

BOOK REVIEWS

Herbert Stein, Presidential Economics: The Making of Economic Policy from Roosevelt to Reagan and Beyond, New York: Simon and Schuster, 1984. 314 pp. \$9.95 (paper).

According to Lester Thurow the economics profession is becoming guild-like. "Members of a guild," he explains, "tend to preserve and advance traditional theories rather than try to develop new ways of thinking and doing things to solve new problems." If this is the case, Herbert Stein is undoubtedly among the most sophisticated masters of this academic guild. Although its author is not of the pure equilibrium, price-auction ilk that Thurow reproves, Presidential Economics clearly preserves that classical model's fundamental assumptions -- all markets clear by supply and demand and perform best when free from government intervention. The book advances long-range monetary policy as the primary means to avert the traumas of inflation and high unemployment that have affected the free enterprise system over history. Luckily, Stein spares the reader such untenable explanations as moral decay or shiftless workers to account for these two problems. Instead, as a good conservative Keynesian, he points to uneven fluctuations of aggregate demand. Of course, unlike the typically liberal tactics of government deficit spending and taxation to manage demand, Stein argues for non-partisan control of the money supply. If, for instance, aggregate demand falls too low, then instead of government spending in the form of income redistribution or jobs programs -- practically unheard of nowadays -- the response should be to increase the supply of money in the economy. The result would be lower interest rates and increased spending. Producers would quickly catch the signal to expand production, and unemployment would fall.

For Stein, however, monetary policy is not to be employed in an ad hoc, trouble-shooting fashion. It

should be an economic way of life, not an occasional fix. The full plan is as follows. A stable, long-term monetary path is to be the sole responsibility of the Federal Reserve Board. The Fed will aim for a low and gradual rate of GNP, like three percent per year. It will not be concerned with real rates of unemployment or prices since this could cause fine tuning and divert the straight and true path of stable growth. From the predicted rate of GNP the Fed would calculate the velocity of money. On this basis the decision is made on the size of the money supply. The tasks involved here are clear cut. The Fed deals only with monetary policy, and the government, via fiscal policy, makes decisions concerning distribution of public output based on the predetermined monetary track. In this way the free market is unrestrained, and politics and economics are separated. Politicians must resist the temptation to concern themselves with real price and employment figures at hand. The long term nominal figures are what matter. Stein is sensitive to the political problems involved: "It is politically difficult because the program will involve sacrifice for some and perhaps temporarily for many people" (22). Decision makers, however, must convince us to stay the course: "This must be explained and people must be persuaded to accept such sacrifice in the interest of a larger and more lasting national objective." With this view that people must conform to the economy instead of the other way around, Stein is granted on-the-spot membership into the economics guild.

Those in executive-branch economic and political circles have not appreciated this type of long-range monetary policy. For Stein, presidential economics has been disabled by presidential politics. Short-term, parochial interests over the past half-century have favored quick-fix programs with little regard for inevitable inflation.

According to Stein, it was this myopic liberal policy that caught public disfavor and bred the emergence of conservatism in the late seventies. He provides a history of the past fifty years of economic policy to reveal the Depression roots of liberalism, its heyday in the mid sixties, and its recent drop in esteem. But like his monetary theory, or perhaps because of it, his economic history has several shortcomings. One problem

with his fifty-year account of presidential economics is the exclusion of the global economy. The reasons for and effects of performance by Japanese and Western European industry is not discussed. By not locating the economic decisions of U.S. presidents within this international economic context, Stein unsurprisingly overstates personality. Johnson's Great Society, for example, sprang largely from the fact that "he could not stand to live in the shadow of Kennedy," and, moreover, took the opportunity to copy the work of his "hero and mentor" Franklin Roosevelt. The role of individual psyches cannot be denied. But to neglect the impact during this time of the civil rights and anti-poverty movements approaches a distortion of history. Yet this is understandable. If Stein is to base his monetary-stabilizing program on sacrifice, then the less attention one pays to civil unrest the better.

Stein's wish for a laissez faire economy has also tailored his history. When discussing America's postwar economy, for example, he states that the success was "not to be attributed to the economic policy followed. It is mainly testimony to the vigor of the private economy" (87). He neglects the roles played by government with, for example, the G.I. Bill and its effects on the housing industry, or the stimulation from defense contracts. To account for this fifteen-year period in one unsubstantiated broad stroke of "vigor of the private economy" is inexcusable. For this Stein is promoted to master status in the economics guild.

With regard to Stein's theory of monetary policy itself, the original critiques made against it years ago still hold. The first is that such variables in the formula as the money supply and velocity are too difficult to measure. Interest-bearing checking accounts and credit cards are excluded from the monetarist definition either because they elude government control or because they are simply too hard to count. Eurodollars complicate things even further. As for velocity, in just one three-year period between 1980 and 1982, for instance, this variable jumped from 8.5% to 11.2%, and then down to 3.2%. Predictability is out of the question.

A second shortcoming is the theory's class bias. The set path of the money supply would not affect all

citizens equally. Larger firms can vary the stock of their capital by foreign means and are thus insulated from the Federal Reserve Board's actions. The average borrower has no such escape route.

Perhaps the best part of the book is the first of two chapters on the Reagan administration. Here Stein provides a lucid explanation and solid critique of supply-side economics. The upshot of this scholarly account is that Reagan nevertheless represents a good foundation for a conservative consensus.

As Stein himself admits, his monetary program calls for sacrifice. A stable economy requires many to be laid off, risk danger in unregulated worksites, and in short to forfeit a human standard of existence for the sake of free enterprise and the "national interest." At some times in our history this sacrifice was seen for what it was and not tolerated. Presently the time is right to promote it. And Stein has taken the opportunity to advance the image of a clean and innocuous national effort to achieve price stability forever. For those of us called on to do the sacrificing let us hope this image remains only within the lofty walls of the economics guild.

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Stephen O. Murray, Social Theory, Homosexual Realities,
New York: Gai Saber Monograph No. 3, 1984. 83 pp.
\$5.95 (paper).

A specter is haunting social science. It is the specter of homosexuality.

In those rare instances when sociologists researching homosexuality thought to apply fundamental theory to their process, they were strangely selective in the concepts and dictums they found appropriate to the subject. While many, for example, assumed even before they began that Durkheim's problematic and ambiguous notions of anomie and deviance would necessarily suit and be informed by the study of sexual variance. However, this well-worn research path has ended cluttered with confusion and mystification, a kind of sociological house of horrors filled with research atrocity stories. At the same time few Durkheimians evinced any need to apply to sexuality Durkheim's clear recommendation that the explanation of social phenomena should be sought first in social variables. As a result, psychologization of research has been extreme, and macrosocial theories about the social organization of Eros have become the province of anthropologists, literary scholars and historians. Similar in their inconsistency are some neo-Marxists who were at pains to decry the reification of the concept of "gay people," while hastening, sometimes in the same paragraph, to extol the development of group consciousness among racial minorities or women (but see Adam, 1978, for a sensitive comparative historical analysis). And of course the literature has tended to subsume lesbianism under male homosexuality.

The degree to which sociology has alternately ignored and distorted the study of "homosexual realities" has long been of concern to those, who, like Stephen Murray and this writer are, as he puts it, "biculturals" of both the gay and sociological worlds. Murray's monograph articulates this concern. The result is at once provocative, readable, critical, and exceptionally useful. It is especially so to those just now discovering that the sociological literature of