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A Time for Action: William F. Buckley, National Review, and the Defeat of Stagflation

In September 2007, Robert E. Lucas, the dean of American economists and the 1995 Nobel economics laureate, wrote the following in the Wall Street Journal:

In the past 50 years, there have been two macroeconomic policy changes in the United States that have really mattered. One of these was the supply-side reduction in marginal tax rates, initiated after Ronald Reagan was elected president in 1980.... The other was the advent of “inflation targeting,” which is the term I prefer for a monetary policy focused on inflation control to the exclusion of other objectives. As a result of these changes, steady GDP growth, low unemployment rates, and low inflation rates—once thought to be an impossible combination—have been a reality in the U.S. for more than 20 years.

“Once thought to be an impossible combination”—that is to say, in the 1970s, when growth was 45 percent off the postwar pace and the “misery index,” which combines the inflation and unemployment numbers, had tripled from the postwar average of seven to unlucky twenty-one. A new word arose to describe the grim conditions: “stagflation.”

From our vantage point today, it is clear that two very large bookends defined the stagflation period. These were two quarter-centuries, the twenty-five years before 1970 and the twenty-five after 1982. In both of these periods, growth was prodigious, and jobs that held their pay were abundant. The sixty-odd years since World War II represented the natural track of the American economy, dating back as far as Hamilton’s time as the first Secretary of the Treasury. Indeed, there have been only two periods when the United States was at peace and suffered a protracted period of economic stasis or decline: the 1930s and the 1970s.

National Review was not yet in existence in order to goad the nation out of depression in the 1930s. But it was in the full flush of existence when stagflation arose in the early 1970s. In that decade, National Review distinguished itself among all journalistic outlets, the Wall Street Journal included, in being quick to prescribe a supply-side solution as the antidote to stagflation. Indeed, evidence is emerging that the Wall Street Journal, whose promotion of supply-side economics was central to its policy success in the Reagan years,
was converted to the cause of unconditional tax cuts because of the lead offered by *National Review*.

William F. Buckley did many things for conservatism and the nation in more than half a century in public life. Since his death, his part in building resolve in the face of the Cold War, his part in gathering the epic political movement that was postwar conservatism, and the gentility and intellectual acuity that he brought to public debate have all been noted. To this list we must add the contribution that Buckley’s *NR* made to the defeat of the central element of the 1970s malaise, stagflation.

In its early years, *National Review* was an important source of information about the non-Keynesian traditions of economics (e.g. the Austrian School) that had gone underground in the post-World War II years. It was a steady voice in favor of low taxes, spending cuts, and a sound currency. Further, *NR* was concerned with the social and civilizational implications of economic policy, particularly as conducted by a large and growing bureaucratic state.

In *National Review’s* first fifteen years, from 1955 to 1970, the nation’s economy was not in a state of crisis. In the dozen years after 1970, it certainly was. As stagflation set in, in the early 1970s, *NR* was alone in the media in knowing how to deal with it. It was as if *National Review* had been educating itself in sound economics all along, so that when the time came for action, it would be prepared for the next step. That step was to dismiss Keynesianism outright and call for sound money and unconditional marginal tax cuts.

As *National Review* strove to bring supply-side economics to the fore of public policy in the stagflation years, it made clear its ability to push forward the conservative movement on all fronts, not only in politics or culture but economics as well. In doing so, Buckley’s magazine lent strength to the tradition of American prosperity, a tradition which in the 1970s was enduring nearly its greatest trial. In time, and due in no small part to *NR’s* leadership, prosperity would once again assume its place as the American norm—one of the boon developments of our age and one of the greatest consequences of the conservative revolution that William F. Buckley captained.

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Robert L. Bartley, editor of the *Wall Street Journal* in the supply-side years, often remarked that the reason Ronald Reagan was amenable to a policy of stable money and tax cuts was that he had graduated from college in 1932. That is to say, Reagan could not have been educated in Keynes’s *General Theory*, because the book came out in 1936. Reagan’s courses at Eureka College therefore must have been in classical economics.

