
The Sam Also Rises

Temporarily down on their luck, the Japanese are, for the moment at least, looking at American industry with renewed respect, T. R. Reid reports from Japan in the *Washington Post* (Feb. 10, 1994).

In this homogeneous, media-saturated country, where new ideas and fashions spread the length of the land in the blink of an eye, the only remaining dispute about the widely reported American revival is what to call it.



In a 16-part, front-page series on America's "high-tech comeback," the Yomiuri Shimbun, Japan's biggest newspaper, chose the title "America's New Tide." An influential political newsletter refers to "The New American Might."

But the most popular new term seems to be "Rising Sam" . . .

Sharing the Secrets

"Why Alan Greenspan Should Show You His Hand" by William Greider, in *The Washington Monthly* (Dec. 1993), 1611 Conn. Ave. N.W., Washington, D.C. 20009.

The Federal Reserve System's "power over the daily lives of ordinary Americans—not to mention the largest enterprises of commerce and finance—is at least as great as the president's or Congress's and, in most instances, more immediate," writes Greider, national affairs columnist for *Rolling Stone* and author of a 1987 book, *Secrets of the Temple*, about the agency. The Fed's decisions affect inflation, interest rates on mortgages and other loans, and economic growth. Yet, Greider complains, the Fed's decision-making is kept secret from the public.

Created in 1913 with the hope that it would be insulated from politics, the Fed is in reality suffused with it. Few decisions can be made on technical grounds alone. "Monetary policy is filled with large uncertainties, squishy facts, and unpleasant trade-offs between competing goals." And contrary to myth, Greider says, the Fed is not above "politics" in the generic sense of the term. It is not that bankers and bondholders have "captured" the Fed, he believes, but rather that the institution "is preoccupied with a narrow version of economic reality while other competing versions are excluded from the inside debate." While bankers "are consulted regularly and intimately . . . labor unions and farmers, home builders and independent oil drillers are not."

Greider favors proposed legislation that would require publication of a full transcript of the deliberations of the Federal Open Market Committee, the Fed's top policy-making body, a few months after its meetings. Fed Chairman Alan Greenspan and the Fed's governors maintain that releasing anything more than a brief outline of a meeting's minutes might cause damaging financial speculation. But Greider argues that the measure would encourage the Fed to consider more viewpoints. It would also foster coordinated policy making. While the Fed controls money and credit policy, Congress and the White House control fiscal policy (spending and taxation), and the two sometimes work against each other.

In 1981, for example, the Reagan tax cuts and defense buildup were powerful economic stimulants. "But the Federal Reserve was simultaneously embarked on the opposite course: suppressing economic growth with extraordinarily high interest rates in order to squeeze out price inflation. . . . The car with two drivers wound up in a ditch—first a deep recession, then an awesome accumulation of debt."

After the 1981–82 recession, Greider says, the Fed privately resolved to continue to check the stimulus of the Reagan program so as to prevent inflation from recurring. It held interest rates very high throughout the rest of the decade, and that, he contends, "dramatically worsened" the savings-and-loan crisis; sent the dollar's value soaring against foreign currencies and so made the U.S. trade deficit mushroom; triggered the collapse of Third World debt in August 1982;

and caused the farm crisis of the mid '80s. Neither farmers nor other debtors were given fair warning of what the government was doing. It

is unconscionable, Greider concludes, that Americans and their elected representatives are kept in the dark about matters of such magnitude.

SOCIETY

Leaving Home And Doing Well

"Black Immigrants in the United States: A Comparison with Native Blacks and Other Immigrants" by Kristin F. Butcher, in *Industrial and Labor Relations Review* (Jan. 1994), Cornell Univ., Ithaca, N.Y. 14853-3901.

Do the "cultural traditions" of American-born blacks impede their economic progress? Prominent economist Thomas Sowell—pointing to the higher earnings of West Indian immigrants in the United States—has argued that they do. Butcher, an economist at Virginia Polytechnic Institute, has a different explanation.

Analyzing 1980 census data, she finds that West Indian immigrant men did indeed have higher average earnings. Jamaicans, for example, earned an average of \$10,115 while native-born black men earned \$9,063. The difference in employment rates was also significant: 87 percent of the Jamaicans had jobs, compared with 79 percent of the native black men. The two groups differed in other, arguably pertinent ways, as well. Sixty-two percent of the Jamaicans were married, compared with only 51 percent of the native-born black men.

However, Butcher says, there is a subset of the native-born that compares quite well with the Jamaicans, and that is native-born black men who have moved away from the state in which they were born. Such migrants (57 percent of whom were married) earned an average of \$10,710 in 1979, nearly \$600 more than the Jamaicans did and much more than the \$7,896 that the "stay-at-home" native black men did. Eighty-two percent of the migrants were employed, compared with 87 percent of the Jamaicans and 77 percent of the "stay-at-home" American black men.

What's true for blacks, Butcher notes, is also

true for whites: Native-born white men earned less (\$14,371) in 1979 than white immigrants did (\$15,421). A widely accepted explanation of that finding, she points out, is "that immigrants are a self-selected group—differing from other members of the population in their motivation, ability, or attitudes toward risk." The same, she suggests, may be true for blacks. The distinction between those who dare to venture into strange territory and those who stay at home may be "more fundamental than any inherent distinction between U.S.- and foreign-born black men."

Big City

"Fate of a World City" by Nathan Glazer, in *City Journal* (Autumn 1993), 52 Vanderbilt Ave., New York, N.Y. 10017.

With its awesome skyscrapers, great bridges, huge railroad terminals, and vast subway system, New York City was long the very symbol of the modern city. Today, the city leaves a different impression. Harvard University sociologist Glazer argues that it is suffering from "a massive change" during the 1960s in the direction of city government.

Spending by the city (in constant dollars) tripled during the 15 years after 1960, while New York's population fell. Checked for a time by the fiscal crisis of 1975, outlays began rising again in 1983. By the end of the decade, city government by itself consumed nearly 20 percent of "local value added" (a measure of the size of the local economy).

New York, writes Glazer, has been pouring money into things a city simply cannot do well: "redistributing income on a large scale and solving the social and personal problems of people who, for whatever reason, are engaged in self-destructive behavior—resisting school, taking to drugs and