BOOK REVIEWS

The Balanced Budget

(Malabre, Jr., A. L. (1994), *Lost Prophets — An Insiders History of the Modern Economists*. Boston: Harvard Business School Press; Eisner, R. (1994), *The Misunderstood Economy*. Boston: Harvard Business School Press; Morton, D. (1983) *Making America Work Again*. New York: Crown Publishers; Brewer, J. (1989), *The Sinews of Power*. New York: A. Kopf; Krugman, P. (1994), *Peddling Prosperity*; New York: W.W. Norton & Company, Inc.)

Reviewed by
Franz A. P. Frisch

Every person listening to the evening news or reading the daily newspapers knows that the words Balanced Budget *are buzz words in Washington. Congress is expected to wrestle with these two words for an indeterminate number of years in an effort to make them a reality. The big question is, of course, can it work? Whatever happens program managers need to be aware that the discussions and ultimate actions on Capitol Hill will have an impact on their programs. The reviewer looks at five books that address the* Balanced Budget *concept, comments on the authors' credentials and credibility, and draws on his own experience and background to present a stimulating view of this thought consuming subject.*

Every economic theory is correct . . . sometimes.
Every economic theory is wrong . . . mostly.
–Franz A. P. Frisch

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"Book Reviews" really is not the right heading. This is a "theme review" of five books written without exception by economists of high repute. All deal, at least in one chapter of their book, with the *balanced budget* theme, a subject presently dominating public attention and debate.

The observer of economic events might find highly irritating the way in which leading experts of the same branch can disagree, not only in details, but on fundamental principles and theories. But those disagreements illustrate the nature of economics, a discipline located somewhere between philosophy and science, demonstrating the interplay between abstract ideas of values and concrete measurable facts. Hence, all economic theories are conceptualizations of observations at a given time. Unfortunately, every conceptualization and interpretation needed to arrive at a theory represents the point of view or more generally the value system of the observer and objectivity is just an illusion. The same "facts" can have different meanings for different people; and even the same people may view the facts differently depending on the time and situation.

I call this the variability of opinions and judgment. It might seem like a deviation from the subject of the *balanced budget*, but I dare to consider it a step toward the core of the problem: first, I remember the stories I heard as a child about alchemists, the people who tried to make gold for themselves and for the kings. They tried it until young science at the beginning of the age of the enlightenment proved it to be impossible. Later, when the machine became a symbol of progress capturing human imagination, eager inventors searched for the perpetu-mobile, the perpetual motion machine, until again progressive scientists proved that this would be a physical absurdity.

I find interesting the story of the alchemists and the inventors of the perpetual motion machine because of a rather astounding fact. Constant failures to achieve those imagined goals have never been accepted as sufficient proof **that it cannot be done**. Furthermore, scientific proof has been reluctantly accepted; and without this proof, I am convinced that people would still try to make gold and to invent the perpetu-mobile.

And this brings me back to the *balanced budget*, and as a side issue, to inflation. I remember, as a little boy at home, listening in awe to my father and his colleagues discussing the budget and inflation at parties. There was an old professor of economic anthropology and economic history who used to say "Gentlemen, you are barking up the wrong tree. Since money exists, we have unbalanced budgets and inflation. So why not accept the facts? You know, all secretaries of finance, since ancient times, tried both; they tried to avoid inflation and have a balanced bud-

get and almost never were they able to do it. Does it mean they were all incompetent and stupid? Or does it mean both phenomena are embedded in (a) the nature of money and (b) in the human psychology? If you accept (a) and (b), then the problem is not how to solve the unsolvable, but to learn how to live with it."

I remember well the long silence which followed the old man's remark until a young rabbinical student started to laugh. "Gentlemen," he said, "I admire your questions. But, no offense intended, we Jews have known this for over 2000 years, when we suggested the jubilee of the old testament to cancel all debts every 50 years and start with a new accounting system."

I cannot claim that I, as a child, understood too much of the conversations between my father and his friends, but I got a feeling of uneasiness. Here were a group of highly educated men and it seemed to me that everyone had his own opinion, his own point of view, and defended contradicting positions. I must say, I was sorely confused. And in school sometime later, during the depression in Europe, I overheard the conversation of some teachers that made a lot of sense to me. They talked about the budget and one asked why the government can have a deficit when everybody else—a private person or a company—cannot spend more than he earns. I brought this wisdom to the attention of my father and had to listen to his explanations. He started by defining sovereignty, an attribute to the state in its totality, but not to a person or company, living and operating within the state. The state (or the nation) can make laws, have an army, and foremost make money, but not the entities within the state.

