

---

## The Joy of Cents

Keith Bradley and Alan Gelb: *Worker Capitalism: The New Industrial Relations*; The MIT Press; Cambridge, MA.

Leonard M. Greene: *Free Enterprise Without Poverty*; W. W. Norton; New York.

Wynne Godley and Francis Cripps: *Macroeconomics*; Oxford University Press; New York.

by Mark G. Michaelsen

As in almost any field, economics is dominated by a very few seminal works. Still there are those who must publish or perish, those with an axe to grind and sufficiently impressive academic credentials or enough cash to make the printing presses turn, and those who truly are able to make a useful contribution to the science/art, all of whom produce, produce, produce. This leads to academic trickle-down. Much academic economic posturing slips through the cracks and washes away into the underground stream of oblivion. But some authors, for good or ill, float to the top. Keynes, Friedman, and Galbraith guided policy for a time. Then some fresh and trendy idea took hold, conferring stardom on the originator and his political apostles. Consider recent phenomena: Wanniski and the supply-side crowd, including Republicans and Boll Weevils; Robert Reich, Lester (some uncharitable colleagues in Cambridge call him "Less than") Thurow, the Atari Democrats. Each enjoys media clout. Unfortunately, this is an election year: few things are more dismal than economics tinged with politics.

The purveyors of economic snake oil, e.g., the supply-siders and the neoliberals, though, are anything but gloomy.

---

*Mr. Michaelsen is special assistant at the Center for Constructive Alternatives, Hillsdale, MI.*

They are, after all, spreading the politics of joy: "Follow our map to plenty. Elect representatives who share our views. We know how to manage the economy." (The supply-siders, to be fair, really thought that if taxes were cut sufficiently, production, income, and employment would take off. They were only half right because they failed to anticipate the executive's failure to keep spending and debt under control.) The media hype surrounding political movements often obscures really important progress in economic thought, where the best hardly ever shines the brightest. Who today among our political analysts, our media commentators, even our venerated avatars, the pop economists and politicians, has read von Mises? About all we know after two centuries of rigorous study of the economics of the world is one thing: we don't know enough about the economy to tamper with it. Nevertheless, statesmen have a lasso on the economy and they aim to tame it.

The authors of *Worker Capitalism* have done their best to infuse good systems analysis with the politics of joy. They have here the makings of a reasonably good contribution to the science, but they are eager to be media stars. To some extent, they already are. Keith Bradley is a visiting scholar from Cambridge University at the Wharton School and Alan Gelb is an economist with the World Bank. Their style of exposition is lively and their study of what happens when employees buy a failing firm, and why they should (not exclusively a normative question), is actually very interesting.

But, "To face the challenge, [of structural transformation in the economy] new forms of industrial policy are called for," write the authors. And lest anyone mistake their intentions, they make them clear: "These need to be directed particularly towards two objectives—the stimulation of employment and the furthering of productive efficiency." Bradley and Gelb argue that employee

buy-outs would help make the transition from a manufacturing economy to a service economy less painful, and, one perceives, more manageable. This book carries intellectual spears for the Atari Democrats.

Bradley and Gelb advocate that the Federal government assist and partially fund worker takeovers. Their obligatory Greek model showing why workers may choose ownership over unemployment is only a tautology. Perhaps if the authors had not been so eager to catch a political wave, they might have devoted some attention to how employee stock options are used in growth firms. Employee stock ownership schemes are really catching fire in computers and other explosive industries. By failing to explore how stock incentive plans induce workers and management to concentrate on long-run strategies for growth, rather than short-term profitability and immediate financial gratification, the authors leave gaping holes in their argument.

Strangely, Bradley and Gelb often find themselves arguing for the free market, not for the managed version they profess to advocate. Worker buyouts are a superb way for employees to delay final plant closures, granted. But those takeovers are a rational market choice; if the alternative is unemployment, freely choosing workers will opt for lower wages or deferred compensation in the form of ownership if those choices are available. A class of entrepreneurs, men like Louis Kelso and John Crichton, even specialize in facilitating these arrangements. But market forces require no overt help from the state. This is where their analysis is fundamentally off-target.

