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# MANHATTAN REPORT ANNUAL SUMMARY

INTERNATIONAL CENTER FOR ECONOMIC POLICY STUDIES

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# INTERNATIONAL CENTER FOR ECONOMIC POLICY STUDIES

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# President's Letter

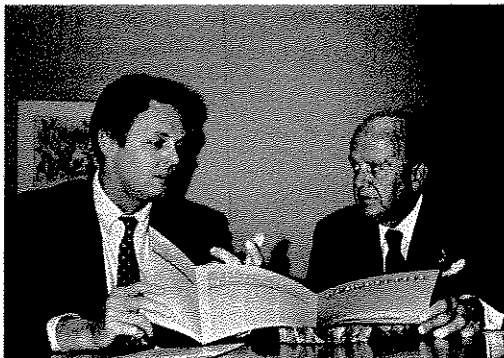
Nineteen eighty-one was a watershed year for U.S. economic policy. The first steps towards shifting the economy away from its demand-side orientation were taken, and while overall government intervention in the economy was not positively reduced, its growth was at least curtailed. Public debate on economic issues shifted markedly as well. The vocabulary and concepts of free-market thought were more frequently encountered, reflecting a very real shift in public opinion.

Politicians are aware of such shifts in the climate of opinion and they, along with numerous economic analysts and commentators, follow its lead. Their readiness to try new approaches in the future will, in large part, be determined by its direction. Further changes in policy will require additional changes in this general intellectual atmosphere. The case for economic freedom, therefore, must be presented to the informed public again and again.

Reversing a climate of opinion is not easy; indeed, it is infinitely more difficult than railing at a handful of politicians or at sundry dark conspiracies, but it is the only way lasting change will be brought about.

The most pressing need at this time lies in putting ideas into circulation. This is more urgent than the further exposition or development of new theories, of which there is no shortage. Scholars such as Friedman, Hayek, and von Mises, along with their classical forebears and hundreds of young researchers at universities throughout the country, have provided us with convincing arguments that the market process offers the best means of coordinating human actions. What is lacking is the means of bringing free-market thought out of the academic world in which it has developed and into the arena of public discourse.

ICEPS provides that means. Our authors and commentators examine contemporary issues and apply solid economic reasoning and evidence. We then disseminate the results of their research to opinion leaders and policy-makers. Thomas Sowell's latest book, *Markets and Minorities*, is a perfect example of the work ICEPS sponsors. The concept of price determination through the market is not new, but no one applied it to the problems of minority groups in America in a thorough and comprehensive manner until Professor Sowell did. Nor had his approach to race relations reached many members of the general media before ICEPS sent him on tour to publicize the book. Professor Sowell's highly effective debunking of widely accepted myths about the economic plight of minorities is now sure to have a strong impact on popular opinion and—eventually—on policy.



**William M.H. Hammett**, (l), President of ICEPS, with **J. Peter Grace**, member of ICEPS's Board of Directors.

ICEPS's Program Director, George Gilder, has also been successful at bringing important economic ideas to bear on contemporary issues. His best-seller, *Wealth and Poverty*, has proved that economics can be readable, even enjoyable.

Our numerous other efforts to communicate ideas are outlined in this *Manhattan Report*. Our radio commentary series, PERSPECTIVE ON THE ECONOMY, passed the 100-station mark for the first time this year. Our Policy Forums attracted top economic journalists, business people, writers, and foundation officers. The latest addition to the ICEPS portfolio, *Manhattan Report*, is rapidly becoming a widely-read and influential publication.

While devoting almost all our efforts to the development of these exciting and important programs, we still managed to expand our funding base appreciably during the past year, and for this our thanks go to all our supporters: those in corporate management, at foundations, and individual donors. Your trust and generosity are greatly appreciated.

On January 1, 1982, ICEPS will officially change its name to the Manhattan Institute for Policy Research. Our name change is not an indication of change in direction or policy, however, and we will continue to address a global range of economic policy issues. Indeed, our international orientation will be expanded by the publication abroad of *Wealth and Poverty* and *Markets and Minorities*, as an increasing number of journalists and scholars worldwide come to rely on our material.

Whatever our name, our commitment to ideas—ideas about freedom and prosperity—remains. Ideas really do have consequences, and we will continue to develop and publicize ideas of consequence for economics and public policy. □

# Manhattan Report

In the first edition of *Manhattan Report on Economic Policy*, a small announcement titled "MR's Debut" appeared. "As you are doubtless now aware," the announcement began, "ICEPS's latest venture is the *Manhattan Report*." After months of planning the design and format of the periodical, Volume 1 Number 1 of *Manhattan Report* was introduced in March, 1981. So began one of the most successful additions to the 1981 ICEPS portfolio.

Designed for and distributed to those who formulate and analyze public policy, *Manhattan Report* is a twelve-page monthly periodical featuring important briefs by leading market economists and analysts. Recent issues have featured: Thomas Sowell on how *not* to help minorities; George Gilder and Lester Thurow in "The Great Productivity Debate"; Hilton Kramer and Lewis Lapham on government funding of the arts; David Meiselman debunking "Supply-Side Deficits"; Lewis Lehrman on the gold standard; and many other fascinating characters and subjects.

