

ARE WE BEING BEASTLY TO THE GIPPER? PART I

One of the reasons we launched the *Libertarian Forum* way back in 1969 was that a number of "libertarians" had eagerly formed themselves into a (largely unpaid) intellectual bodyguard for the new president, Richard Nixon, and were given to trumpeting the President's allegedly libertarian concerns and designs. Well, we know all too well what happened to *that* theory. But, lo and behold, *plus ca change*, and here we are, one year into the new Reagan Administration, and still more libertarians are now heralding the Gipper as the Libertarian Messiah. If the Gipper is truly our Redeemer, then of course churls such as myself have to be attacked for strenuously resisting the New Dispensation and presuming to claim that the Gip really has no clothes.

Sure enough, the right-wing of our movement, some of whom have quasi-cushy jobs in and around the Administration, have been doing a great deal of such trumpeting and alibiing. Robert Poole, Toni Nathan, David Friedman, David Henderson (now comfortably ensconced in the Labor Department,) and Bruce Bartlett (deputy head of the Joint Economic Committee of Congress) have weighed into the lists, defending the poor old Gipper from the alleged calumny of myself and other unreconstructed libertarians, such as CCE's Sheldon Richman. If the others merely Deplore Our Negativism and frankly urge "critical support" for the Reagan Administration, it remains for one Lance Lamberton to take off the gloves and denounce us purists for sniping at the greatest libertarian of our century (Ronnie Reagan, natch), and to resort to psychosmearing to "explain" our churlish resistance to the New Order ("Give the Gipper a Break," *Frontlines*, October 1981). In addition to the usual statist claims that we are negativists and ridden with envy at our Leader's accomplishments, Lamberton asserts that we are all suffering from an "identity crisis" because we insist on clinging to the view that there is something wrong with the State itself. Well, gee whilleckers! Where did we get *that* notion from, I wonder?

Methinks that if anyone is suffering from an "identity crisis" it is Lamberton himself, who persists — or has the *chutzpah* — in calling himself a "libertarian" even while he smears and besmirches the ideas and the movement. At least when Jerome Tuccille deserted the movement a few years ago he frankly called himself a "conservative"; it would be nice if Lance were to follow suit. Nice but not to be expected.

Meanwhile, there is no need to employ psychobabble to explain the new course of Mr. Lamberton. The last time I saw Lance Lamberton he was a pure but impoverished young lad, working at the stronghold of libertarian radicalism, the Laissez Faire Bookstore. Now Lamberton has come up in the world, employed as a lobbyist in the Bowels of the Beast (Washington, D.C.) for the U.S. Chamber of Commerce. Might his 180-degree change of outlook be in some way related to his new-found prosperity as a conservative flack?

We are now one year into the Reagan Administration, so let us now examine the libertarian status of the Reagan record. Have we really been beastly to the Gipper? Or have we scarcely begun to rip open the veil of sanctity that our "libertarian" conservatives have assiduously tried to wrap around the President?

We will start at the Gip's allegedly strongest point — his economic record — since even Lamberton does not muster the temerity to claim that Reagan's foreign, military, and social policies are pristinely libertarian. Let us first tackle the Gip on Reaganomics.

1. Macro Reaganomics: The Budget

We begin with the famous Reagan budget victories in Congress last summer — widely heralded by the Reagan Administration and by the media as "massive" and "historic" budget and tax cuts, cuts that significantly turned

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around the decades-long trend toward Bigger and Bigger government in the United States.

Okay, let's look at the "historic budget cut" effected by the Reagan Administration, a cut punctuated almost daily by pathetic TV interviews with various bozos supposedly suffering from the cuts. In fiscal 1980, the last full year of the Carter regime, he of Big Spending and modern liberalism, total federal government spending was \$579 billion.