The same was never said of Buckley. To be sure, Buckley took economics at
Yale in the years immediately following World War II, but his courses were seminars on Keynes. As Buckley wrote in *God and Man at Yale*, no textbook was on offer in the Yale courses except those written by economists who were "slavish disciples of the late Lord Keynes." He commented that those books "follow [Keynes's] basic program religiously. They do not so much as acknowledge the existence of economists who violently dispute Keynes's conclusions, and who warn against them alike in consideration of national prosperity, individual freedom and public morality."

*God and Man at Yale*, which appeared in 1951, was written too early for Buckley to perceive that Keynes would turn out to be rather irrelevant in the decade-and-a-half after 1945. Keynes's plan for the post-war dollar, after all, had lost out at Bretton Woods in 1944; in the 1950s, the nation's fiscal accounts were largely at par (in defiance of the *General Theory*), and the big spate of postwar growth (1947-1953) began with hope for a tax cut that would displace government in favor of the real economy—a cut which came in 1948.

Buckley founded *National Review* in 1955, amid the long semi-stasis of the Dwight D. Eisenhower presidency. Growth was 2.4 percent from 1953 through 1960, as opposed to 4.6 percent in the six years following the anticipation of the 1948 cut. During the Eisenhower years, there was a general understanding that the president would nix any plan for a tax cut, even from his own Republican party in Congress and despite marginal rates that topped out at 91 percent. On taking office, Eisenhower called for balanced budgets even if the price was slow growth—not a very Keynesian posture at all. As *NR* was launched in 1955, the "national prosperity," which Buckley at Yale had thought imperiled on account of Keynesianism, was just beginning to ebb. The close of the Korean War was the moment when the series of postwar slowdowns began, culminating in the 1970s, the decade of malaise. Eisenhower's 2.4 percent growth was mediocre, the kind of rate that, maintained for decades, would push Britain to the brink by Thatcher's time.

All this was yet to be discovered in Buckley's new magazine. In 1955, *National Review's* objectives lay in the realms of politics and culture. Its primary focus was twofold—to lend the nation steadfastness against communism and to introduce the persona of the conservative intellectual and litterateur. If, in the inaugural issue, Buckley had been more inclined toward the economics of the day, he may not have reserved the issue's tag line for himself. For in point of fact, it was not so much Buckley himself, but Eisenhower who in 1955 was "standing athwart history, yelling 'Stop!'" Eisenhower's threat to veto tax cuts indicated that there was a real majority in Congress and, by extension, a real majority in the nation, interested in a tax cut and the politics of growth.

As the 1950s plodded along, *National Review* kept up the psychological front against communism, published conservative *hommes de lettres*, and had approving things to say about the Austrian School of economics and the American disciples of Mises and Hayek. All this aside, it finally came time for action to be taken on the Eisenhower sluggishness. The Democratic challenger John F. Kennedy turned the phrase that became the rallying point of the election of 1960: "to get the country moving again."

In a development that Buckley must have both rued and relished, the newly-elected Kennedy chose to elevate the Yale Keynesians—of all people—as his top economic advisors. As an undergraduate, Buckley had not gotten to witness the development of the "Yale School" of
economics, which, as it emerged in the 1950s, held that the secret to escaping the Eisenhower sluggishness was loose money and high taxes. Kennedy brought the Yale School’s leader, James Tobin, to Washington in early 1961 to serve on the Council of Economic Advisors. For a year, Kennedy listened to the most improbable counsel of the CEA before, in the face of a stock market collapse in the summer of 1962, he made a break. Kennedy decided to opt for tight money and tax cuts—the opposite policy of the Yale School synthesis. The cuts became law in 1962 and 1964, and from 1962 to 1968, growth came in at 5.1 percent yearly, more than double the Eisenhower average.

