sic merits." Justice supposedly was the key to a lasting peace. Wilson failed to see that "it is not enough to say 'do justice,' " when there is no "objective code or standard" that is universally accepted.

What Wilsonianism really amounts to, after all, Fromkin concludes, is "the view that perpetual peace can be achieved through international cooperation, if it is institutionalized, even though the nations of the world remain independent." Warfare is not just to be reduced or mitigated—it is to be abolished.

During the 1930s, Fromkin argues, "Wilsonianism was put to the practical test. . . . There were frequent and eloquent appeals to world public opinion by leaders of all the democracies. FDR and others addressed reasoned pleas to the dictators themselves. The democracies practiced disarmament and convened world disarmament conferences. The League of Nations declared an embargo on supplies to fascist Italy in the [1935] Abbysinian matter. Roosevelt organized an embargo on oil supplies to militarist, aggressive Japan. They exhausted this full bag of Wilsonian tricks, and none of them worked."

Wilsonianism's "intellectual bankruptcy" was apparent then, Fromkin writes, and realist thinkers such as Hans Morganthau spelled out clearly what was wrong with it. Even so, as Bush's New World Order attests, Wilsonianism today remains quite influential.

ECONOMICS, LABOR & BUSINESS

Payment Due

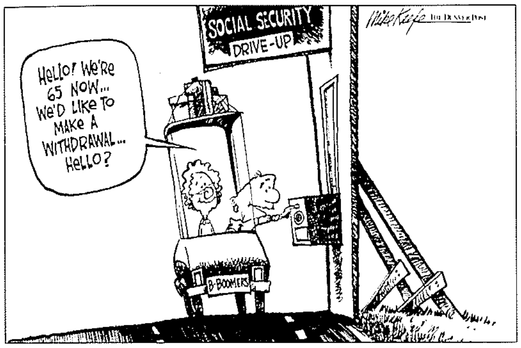
"Generational Accounting: A Meaningful Way to Evaluate Fiscal Policy" by Alan J. Auerbach, Jagadeesh Gokhale, and Laurence J. Kotlikoff, in *Journal of Economic Perspectives* (Winter 1994), American Economic Assoc., 2014 Broadway, Ste. 305, Nashville, Tenn. 37203–2418.

Ross Perot and many others who bemoan the mounting national debt and demand deficit cuts claim that today's Americans are unfairly shifting the fiscal burden to tomorrow's. The situation is even worse than these critics realize, according to economists Auerbach, of the University of Pennsylvania, Gokhale, of the Federal Reserve Bank of Cleveland, and Kotlikoff, of Boston University.

They favor a new "generational accounting" method that better reflects the future costs of today's spending. The conventional deficit figure, they point out, is "an arbitrary number whose value depends on how the government chooses to label its receipts and payments." In fact, the Congressional Budget Office routinely offers an assortment of deficit estimates, including ones for the very large "official" deficit ($290 billion in 1992), the extra-large "on-budget" deficit ($340 billion), which excludes the big Social Security surplus, and, for the Pollyannas in the populace, the merely large "standardized employment" deficit ($201 billion). None is the "correct" deficit, and none measures long-term effects of deficit spending.

Enter "generational accounting," a concept that Auerbach and his colleagues developed and which the federal government has used in appendices to the last two federal budget documents: "Generational accounts indicate, in present value, what the typical member of each generation can expect to pay, now and in the future, in net taxes." Net taxes are all taxes (federal, state, and local) that a generation pays over its lifetime minus all the governmental transfer payments that it receives (such as Social Security and Aid to Families with Dependent Children). Using a variety of demographic and economic projections, generational accounting makes it possible to estimate what the unborn will owe in their lifetimes.

The authors calculate that while men who were 40 years old in 1991 will pay $180,100 in net taxes in the years remaining to them, and 65-year-olds will get a net *benefit* of $74,000, males born in 1991 will pay net taxes of $78,900. Given current policy, Auerbach and his colleagues say, the "typical" future generation of males born after 1991 will have to pay $166,500 (in 1991 dollars)—an amount about 111 percent greater than



Anxiety about the future has already created intergenerational friction between baby boomers and others.

the newborns' net payout. (The forecast for women is depressingly similar.) This represents a "significant generational imbalance in U.S. fiscal policy," the economists say. To correct it, they warn, "a much more significant sacrifice by current generations than politicians seem to realize" will be needed.

MITI Misfires

"Growth, Economies of Scale, and Targeting in Japan (1955–1990)" by Richard Beason and David E. Weinstein, Harvard Institute of Economic Research *Discussion Paper #1644* (Oct. 22, 1993), Cambridge, Mass. 02138.

Economists and others impressed by postwar Japanese industrial policy claim that the famed Ministry of International Trade and Industry (MITI) shrewdly identified the semiconductor, automobile, and other industries as the economic stars of tomorrow and gave them the assistance they needed to flourish. What is usually ignored is the fact that virtually all industries received some government aid. To figure out how successful Japan's industrial "targeting" really was, economists Beason, of the University of Alberta, and Weinstein, of Harvard University, look at the assistance that was given only to selected industries. Analyzing the distribution of the various governmental goodies—corporate tax breaks, subsidies, loans, and trade protection—they conclude that MITI for the most part gave them to the "wrong" industries.

Mining and textiles, which had the lowest growth rates during the 1955–90 period of 13 industries studied, were among the big winners of special government assistance, the economists report. By contrast, the three fastest-growing industries—electrical machinery, general machinery, and transportation equipment—got benefits that were, for the most part, lower than average. "Despite all that is written about the targeting of Japan's semiconductor industry," the authors say, "electrical machinery overall received so little in benefits" that it appears that industrial policy must have taken more money out of the industry in higher taxes than it put back into it in benefits.

Whatever the chosen targets, the economists found scant evidence that Japanese industrial policy improved the affected industries' productivity (and therefore competitiveness).

To the extent that industrial policy spurred growth and investment, Beason and Weinstein write, it was in Japan's low-growth and declining industries—"mistargeting," they speculate, that may have been caused by the political pull of these industries.

The Antidumping Boomerang

"U.S. Trade Laws Harm U.S. Industries" by James Bovard, in *Regulation* (Vol. 16, No. 4), Cato Institute, 1000 Massachusetts Ave. N.W., Washington, D.C. 20001.

Free trade advocates are often accused of putting the interests of American consumers ahead of the welfare of U.S. industries and workers. Bovard, a Cato Institute policy analyst, argues that all suffer from protectionist American trade policies.

Antidumping laws are a case in point. Although the laws are intended to protect U.S. industries, Bovard maintains that they increasingly prevent U.S. firms from getting foreign supplies and machinery that they need, and thus hurt U.S. competitiveness. In 1991, for example, the U.S. Department of Commerce ruled that Japanese advanced flat panel displays—the screens used in laptop and notebook comput-