, the translation of businessmen is "job-givers." They were the suns of the economic universe.) Keynesianism is a jarring political rebalancing, and it has never gone down well. Businessmen found Keynes's reduction of the role of investors treasonous in the 1930s and only slightly less so 50 years later. It mattered little that FDR said that one of his jobs was "to prevent bankers and businessmen from committing suicide." Many of them never forgave him or Keynes for diminishing their role in the system. In 1981, David Stockman could still use "fear of Keynes" to cow politicians who opposed him. Pete Domenici, then chairman of the Senate Budget Committee, was so flustered by an editorial Stockman planted in *The Wall Street Journal*, entitled "John Maynard Domenici," that he stopped fighting supply-side tax cuts.

The conservative line on Keynesian economics was that it was inflationist, socialist, or worse. But conservatives didn't turn Keynes-bashing into a successful political formula until the 1970s. Then with consumer prices up 11.3 percent in 1979 and 13.5 percent in 1980, they finally were able to pin the "inflation" label on the Democrats and link Keynes to the charge. Supply-siders like Jude Wanniski and Arthur Laffer gained celebrity status and Milton Friedman's *Free to Choose* topped the bestseller lists. (Blinder ridicules them now for the twin deficits.)

But wasn't there something to the critique of Keynes? Wasn't Paul Volcker a hero for stemming inflation with a monetarist-inspired policy of tight money and high interest rates? If Blinder thinks tight money was so bad, how would he have controlled inflation?

Unfortunately, in both political and economic terms, it is not clear that Blinder has the answers. When Bush slams Democrats this fall for being the party that brought double-digit inflation, Blinder would have the party's nominee say that the inflation of the 1970s was due to the OPEC oil shocks and crop failures. He concedes that higher inflation would have resulted if Volcker had promoted lower interest rates, faster growth, and more employment. However, he argues that by holding rates too high for six years, the Fed not only caused hardship and increased the budget deficit, it made the huge trade deficit inevitable. Unlike Volcker, Blinder would have tolerated more inflation. (This puts Blinder on the same side as author and Fed critic William Greider.) Blinder's response to inflation is to go with the flow. His anti-inflation policy is indexing so that wages and spending rise right along with inflation.

But for someone so concerned about making economic policies politically salable, Blinder is naive. Can you imagine what will happen if Michael Dukakis stands up in a debate with George Bush and says that, well, yes, we should just index wages to match inflation? Blinder's indexing scheme would confirm the voters' worst fears that the Democrats are not serious about stopping inflation—and fill Republicans with joy.

Democrats need a better answer for controlling inflation than Volcker's slam-on-the-brakes policy or Blinder's indexing. A better way to stem inflation—and alay the fears of voters that the Democrats and their Keynesian ideas are responsible for inflation—would be a broadened and "populist" antitrust policy, demanding that U.S. firms price competitively.

Democrats often forget that such policies have proven popular *and* effective. "Competition, competition, competition" was Woodrow Wilson's way of controlling inflation. He pushed through the Clayton Antitrust Act and took on companies like International Harvester and American Sugar. He attacked the trusts as Truman, Kennedy, and Johnson did years later. An attack on oligopolistic pricing would be good politics now. Just look at how every Democratic candidate has taken shots at corporations. Competition in the airline industry has been a wonderful anti-inflation policy—saving consumers about $8 billion per year (in 1977 dollars), according to a Brookings report. To be sure, there have been problems: deregulating prices should not mean deregulating safety standards. But the worst problems of the airline industry can be blamed on a dearth of air traffic controllers and a Reaganite willingness to allow mergers to go unabated. The fundamental idea that deregulation stems inflation is sound. Where it has been applied in trucking, railroads, communications, and natural gas it has cut costs and lowered prices.

Proposals to fight inflation with competition may find a skeptical reception. Blinder and others argue that the inflation of the 1970s was fueled by food and oil shortages, forces that competition could not reach. But those arguments don't explain why inflation was worse in the U.S. than in Japan after 1977. It does not explain how Sweden has maintained its export markets, full employment, high living standards, and a more equitable income distribution than we have.

The reason is that Japanese industries, and indeed industries in countries like Sweden and Germany, had to sell in world markets. To do so they had to keep prices and wages competitive no matter what OPEC and commodity prices did. But in the U.S., as we all know by now, companies and unions gave up on foreign markets and secured the help of their political friends to avoid the competitive imperative.

Look at the steel industry, which has been protected against foreign competition by various schemes since 1968. As a result steel prices rose 33 percent faster than prices for all industrial products, and wages rose 11 percent a year from 1970 to 1977. Data shows that other U.S. industries also short-sightedly raised prices in the 1970s, just when competition from Japan and other industries was increasing.

From March 1970 to March 1987, auto wages rose from 130 percent to 169 percent of the average U.S. wage; steel wages, from 125 percent to 162 percent. Workers who kept their jobs in the protected industries got richer while those who lost their jobs in industries with more competition—and less political clout—paid for it.

Democrats forgot their heritage. They lacked the insight to force the big oligopolistic industries to cut costs and keep searching for foreign customers, to keep trying to sell Chevys in Europe. For Democrats it was easier to pin all the blame on OPEC and for liberals it was especially inviting to blame the Vietnam war for inflation. They pretended that no special anti-inflation policy was needed. Conservatives were just as bad, if not worse. They did not want to tell management to tighten up and fight for markets. Their scapegoat for inflation was not only OPEC but the money supply and government "giveaways."