Those memories from my youth formed my thinking and mental preconditioning toward all economic theories.

The first book I selected for this theme review was Malabre's *Lost Prophets- An Insider's History of the Modern Economists.* The reason I started with Malabre is relatively simple. He is a learned economist and an economic reporter for the Wall Street Journal. His book is immensely readable, free of professional jargon, full of humor, without preaching any particular economic dogma. He simply reports with complete lack of respect, the failures of the great economists to predict the future. In his section "Budgetary Bafflement" (page 83) he pits (most politely) experts against experts. He starts out with the Eisenhower administration esteem for balanced budgets and discusses the relationship between the behavior of the economy and the state of the federal budget. He says that during the Kennedy administration, this was much more difficult to evaluate than at the end of the war when the pent-up demand of consumers, flush with savings that had accumulated during the war years, was released.

Then, he skips ahead two decades and refers to a 1983 conference, sponsored by the Federal Reserve Bank of Boston and organized to address the question: *Just how much should Americans worry about the rising sea of red ink engulfing the federal budget?* Malabre calls this conference "unintentionally hilarious."

Reagan Administration Treasury Secretary Donald T. Regan played down the importance of the budget deficit, but Martin Feldstein, President Reagan's chief economic advisor, warned that the outlook would be dark indeed if the red ink kept rising. Other speakers included Benjamin M. Friedman, a Harvard economics professor and a director of the National Bureau of Economic Research, followed by Albert M. Wojnilower, the chief economist of First Boston.

Friend Benjamin (excuse my use of first names) stressed cause for concern about the unbalanced budget and how it would impede capital formation. But Albert, known as a relative pessimist on economic prospects surprised the audience by stating that under certain circumstances, a larger deficit might well be associated with larger profits and investment. Albert concluded by saying, "The budget is like the weather: Everybody complains about it but nobody does anything about it, and no one is expected to." This last remark supposedly created some friction between Benjamin and Albert.

Malabre reports that another speaker, Professor Robert Eisner of Northwestern University, blamed the deficit essentially on inappropriate accounting methods at the federal level and argued that the budget deficit was in large measure an illusion. In particular, Eisner explained in his book, *How Real is the Federal Deficit?*, that a deficit that finances construction of our roads, bridges, harbors, and airports is an investment in the future. Expenditures to preserve natural resources or educate our people and keep them healthy are an investment in the future. But, under federal accounting procedures, such investment is regarded as additional red ink.

Malabre reports more about such differences of opinions. His section about "Budgetary Bafflement" is both amusing and deeply disturbing. It seems that the pro and con expert groups are talking about two entirely different subjects:

- Eisner, representing one group, talks about the physical economy, about bridges and airports, about construction and roads . . . about what can be and should be done.

- Feldstein, representing the other group, talks about the symbol economy, expressed in money.

Nothing demonstrates the differences of point of view more drastically than the Eisner-Feldstein disagreement, or ideological tunnel vision.

To me, the modern and not so modern economy always have two sides, like the two sides of a coin. The one side is the physical economy and the other side is the symbol economy. My colleague at DSMC, Professor James Abellera, calls the layer in between the ideological connection between the two. If you accept my analogy with the coin, you will also accept the trivial fact that both sides of the coin must be the same size. Think about this for a moment as a brain teaser and permit me to recall an event of the history of the Weimer Republic between 1930 and 1933. Germany had more than 6 million unemployed. The workers' unions requested an employment program to be financed by credits. The conservative government under Bruning refused in the interest of a balanced budget and in the election in July 1932, Hitler, the sole supporter of such a program, won.

This illustrates that the Eisner-Feldstein conflict is not necessarily new and also illustrates the possibility that the right decision of the moment can be catastrophic in the long run . . . think about it. Let me close my comments about Malabre's book with a question: Would it not be beautiful if we could combine and coordinate the Eisner-Feldstein approaches into a single system to everybody's benefit?

Next I turned to Eisner's *The Misunderstood Economy.* In particular, I selected Chapter 5, titled "Sense and Nonsense about Budget Deficits" (page 89).

The chapter starts with a quote from John Maynard Keynes book, *The General Theory of Employment, Interest and Money.* Then the author uses a 1953 quotation from President Eisenhower relating the budget to unemployment and the government's responsibility to fight it as much as possible. Next, he addresses balanced budget ideas of the Democrats, the Republicans and Ross Perot and asks a Gallup Poll question: "Which is more important, creating jobs or reducing the deficit?" Sixty-five percent responded with "creating jobs."