In addition to our featured articles, *Manhattan Report* also includes regular departments which are anticipated by some of our readers with as much enthusiasm as our cover stories. One such department is "Market Forum," presenting exclusive policy-oriented discussions with luminaries in the field of economic policy and research. Other regular features in *Manhattan Report* include prepublication synopses of important policy studies commissioned by ICEPS, selected commentaries from our PERSPECTIVE ON THE ECONOMY radio series, and updates on the important activities of ICEPS.



Alfred Malabre, Jr., Economics editor of *The Wall Street Journal*, reading *Manhattan Report* at a recent ICEPS Policy Forum.

That's quite a lot to fit into a twelve-page periodical. But *Manhattan Report* is designed and edited to highlight the key elements of any presentation, allowing for a readable flow of copy. The fine illustrations and photographs in *Manhattan Report* also help to conceptualize much of the material presented.

Special editions of *Manhattan Report* are published every other month and focus on particular policy issues of lasting importance. These publications have served policy officials and researchers as compendiums for key policy issues. Senator S. I. Hayakawa (R-CA) recently cited our enterprise-zone *Manhattan Report* in testimony as the most comprehensive review of the subject. Our special edition on funding of the arts ("Is More Better?" September, 1981) has been requested by many of those now debating President Reagan's cutbacks of the Endowments, and Senator Warren Rudman (R-NH) recently wrote requesting a hundred copies of the arts report noting, "Your eloquent treatment of this subject elevates the level of debate on federal arts funding to its proper place."

Another special edition of *Manhattan Report* to receive much attention and offers of distribution was our detailed examination of the work of noted economist Thomas Sowell. Professor Sowell himself requested a separate order for these *Manhattan Reports*, explaining that he will be using them in response to questions about his work. "The excerpts you selected give a better picture of my views than anything of comparable length ever written," Professor Sowell wrote.

Accolades for *Manhattan Report* have not been limited to the world of scholars or public policy officials. Our friends in the media have often requested specific editions for a clearer understanding of economic policy issues. Reporters and editors from *Newsweek*, *Wall Street Journal*, *New York Times*, and many other notable publications have requested copies of *Manhattan Report* for their edification. Students have also come to rely on *Manhattan Report*. A recent letter by a student in Texas is typical of those we receive. "*Manhattan Report* has been an extremely useful supplement to my coursework," the student reported, "and it has exposed me to ideas I would not otherwise have seen."

Praise for *Manhattan Report* continues to roll into the ICEPS office, and our periodical has begun to make news as well as cover it. Milton Friedman devoted the whole of a recent *Newsweek* column to an exclusive *Manhattan Report* interview with Congressman Phil Gramm. We have printed Professor Friedman's column on page five as further evidence of MR's wide appeal. □

# MANHATTAN REPORT

ON ECONOMIC POLICY

INTERNATIONAL CENTER FOR ECONOMIC POLICY STUDIES

## The Distribution Myth

The following article was presented as testimony before the Congressional Joint Economic Committee on August 1, 1981.

Director, ICIEPS

# MANHATTAN REPORT

ON ECONOMIC POLICY

INTERNATIONAL CENTER FOR ECONOMIC POLICY STUDIES VOL. I, NO. 3

## Are Tax Cuts Inflationary?

by David L. ...

The following article was presented as testimony before the Congressional Joint Economic Committee on August 1, 1981.

There is an ability, indeed, to lower interest rates. Moreover, it is not necessary to raise the price of money.

# MANHATTAN REPORT

ON ECONOMIC POLICY

INTERNATIONAL CENTER FOR ECONOMIC POLICY STUDIES VOL. I, NO. 3

## Activity Debate

and, thus, increase the real return on savings. While Thorton would increase savings by penalizing consumption and expanding the government's role in the economy, ...

## MARKET FORUM

### MR Interviews Cong. Philip Gramm

The tax battle is over. What began in the late '70s as a "radical Republican tax bill" will now be recorded as one of the most successful pieces of Congressional debate.

## BUSINESS

that U.S. citizens were in peril—asked the companies to evacuate all of their American employees from Libya. The companies ignored the warning, but the pressure intensified after U.S. Navy fighters shot down two Libyan jets over the Gulf of Sidra last August.

**Evacuation:** After the dogfight, Exxon evacuated dependents of its American employees and left a skeleton crew of 83 Americans and 290 non-American workers to run its subsidiary, Esso, Ltd., Libya. Exxon refuses to say why it now plans to pull out altogether. U.S. officials deny that the oil companies are being forced to abandon their Libyan operations. "We have

never pressured, harassed or urged U.S. companies to leave," said one State Department official last week. Others speculated that political pressures in the Middle East itself had played a role. "There's more to this than meets the eye," said analyst Sanford Margoshes of Bache Halsey Stuart Shields. According to one Wall Street rumor, Exxon was encouraged to withdraw by Saudi Arabia, a longtime foe of Kaddafi's pricing policy—and Exxon's biggest foreign supplier of crude oil. David T. Mizrahi, editor of the bimonthly *Mideast Report*, wondered aloud whether American companies were being driven out as that neighboring Egypt and Sudan could trigger a conflict with Libya.