“Postwar prosperity” finally became a reality two decades after World War II. The 1962-1968 run at 5.1 percent growth was necessary to lift up the rest of the entire 1945-1970 period that we now refer to (inaccurately) as an economic Golden Age. That is to say, before 1962, economic performance since the Second World War had been mediocre. Growth came with tax cuts and waned when forces were arrayed against them. This pattern only repeated itself with the policy shift of the Kennedy administration.

Buckley had chosen to acquire his economics training by reading independently of the Yale classroom, his influences being Hayek and Mises, with a dose of Henry Hazlitt. He was certainly never fooled by the Yale School or by any offer to dress up Keynesianism for post-Great Depression conditions. He intuitively understood what the government had done to enable and to retard the march of postwar prosperity, for he watched every event in the realm of public affairs in the years following the founding of National Review in 1955. Low taxes and stable money meant growth; complacency toward these obligations meant the onset of stasis.

What Buckley learned in the Eisenhower and JFK years became apparent in the unusual rapidity with which his magazine was able to discern the unraveling of the great run of 1960s growth. Long before anyone outside of academic economics, National Review developed a solution to the problems caused by the reassertion of Keynesianism in government policy from 1968 to 1971. Buckley’s intransigence against all things Keynesian that had begun in his Yale days ensured that NR would not spend any time groping around for an alternative basis of criticism once stagflation came.

1968-1971 were some of the busiest ever—and truly most unenlightened—years in terms of federal macroeconomic policy. JFK’s defiance of the Yale School synthesis gave way, under Presidents Johnson and Nixon, to a carnival of interventionism. In 1968, a 10 percent income tax surcharge became law, along with accompanying strictures on business investment and the spending of money abroad. The following year, the Tax Reform Act of 1969 brought a raft of rate increases, and in 1971, the president delinked the dollar from gold and imposed import limitations and wage-price controls. The general principle of these disparate actions was akin to that of the Yale School: loose money and high taxes, with regulations chasing after the loose ends.

Johnson, in his last, pathetic stretch as president, had initiated all of this, but Nixon proved the better study. Indeed, it was in Nixon that FDR finally found his heir. No successor to the original New Dealer proved as willing an intruder into the economy as did Nixon. LBJ, after all, had postponed tax increases to pay for the Great Society and waved off income policy and regulations because these might seem too intrusive to a nation growing anxious about Vietnam. Nixon, in contrast, on inheriting the Great

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Thus, in September 1971 National Review became the first journalistic outlet to have a writer with a supply-side perspective on staff. The term “supply-side economics” was yet to be coined for another five years, but the essence of the matter was already there in Reynolds’s piece. Reynolds was substantially self-taught and had read in all sorts of non-Keynesian economic theory, including work by Hayek, Mises, and, crucially, Robert Mundell. Throughout the 1960s, Mundell, an academic economist, had been demonstrating that the proper response to sluggishness was tight money and tax cuts. Within academia, Mundell’s “policy mix” was known to be able to take over whole conferences on account of its intellectual power. Yet it remained without influence in the government’s fiscal and monetary planning, let alone in journalism and the realm of opinion in general.

With Reynolds on staff, National Review was able to maintain a confident incredulousness as the Federal Reserve gunned the monetary engines in the run-up to the election of 1972, as the great inflation sprouted in 1973, and as the misery index reached uncharted territory in the terrible double-dip recession of 1974-1975. In no other magazine or newspaper at the time, with the exception of a profile of Mundell in the Wall Street Journal the previous month, could one read advice such as that Reynolds gave in NR in January 1975: “The optimal compromise would seem to be to restore private incentives with a tax cut, hope the deficit is sufficiently embarrassing to induce cuts in federal spending, decontrol the prices of domestic [energy], and keep a close watch on the money supply.”

This was, of course, a concise statement of Reaganomics several years avant la lettre, probably the earliest such statement. The key innovation made here was
to decouple tax cuts from deficit reduction, specifically from spending cuts. Reynolds knew that because spending cuts were so preternaturally difficult to get from a pork-minded Congress, much less one with the Democratic super-majority after 1974, it was essential to press for tax cuts without qualification. Otherwise they would simply never come. And if they never came, inflation mixed with the progressivity of the rate code would substitute ever more income gained in the private sector for taxes. There would be a government takeover of the real economy, a takeover which by 1975 was significantly underway.