Eisner, at least implicitly, is talking at the same time about two related, but different subjects: first, he talks about purely economical problems, and second, about a political, moral subject. He is most careful with his statements and always searches for a balanced view. His discussion of measuring the deficit, referring to the difference between accounting principles in the private and public sector is most interesting. He is saying that by changing our accounting system, the deficit would be not much of a problem. If the government were a private company, all past investments in the infrastructure, such as roads, ports, dams,

power stations, and so forth, would be accounted as assets. Of course, this could be done in different ways: either as **past investment** or by its **market value** or **replacement cost.** Eisner does not discuss the different ways of accounting, which are subject to the law of the land. But regardless of the selected method, a private company would be immensely wealthy and to "be in the red" almost a joke, because with these enormous assets you could borrow almost any amount to correct or obliviate temporary cash-flow problems, which is implied in his table J, by listing the Debt/GDP ratio from 1939 to 1993 with a quantum jump for World War II (WWII). This, in turn, clearly implies that winning a war is more important than a balanced budget; again, we are back to a political-moral issue. Just remember President Roosevelt's words: "Do not worry about the deficit, we owe it to ourself." In a footnote he gives what he calls, an "explanation with elementary algebra."

Then Eisner asks two questions: "How do deficits hurt?—or do they?" He starts out with the statement: "What is written and said about the damage done by federal budget deficits is sheer nonsense, no matter how often repeated." He talks about the position of a sovereign government and about a repayment in cheaper dollars . . . after inflation. But again, he is extremely careful in choosing his words. He emphasizes that even a sovereign government cannot print money without control: this would lead to hyper-inflation as experienced after World War II in Germany, Austria, and Hungary. However, a little controlled inflation might be a blessing for the borrower, *albeit* a curse for the lender.

This interpretation is somewhat confirmed by Eisner's next subtexts: "Spending our Children's Money" and "And Inflation?"

He relates the spending of our children's money to taxes and interest rates and states, "We are told that large deficits will cause inflation. The first answer to this is that we have had some large deficits in the last decade and inflation has declined sharply." And when he turns to deficits, he states, "In general, deficits can be too small as well as too large." In short, Eisner implies that the truth is somewhere in the middle—like almost everything in life. He is essentially saying that while a little bit of a deficit is good, too much or none at all is harmful for the economy of a nation.

In the next two subsections, "Are deficits irrelevant?" and "How deficits do matter," Eisner disputes a school of thought led by Harvard's Robert Barro, which argues that deficits essentially do not matter. Then he lists David Ricardo's view that government borrowing instead of taxation may increase the people's after-tax income. Next he returns to the mainstream argument that deficits do matter and refers to the works of Gottfried Haberler of the conservative American Enterprise Institute

and to A.C. Pigan, a "classical" target of Keynes at Cambridge. Eisner continues to recall the expectations for a recession at the end of World War II based on the debt/GNP ratio of well over 100% in 1946 and calls the (thank God) erroneous prediction as part of the background and motivation of the work of Nobel-laureats Milton Friedman and Franco Modigliani developing our modern theory of the consumption function, which he tries to explain in plain English by giving a hypothetical example.

Eisner's arguments are often on both sides of the fence; but definitely, they should serve as an incentive for the student of the economy to dig into economic philosophy and history. In short, he fulfills his mission as a teacher. He implies that absolute numbers (in dollars) of property are rather meaningless and only indexed numbers (with constant purchasing power) count; because otherwise, inflation might distort the number game.

In the next subsection, "The Short Run: Impact on Consumption, Output and Employment," Eisner provides graphical statistics about changes in prices, employment, and real GDP. He brings in investment-aspects (beside others) and quotes Oscar Lange (1938) about an "optimal propensity to consume." He tries to explain the interaction between consumption and investment and the "crowding out" of investment because "there is no more capacity to increase both consumption and investment." He continues to talk about the balance of international payments related to export and imports.

His arguments get more and more involved and it seems to me, he wants most correctly to say that anything and everything in the economy hangs together. We can never consider one single aspect alone and ultimately, all is driven by the psychological reaction of all people to any new situation, resulting in decisions to save or to borrow based upon hope or fear about the future.