Originally, the Reagan projection of his own spending in the first full year of his regime, fiscal 1982, was \$695 billion — thus keeping federal spending below the magic \$700 billion mark. This "massive" and "historic" spending cut, dear reader, amounted to a 10% annual *increase* over the budget in the last days of the Bad Old Carter regime. (We can now omit the intervening year, fiscal 1981, as a year of mixed Carter/Reagan; its actual budget was in between, at \$661 — \$665 billion.)

This egregious fraud, this hoax, this "massive cut", this 10.0% annual *increase* in the budget, contrasts vividly to mild old Ike Eisenhower, who no one, including himself, thought of as a conservative or economic libertarian militant. Ike, in his first full fiscal year in office from 1953 to 1954, actually *cut* the budget (cut-cut) by a fairly hefty 8.7%.

But that is scarcely all. For in the space of a few short months, the Reaganite estimates of its *own* spending this year (fiscal 1982) have already risen from \$695 billion to \$705 billion, and now up to \$735 billion! So, with the fiscal year hardly begun (it ends every year on Sept. 30), we now have an estimated *per annum* increase from the last full Carter budget to the first full Reagan budget of no less than 13%! And Lord knows how high the spending will get to when we finally finish the current fiscal year.

So what are these so-called "cuts", and where did this balderdash come from? Because, in Jimmy Carter's January 1981 budget proposals, his suggested 1982 spending was a whopping \$739 billion. Hence, in their original enthusiastic estimates, the Reagan \$695 billion for 1982 was going to be a 6.0% cut from Carter's *proposed* 1982 budget, not from the actual spending in the last days of Jimmy the Peanut.

But all this is hokum on several different levels. In the first place, a sinister semantic trick is being performed here. In the old days, the days of my youth, a "budget cut" meant precisely that. If this is the year 1954, and if the 1954 budget comes in at less than the previous year, then that is a "cut". Simple and straight-forward enough. But now, the meaning of the term "cut" has been subtly changed. No sophisticated observer expects a cut-cut any more; no one thinks that the budget will actually be *less* next year. What "cut" now means is a reduction from the pie-in-sky blather emitted by a previous President, with no connection to any real budgetary process. Hell, I could do that, too. I could issue "projections" of a \$1 trillion budget for this year and then hail Reagan for his "massive cut" of \$265 billion from this

non-existent hokum figure. No, if we are to keep the meaning of language, a cut must mean a cut *from the previous year*. After all, it's not inconceivable. Moderate old Ike did it in his first two years in office.

And finally, as Reagan spending bloats and balloons upward, projected spending for this year is already almost even with the Carter estimate, and so there is not even a "cut" in *this* sense. There might well be a whopping increase before the year is out.

Perhaps we might salvage the "cut" hoax by saying that Reagan only wants to cut the *rate of growth* of government spending rather than spending itself. But first, that would be a monumental betrayal of Reagan's professed objective of rolling back Big Government. If we have two political parties, a liberal party committed to advancing government, and a conservative party committed only to slowing down the rate of increase, then the inevitable long-run trend will be . . . full-scale collectivism. For when, in that case, are we going to get to roll government back?

But even on these absurdly reduced terms, the Reagan record is an abysmal one. For if we compare the first full year of the Reagan term with the first full year of the Carter regime, we find that the increase *per annum* of the first full year of the Carter budget over the last full year of the Ford budget was 11.7%, a striking contrast to what is *already* projected as a 13.5% annual increase for Reagan. So, comparing the first years of Reagan with those of Carter, we find an *increase* in the rate of growth of spending. ♣

David Friedman, David Henderson, and other "libertarian" apologists for Reaganism have protested that such an attack is unfair since inflation can reduce the "real" level of government spending, as corrected for inflation. But while it is perfectly valid to correct yours and my incomes for inflation to see how well off we *really* are, it is impermissible to do this for the federal government, which, by its printing of counterfeit money, is *itself responsible* for the inflation. It is truly bizarre to try to excuse the growth of Reagan spending by pointing to inflation's reducing the "real" level of spending, for in that case, we should hope for an enormous amount of inflation and hail Reagan's spending "reductions" if such hyperinflation came about. To take a deliberately extreme example to highlight the point: Suppose that the Reagan Administration suddenly doubled the money supply, thereby doubling or tripling the price level next year. Should we then hail Reagan for "cutting" "real" government spending by one-half or two-thirds? How grotesque can the Reagan apologists get?