But profits were undoubtedly as impor-

tant as real or imagined political pressures. Exxon's Libyan production has slowed to a trickle in the past few months, and prospects for big new profits from it are dim. "Exxon is enormous and its Libyan operation is a relatively small drop in the barrel," says Reece. "They apparently don't believe their operation is commercially viable." Oilmen generally pride themselves on their willingness to live and work anywhere—from barren jungles and harsh Mideast deserts to frigid arctic wastelands—in search of oil. But Exxon's exit from Libya is a signal that sometimes the economic and political climate can be too harsh even for the roughnecks.

WILLIAM D. MARRASCH AND FRANK DIBNEY JR.  
in New York and Beirut reports

## MILTON FRIEDMAN



Philip Gramm is my guest columnist today, courtesy of a New York think tank that recently published Tom Hazlett's interview with Gramm ("Manhattan Report," International Center for Economic Policy Studies, October 1981). Phil Gramm—the Gramm of Gramm-Latta—is the Texas Democratic congressman who played a leading role in assuring passage of President Reagan's tax and spending cuts in the House of Representatives.

He was asked, "What's the deficit going to be like and what about people who claim that your tax cut is going to be inflationary?"

Philip Gramm: "The people who now claim that the President's tax cut will be inflationary will contribute to the deficit at the same people who have continually voted in favor of deficit spending and increasing inflation during their Congressional careers. So their concerns are quite hollow."

**Late Converts:** What Gramm says is true not only of some members of Congress but of the much broader group of Keynesians who have suddenly discovered the virtues of balanced budgets. Those forecasting a recession, they are borrowing deficits—what, on their principles, they should be calling for deeper tax cuts to stimulate the economy.

They oppose the tax cuts not because they are born-again budget balancers but be-

## Tax Camouflage

cause they remain what they have always been, namely, big spenders. They recognize that the widespread public opposition to budget deficits means that government spending is limited—even if not perfectly—by government revenues. The most effective way—in fact, I would say the only way—to keep down government spending is to keep down government revenues. Given the current public mood, the opponents of tax and spending cuts reluctantly concluded that they would have to accept them in 1981. However, they hoped that if the cuts could be limited to one year, or at most two, that the fickle public would soon lose interest in tax cuts and they could resume their decades-old spending spree. They professed to be

**Many who oppose the Reagan tax cuts are actually big spenders masquerading as budget balancers.**

voicing against "irresponsible" tax cuts. They really were voting for future spending increases.

That is also the force behind the renewed drive to rescind some of the tax cuts or to impose additional taxes now. Any real fiscal conservative who falls for that tactic will have demonstrated an utter inability to learn from experience.

Why so much pressure for increased spending, despite widespread agreement that simply throwing money at problems has seldom solved them and has generally made them worse?

Gramm: "I wrote an article a few months

ago which, basically, was an explanation of the deficit. It went on to explain that the average spending bill we voted on in the last Congress cost about \$70 billion. The average beneficiary got between \$300 and \$700. There are 100 million taxpayers, so the average taxpayer paid 50 cents. You don't need a lot of economics to understand that somebody getting \$700 is willing to do a bit more than somebody who is paying 50 cents. So, every time you vote on every issue, all the people who want the program are looking over your right shoulder and nobody's looking over your left shoulder. They're sending letters back home telling people whether Phil Gramm cares about the old, the poor, the sick, the bicycle riders—the list goes on. It's perfectly legitimate. The problem is that nobody's looking over the left shoulder.

"As an example, we had to vote individually on the twice-year cost of living adjustments for Federal employees because a conservative Republican asked for a separate vote and, whereas it passed by 270 some odd votes, only 59 people, approximately voted for the cut on the floor. I received over a thousand letters in opposition to the cut. The largest National Association of Retired Federal Employees chapter in my district canceled the speech I was to give three days before the general election. They put my name in their national newsletter as one of their enemies... all of it perfectly legitimate. The problem is that we went out and did a survey in my district, and not one person in 10,000 who was a retired Federal employee knew how I had voted. So being fiscally responsible under such circumstances, we're asking more of people than the Lord asks. At least I know if I do good—if I take the Bible literally—when I get to Heaven, it's going to be written in the Golden Book. I know here it will never be known."