In the last subsection, "Deficits, Total National Saving, and our Future," Eisner represents himself more from a philosophical side. He stresses the significance of public investment in the infrastructure and the intangible investment in education, training, research, and the basic services of public security; and again, he tries to support his judgment with graphical statistics. Unfortunately, his arguments get more involved and sophisticated to the point where the uninitiated either can accept his argument in awe, or else be completely baffled, perplexed, or irritated.

Closing out Eisner, I must say he presents the subject in fascinating form, *albeit* not always easy to understand. He highlights economic history in its relationship to peace and war. So I ask these questions: Will the end of the Cold War and our success or failure to capitalize on the

"peace-dividend" change again our views about the deficit? And, what will happen if every developed nation has a deficit, like all the members of the European community according to the agreement of Maastrich, where the members of the *European Currency* established requirements no one is able to fulfill. I will return to this at the end of my review.

Eisner seems to be one of the few professional economists without tunnel vision. He is willing to consider throughout his book all possible points of view—at least where there is some logic involved.

Next I looked at Davis's *Making America Work Again.* I selected Davis's book in order to illustrate how opinions—and, of course, priorities—can change in response to political reality. *Making America Work Again* was published 12 years ago and it represents thinking at the peak of the cold war. The book is a call for victory, a call to subjugate all considerations for the fight and defeat of the Red Empire and the communist danger. There are no ifs and buts. All is clear and rudeness of expression has its purpose.

In the subchapter, "Capitalistic Socialism: Taxes, Budgets, and Deficits," Davis describes the superiority of the capitalistic system to control the economy with taxes, thereby eliminating the need for revolutionary upheaval and confiscatory actions. In the next subsection, "The Balancing Act: The Greatest Show in Town," he indirectly praises frugality, only to be suspended in times of war, but stresses that war-related deficits are seen as essential but temporary extraordinary expenses irrelevant to basic economic policy. He concedes that deficits gradually become immeasurably seductive, until the notion of a balanced budget begins to seem outdated, conservative, and unnecessarily regressive and the popularity of the budget deficit was properly misused to gain political advantage by all parties. He calls the Nixon Administration's first large deficit budget a fiction, because it was called a "balanced full-employment" budget; a fiction leading to the totally imbalanced behavior of the political leaders and making the projections of utopian statistics a matter of routine. After Nixon, he attacks Presidents Carter and Reagan for predicting a surplus and ending up with an increased deficit and blames both for the same utopian economic projections.

Thereafter, social transfer payments are attacked until he starts to talk in a subsection, "Vietnam: War is Peace," about military spending in the name of economic stability, describing it as only another case of the cross-eyed logic that transplants depression thinking into periods of relative prosperity. Then he refers to the critics of President Roosevelt's New Deal, claiming that it was the war, in fact, and not the recovery program, that brought us out of the depression. And he accuses the critics of ignoring the differences between financing wars and economic

recoveries. He ends with the traditional wisdom that it is not possible to have guns and butter at the same time.

In his subsection, "The Pentagon Years," Davis states that defense spending fires inflation by draining resources that might be put to better use and that "our economic theorists tell us, and with good reason, that capitalism does not need a war economy in order to survive. Depression can be averted through fiscal and monetary policy, that is, tax cuts and government (deficit) spending; like in building new factories, better roads and schools and similar valuable things."

Next he attacks the high overhead in the defense industry and brings up Grumman's apparent failure and inability to build efficiently or reliably the civilian *flexible* bus sold to cities.

In his last section, "Targets for Planning," Davis concentrates on upgrading military manpower, the mandatory draft, turning energy to peacetime production, the essentiality of profits for motivation—but not a single word about economic issues with regard to planning. Only at the end of his book does he return to economics, criticizing Reagan, Kennedy, Johnson, and Nixon for deficit spending.

He does not forget Milton Friedman for advocating indexation as merely disguising an unwillingness to accept discipline and closes with "The Lorelei of the Lafferites."

It is difficult to comment on Davis's book. He seems to try to please the ultra-conservatives and the ultra-liberals at the same time. Many readers will reach for an antacid, but conservatives at different times than liberals. Regardless of political leaning, only a fool would disagree that winning a war is more important than anything else. On the other hand, only a fool may agree with his extreme views on the economy; he reaches the extreme on both ends of the ideological scale. Or does he just try to win readers from all sides of the spectrum? I do not think so, because the text is of overwhelming arrogance.

For Davis, everybody seems to be a fool—only he is right. And what does he mean by being right? Does it mean a balanced budget under all conditions or to hell with the balanced budget when it serves political goals? For Davis, no middle ground exists.