It is true that a tiny handful of obnoxious agencies got cut-cut, and one or two actually got eliminated. But all this amounted to very little, and, as we have seen, was more than offset by massive increases.

Notice what I am *not* saying. I am not, as a well-known

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THIS IS THE MOVEMENT YOU HAVE CHOSEN

(a new regular column on the Movement)

by The Old Curmudgeon

Representative Dick Randolph (Alaska) has been the jewel in the LP diadem ever since he won his seat in the State House from Fairbanks. But how many of us know anything about the Alaska Party or about Dick's voting record? Few of us from the Lower 48 know or bother to find out anything about Alaskan affairs. But one indisputable and important fact has received peculiarly little publicity (in fact, zero publicity) in the Movement: namely, that since early 1981, Randolph and Ken Fanning, his new fellow Libertarian in the State House, have been in an official coalition with the Republicans in that legislative body. Isn't this a sellout of principle and independence in order to get some choice committee posts?

But perhaps the Alaskan Party doesn't care a whit about principle. Thus, the *Washington Post* (November 7, 1981), in a favorable article on the Alaska Party, interviews Ken Fanning, a big, bearded professional trapper and wilderness guide, who "warns the party against entangling itself in long philosophical debates over difficult issues such as whether supporting abortion fits the Libertarian

principle." A following quote from Fanning is priceless:

"To the extent that we keep offering a philosophical diversion for Ph.Ds and intellectuals, we're in trouble," Fanning said. The party's followers 'see individualism in a very specific way, cutting wood tonight as opposed to waiting a week to cut wood' because of some government regulation."

Well, there you have it: the Fanning vision for the Libertarian Party. No need for Ph.Ds and intellectuals and their long boring debates. Let's just capsulize libertarianism into one stirring slogan: Chop Wood Now!

Big Fella, I've got news for you. Chopping Wood Now might be the grabber up there amongst the reindeer and the tundra, but down in the Lower 48, nobody really gives that much of a damn about wood while abortion is a very hot issue. And there is no way that rough and ready Folk Wisdom is going to solve that very "difficult" but also very important issue. I'm afraid that for *that*, Big Guy, we might have to keep some intellectuals around and even, you should excuse the expression, Ph.Ds. □

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radical, denouncing Ronald Reagan for being too moderate, too gradualist, in the right direction of cutting Big Government. If this were 1954, I would have said that about Ike. I am saying something very different: that Ronald Reagan is moving us further ahead, and not very gradually or moderately either, in the direction of Big Government and collectivism. He is not moving gradually in the right direction, but at a smart clip in the wrong direction. He has not turned the country around, except in the mistaken notions and fantasies of the media, of deluded rank-and-file conservatives, and of our right-wing libertarians. Only his rhetoric, not his actions, can be called libertarian in any sense. In an age of hype, Reagan's public-relations success was — very temporarily — astounding. But, as we shall see in the case of the deficit, the chickens are already coming home to roost.

2. Macro Reaganomics: The Deficit

The deficit turned out to be the Achilles heel of Reaganomics. Reagan, during his campaign and in the early weeks of his Presidency, pledged a balanced budget. No more Bad Old Keynesianism, but fiscal sobriety. In his

budget estimates during 1981, Reagan persistently forecast a \$43 billion deficit this year, and finally, a balanced budget in 1984. Then suddenly, in the fall of 1981, the President threw in the towel, and abandoned his solemn pledge. The balanced budget is *kaput* even in promise, and has gone the way of the Carter "balanced budget" of 1976. And suddenly, Administration forecasts of its own 1982 deficit have zoomed alarmingly, already hitting the enormous total of \$109 billion.