Would it be possible to sell a hardheaded and softhearted program of "competition, competition, competition?" After all Democratic politicians have a history of earning applause lines not with Keynesian themes of open markets but with populist themes. It's easier to attack Landlords, Big Business, Wall Street, and The Rich. There are no bad guys in Keynes.

Yes, I believe as Blinder does that Keynes can meet the "populist juices" test without losing its rationalist soul by making non-competitors the bad guys. Again, look back. The best part of New Deal economic policy was its commitment to low interest rates, a central tenet of Keynes. FDR knew that the performance of the Federal Reserve bank had been a disaster from 1929 until 1932, and he made political hay out of it. He stripped the Fed of real power when he took office in 1933, and told it to finance the government debt at rates between 0.5 and 1.75 percent. And by God, it did for 20 years and more in much-deserved obscurity. FDR also used the Reconstruction Finance Corporation to drive interest rates down and pump money to those who needed it. With easy money, banks reopened and the GNP grew an average of 8.3 percent a year and unemployment was cut from 24.9 to 9.9 percent from 1933 to 1941. From 1933 to 1941, the retail price index rose from 38.8 to 44.1, only about 1.7 percent a year. Did Democrats get the political credit? Ask President Landon. Obviously, interest rates can't be kept low just through government action. Fickle foreign investors play a major role in raising and lowering interest rates. But the government could keep them much lower if inflation disappeared.

Why did Democrats abandon the faith and accept tight money to control inflation in the 1970s? Why did Democrats take to the floor of Congress to laud Paul Volcker even though his policies were a betrayal of much of the Democratic tradition? In my view it was because they offered no other credible anti-inflation policy, and neither does Blinder. Again, his political solution—indexing—is weak. Bush will make this all too clear. Democrats have to be able to convince voters that they have a better policy than indexing, and history tells them where to look.

Fat cats

But what about the interest groups? How does a pro-competition Democrat get his policies past all those interest groups who like their cozy arrangements like shipping and sugar subsidies? To convince the reader (and perhaps himself) that Murphy's Law of bad economics making good politics can be overcome, Blinder points to the Tax Reform Act of 1986. It is an example of how the good guys finally won. The crucial lesson in that episode—and to remember generally—is that when interest groups are exposed they are weakened tremendously. Robert Packwood, who first opposed tax reform, became a convert after he got labeled "Senator Hackwood" for being a toady of "tax loophole" interests. Interest groups can't just reach out and grab power without convincing others of the justice of their cause. They win by claiming some higher principle (for the NRA, it's "freedom;" for retirees, it's "fairness"). This is true internationally, as well, whether it is opposition to *perestroika* in the

Soviet Union or featherbedding of the Lavi fighter jet in Israel. Interest groups are strong when they "capture" arguments and appeal to higher principles. But when interest groups are exposed and fought they can be beat.

Carter and the Democrats were clobbered by the inflation issue in the 1970s because they didn't try to make that fight. They blamed OPEC, not American industries that did not fight for foreign markets. Democrats should fight back with Keynes. If we are to grow faster, as Blinder wants, economists, politicians, and the media have to ferret out and expose oligopolistic interests. It needs to be driven home that we all pay the price for oligopoly pricing, agricultural subsidies, Jones Act shipping restrictions, Davis-Bacon rules in public works contracts, and pension plans negotiated privately but paid for by the public. Keynesian market economics should be sold as what conservatives in their guts have always feared it really would be, an attack on economic "fat cats" and special interests who don't deserve the deference. Blinder moves the debate in the right direction. But it needs to go much further. □

If I Had A Hammer. . .

I'd make Tom Hayden stop issuing manifestos. (And stick to his gifts for action.)

by Taylor Branch

Young Tom Hayden was a smart brat who compensated for a lack of personal charm with the inventiveness of his early rebellions. He created a high school journal called *The Daily Smirker*, a parody of the communist *Daily Worker* in the spirit of *Mad* magazine. Now, some thirty years later, Hayden tells us* that his political consciousness was a "blank slate" at the time—which strains credulity a bit, at least for those of us who grew up unaware that *The Daily Worker* existed, let alone that it inspired parody—but Hayden is convincing in his basic point that his schoolboy politics were more hormonal and generational than ideological.

In a farewell editorial for his high school newspaper in 1957, Hayden buried an acrostic reading "Go To Hell." Gleeful boasting of this prank soon landed him on the carpet of the squarish school administrators from the Eisenhower years. The memoirist in Hayden recalls honestly that he could "only faintly explain what disturbed me," but the mellowed radical cannot resist adding a grandiose lament that he had not yet learned how to mobilize a picket line or a full-fledged boycott of graduation ceremonies. We are invited to believe that such a protest would have been a boon to mankind.

Hayden's roommate at the University of Michigan dressed exactly like James Dean in *Rebel Without a Cause*. Even now, Hayden's recitation of college oppressions is suffused with petty distemper—"cafeteria food was proc-

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**Reunion: A Memoir.* Tom Hayden. *Random House, $19.95.*