In the brutal years of 1974-1975—in which inflation totaled 21 percent and the unemployment rate leapt from 6 percent to 9 percent, making for a misery index of 18 in 1975—the editorial page of the Wall Street Journal underwent a wrenching process of soul-searching. Generally allied with conservative Republicanism such as prevailed before Reagan, the Journal editorial page was stacked with establishmentarian voices, including three former CEA chairs. The young editor of the page, Bartley, sensed that constant repackaging of Keynesianism, even if done “responsibly” by Republicans and conservatives, was no longer the order of the day. On the invitation of a colleague on the editorial page, Jude Wanniski, Bartley started having dinners once a month with Mundell and his protégé Arthur Laffer. They told him to endorse tax cuts and tight money. Bartley proved reluctant to follow the advice, much as he enjoyed the company of his new friends. He was simply averse to deficits. He followed the lead of Ford Treasury Secretary William E. Simon, whose conservative credentials were impeccable. In the Bartley-Simon view, not only were deficits a violation of sound principles of running an enterprise, they promised to sop up—to “crowd out”—investment dollars needed in the private sector. Mundell and Laffer insisted to Bartley that there was no real chance of crowding out in putting the policy mix into practice. Mundell informed Bartley of the economic model he had developed showing that foreign capital inflows under a regime of dollar strength and low taxes would overwhelm any new demands on the domestic capital markets caused by a government deficit. The model would bring Mundell the Nobel Prize in 1999.

Bartley, however, would not come around. Fortuitously, aside from seeking out his new dinner company in Mundell and Laffer, Bartley also struck up a correspondence with Reynolds, who had befriended Wanniski. Reynolds was able to close the deal that Mundell and Laffer had initiated. Bartley noticed that Reynolds had been writing in National Review that the positive “incentive” and “reflow” (government revenue) effects of a marginal tax cut could be very considerable. Bartley wanted an ironclad promise that these effects would be so large that a deficit would not emerge. Reynolds strove to explain to Bartley that he was missing the point. There were various ways to structure a tax cut. All efforts should be on finding the way that provided for the most incentives in the real economy, which meant steep cuts at the margin. Reynolds even mused to Bartley on how common cause could finally be made between conservatives and Keynesians. Perhaps Reynolds had gone over this concoction with Buckley, with whom Reynolds was in constant contact, at the office and at Buckley’s home. “One can manipulate a Keynesian system in such a way as to advocate tax cuts during recessions and spending cuts during booms. After a few political cycles, that would result in a shrinking state”—an ingenious compromise befitting Buckley that remains untried to this day.
Reynolds and Bartley maintained a close correspondence for two years, with Reynolds putting his main points on the supply-side bulletin board that National Review’s news synopses became. By 1977, Bartley was writing editorials in the Journal with titles like “Keynes is Dead” and putting tax cuts on the table as a non-negotiable demand. Bartley had been worked over at dinner by Mundell and Laffer, but without the coup de grace applied by NR’s Reynolds, his change of mind probably would not have happened. With the Wall Street Journal in favor of non-negotiable tax cuts at the margin, the die was cast for the supply-side revolution. Indeed, the Kemp-Roth bill of 30 percent rate reductions essentially passed both houses of Congress in 1978 but was killed on President Carter’s express orders. Given the congressional momentum, as well as the wholesale endorsement from the Journal, the Kemp-Roth cut achieved under President Reagan in 1981 was at that date not only overdue but inevitable.