# The ICEPS Publishing Program

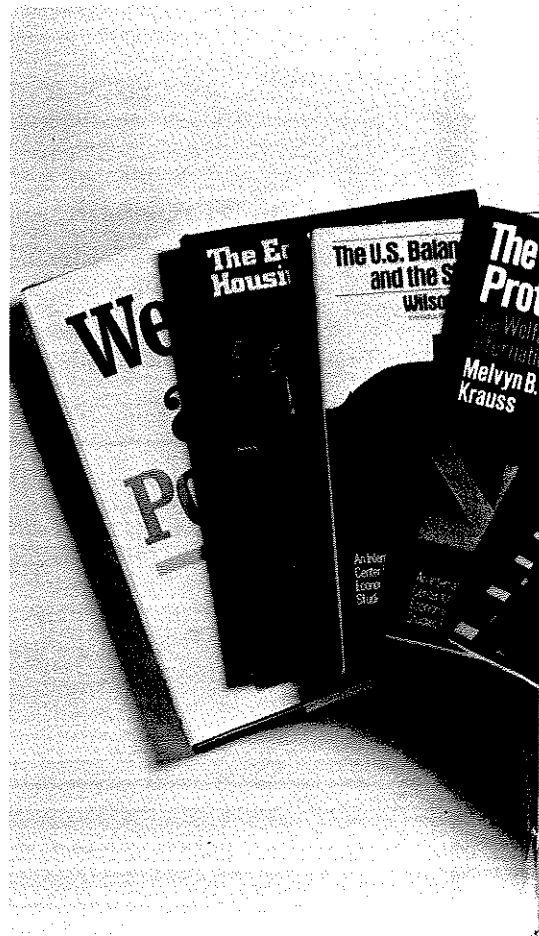
In order to change legislation fundamentally, it is necessary to change the minds of the unacknowledged legislators: the scholars and intellectuals. At the heart of ICEPS's efforts, therefore, is our publishing program, designed to have a lasting impact on the national and international intellectual community. ICEPS commissions renowned scholars to write books on vital economic issues and has them published through prestigious university and commercial publishers. Already, scholars and informed laymen have begun to rely on ICEPS books and anxiously await their publication.

Two new studies sponsored by ICEPS appeared in 1981—*The Governing of Agriculture*, by Professor Bruce L. Gardner, was published by the Regents Press of Kansas and *Markets and Minorities*, by Professor Thomas Sowell, was published by Basic Books in America and by Basil Blackwell in the United Kingdom. Both books feature forewords by Nobel laureates; the foreword to *The Governing of Agriculture* is by Theodore Schultz and *Markets and Minorities*'s foreword is by Milton Friedman.

*The Governing of Agriculture*, a rigorous and comprehensive study of our national farm policy, analyzes the costs and benefits of each farm program and concludes that market alternatives to these programs are much to be preferred. The book has been very favorably reviewed by the Association of College and Research Libraries in the December issue of *Choice*, and was also the only book discussed in a major article in the October *Fortune*, "Free the Farm 2½ Million," by Tom Alexander. Mr. Alexander called Professor Gardner "one of the most thoughtfully critical analysts of U.S. farm policies." On November 20, Professor Gardner gave a talk on farm supports to the Commodity Trading Commission in Washington.

*Markets and Minorities* is Thomas Sowell's brilliant contribution to the literature of the economic and social problems of minority groups. The book began to attract attention even before its publication date. Two chapters appeared as the cover article of the September 4 *National Review* and advance orders poured into the publisher. Sowell was then launched on a nationwide tour that culminated with an appearance on *Meet the Press*. It's unusual for so uncompromising a scholar as Professor Sowell to make a strong impression on the media and government, but that's just what happened. Henry Allen's major article on Sowell in *The Washington Post* of October 1 described him as "the hottest intellectual in Reaganomic Washington, along with George 'Wealth and Poverty' Gilder." Which brings us to the astonishing success

of Gilder's *Wealth and Poverty*, bringing nationwide attention not only to ICEPS but to supply-side economics. Originally published in November 1980 with a modest first printing, the book now has more than 150,000 hardcover copies in print and has become one of Basic Books' most successful titles ever. ICEPS's intensive promotional campaign for *Wealth and Poverty*, which began well before publication, resulted in enthusiastic coverage of the book, not only in periodicals interested in free-market economic



policy, such as *Forbes* and *Barron's* and *The Wall Street Journal*, but also in *The New York Times Book Review*, *New York Magazine*, *Time* and *Newsweek*. Gilder even appeared on the CBS television show *60 Minutes*. Washington also took notice of Gilder. A news photo showing President Reagan presenting a gift copy of *Wealth and Poverty* to Senator Robert Dole may have been partially responsible for the book becoming the number one best-seller in Washington for weeks.

Making an indelible mark in the annals  
of economic literature.

Early ICEPS titles continue to do well. All are still in print and are being incorporated into the academic mainstream as scholars and journalists use them as references. For example, Nathan Glazer devoted a major review in the Fall 1981 issue of *The Public Interest* to the ICEPS book, *The Ecology of Housing Destruction* by Peter Salins. Glazer stated that when shocked foreign scholars ask him to explain New York City's housing crisis, "I now have something to put in the hands of these foreign observers of our

policymakers and the informed public." Krauss's book, a remarkably timely analysis of third-world development, is ideally suited for McGraw-Hill's new, prestigious imprint.

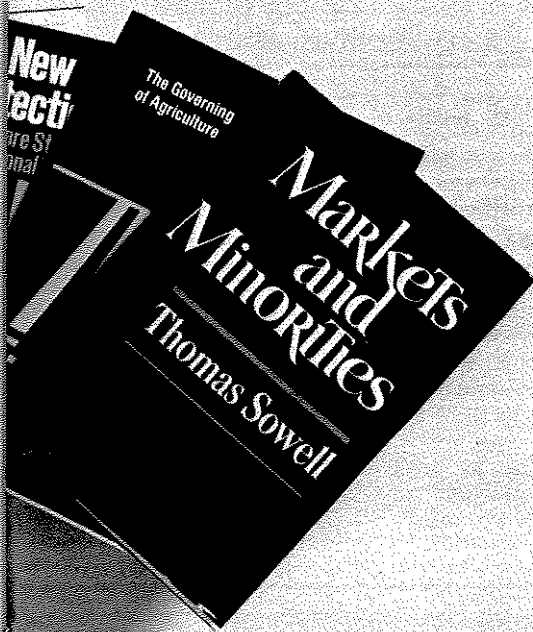
Simon & Schuster has announced January publication of another ICEPS book, Roberta Karmel's critical examination of how the Securities and Exchange Commission has expanded its jurisdiction. Entitled *Regulation by Prosecution*, its author is a former SEC Commissioner who will draw on her personal experience to present case histories of misguided regulation and will analyze the current crisis of interventionist values.

