when they rarely increase either production or productivity. Investment tax credits should favor "actual investment" or renovation, not mere transfers of ownership.

The book is must reading. It is at times verbose. However, as Peterson is writing to the lay-person as well as the economist, he necessarily expands his writing to elucidate and emphasize his major points. This is a positive contribution.

It is a timely book. It is a challenge to many of our assumptions and preconceptions. It should be read by economist, student, and layman alike. There is much therein for many to realize, to *re*-recognize, and to learn. Our economic system and structure is not as simple as most believe. Peterson helps us to concentrate upon some of the major structural changes relevant to our economic problems, our economic policies, and, perhaps, to our socio-political future.

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Serious political economy is alive and well in Lincoln, Nebraska—that message comes through loud and clear in Wallace Peterson's analysis of the current crisis in American capitalism. In an age when gimmicks and empty phrases such as supply-side, monetarism, and reindustrialization dominate the discourse about economic policy, it is most enlightening to see put forth a serious attempt to understand and explain how the ongoing crises of unemployment and inflation result from the structural characteristics of our economy. Peterson's approach stands in sharp contrast to apologetic conservatism, which views the economy as inherently stable and innately just, and orthodox liberal Keynesianism, which explains away our problems by food, fuel, Lyndon Johnson's hubris or Richard Nixon's debauching of the economy in his reelection drive. In Peterson's view our current malaise reflects deep-seated structural flaws.

To Peterson the main structural flaw in today's capitalism is the existence and use of market power. His message is that once the Keynesian program of managing aggregate demand proved to be effective in sustaining employment and output (and profits!), a new crisis of income distribution came to the fore. Once a close approximation to full employment, and the aggregate profits associated with full employment, are achieved and sustained, then the market power of business and labor are enhanced. This enables a reciprocating process to take place in which business raises mark-ups and goes along with unions in raising money wages. Peterson adds a "political power" determination of incomes and prices in agriculture, demand for the output of the "military-industrial complex" and the scope of transfer payment schemes to complete his specifications of our economy.

The result of market power and political intervention is an "overloaded economy" in which the sums of claims upon output exceed the capacity of the economy to produce. The "overload" leads to inflationary pressures—at an accelerating rate(?)—even as the attempts to control the inflation by monetary and fiscal measures lead to an attenuation of attained employment levels. The end result is stagflation, in which the economy performs unsatisfactorily with respect to inflation, unemployment, and growth. One deep cause of this unsatisfactory outcome is the conflict over income distribution; the second is the existence of market power. One policy prescription is to establish a fair—by which Peterson means a more equal—distribution of income. However "fairness" is most difficult to define—to its advocates the Reagan reformulation of taxes was both fair and conducive to growth and efficiency.

Peterson's policy perspective is consistent with his diagnosis. Controls are necessary to constrain the use of market power by business and labor. But to Peterson control over business's market power is not an enormous task. He advocates national chartering of the very largest of corporations, which incidently was a key proposal of the Temporary National Economic Committee of 1938–41. This national charter would spell out the public function of corporations and set limits to permissable behavior. Thus in principal the need for persuasive controls over particular prices can be finessed by setting standards for and limits upon the use of market power by corporations. (How these limits are to be determined Peterson does not indicate.)

Peterson emphasizes that our economy has not really achieved a close approximation to full employment in the years since the great depression except under war-time (or rearmament) conditions. Thus we need an employment generator that is equivalent to war. During the era of the New Deal we had just such devices in the Civilian Conservation Corps (CCC), Works Progress Administration (WPA), and National Youth Authority (NYA). Unfortunately the WPA, the main "adult" employment device, was always treated as temporary. Peterson advocates a return to these instruments of policy, with a permanent WPA. The CCC, WPA, and NYA trio are obvious necessities if we are even to achieve a sustained peace-time full employment, but they really attack different aspects of the employment problems. The CCC and the NYA are devices for abetting the transition from the world of school to that of work; NYA can also be an indirect way of supporting higher education. The WPA would be a permanent adult program that would be used to provide income for all who are able and willing to work in projects developed by various public authorities and official agencies.

One aspect of the inflationary mix that now rules is the transfer payment system. A permanent and open-ended WPA is necessary if the "entitlement" programs are to be contained. It does little good to "contain" social security by raising the retirement ages, if additions to the labor force only imply additions to the ranks of the unemployed.

Peterson's tax proposal is a "Credit Income Tax," a variant of the negative income tax. This is the closest Peterson gets to advocating a "gimmick." The difficult task of any tax reform is to get liberals to recognize that "employment based taxes" have perverse effects, for they induce substitution against labor and show up in prices. Furthermore, in a world where corporate power exists and private investment depends upon profits, earned and anticipated, once some threshold is passed, corporate income taxes (to the extent that they are collected) show up in prices. Peterson acknowledges the need to define income in an appropriate way and to pass corporate per share earnings onto stockholders. Such desirable changes are easier to advocate then to define precisely.