Brewer's *The Sinews of Power* is book number four in our review. Brewer is a former professor of History and Literature at Harvard and now at UCLA. The book is a masterpiece, as may be expected of someone of his stature who has, at the same time, a deep understanding of the interactions between national military power and economic power. The book—more than 250 pages of text, supported by nearly 700 references—is free of any economic ideology, but amply supported by statistics, in the form of tables and graphs.

It is a fascinating book about the way Great Britain became the dominating world power at the time. It talks about the East India Company. It underlines the importance of economic and social resources—of capital and labor, wealth and manpower—to becoming a great power. Most fascinating is the description of "The radical increase in taxation and the development of public deficit finance (a national debt) on a unprecedented scale, and the growth of a sizable public administration, devoted to organizing the fiscal and military activities of the state."

In the introduction, the author says that by today's standards, measured on the requirements of the modern International Monetary Fund (IMF), Great Britain would have been unable to get a loan.

The relationship between military and political power to financial aspects is most interesting. It seems that history teaches us that the winner can be never wrong, the loser never right. If Rome had lost against Carthage, the entire world history would look different. But I am supposed to talk about economics, not history.

Krugman's *Peddling Prosperity* is the fifth and last book in this review. It is a pleasant book to read, written with a lot of humor and a minimum of arrogance. On the fly page, Krugman quotes from Keynes, amplifying the power of ideas of economists and philosophers both when they are right and when they are wrong to the practical men. In the preface, Krugman states that "the subject of economy is harder than physics; luckily it is not quite as hard as sociology."

Why does Krugman say this? Quite obviously, he refers to the unending choices possible for any economic action from the simplest to the most complex. Your preference for a particular soap or a specific car, your judgment of the problem of unemployment or the value of a *balanced budget*—provided there is a trade-off—will depend on your social position, religion, philosophy, or world view. And those options are unlimited and unpredictable. Now to Chapter 6 of his book, "The Budget Deficit."

Krugman is really not saying anything that has not already been included in the other references. But, I think he says it better and clearer. And foremost, he abstains from rude judgment about the actors in economy. In short, he tries to act like a gentleman. He says "The federal government has run a surplus in only one year out of the past thirty. Why blame Reagan for continuing the trend?" Thereafter, he concentrates on the deficit trend in terms of the size of its debt relative to the size of the tax base. Krugman is willing to accept a deficit, provided it is not too large. "No extremes please" seems to me a most reasonable position. He tries desperately, and mostly quite successfully, to avoid harsh critique on opposite points of view between the liberals and the

conservatives. He simply prefers to compare opinions and the shift or change of opinions. He states that "once upon a time, it was liberals who were soft on budget deficits . . . liberals always wanted to spend more on social programs, and had trouble finding ways to pay for them. On the other hand, conservatives were tight-fisted types who constantly warned about the menace of government borrowing."

Thereafter, he shifts to the supply-siders and "once come to power, there was an almost comic role reversal: liberals became the stern prophets of fiscal doom, while George Bush adopted McFerrin's 'Don't worry, be happy' as his unofficial theme song." Too bad I cannot quote the entire chapter in this review. But I strongly recommend it as appropriate reading material. It is unique in its clarity and tolerance.

In a subchapter, Krugman introduces the term "hidden deficit," as supposedly springing from three sources: (1) the misregulation of financial institutions like saving and loan associations; (2) too little investment in infrastructure; and (3) too little provisions (or thinking ahead) about the increase of retired people to active workers.

I like to abstain from any comment on the misregulation of the financial institutions. But I think you cannot have a *laissez faire* philosophy and government control at the same time. Such requirement would be a logical contradiction.

I fully accept the second claim, the hidden deficit resulting from too little investment in infrastructure. I have noticed that whatever smart engineers build needs maintenance. And just as with my car, proper maintenance might be cheaper than to run the car without maintenance until it collapses and then buy a new one. To be more specific, the maintenance of the infrastructure *and* the existing dedicated investments are the alpha and omega of a healthy economy. Without this maintenance, any modern economy will collapse. And we have an example for this: The former USSR. The often plentiful food production was useless and food rotted in warehouses because there was no working distribution system (roads, railroads, etc.), and some of the most modern factories dilapidated rapidly to scrap as the maintenance problem was utterly ignored. You may call this "ideological stupidity."