Chatham House is bringing out two new ICEPS books early in the coming year. *Privatizing the Public Sector*, a book that details alternatives to government-provided services, was written by E. S. Savas, a former Columbia University Professor who is now a major Reagan administration spokesman as Assistant Secretary of the Department of Housing and Urban Development. Chatham House will also publish a reader in supply-side economics, compiled and edited by Bruce Bartlett, Deputy Director of the Joint Economic Committee of Congress, and Professor Timothy Roth.

ICEPS is also sponsoring *The Economy In Mind* by noted economist and writer Warren Brookes. Brookes is a widely syndicated columnist whose supply-side insights and incisive prose style have won him a dedicated following. *The Wall Street Journal* called him "Boston's premier economic journalist." His analysis of the intellectual aspect of production and economy is sure to have an impact on both scholarly and popular thinking.

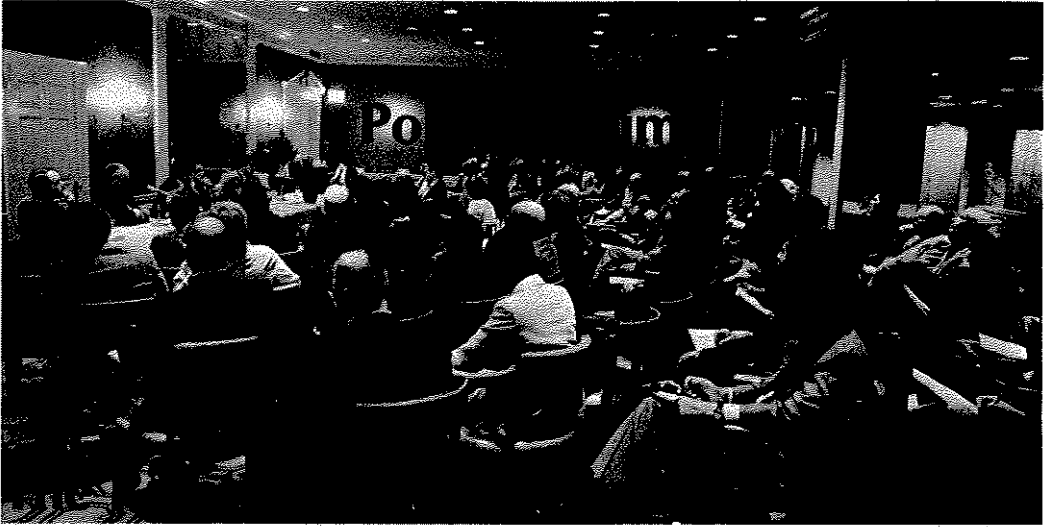
The publishing program continues to grow. Recent additions to the staff have allowed ICEPS to devote even more effort to promoting its books. A direct mail campaign for *Markets and Minorities* has reached over ten thousand academics, and similar campaigns for other titles are in the works. ICEPS also has acted as unpaid literary agent for a number of authors who need assistance in getting their manuscripts accepted by major New York publishers. These writers include Walter Williams, Robert Poole, Marc Miles, Dominick Armentano and several European free-market scholars.

The books commissioned by ICEPS are serious studies on current policy issues, with an emphasis on policy implications, books that are intended to serve as useful references for educated lay people as well as for professionals in academia and in the field of public policy. The gratifying response that these books are receiving indicates that ICEPS's book publication program has made an indelible mark in the annals of economic literature. □



domestic scene when they ask me to explain the devastation: Peter Salins's book."

This year, the publications program will sponsor several fascinating new projects. As was recently reported in *Publisher's Weekly*, McGraw-Hill will inaugurate its latest imprint, New Press, with an ICEPS book by Melvyn Krauss entitled *Development Without Aid*. According to Alfred Prettyman, Senior Editor at McGraw-Hill, "New Press will publish the best scholarly work available and make it accessible to academics,



New York is a media town, indeed it is *the* media town. Most of the nation's prestige press, broadcasters and publishers are based here and all of them have a craving for the latest ideas, information, and opinions. ICEPS's Policy Forums are designed to ensure the media's access to accurate and compelling discourse on at least one vital subject: free-market economics. The Policy Forums are a direct link between New York's opinionmaking press corps and the world's most accomplished free-market analysis.