Big government—and any government that runs entitlement programs, accepts responsibility for resource maintenance and development, and operates or finances residual employment schemes will be big—implies a high tax take. One lesson of the fiscal experience since World War II is that if big government is to be consistent with relatively stable prices, then the government budget must be such that a surplus will be achieved if unemployment levels are low or if prices rise to any significant extent. A government surplus at high employment levels is a better inflation constrainer than monetary constraint.

But if government is big, and if at full employment tax receipts must approximate expenditures, then tax rates will be high enough to induce evasive actions. In a full employment economy the traditional notions of what are progressive and what are regressive taxes lose their significance; corporate income and even extra-high personal income taxes might well induce the use of latent market power so that these taxes show up in price. Thus a well-placed excise tax, such as a serious gasoline tax, might very well be more progressive than, say, the corporate income tax. Serious tax reform does not lie in the direction of a negative or a flat rate income tax, but rather in eliminating corporate income taxes and the employers' contribution to social security and introducing a series of excise and luxury taxes (even selective value-added taxes). This will enable the scope of the personal income tax to be reduced even as it remains the dominant tax source.

In spite of the virtue of the corporate chartering reform, tax reform, and a plea for equity—and in spite of the apt emphasis upon market powers and excesses of the entitlement programs—Peterson's analyses and arguments are less than fully persuasive because he virtually ignores the financial dimensions of our economy and the pervasive instability that has ruled since the mid 1960s. The coincidence in time between the emergence of serious threats of financial instability and the inflation-unemployment relations called stagflation is no coincidence in "nature." The evolution over the fifties and early sixties of the financial system led to a fragile structure by the mid sixties. The credit crunch of 1966 marked the transition to an era in which the Federal Reserve has had to intervene quite regularly to abort threats of a financial crisis. The monetary and fiscal acts that abort crises and induce recoveries lead to inflation—not immediately but with a lag. In a fragile financial environment monetary and fiscal actions that constrain inflation lead to threats of financial crises. Financial consideration cannot be ignored in diagnosing what is wrong or in prescribing cures. Unfortunately for the depth and usefulness of his work, Peterson virtually ignores the financial dimensions of the economy.

This omittance is especially important, for Peterson advances a proposal for federal chartering of corporations. A corporation is a financial institution—it exists in good part because of the need to finance expensive and long-lived capital assets. In conglomerate corporations the "finance" or the "executive" committee functions as an internal "investment banker." One objective of the national chartering of corporations would be to set limits on the liabilities corporations can issue. Barriers to spectacles like the Bendix-Martin Marietta-Allied gavotte would be an element in a national law for corporations. The excesses of instability can be constrained if the liability structures of giant firms are limited. With instability constrained, then reform of structural characteristics can proceed with a better chance of success.

In spite of Peterson's blinders with respect to the essential financial dimensions of American capitalism, *Our Overloaded Economy* is an important study. The emphasis upon market power as both a "goal" of operators and as a factor that determines relative prices is of great significance. The constraint and channeling of market powers are the great challenges that must be met and conquered if liberal capitalism is to survive.

The Reagan repression of income and employment has shown that if constraint is carried far enough the market power of both business and labor can be diminished. It is now quite apparent that labor's market power rests upon a favorable political climate. The "overheated" economy of the sixties and seventies that Peterson analyzed has quite quickly given way to an underutilized economy. However the lessons of Peterson are not less valuable because of the change in state of the economy. There will be an economy after Ronald Reagan when once again it will be the aim of policy to work capitalism so that a reasonable approximation to full employment is achieved and sustained. As policy that shifts the economy toward full employment becomes effective then Peterson's lessons about the perverse effect of market power and of excessive reliance upon entitlement programs will come to the fore. The time for structural reforms is when the economy is on a recovery course. Peterson's message is an essential ingredient for the design of a humane American economy as the Reagan repression becomes history.

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In writing this book, Wallace C. Peterson has called upon a lifetime of teaching and scholarship to produce what is perhaps the best integration of institutionalist and post-Keynesian analysis in print. His focus is on those deep-seated structural characteristics of the American economy that have created a concentration of economic and political power, an inequitable distribution of income, and, more recently, a chronic tendency toward simultaneously high rates of inflation and unemployment. Peterson demonstrates the interrelationship of these phenomena, reveals how they are grounded in the institutional structure, and proposes a comprehensive strategy of economic policies designed to bring about the institutional changes required to eliminate them. To accomplish this rather formidable task, Peterson has formed a creative synthesis of the analysis and policy proposals produced in recent years by writers of institutionalist and post-Keynesian persuasions.

He has addressed the book to the non-professional reader. Eschewing both analytical gymnastics and strident polemics, Peterson writes in a clear, unpretentious style that focuses one's attention on ideas and issues rather than on the author's preconceptions and pedigree. Each stage of