After Bartley made the Journal the prime outlet of the supply-side revolution, National Review held its own in being quick with the latest supply-side insight. Before Paul Craig Roberts, the mastermind of the Kemp-Roth bill, joined Bartley’s page in 1978, he had been a regular contributor to National Review. Another congressional staffer who brought Kemp-Roth to the brink of law in 1978, Bruce Bartlett, revealed first in NR the stunning history of the drive for tax cuts within the halls of Congress that had been going on undetected by the major media since 1974. In the 1980s, National Review published the most important chronicle of supply-side history that we have, besides the book-length memoirs of participants.

Supply-side tax cuts and inflation-targeting: things that supervised a twenty-five-year run of growth, without the unemployment-inflation tradeoff, and interrupted by one mild recession in 1990-1991. This is the kind of result that Keynesians had aspired to only in their dreams. You can find a Robert Mundell, an Arthur Laffer, and to a degree even a Milton Friedman who, within the academy, urged just such a prescription as the government ignored, but there was only one place where during the stagflation years the lay reader could encounter the wisdom congealing as supply-side economics, at least before the Wall Street Journal signed on around 1977: National Review.

Now by all accounts, Buckley’s hand in all of this was light. Buckley’s coup was making a very judicious hire in Alan Reynolds, a case of chance favoring the prepared mind. As for his own writing, Buckley composed his share on economic themes in the 1970s. By no means did he fire-breathe supply-side gospel, nor did he get tangled up in statistics and models, as his crosstown colleague, Bartley, certainly did. One chapter of Buckley’s 1973 book, Four Reforms: A Program for the 70s, concerned taxation, and it included an excellent proposal for a flat tax of fifteen percent. Along with, of course, the Buckley panache: “I like best the professor who said, ‘Hell, for fifteen percent, I won’t even cheat on my taxes.’” This is redolent of Buckley’s answer to a question posed by a New York Times reporter in 2004. “Q: ‘How much should you pay in taxes?’ A: ‘As much, but not more, than your neighbors pay.’”

When it came to defending supply-side economics against the fulminating opposition, Buckley proved that he had absorbed the lessons of his own magazine. When Jimmy Carter’s inflation czar waved off supply-side economics as “stupid,” Buckley asked, “Stupid, eh?” and displayed a firm grasp of principles:
Professor Arthur Laffer, with whose rigidities one can legitimately quarrel, is nonetheless onto something when he says that sluggish performance by workers using creaky industrial equipment and paying high taxes results in low output and, derivatively, smaller returns to the government through the existing tax setup. We have, these days, suffocating tax rates. These give rise to a reduced incentive to work....

On another occasion, Buckley wrote, approvingly, “It is a central axiom of the supply-side people that it is easier to get people to produce more than it is to persuade them to do with less.”

Buckley’s specific contributions in economics were (fittingly) typically expressed in the *bon mot*, the witty paragraph, the discursive chapter in which analysis quickly gives way to anecdote. There was also *Firing Line*, which was a withering experience to old Keynesians such as John Kenneth Galbraith and a productive one for a roll call of supply-siders, including Paul Craig Roberts, Arthur Laffer, Orrin Hatch, Jack Kemp, George Gilder, and Robert Bartley. Buckley once said, savoring victory, “It is not wide of the historical mark to say that during the years *Firing Line* has been produced, socialism has collapsed.”

When left to his own devices, when it came to economics, Buckley could sometimes wander off in inadvisable directions. He was at his best, when writing about economics, in laughing at Keynesian absurdities. Yale had trained him well. He was particularly talented at flaying bad tax law and marveling at the IRS code. He had great fun going after the Tax Reform Act of 1969, probably the second-worst piece of tax law in American history (after the Revenue Act of 1932), particularly the story of the filer who kept getting a different bottom line on his 1040 form every time he went to another IRS office for help.

As for Jimmy Carter, the taxation *generalissimo*—could Buckley resist? Instead of going along with a congressional tidal wave in favor of Kemp-Roth-esque marginal tax cuts, Carter staked everything—his presidency, his legacy, his reputation—on whether martinis at a business lunch could be deducted. “Let’s face it,” Buckley wrote, the martini “has become a code word. References to the ‘three-martini lunch’ are designed not so much to evoke anger at the prospect of a dollar per martini lost in revenue to the government. They are designed to point to a lifestyle against which all the complicated glands in Jimmy Carter’s body boil in protest.”