By bringing together first-rate economic thinkers and the most influential journalists anywhere, ICEPS has managed to have a significant impact on public opinion. Our Policy Forums have been the springboard from which once obscure ideas, personalities, and proposals have jumped to national attention. When George Gilder was featured in three forums held during late 1980 and early 1981, the term "supply-side economics" was practically unknown. But Gilder's compelling presentations of the concept convinced many in the media to adopt the term to describe the new economic policy. The January forum on enterprise zones provided many members of the press with their first exposure to a detailed analysis of the idea, and months afterwards, enterprise zones continue to be discussed in the national media. Funding of the arts was the subject of another forum and here again the topic was one that proved to be the center of a national debate.

All these developments testify to ICEPS's ability to detect issues that deserve public attention and to bring them to the notice of America's opinionmakers. At precisely the moment when new developments in free-market thinking are likely to be attacked or misrepresented, ICEPS's forums have presented a clear exposition on the point at issue and so have made sure that the reports eventually presented to the public are

based on fair and accurate information.

The combination of brilliant economic analysis and tough questioning often produces a supercharged intellectual atmosphere. Some of the high points of the forums are described below:

### **On the Side of Supply: The Gilder Forums**

"Supply-side economics" is now part of the American vocabulary, and George Gilder, author of the international best-seller *Wealth and Poverty*, is now widely recognized. These pleasant developments are at least partly owing to Gilder's three attention-getting appearances before New York's top economic journalists and editors as speaker at the forums entitled "Supply-Side Theories: Real and Counterfeit" (Nov. 13, 1980), "Lessons from London: Mrs. Thatcher's 'One-Legged Monetarism'" (Jan. 8, 1981) and "The 1980s: Era of Success," (April 8, 1981). The first—held just days after the election of Reagan—helped clarify to the media the eco-



**Merrill Sheils**, Senior Writer at *Newsweek*, at one of the Gilder forums.

*The combination of brilliant economic analysis and tough questioning often produces a supercharged intellectual atmosphere.*

conomic thinking that had brought the conservatives to victory. As Gilder said, "The political revolution effected by the Republicans in 1980 will precipitate a revolution in economic thought." In his next forums, Gilder elaborated on those ideas and on the possible consequences when policy makers ignore them. In "The Era of Success," Gilder measured the creative potential of supply-side policies to ensure that the coming decade will be "the roaring 80's." "We must reject the very premises of the prevailing economics of futility and despair" was his conclusion. In the next forum, Gilder turned to a less sanguine subject: the British economy. Gilder took Mrs. Thatcher's failure to follow through on her supply-side promises as a lesson for the U.S.

### **Government for Art's Sake?**

"What is the proper role of government in supporting culture?" asked panelist Michael Joyce of the Olin Foundation at ICEPS's June Policy Forum entitled "The Future of the Arts in an Era of Reduced Federal Spending." The rest of the evening was devoted to finding an answer to that much debated question. Reagan's announced intention to slash federal spending had created something of a panic among certain sectors of the art world, and certainly the last decade's twenty-fold increase in federal and corporate funding of the arts is something to fight over. But the panelists at the forum were inclined to ask, "Is more better?" Indeed, Lewis Lapham, editor of *Harper's*, suggested eliminating all federal funding of the arts. Other speakers were less radical in their proposals but no less critical of indiscriminate funding of the arts. Co-panelist Hilton Kramer chastised the federal endowments for their superficial methods of dispersal. Kramer, chief art critic for the *New York Times*, explained: "Where funding programs have taken maximum accessibility as their criterion for success, artistic standards of quality have been reduced." Moderator Frank Shakespeare wondered whether any art funding programs could, indeed, be manned by bureaucrats. "Government officials are rarely qualified to make artistic judgments," Shakespeare warned. Fortunately, two guests from Congress, William Green and Ted Weiss, both of whom are on art funding appropriation committees, did not take Mr. Shakespeare's comment personally.

### **Markets and Minorities and Mavericks: The Thomas Sowell Forum**

Thomas Sowell's practice of applying logical



**Thomas Sowell with the moderator of ICEPS's Sowell forum, Leo Rosten.**

methods of testing to rhetorical "axioms" concerning minorities has made him something of an intellectual maverick in a field dominated by interventionist ideologues. But the continuing failure of government programs to improve the economic condition of blacks has created an intellectual climate more receptive to Sowell's critiques of interventionist methodology. Precisely at the time when he was receiving wide notice, Sowell and his ICEPS-sponsored book *Markets and Minorities* were introduced to the media at an ICEPS Policy Forum. Mr. Sowell's talk was devoted to puncturing what he described as "foregone conclusions" on race and economics. One by one, time-honored myths on urban renewal, integration, affirmative action, and discrimination fell before Sowell's cogent arguments and trenchant wit.

The media responded enthusiastically to Sowell. The next day's *New York Times* carried an article on Sowell and the forum, which said, "The author's increasingly well-known style was plain yesterday, both during his short talk and in his answers to questions afterward. It is breezy, epigrammatic and occasionally argumentative." Moreover, *Markets and Minorities* has been well received in the *National Review* and other national media. Sowell continues to be a maverick, but now people are listening.

