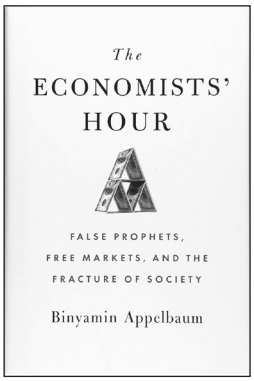

The Economist's Hour: False Prophets, Free Markets, and the Fracture of Society

by Binyamin Appelbaum

New York, New York: Little, Brown and Company, 2019. 440 pp.

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Binyamin Appelbaum, an economics and business editorial page writer for the *New York Times*, writes an intriguing historical analysis of the evolving role and influence played by economists on U.S. political policy as well as its effect on the wellness and affluence of the U.S. economy from 1969-2008. He asserts that as economists gained prominence in politics they often advocated for free market policy to enhance economic prosperity for Americans. He believes these policies/policy reforms failed to provide income equality for Americans and only enhanced the financial standing of the elite because the market place favors those with money over those without. Economists focus too much on growth and not enough on income inequality. In essence, the book is a chronological reckoning of the U.S. placing too much emphasis on free and open market economic policy.

Appelbaum begins supporting his thesis by noting that throughout the 1960s the U.S. economy grew at a 3.13 percent annual rate, whereas it grew at a mere 0.94 percent annual rate during the 2000s. He maintains that during this time the U.S. went from producers of products to consumers of products. Throughout the past 45 years the top ten percent of total household income earnings rose from 31 percent to 48 percent. He highlights the stark impact Paul A. Volcker, Jr. the Federal Reserve chair under the Reagan Administration had on the economy when he aggressively attacked inflation by sharply raising interest rates. Appelbaum believes the "Volcker Shock" undermined employment levels and real wages. He emphasizes that inflation adjusted wages are approximately 2,250 dollars less in 2017 than in 1978. For a crescendo, he highlights that for the period 1980-2010 life expectancy rose for the top 20 percent of income earners and declined for the bottom 20 percent. Among women the gap widened from 3.6 years to 13.6 years.

Throughout the book Appelbaum clearly puts the income inequality blame on economists who advised for less government involvement in the economy (e.g. Martin Anderson, Walter Oi, Walt Heller, Milton Freidman, Michael Levine and others). He further blames the Chicago School of Economics for nurturing this economic philosophy over many years. Numerous renowned economists, both practitioners and academics, graduated from and/or taught at The Chicago School of Economics. These economists pushed forward policies that lowered: taxes, the size and scope of spending by government, industrial regulation and anti-trust law while promoting the benefits of globalization. The percentage of federal judges with economics experiences grew from 20 percent to 40 percent from 1980 to 1990 as did trust-the-market rulings. Milton Friedman advocated for smaller government and less government involvement in the economy.

Economist Walt E. Heller proposed to President Kennedy a cut in taxes while borrowing money to pump into the private sector to promote economic growth. Like Art Laffer who later proposed a similar policy to President Reagan, Heller believed lower taxes would actually raise government tax revenues in the long run through greater and repeated spending. Applebaum believes these policies failed to produce equitable results and burdened the country with debt. Later Heller advocated for more government involvement in the economy through monetary and fiscal policy while Freidman advocated for less.

Some U.S. Presidents have followed other economists' suggestions. Presidents Jimmy Carter and Ronald Reagan promoted industry deregulation based on the recommendations from economists such as Michael Levine. Deregulation and the revision of anti-trust law is how Federal Express got its start. Over the years economists Martin Anderson and Walter Oi battled to end military conscription believing it would produce a better military relative to the cost. President Nixon made that law in 1971. Nonetheless, defense spending has continuously grown.

Arguably the biggest contribution the author makes is his painstaking research covering the evolution of notable economists to prominence that has shaped U.S. economic policy over the years. He provides fascinating personal background stories of these economic heavyweights: their professional relationships, economic ideologies, and idiosyncrasies. He includes fascinating stories that bring alive the thought process behind major U.S. economic policy decisions. Appelbaum does a superb job detailing the rise in the ideology of free market capitalism and its influence on political policy both domestically and internationally—from the rise of international financial institutions led by the U.S. to the demise of the Gold Standard and the global embracement of the U.S. dollar as a reserve/vehicle currency. Finally, he defines the growth of the role of economists played in support of Federal government agencies (e.g. the Occupational Safety and Health Administration, and the Environmental Protection Agency).

There are some shortcomings of the book. Appelbaum falls short in recognizing the role of domestic and global economic factors that emerged during the 1970s such as the production of lower cost and high quality products produced in places like Japan and Taiwan, the quality/cost complacency of the U.S. industrial base/manufacturers, small research and development/modernization budgets, growing labor costs, energy/resource scarcity, inflation, technological innovation and others. He is also too quick to criticize without providing an alternative approach to what he argues has been consistently reckless economic policy that has caused the demise of the U.S. economy and exacerbated income equity among Americans. Further overstated is the policy consensus among economists. They did not all think alike and they fiercely debated the economic issues of their day.

In sum, Appelbaum does not provide a balanced prospective. He purposefully promotes his progressive political agenda. He professes inequality has risen because policy makers haven't decided to stop it. Income inequality needs to be addressed through greater government involvement in the economy (e.g. providing a stronger social safety net for working class people, and protecting workers, and their jobs, from foreign competition).

Regardless of these faults, the book is noteworthy in its articulation, research rigor, historical perspective, and its original blending of the minds/thought processes of economists and U.S. government administrations designing, debating, and implementing political economic policy. It is a particularly valuable read for senior military professionals, social science academics/scholars, public policy practitioners, and U.S. government interagency authorities. ***IAJ***