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Very droll. Perhaps it was zingers such as this that misled the academic blogger Richard Posner into making the following untutored comment shortly after Buckley’s death this past February:

Apart from his libertarian streak, Buckley’s policy positions were not, for the most part, sound.... The suggestion in the obituaries that he united free-market economists with other conservatives is especially misleading. Free-market economists have always been on a different track from the kind of political and social conservative that Buckley exemplified.... [T]he stagflation of the 1970s exposed the failure of conventional ‘liberal’...policies, promoted increased acceptance of free-market economics, and stimulated the deregulation and privatization movements.... All this had nothing to do with William Buckley.
Brian Domitrovic / A Time for Action

Posner’s colleague on his blog, the Nobel economics laureate Gary Becker, quickly offered an appreciative note on Buckley which checked Posner’s mistake. But Posner’s dismissive view towards Buckley’s role in the greatest economics revolution of our time is worth considering all the same.

For a very large achievement stands as a fait accompli in the wake of the stagflation years: nothing less than a restoration of the historic trend of American prosperity, indeed a prosperity now qualitatively better than that striven for under Keynesianism—again, to take another Nobelist, Robert Lucas, at his word. Who is to take credit for this epic success? As the proverb goes, victory has a thousand fathers, but defeat is an orphan.

Posner, for his part, rolls out a string of highfalutin names, all academics, from Friedman to Ronald Coase, who deserve the credit—although inexplicably omitting Mundell. As a parlor game, one could complicate the paternity suit and cite things like Paul Romer’s New Growth Theory, which argues that innovations concerning the management of technology were behind the long boom of the last two decades of the twentieth century. But why stop there? The most regular phenomenon in statistics is reversion to trend. The American economy, in the 1980s, reverted to trend.

Or one could do things simply, such as ask the question of all the prospective victors: When did you know about supply-side economics, and what did you do about it? Mundell is the only one who could answer these questions with complete purity. Around the time the Yale School had Kennedy’s ear, Mundell started talking about stable money and tax cuts and has not stopped to this day. Among participants in public debate, among “public intellectuals” (Posner’s pet term), Buckley was the one—the one—who spotted nascent supply-side economics and gave it room to air its case. That National Review incubated supply-side economics within journalism and passed the developed embryo to the mighty influential Wall Street Journal meant that the policy revolution inspired in the academy would be put into practice.

Buckley was an unusually gifted writer and an independent thinker, but he was not simply an intellectual. He was also an entrepreneur in at least two senses. First, he built a successful and influential enterprise. For years, National Review has been by a significant margin the largest-circulation opinion magazine in America. Second, Buckley assisted in building a political movement that would prove to be of the greatest consequence. By means of Buckley’s great constructive labors, among all the outlets of press and opinion, National Review was the lone beacon pointing the way out of a nearly unprecedented economic darkness in the early 1970s. In time, the direction illuminated by this beacon would become the national agenda. Had Buckley not nurtured his own proclivities against Keynesianism, and had he not been very good at running his magazine, it is unlikely that the supply-side revolution, tardy as it was in 1981, would have had the momentum to be realized even then.

Notes
4. Growth figures are derived from the historical GDP chart at www.bea.gov.
5. James Tobin’s discussion of the Kennedy events may be found in Tobin’s introduction.


7. The details of Reynolds’s career are derived from the author’s conversations with Alan Reynolds and from the Robert L. Bartley Papers, Hoover Institution, as referenced below.

8. See, for example, Inflation as a Global Problem, Randall Hinshaw, ed. (Baltimore: John Hopkins, 1972).


10. See Bartley, The Seven Fat Years, Ch. 3, “Michael 1,” for information on this and subsequent paragraphs about Bartley’s intellectual development in the 1970s.