### **In the Zone: The Urban Enterprise Zone Concept**

In January, ICEPS helped turn the country's attention to one of the most innovative and promising urban policy proposals in years: the enterprise zone. As envisioned by its supporters — who include both liberal Democrats and conservative Republicans — taxes and regulations would be reduced within a designated poverty-stricken area, the objective being elimination of

*(continued on page 10)*

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barriers to economic growth and provision of jobs for the area's residents. But how will it work? Until the ICEPS forum entitled "Urban Enterprise Zones: Reversing the Decline of Our Inner Cities," the idea had not publicly received the detailed expert analysis it deserved. However, the forum's panelists, Dr. Stuart Butler, Dr. Alvin Rabushka, Prof. Peter D. Salins, Mark Frazier, Peter Ferrara, and moderator Prof. James B. Ramsey, were able to provide the most thoughtful analysis of the enterprise zone proposal yet available to the nation's media.

The questioning was sometimes tough, but the defenders of the concept had their say, and in the end, the zone idea received more thoughtful and sympathetic public consideration than it had up to that point. As Prof. Ramsey said at the forum's end, "This session is over but it is clear that the debate has just begun." And indeed, the continuing stream of writing on the zone proposal—including a front page *New York Times* article that dealt with many of the issues raised at the forum—indicate that ICEPS had broached a matter of continuing importance.

## Gold and Other Precious Monetary Systems

Can the dollar be as good as gold? Should it be? The debate over the gold standard has recently moved to the center of debate on monetary systems and so the ICEPS forum entitled "Alternative International Monetary Systems" has proven to be an especially timely event. The speakers, and their recommended monetary regimens, were: Lewis Lehrman (gold standard), Prof. Wilson E. Schmidt (flexible currencies), and Dr. Eugenie D. Short (currency denationaliza-

tion). As Prof. Schmidt said, the speakers "agreed on almost everything except the current issue," but still the discussion was lively. Mr. Lehrman presented a characteristically forceful case for the gold standard and argued that "for the purposes of anchoring the price level over the long run, we should establish the dollar as a weight of gold." Wilson Schmidt analyzed the current monetary problem as one of getting political control over the international monetary bureaucrats, while Dr. Short called for "free market banking and currency competition," in the spirit of Friedrich von Hayek's work on the denationalization of money.

## At Long Last Love: Supply-Siders and Monetarists

During the late part of this year, the press was abuzz with rumors of an impending split within the Reagan administration. According to the rumors, supply-siders and monetarists were about to end the truce they had established during the campaign and launch into an internecine war for control of the nation's economic policy. ICEPS therefore put together a panel of distinguished economists from both camps to examine the extent of possible policy differences and to explore areas where an economic policy consensus could be achieved.

The ICEPS Policy Forums have been a huge success. ICEPS has demonstrated its ability to pinpoint new ideas as they are forming and to bring them to the attention of people starved for innovative thinking on economics. That's a service that the media and the nation can appreciate. □



Supply-Siders and Monetarists: (from left to right) **Bruce R. Bartlett**, Joint Economic Committee; **David I. Meiselman**, Virginia Polytechnic Institute; **Malcolm S. Forbes, Jr.**, Forbes Magazine; **Hon. Norman B. Ture**, U.S. Treasury Department; **Denis S. Karnosky**, U.S. Treasury Department; **Alan Reynolds**, Polyconomics.

# Enlightening PERSPECTIVE

In a democracy, no government policy can long endure without public support. If, therefore, Washington is ever to be weaned away from its quasi-socialistic ways and a new era of market-oriented policy is to be instituted, an enormous campaign of public education must be initiated. The electorate needs a simple, straightforward schooling in the economic facts of life. Then citizens can make qualitative decisions based on facts rather than rhetoric.

ICEPS's contribution to the education of public opinion is PERSPECTIVE ON THE ECONOMY, a public affairs radio feature in which some of America's foremost economic thinkers distill their thoughts into ninety seconds of easily understood analysis. The critical issues of today's economy — such as inflation, unemployment, energy, corporate power, and deregulation — are concisely analyzed from a free-market standpoint and briefly explained in terms non-experts can quickly grasp. Every ten weeks, ICEPS offers fifty separate commentaries of uncomplicated "straight talk" to over 100 stations nationwide, including many top rated talk stations. PERSPECTIVE is sure to reach the community's leaders, opinion-makers and activists for stations are contractually obligated to air it during "drive time." Thus free-market intellectuals meet free-thinking voters. That's a combination of potentially huge impact on policy making at all levels.

Preparing PERSPECTIVE commentaries is — perhaps surprisingly — an extraordinarily challenging intellectual undertaking. The ninety-second time limit imposes on the analyst a format only slightly less rigorous than a Japanese *haiku*. The guest economist can present only the quintessence of the argument, and must present it in mundane, lay language. As anyone who has ever labored through an economic journal knows, few economists have the rhetorical skills necessary to communicate complex ideas to a popular audience. But PERSPECTIVE demands that its contributors not only understand economic theory, but the science of public speaking as well. Fortunately, PERSPECTIVE's commentators — including George Gilder, Tom Bethell, Warren Brookes, Edwin J. Fuelle, Robert Hessen, and Robert Poole — have both the intellectual and literary skills needed for the job.

PERSPECTIVE has evolved considerably since it was first offered to stations about eighteen months ago. Originally entitled AS A MATTER OF FACT, the series featured three-minute-long commentaries. These proved difficult for stations to schedule in their crowded air time and difficult for listeners to follow. Therefore, the present ninety-second limit was adopted



Alfred H. Kingon, Editor of *Financial World*, recording for PERSPECTIVE.

and plans are to reduce the commentaries even further to one minute.

