Szekely calculates that the cost savings from such innovations could run as high as 40 percent.

The author cites other "high-tech" methods for making steel with special properties, methods that could give U.S. producers a needed edge in world markets: "near net shape casting" (spray-coating a solid base with molten steel) and "rheocasting" (shaping semi-molten steel). "Laser glazing," "plasma spraying," and "magnetron sputtering" are also new ways to improve the quality of steel surfaces.

"To insure itself a share of the future world steel market," Szekely concludes, "the U.S. steel industry will have to develop radically new methods for making products that are not yet widely available." Otherwise, the big integrated producers, with their "large, inflexible operations," are not likely to survive beyond the 20th century.

Supply-Side Boon

"All Supply-Siders Now?" by Gordon Jackson, in *Policy Review* (Summer 1987), 214 Massachusetts Ave. N.E., Washington, D.C. 20002.

Supply-side economics—fiscal policies that aim to stimulate production rather than consumption—has not captured as much attention in recent months as it did during the first half of the Reagan presidency.

Yet, argues Jackson, managing editor of *Policy Review,* Americans should not forget that the fruits of a strong economy, which they enjoy today, were borne of Reagan's early supply-side policies.

When President Jimmy Carter—the last Keynesian (i.e. consumption-oriented) president—left the White House in 1980, notes Jackson, the U.S. economy was a mess. The inflation rate was 12.5 percent; the prime interest rate, 21 percent; the unemployment rate, roughly eight percent; the annual growth rate for industrial production, 1.4 percent.

Today, that picture is much improved. The inflation rate has dropped to about four percent. The prime interest rate stands at a mere 8.25 percent. Not only has the unemployment rate fallen to 6.3 percent, but 61.6 percent of the civilian population is working—an all-time high. And industrial growth proceeds at a rate of 3.8 percent annually.

Although several policy measures—e.g., widespread business deregulation as well as the Federal Reserve Board's stringent monetarism—have aided and abetted "America's economic rejuvenation," Jackson argues that cutting taxes was the key factor. In 1988, the top marginal tax rate for most individuals will be 28 percent, down from 70 percent in 1980. While Keynesian skeptics often argue that tax cuts reduce tax revenues, Jackson observes that the evidence suggests otherwise. In 1978, Congress lowered the capital gains tax rate from 49 percent to 20 percent; between 1978 and 1985, capital gains tax revenues rose by 175 percent.

Much criticism of supply-side theory is no longer valid, Jackson adds. The Reagan tax cuts have not worked to give the rich a break: Of the $44.6 billion increase in federal tax revenues between 1981 and 1985, 86 percent was paid by those earning more than $100,000 per year. As to the charge that tax cuts have deepened the annual federal budget deficit (which stood at $141.7 billion as of August 1987), Jackson retorts that the red ink is "a spending problem, not a revenue problem." Between 1981 and 1986, national revenues rose by 11 percent—yet federal spending increased by 24 percent.

Yet, Jackson asks, "has it become the conventional wisdom that low taxes are the key to economic vitality?" His unhappy conclusion: Almost certainly not. "The forces of statism and zero-sum thinking gather daily like dark clouds over Washington, and we may well be in for a downpour of new taxes as soon as Reagan leaves office."

SOCIETY

Defining Old Age

"How Old is 'Old Age?'" by Peter Uhlenberg, in *The Public Interest* (Summer 1987), 10 East 53rd St., New York, N.Y. 10022.

The 65th birthday is, for most Americans, the threshold where middle age ends and old age begins. Medicare and Social Security begin paying full benefits at age 65, and statisticians routinely define "older Americans" as people over that age.

"Why does one's relationship to an employer and to the welfare state tend to change around age 65?" asks Uhlenberg, associate professor of sociology at the University of North Carolina, Chapel Hill. The answer is that New Deal social planners "simply selected a chronological age" as a dividing line for determining who received federal old age benefits, including Social Security. The age they selected, 65, gradually became, through force of custom and law, the "semi-official" definition of old age.

But the nation's demography has changed during the 52 years since the Social Security Act first mandated federal benefits for those over 65. The proportion of Americans who are 65 years and older has risen from 6.8 percent in 1940 to 12 percent in 1984. As the ranks of older citizens drawing retirement checks grow, so does the burden on younger Americans whose payroll taxes finance the program. Currently 30 percent (or $318 billion) of the federal budget goes to programs benefiting the elderly; if Social Security were to remain unchanged, says Uhlenberg, 60 percent of the federal budget would be spent on the elderly by 2030.

The 65th birthday, Uhlenberg argues, is "an obsolete standard" for determining old age. Indeed, Congress in 1983 acted to raise (over the next 40 years) to 67 the age at which full Social Security benefits begin, and to encourage people to work as late as 70, now the earliest mandatory retirement age for federal employees and most private-industry workers. Retirement at 65 deprives many of the opportunity to remain productive. Moreover, while the proportion of old people who are poor fell from 25 percent in 1970 to 12 percent in 1984, that of children who are poor rose from 14 percent to 20 percent. Raising the age when Social Security benefits begin could free scarce funds to aid needy children.

Uhlenberg suggests that old age should "become a variable determined by future demographic trends." Calculated as the last one-fourth of