And so, to add to the biggest budget in American history, President Reagan proposes to give us the biggest deficit in our history.

The great Reagan macro-hoax, the non-existent budget and tax "cuts" (on taxes, see part II), emerged from a game plan: the phony cuts would give heart to the market, and inflationary expectations would reverse sharply, bringing down interest rates from their historic highs. The interest drop and reversal of inflationary expectations, went the theory, would give a "breathing space" for the monetarists at the Treasury and the Fed to do their work: i.e., very, very gradually reduce the rate of counterfeiting, so as to lower inflation in slow, painless degrees. Pain, and a severe

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recession, would thereby be avoided, and we could, for the first time, gradually end inflation with no severe corrections, dislocations, or recessions.

Well, it was too late for all that. Inflationary expectations are ingrained in the American psyche. No one trusts the government anymore. No one trusts the Fed. And so, sensing the hoax, and seeing the deficit rise rather than fall, Wall Street's inflationary expectations — and therefore interest rates — remained at their embarrassing highs. The confident prediction of the Friedmanite monetarists in charge of Reaganomics: that interest rates would fall swiftly because inflation had "abated", was knocked by reality into a cocked hat.

The first, shameful and panicky reaction by the Administration was to start hectoring Wall Street. Senator Baker and Representative Michel — the Republican leaders in Congress — yelled at Wall Street and, like King Canute, ordered bond prices to rise. If they didn't, the Congressional leaders threatened Wall Street with dire consequences: credit controls, extra taxes on interest, even wage-price controls. None of this received any denial or repudiation by the Administration. Indeed, Secretary of the Treasury Regan added his own hectoring, chastising Wall Street for not having enough faith in America (thereby taking his own old Merrill Lynch TV commercials seriously).

In the last months of 1981, interest rates finally fell, though not spectacularly, but Reaganites took little comfort, since the cause was not the disappearance of inflation but a severe recession that hit in the fall. With unemployment rising sharply, production falling, and inflation still at near double-digit levels, the ever-zooming deficit has left the Reaganites panicky, on the ropes, reduced to praying, like Mr. Micawber, that "something will turn up."

Perhaps the most shameful Reaganite reaction to the accelerating deficit came from the Administration's three top economists, members of the Council of Economic Advisers, Weidenbaum, Jordan, and Niskanen, all of whom have been advising us that deficits are really not so bad, and that therefore We Should Relax and Enjoy It. Surely the ghost of Lord Keynes is smiling now! The single most disgraceful message that We Should Learn to Love Deficits came from my old friend, "libertarian" Bill Niskanen. Niskanen opined (a) that, after all, the "real" public debt — oops, there we go again! — is declining, and (b) that government assets are growing too, so that an accelerating increase in the debt is not that bad.

The point of the "real" public debt gambit is that, as the government prints more money and creates inflation, the value of its public debt in real terms goes down. No doubt, but this is hardly something to cheer about. When the German government created runaway inflation in the early

1920s, one of its reasons was to wipe out its public (especially its foreign) debt. It succeeded all too well. Are we supposed to cheer, Bill, because the government suckers its citizens into buying its debt and then creates inflation to wipe out its "real" debt burden?

The second shameful argument of Niskanen's is that government "assets" too, are growing. As the *New York Times* paraphrased him, "if the borrowed money were invested constructively — not just spent for immediate consumption — the deficit financing might be laudatory." Infamy! Government "investments" are "laudatory?" Since when is government spending anything but unproductive and parasitic "consumption" expenditures by politicians, bureaucrats, and their confederates? Here we see the *reductio ad absurdum* of our "free market" public choice economists (of whom Bill Niskanen is a distinguished member) who treat government as if it were just another — albeit largely inefficient — business firm, making investments, piling up assets, weighing asset and debt, etc. No, the government is *not* just another business firm; it is not a business firm at all. It is our enemy; it is Leviathan. As the *Wall Street Journal* mildly noted in response to Niskanen, some conservative economists "weren't happy with the picture of a steadily growing government, preferring to see government shrink." How old-fashioned of them!