Even as PERSPECTIVE's format shrinks, its list of participating stations grows. New contracts are being signed on an average of three new stations each week, and a number of top stations currently have PERSPECTIVE under review. Some current subscribers have even enlisted local businesses to sponsor the series. ICEPS's prospects of placing PERSPECTIVE with stations in all the top 150 markets by 1982 look good.

In addition to the regularly scheduled commentaries, ICEPS frequently offers special material to subscribers, including taped interviews with prominent policy makers and analysts, book reviews, and debates. Moreover, all member stations have access to live interviews with any of the commentators. PERSPECTIVE is therefore one of the richest sources of public affairs, current events programming now available to stations.

Listener response has been enthusiastic. A steady stream of appreciative letters from all over the country has been pouring into ICEPS's headquarters ever since the series was first aired. One listener wrote simply: "Gentlemen, I hear you on the radio and you make *so much sense!* I would like to hear more." Certainly the public hears little enough sensible discussion of economics, but making sense is what PERSPECTIVE is all about.

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## PERSPECTIVE

### A Sampling . . .

After the *Washington Star* went out of business recently, its victorious rival, the *Washington Post*, published a series of articles analyzing what had gone wrong at the *Star*. The authors of this series had a lot to say about the apparently superfluous jobs for top executives and such matters; but there was one thing they never said anything about: the little matter of unions.

Despite the fact that taxes are going down, you can't avoid them. Your income is taxed, your property is taxed, your food is taxed, you are taxed for living in a city, taxed for smoking tobacco, even taxed for having a drink to try to forget about taxes. About the only thing that seems to be tax-free these days is the air we breathe. But, alas, we are even forced to pay a price for that.

The tax we pay for clean air is a bit harder to trace than other taxes; we don't pay for it directly,

While the rest of America is in the throes of a marked recession, the California economy seems to be chugging along with great vigor. Last year, over one-fourth of the new jobs created in all of America were contributed by California's economy. The Golden State's unemployment rate, which has exceeded the national average for twenty-five straight years, is now safely below the national average.

The real news of California's healthy economy today stems from the dramatic tax-slashing

Why are today's mass transit systems going bankrupt? Actually, it's for the same reason they started going bankrupt in the 1950s. After World War II, Americans moved out of the cities and flocked to the suburbs. The old bus lines expanded into the suburbs and promptly went broke. Why? Because the population density was too low to make the bus routes pay.

Instead of accepting the verdict of the marketplace, though, city governments took over the systems and tried to make them

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### Paper Unions

by Tom Bethell  
*Washington Editor, Harper's*

Sometimes it seems that a strong taboo surrounds the whole subject of trade unions. Let me say briefly what it is that is so rarely discussed. Trade unions are organizations that are in rhetoric directed against management, but

in fact, they are directed against other workers—people who might do the same job for less money.

The right to strike does not mean the right to stop working. Everyone has that right. It means the right to prevent others from replacing you if you do stop working. In the largely unchallenged exercise of this right, unions have hurt both themselves and newspapers.

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### Air Tax

by David Asman  
*Editor, Manhattan Report*

but rather in the form of regulations. Car manufacturers must pay high production costs to adhere to exhaust emission standards and they, in turn, pass that price on to us.

President Reagan is suggesting that we begin to ease up on emission standards. Mind you, Reagan is not saying we should go

backwards; only that we should proceed more cautiously. Ralph Nader and his friends are furious, claiming that the automobile industry could easily absorb the far-reaching emission standards they propose.

But the fact is, the new controls proposed by environmentalists would cost more than twice as much as the existing standards. And that cost would be passed directly on to you, the consumer. This is one hidden tax which must be cut.

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### Healthy Proposition

by Tom Hazlett  
*Economics Professor,  
California State University*

measure of 1978, Proposition 13. By eliminating 57 percent of the state's property taxes, the immediate results were admittedly stupendous for homeowners and property taxpayers. But predictions of economic catastrophe reigned for weeks during the

referendum campaign—predictions that may now be tested.

Perhaps the best test is simply the testimony of California's alert Governor. The leading opponent of Prop 13, Jerry Brown, now describes California's success story as evidence of the magical power of tax rate reductions, and even suggests that California's recent success is largely due to over four billion dollars in tax relief last year; well beyond the point where the State's and the citizens' pockets were forecast to be bare.

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### Suburban Transit

by Robert Poole  
*Editor-in-Chief,  
Reason Magazine*

work anyway. Yet despite two decades of subsidies, transit systems are losing more money than ever.

The solution is not more money. What we need are forms of transit that make economic sense in low-density suburbs; what economists call "paratransit." Like

taxis which allow ridesharing, jitneys, and fuel-efficient twelve-passenger vans, all operated by private enterprise.

These new forms of transit could provide flexible, low-density service at fares people could afford. The only problem is that paratransit is illegal in most cities to protect the mass transit system from competition. Yet if the transit system would simply stay out of the suburbs and let paratransit operate, the suburbs would be well-served and the transit deficit would be slashed.