led to today's very different consensus on how to keep the dollar sound.

Burns, a distinguished economist who began his term as Fed chairman in 1970 and had previously chaired President Dwight D. Eisenhower's Council of Economic Advisers, did not believe that the Federal Reserve, by regulating the supply of money, could do very much to control inflation. Monetary policy influenced interest rates, and that might well affect the confidence of businessmen and their willingness to invest. But otherwise, monetary policy was of scant value, in his view, which was also the conventional wisdom of the day. Monetarist economists such as Milton Friedman, who believed that controlling inflation *meant* regulating the money supply, were then in a minority. Keynesian economists, who wanted to use the federal taxing and spending powers to keep the jobless rate down and the economy booming, represented the mainstream.

Although not a Keynesian, Burns accepted the general view that it was government's responsibility to keep the unemployment rate down to four percent or less, Hetzel says. As for inflation, Burns believed that it has many different causes, and that the most important in the early 1970s was excessive wage gains, stemming from the monopoly power of labor unions. When the jobless rate climbed to six percent in 1970, Hetzel says, Burns believed that the government had to act to "simultaneously restore price stability and full employment." Burns cheered when President Richard M. Nixon imposed wage and price controls on August 15, 1971.

"Controls did everything they were supposed to do," writes Hetzel, "except prevent a rise in inflation." When inflation registered in the double digits in 1973, Burns blamed a variety of special factors, especially a combination of a strong economy and shortages of oil, farm products, and other commodities. As these factors changed, he believed, inflation would decline.

Instead, inflation stayed in double-digit territory. Burns then lobbied hard for a continuation of wage and price controls, but Congress had had enough, and key figures in the new Ford administration—Alan Greenspan, chairman of the President's Council of Economic Advisers, and William Simon, secretary of the treasury—were opposed. Burns, who continued as Federal Reserve chairman through 1977, "then blamed inflation on government deficits," Hetzel notes, but the fact was that those deficits were very small in the high-inflation years of 1973 and 1974.

"For Burns, the source of inflation changed regularly," Hetzel writes. Because he had no economic model to be tested by experience, he could not, in a sense, learn from experience. But others did learn. The consensus today is that inflation is a monetary phenomenon, Hetzel notes. "The central bank is *the* cause of inflation"—and controlling it is the Federal Reserve's paramount responsibility.

The Lowdown on Wealth

"Who Owns What: The Things We Know That Are Not So" by John C. Weicher, in *American Outlook* (Spring 1998), 5395 Emerson Way, Indianapolis, Ind. 46226.

"The rich get richer and the poor get poorer," says the old Depression-era song, and it's a theme that's been heard a lot in recent years. Supposedly, wealth in America has been becoming more concentrated, with the rich claiming a fatter and fatter share, especially during the 1980s, that terrible "decade of greed." It's a nice, scary story, but Weicher, a Senior Fellow at the Hudson Institute, says it's not true.

The "rich" (i.e. the wealthiest one percent of U.S. households) since 1983 have generally owned between 30 and 35 percent of total U.S. wealth, Weicher says, and there is no clear trend. The percentage was 31 in 1983, 36 in 1989, 30 in 1992, and 35 in 1995, the last year for which data are available. These fluctuations could be just statistical variations, but Weicher thinks they correspond to the business cycle, with the rich suffering a greater decline in the value of their assets during recessions.

"The rich did get richer during the Reagan boom," he writes, "but so did the poor, and at about the same rate. Both rich and poor enjoyed an increase in wealth of approximately 20 percent between 1983 and 1992." (Income, however, is another story, he points out: "Income inequality has been increasing steadily since approximately 1967." Just why

that hasn't resulted in more inequality of wealth is a mystery.)

The rise of the stock market since 1983 might have been expected to increase inequality of wealth, since stocks are owned mainly by the affluent. However, the rise has been offset by growth in home equity. Housing values have been rising since the early 1980s, and for most Americans, their home (some 65 percent of all households own their own) is their biggest asset.

As a matter of fact, the rich don't park much of their money (only 10 percent in 1992) on Wall Street. And less than 15 percent of wealthy households (many of them elderly) have stocks as their most important asset. "Surprisingly few among the rich have received any significant inheritance," Weicher observes. Most have gained their wealth the old-fashioned way—by earning it in small businesses, as retailers, small manufacturers, independent professionals such as doctors and lawyers, owners of rental or commercial real estate, and farmers. Their most important asset is an unincorporated or closely held business. In a sense, then, it seems, Scott Fitzgerald was wrong: the rich are *not* very different, after all. Except, of course, for all their money.

Like this car dealer in Washington state, most of America's rich have earned their money.

SOCIETY

Reconsidering Affirmative Action

A Survey of Recent Articles

"Progress is the largely suppressed story of race and race relations over the past half-century," assert Abigail and Stephan Thernstrom, co-authors of last year's controversial *America in Black and White*, writing in a special *Brookings Review* (Spring 1998) issue on black America. More than 40 percent of African Americans now consider themselves middle class. But the Thernstroms also note that close to 30 percent of black families still live in poverty, inequality in employment persists, and there is "a glaring racial gap" in levels of educational attainment. Only 22 percent of African-American high school seniors, for example, can do math problems at the ninth-grade level, compared with 58 percent of their white classmates, according to a 1992 study.

What is to be done?

This question has acquired new urgency lately, as liberals and conservatives have been forced to contemplate a world, particularly an academic world, without affirmative action. In 1996, California voters approved Proposition 209, outlawing racial preferences in public education, employment, and contracting. In Texas that same year, an appeals court struck down the University of Texas Law School's affirmative action admissions policy.

"To judge from the experience of [California's] elite law schools, the San Francisco Fire Department, and the Los Angeles Police Department," writes Jeffrey Rosen, a staff writer for the *New Yorker* (Feb. 23 & Mar. 2, 1998), it appears that the alternative to affirmative action "may be far worse": a stark choice between effectively excluding blacks from the most selective public institutions, or redefining merit at those institutions so as to lower the standards for everyone.

The new situation is prompting some liberals to drop the pretense that affirmative action does not mean lowering standards and confront the unpleasant fact that there is a persistent racial disparity in educational performance. At the same time, it is awakening some conservatives to the virtues of affirmative action.

Harvard University sociologist Nathan Glazer, coeditor of the neoconservative *Public Interest* and a leading critic of affirmative