Niskanen is relatively far-out in his service to the State. Other, less repellent, Reaganite arguments on Why We Should Learn to Love Deficits are those of the dominant monetarists, and the fringy but scrappy and voluble supply-siders or Lafferites. To the monetarists, deficits are not inflationary unless they are financed by new money created by the Fed, and since the monetarists propose to order the Fed not to do so, then there is no problem. But, while this is technically true, no one who knows anything about politics or the way the Fed works believes that it will refrain from "monetizing" \$109 billion and even higher deficits. Of course much of the deficits will be financed by new money. Already, Secretary Regan has been exhorting the Fed to create more and more money. So, in practice huge deficits *will* be inflationary; Wall Street's apprehensions are right and the arrogantly confident monetarists are wrong.

But furthermore, even deficits not at all monetized will have a baleful effect. For they will mean that precious and scarce private savings will be siphoned off into unproductive government boondoggles. Growth rates, already alarmingly low, will sink further because government spending will "crowd out" private investment from the capital markets. Interest rates will therefore be driven upward. But the major problem is not the rise in interest, but the crippling effect on private investment, productivity, and economic growth. *Deficits Do Matter!*

The other set of Reaganite deficit-apologists are the

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ARTS AND MOVIES

by Mr. First Nighter

True Confessions, directed by Ulu Grosbard, written by John Gregory Dunne and Joan Didion, with Robert Duvall and Robert DeNiro.

I approached this picture with apprehension, set on edge by critical raves about Miss Didion's characteristic air of downbeat *malaise*, by the repeated warnings that this is not a murder mystery, and at the use of such *avant-garde* devices as making much of the dialogue inaudible. (Presumably this last gimmick is to mimic "real life"; but most of the dialogue I hear is audible!) I found to my delighted surprise that while all this is true, *True Confessions* is still a fine, subtle and altogether splendid motion picture.

The centerpiece of the film is of course the acting, with Duvall and DeNiro superb as Irish Catholic brothers caught in a web of general and Churchly corruption. The interplay between the two gives us some of the finest acting and character resonance in the contemporary cinema. Those of you who liked DeNiro in *Raging Bull*, however, those of you think that acting means chewing the carpet, won't like this film. (One dimwit reviewer actually called DeNiro's acting "catatonic.") For DeNiro gives a marvellously and subtly modulated performance; a brief meaningful glance of his says it all.

The fate of DeNiro, and the subtly expressed love between the brothers, make this a deeply touching picture as well. The dialogue is splendid: in turn moving and witty, the screenplay as well as the direction and photography brilliantly evoke the murky world of detectives and prostitutes in the Los Angeles of the late 1940s. Even more, the dialogue and the picture as a whole brilliantly and wittily capture much of the essence of the Catholic Church in the modern world. John Gregory Dunne, who wrote the original story from which this film was adapted, knows his Irishmen and his Church, and so we see the great Cyril Cusack as a cynical Cardinal, Charles Durning as a splendid villain — a real estate crook who receives the Catholic Laymen Award from the Archdiocese just before he gets dumped by the Church, and Burgess Meredith as an aging priest with a true priestly vocation. And of course DeNiro, who begins the picture as a sleek, suave, powerful young Monsignor, the Cardinal's hatchet-man, involved in real estate deals rather than in theology or loving God, and ends humbled and transformed. There hasn't been such a subtle character change on film since Al Pacino did the reverse shift in *Godfather*.

So forget the downbeat and the *avant-garde* touches; *True Confessions* transcends them all and leaves us with a truly memorable motion picture.