Leonard Greene probably does not aspire to media stardom. He is an entrepreneur, the inventor of the aircraft stall-warning indicator, who now oversees a tidy empire of enterprises related to flight safety. A book about the real world from a man who understands it always

commands attention. For years now, Greene has been promoting a simple idea: replace all categorical income transfer programs with lump-sum payments in cold, hard cash. In this book, he calls the payment a Guaranteed Income Supplement. It resembles Friedman's negative income tax and the ill-starred Nixon Family Assistance Plan. Greene thinks that by cashing-out and adjusting benefit amounts, we (the body politic) could eliminate the morass of conflicting benefit regulations and the work-disincentive effects of the current welfare system. But the system is not just snarled; it's a disaster. Greene cites the heart-rending tale of the department store package-wrapper who set about to be fired from her minimum-wage job because her take-home pay was no more attractive than unemployment compensation. He tells of the cripple who received \$2,275 in retroactive Supplemental Security Income entitlements, only to be disqualified for further benefits because of his new assets. And he advises us he knew of a promising young employee who quit his job because his salary, though hardly princely, jeopardized his family's subsidized housing status.

If that's saddening, consider this: the amount that the U.S. government spends each year to fight poverty is more than three times the amount needed to lift every man, woman, and child in the country above the poverty line. But the poor and hungry are still with us because our vast welfare system was assembled piecemeal more to please important political interest groups than to alleviate poverty. Especially exasperating, both for those who wish to pull themselves up by their own bootstraps and those who must foot the bill for the system, is the regressive schedule of benefit reductions for those who elect to leave the dole to seek useful employment. What amounts to a marginal tax rate of from 60 to 100 percent on earned income is a roadblock to productive lives. It is hard to imagine a system which penalizes work and rewards idleness more effectively,

or which, providing in-kind payments such as housing subsidies or foodstamps, more paternally precludes responsible market choices by beneficiaries.

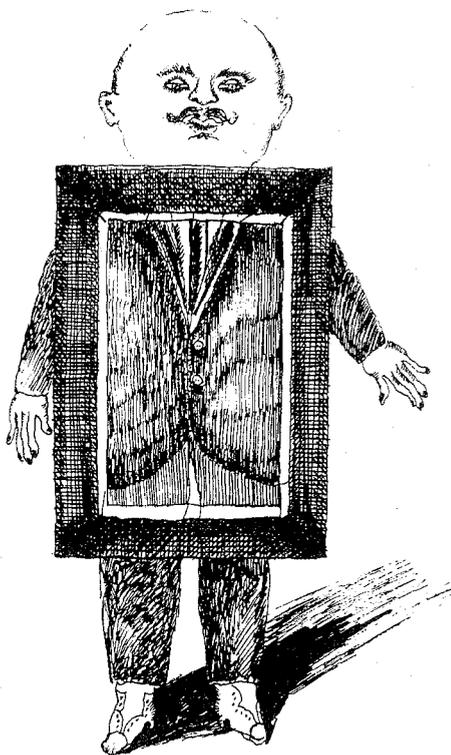
Greene's proposal makes a great deal of intuitive sense, as do other market-oriented prescriptions such as the negative income tax and benefit vouchers. But unless some clever political entrepreneur can cloak these dismal proposals in the politics of joy and market the concept convincingly to the

from the prevailing fashions of the decade—monetarism and econometrics."

In the old days, economists used to speak of an avant-garde concept called the "neoclassical synthesis." This was a theoretical compromise between the microeconomic analysis of the classical school (often called "Austrian"), and Keynesian macroeconomic management (i.e., in the long run we are all dead, so any policy is better than none). By whatever name, this synthesis of short and long-run policy alternatives and implications has found wide acceptance among economists of all persuasions. What Godley and Cripps offer is yet more middle ground. Are you fed up with the same old policy dilemma of monetarism vs. Keynesianism, rules vs. reason? *Macroeconomics* is just what the doctor ordered. Godley and Cripps have done their best to incorporate all the science seems to know about the relationships between the markets for goods and the market for capital. Their model of an economy driven by inventories and credit is intriguing. But what kind of coherent national economic policies could flow from such an understanding?

Unfortunately, the answer seems to be more of the same haphazard and unpredictable mix of monetary and fiscal interventions which have proven so unreliable in the past. Keynesians, almost by definition, view the economy as some elaborate hydraulic apparatus which can be kept boiling merrily at some externally postulated equilibrium by merely spinning a dial here to increase injections every time the cranky machine makes a decision on its own to spring a leak there. There is nothing in this exposition to suggest that government assume a more passive role.

If government can manage the economy successfully, as Godley and Cripps suggest, think of the joyful politics which could emanate from this intellectual base. But such an outcome is doubtful. One hopes that no joyful warrior will manage to stay awake through the boring book and comprehend its policy implications. □



ANNA MYCEK-WODECKI  
84

electorate, prospects for welfare reform are minimal.

