

A Letter from the Publisher

Correspondent William Blaylock's introduction to the once unassailable economic theories of John Maynard Keynes took place eleven years ago in a classroom at U.C.L.A. "The professor lectured convincingly that economics was a 'science,' that the Keynesian consensus had finally ensured a stable and inflation-free America," recalls Blaylock, who now regards such pontificating as painfully naive. "Not only has economics soured into a dubious science, but the consensus that characterized economic policymaking in Washington for two decades has crumbled." Within a single day's reporting for this week's cover story, Blaylock heard a numbing array of economic prescriptions. Former Federal Reserve Chairman Arthur Burns emphasized the need for budget paring, Congressman Jack Kemp stressed stimulative tax cuts, and departing Economic Adviser Charles Schultze made a case for reindustrialization. Says Blaylock: "What has become increasingly apparent is the great difference of views between numerous esteemed economic thinkers and the consequences of this, namely the unsettled, contradictory pull they are exerting on Government policymak-



Senior Editor Taber

ers. It is also apparent that the battle for Ronald Reagan's mind has yet to be won." Senior Writer George J. Church, who wrote the cover story, thinks that economists are in disagreement "because, along with the rest of the country, they are learning a whole new set of economic rules."

Senior Editor George M. Taber, who is in charge of TIME's Economy & Business section, reported an August 1979 cover story on the then new theory of supply-side economics and wrote a cover story last year entitled: "Is Capitalism Working?" While Taber welcomes the new public awareness that has made "gross national product" and "prime interest rate" the stuff of dinner table conversations, he cautions that the most important lesson amateur economists can learn is patience. "There will be months of austerity before Americans see any improvement in their own economic world," Taber says. "George Shultz, Ronald Reagan's sometime adviser, summed it up exactly right when he said, 'The economist's lag is the politician's nightmare.'" TIME's cover story this week analyzes both lag and nightmare.



Correspondent Blaylock

John C. Meyers

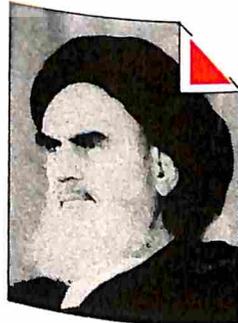
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Cover: Illustration by Braldt Braldt

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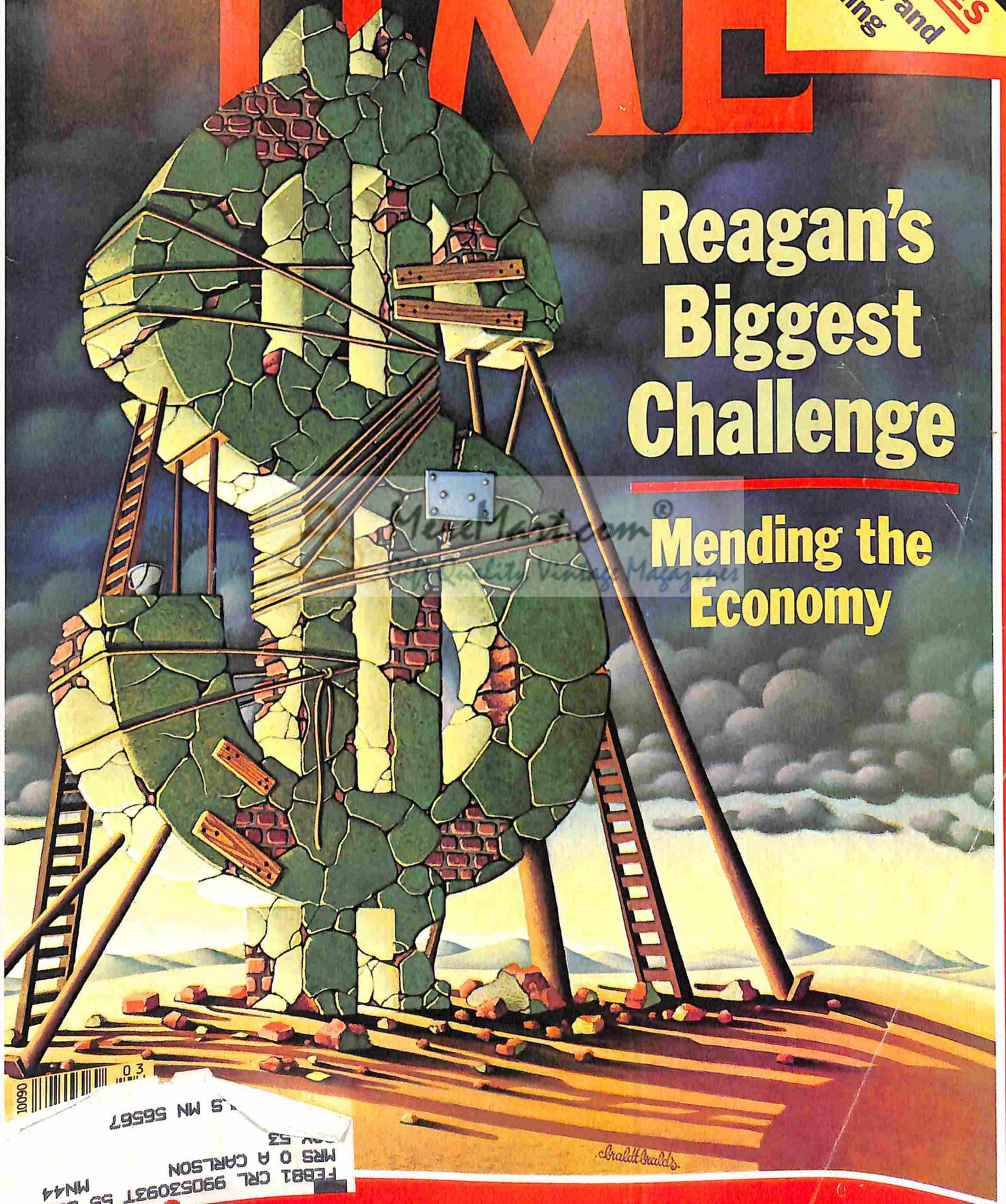
TIME

THE HOSTAGES
Wheeling and
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Reagan's Biggest Challenge

Mending the Economy



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