Beads on One Rosary

Every year, the New York Film Festival, like its sister Festivals in Cannes and elsewhere, brings us a host of new movies each more detestable than the last, each a monument to the incoherent, the morbid, the irrational — in short, to the *avant-garde*. Festival is *avant-garde* run rampant, for then directors can indulge their fancies with little or no bows to the average viewer. The hits in the *avant-garde* world then return to plague us for many months. But every once in a great while, a true jewel emerges, and this is one I was privileged to see: the new Polish picture, *Beads on One Rosary*. It is charming, extraordinarily lovable, gut libertarian, splendid in every way; so naturally, it played only once at the Festival, got no critical raves among the esthetes, and will probably not be heard from again. It is far better than the sturdy but scarcely scintillating Russian picture *Moscow Does Not Believe in Tears*, but unfortunately this does not seem to have helped.

This film features an elderly Polish coal miner and his wife, a remarkably charming couple. For his heroic coal production in the days of his youth, the miner was given his own crude shack, a house which he loves. Now all the miners have been ordered out of their homes and into a modern high-rise public housing development, which they all detest. This miner, however, stubbornly refuses to move. There is a great confrontation between the miner and the smooth, suave head of the mine, who tries to talk the miner into moving. When he says that Marxism requires moving for the sake of progress, the old miner says, with a twinkle in his eyes: "Yes, I know what Marx says about fellows like you who live off the product of the workers." Finally, the mine boss denounces the miner as an "anarchist", the miner goes to the dictionary to look up the word, and orders the boss out of his house.

It requires little stretch of the imagination to realize that *Beads on One Rosary* is a metaphor for the current struggle between the Polish masses (workers and Catholics above all) and the Communist State. But the metaphor is only implicit; this is no heavy-handed "message" picture. It is a marvelous gem in every way, and if it ever shows up in the United States again, see it! □

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Supply-Siders. First, they don't care about deficits, for they want only tax cuts, and they favor keeping spending levels high. The supply-siders are interventionists and not free-market advocates; they simply want different kinds of intervention. But they agree with liberals and Keynesians that spending levels should be kept high, largely because that is what they think the public wants. Professor Arthur Laffer, in his extreme Laffer Curve variant of supply-side, claims that cuts in tax rates, particularly income-taxes, will almost instantaneously raise tax revenue so much (because of increased work, thrift, and production), that this will achieve a balanced budget painlessly. Like the monetarists, the Lafferites demagogically promise painless economic adjustment; spending levels (and therefore all the goodies from Papa Government) can be kept up; tax rates can be sharply cut; and yet we can achieve a balanced budget through a rise in revenues.

But the vaunted "massive" income tax cut has already led, not to a balanced budget, but to unprecedented and enormous deficits. And so Lafferism has been politically discredited — actually unfairly since, as we shall see later, taxes were not really "cut" at all. A crackpot theory has been unfairly discredited, but eventual discredit was inevitable. It was just a matter of time.

The Reagan Administration, however, has done

something about the deficit problem. It has aggravated deficits, but it has managed to get the conservative Republicans in Congress off an embarrassing hook. In the good old days, we had a statutory debt limit, and every year or so the Administration would come to Congress and induce it to up the limit. One of President Reagan's first acts was to come to Congress and ask it to raise the debt limit once again, to over \$1 trillion. Veteran conservative Republican Congressmen, who had voted against rises in the debt limit all their lives, changed their stance with tears in their eyes. They justified their change of stance because now a good conservative was in the White House, and they all trusted Reagan to fulfill his balanced budget pledge. Well, that pledge is now out the window. But the conservative Republicans in Congress don't have to worry any more. They are off the hook. For, unbeknownst to practically everyone, the Administration managed to change budget procedures last summer so that the debt limit never again will have to be raised officially. The debt "limit" now automatically increases whenever Congress votes a deficit. Some "limit"!

The Reagan Administration of course benefits from this bit of deception. The conservative Republicans are no longer embarrassed in front of their constituents. Only the American people are the losers.

Look for Part II in the next issue of *Libertarian Forum*. □

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