According to the book jacket for *Macroeconomics*, both Godley and Cripps are Cambridge hangers-on who "are now regarded as unorthodox but creative champions of the Keynesian tradition." They are also members of the "Cambridge Economic Policy Group . . . known for their critiques of government policy and their eclectic model and research methods which distance them

## COMMENDABLES

### Of Isms and Idolatry

*The Economic System of Free Enterprise: Its Judeo-Christian Values and Philosophical Concepts*; Edited by Paul C. Goelz; St. Mary's University Press; San Antonio, TX.

During their relatively short but incredibly bloody existence as a world historical force, Marxists have murdered millions of men, women, and children, largely without regret. Many Marxists, however, are having some second thoughts about the initial "killing" Marxism announced, that of God. Not that they have regained any faith in the transcendent God of Scripture. Hardly. But for propaganda purposes in the pervasively religious West, leftists have decided it would be tactfully useful to *appear* to worship God, while actually creating the utopian idol of a deified Militant Socialist. Fortunately, some intelligent Christians have little difficulty resisting this inept perfidy. *The Economic System of Free Enterprise*, which includes essays by



Gerald R. Ford, Michael Novak, and Irving Kristol, provides solid arguments for the view that Judeo-Christian values are far more compatible with economic

freedom than leftist dogma. Indeed, though the contributors sometimes defend "capitalism," the term "free enterprise" used in the collection's title is probably wiser. The ideological use of the word *capitalism*, after all, began with Marx, who was convinced that all aspects of life must be subsumed beneath one materialistic *ism* or another. To the degree that free enterprise becomes truly an *ism* in those Marxian terms, it is religiously indefensible. The religious strength of free-market theory is, then, precisely in its humility: it does not pretend to explain or govern all of human existence in economic terms, as do the various strands of Marxism. Mamon may win idolatrous followers in the free market, but it must do so without the sanctimonious robes of modern ideology. (BC) □

### Frankly Speaking

**Martyn Burke: *The Commissar's Report***; Houghton Mifflin; Boston.

This book is supposed to be funny, risible, or downright hilarious. The subject is the U.S. during the Cold War as seen by a Soviet diplomatic minion who became enamored of "Enemy Number One" through his furtive readings of his party bigwig father's contraband copies of *Life*. Actually, the contents of the book are rather bleak because the author, no doubt by accident, makes some very telling observations about Americans: the intel-

lectuals' desire to be duped ("I began pitching revolution in such a way that it seemed the ideal thing to fill the void, giving their existence some purpose after all. It was like selling water to camels.") and the general public's tendency toward self-flagellation (e.g., speaking of the immediate post-McCarthy period, the narrator notes, "We murdered millions under Stalin; they throw a dozen or so in jail for a year and let a few scoundrels loose on the country. Yet *they* feel guilty. We don't."). The truth that manages to emerge in *The Commissar's Report* is, indeed, quite sad. □

### A Book of Warnings

**General Sir John Hackett: *The Profession of Arms***; Macmillan; New York.

Among the most troubling military advantages that the Soviet Union holds over the United States is one not assessed by counting tanks or measuring weapon technology. The Soviet

soldier, sailor, or airman generally enjoys much higher social prestige than does his American counterpart, who is too often



viewed as a near-barbarian unfit for polite company or intelligent conversation. Unfortunately, such a disparity in public prestige could translate into a decisive difference in battlefield morale.

General Sir John Hackett traces contemporary America's "lack of sympathy ... towards its armed forces" to the "grave disservice" done the army by the media in Vietnam. This seems undeniable. But whatever the reasons for the current lack of respect for American military men, such respect must somehow be restored. For, as Hackett's history of professional soldiers makes clear, societies that do not support and appreciate their military often end up under the heel of societies that do. □

## IN FOCUS

### Of Careers, Criminals, and Creative Writers

**Theodore Dreiser: *An Amateur Laborer***; University of Pennsylvania Press; Philadelphia.

**Nelson Algren: *The Devil's Stocking***; Arbor House; New York.

By the time the average American child has reached adolescence, he has been asked hun-

dreds of times by solicitous relatives and politely curious strangers, "What are you going to be when you grow up?" Though this almost ritualized query is typically part of an adult's awkward efforts to make small talk with a child, its ubiquity has profound implications. First, such a question presupposes the