As reviewer, I have some problems with (3), the relation of workers to retirees. First, from a purely economic point of view, we need the retired people as customers for the products of the workers (with increasing productivity), and second, from a moral point of view, we cannot exterminate the retirees . . . we still love our parents. Beside, this is not a prototypically American problem. The worker/retiree ratio is much worse in Sweden, Germany, Switzerland, Austria and almost all West-European countries, first, because of the demographic age trend, and

second, because of the rigorous retirement age limits (mostly 60 for women and 65 for men).

Now a few overall comments: But first, an apology may be in order. It might be that I misused this review to sneak in some of my personal views on the subject. But, on the other hand, this should be the privilege of an old teacher, who has never taught the cookbook of the day, but was foremost interested in bringing his students to the point of "thinking for themselves," convinced that they can do it, but seldom learned it and rarely dared to practice it.

Now my final comments:

- First, I am utterly surprised that none of the five authors addresses the question of where to get the money from for an unbalanced budget. A sovereign government can print the money (with all dangers involved) or it can borrow the money from its own population or from foreigners (with all inconveniences of later repayments). It would be interesting to hear the comments to this point from experts of different orientations.

- Second, from my lecture notes on "The Europeans," I like to bring the requirement as established in Maastrich to entitle a nation to enter the Common-Money-Union of Europe. Just recently, three other nations have been accepted in the European Community (EC), but not listed in the table. They are Sweden, Austria, and Finland, former members of the European free trade associates (EFTA). None of the 12 listed nations of the EC was able to satisfy the four requirements for long term interests (A), the rate of inflation (B), the national debt (C), or the deficit (D).

The table shows that not one of the 12 members was able to satisfy all four requirements and only one member, Luxembourg, was able to satisfy the debt and deficit requirements. And this brings me back to my introductory remarks to this review, talking about the alchemists and the inventor of the perpetu-mobile.

Applicable to the *balanced budget*, we may ask the impertinent question; if all secretaries of finance are the epitome of incompetence; or the most reasonable question; if the requirement for a balanced budget might not be a most unrealistic pipe dream. But, the same question about the reasonableness to expect a balanced budget could be applied to the reasonableness to expect an inflation free economy. If you are interested in this question, I recommend Don Paarlberg's book, *An Analysis and History of Inflation* (Praeger 1993). Paarlberg is Professor Emeri-

Table 1.
**REQUIREMENTS TO ENTER THE COMMON-MONEY-UNION

A — LONG TERM INTERESTS (OVER ONE YEAR)	9.2%
B — RATE OF INFLATION	2.8%
C — NATIONAL DEBT IN % OF GNP	60.0%
D — YEARLY DEFICIT IN % OF GNP	3.0%

**DE-FACTO SITUATION (1993)*

SHOULD	A 9.2%	B 2.8%	C 60.0%	D 3.0%
COUNTRY:	IS:			
BELGIUM	7.0	2.7	X 140	X 6.5
DENMARK	6.0	1.4	X 65	X 3.8
FRANCE	6.0	2.0	58	X 5.2
GERMANY	6.0	X 4.0	50	X 4.0
GREAT BRITAIN	7.0	1,8	45	X 8.5
GREECE	X 22.0	X 13.0	X 90	X 10.5
IRELAND	8.0	0.9	X 95	X 3.5
ITALY	8.0	X 4.3	X 115	X 9.5
LUXEMBOURG	7.0	X 3.2	10	1.0
NETHERLANDS	7.0	2.0	X 80	X 3.5
PORTUGAL	X 13.0	X 5.8	X 65	X 4.5
SPAIN	9.0	X 5.0	55	X 5.5

* IN ROUND FIGURES
X NOT QUALIFIED

tus of Agricultural Economics at Purdue University. He served in the administrations of Eisenhower, Nixon, and Ford. Thereafter, you may draw your own conclusion, but I expect you will ask the same question as I did.

Maybe the problem is not how to avoid the unbalanced budget and inflation, but rather to learn how to live with it . . . or do we prefer the mental state of the Alchemists?

If you are interested in how experts can disagree, I recommend reading the essay, "Competitiveness: A Dangerous Obsession" (Krugman, March/April 1994) and comments, "The Fight over Competitiveness" (Prestowitz, et al., July/August 1994), both in *Foreign Affairs*. They are followed with a reply from Kurgmann.

The essay and the comments illustrates the diversity of points of view or what I called at the beginning of the review the "variability of opinions and judgment." You also will understand my quotation at the beginning: " Every economic theory is correct . . . sometimes. Every economic theory is wrong . . . mostly."