poration computers, no matter which model, can communicate with each other. DEC rode its minicomputers to success by offering computers that were smaller and less costly than mainframes but still packed a sizable performance wallop. The minicomputers were seen as ideal for distributing computing power to manufacturing, engineering, research, and other functions that desired more flexibility than was achievable through a central mainframe.

In explaining how the challengers succeed against IBM, McKenna says: "They are all masters at anticipating change, planning their products and management so that they can weather changes within the industry. . . . They do not simply respond to markets and trends, they create them." But this prescription is a little too facile. With possibly 10,000 companies in the computer industry according to McKenna, some will always guess right and, in retrospect, come out looking like geniuses.

The book's final section outlines the strategies that challenger companies can use against IBM, the potential threat from Japanese companies, and the resurgence of IBM itself.

In recommending the benefits of incremental, continuous innovation instead of giant, infrequent technical revolutions, McKenna quotes Virgil: "Command large fields, but cultivate small ones." This means discovering niche product categories and aggressively serving them. Amdahl, Sun Microsystems, Cray Research Inc., with its supercomputers, and Hewlett-Packard Company, with its engineering workstations, are skilled practitioners of this strategy.

McKenna believes that computer companies can no longer afford to produce all major components of systems such as disk drives, keyboards, and microchips, because it takes too long to develop new products that way. It's easier, faster, and sometimes cheaper to buy the parts from outside companies.

He disputes the conventional idea that further company consolidations in the computer industry are inescapable and insists that new companies will continue to proliferate.

Finally, he claims that Japanese companies will not dominate the computer industry—because of their bureaucratic ways, their lack of venture capitalists, their strength in processes (manufacturing) instead of products, and a host of social problems. Although IBM has made many fundamental changes since John Akers became chairman—among them a restructuring in 1988, the introduction of a new mainframe series, the System/400, and the hiring of Steve Chen to design a new supercomputer—McKenna believes Big Blue still hasn't changed enough and will continue to be vulnerable to smaller, more agile, and more aggressive competitors.

No one, however, is about to write IBM off. Richard Dalton, a columnist for *Personal Computing* magazine, wrote of IBM's staying power: "You kind of measure this in celestial terms. There are waxings and wanings, it isn't like the moon goes away. It comes up every night. Sometimes you just don't see as much of it."

In these days of IBM bashing, no doubt the marketplace confirms much of what McKenna says. But it's possible that inside IBM itself people are saying similar things, perhaps even John Akers. ■

BY RICHARD J. MARGOLIS

SPOILAGE IN THE AMERICAN DREAM

Too much Government intervention, says Murray. Too much unchecked greed, says Packard.

In Pursuit of Happiness and Good Government by Charles Murray. Simon & Schuster. 341 pp. $19.95.

The Ultra Rich: How Much Is Too Much? by Vance Packard. Little, Brown & Company. 358 pp. $22.95.

Charles Murray and Vance Packard are improbable soul mates, but they do have a couple of things in common: Both like to quote John Stuart Mill, and neither seems to place much confidence in the power of money to beget personal happiness.

Richard J. Margolis, a freelance journalist, has written for many publications.

It's the differences, though, that beg for our attention and make of this pairing a useful exercise. What the two authors ultimately present us with are contrasting versions of the American Dream and how it got spoiled. Too much Government intervention, says Murray. Too much unchecked greed, says Packard.

The writers come by their disparate visions honestly. Packard is a veteran muckraker; his specialty is to observe, explain, and deplore. What he gently deplores in *The Ultra Rich* is "the increasing accumulation of wealth in the hands of the rich." In the skewed distribution of personal fortunes—"so much of the national wealth tied up in a few hands"—he can see "an element of indecency."

We're talking about not just ordinary affluence here but deep, unfathomable opulence. On the frontispiece Packard quotes Leonard Stern, the pet-food maker, concerning the mystery of it all: "When I think of the degree of my wealth I find it unbelievable, ungraspable." At the time, 1978, Stern's net worth was reported at $500 million; ten years later it had almost tripled. These days mere millionaires are a dime a dozen. Packard's subjects are all either billionaires or what he calls "centimillionaires."

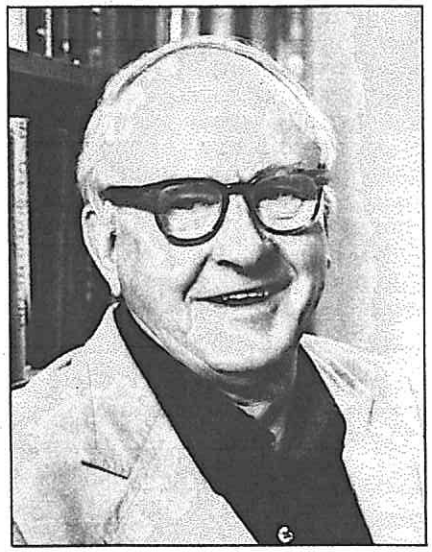
He is not easily startled, but some of his findings seem to surprise even him. For instance: "The net assets of the 400 richest people listed in *Forbes* not only greatly exceeded the federal deficit in 1987 but exceeded all dollars spent by the federal government to ease the problems of the nation's tens of millions of underprivileged people (if you exempt Social Security)."

In none of his previous works has Packard waxed optimistic about America. Remember *The Hidden Persuaders, The Status Seekers, The Pyramid Climbers*? This book, his 11th, is equally critical of our frailties, but with a difference: Packard now thinks we are redeemable. His recommendations in the final chapter amount to the flip side of Lyndon Johnson's War on Poverty. If ever heeded, they would constitute a modest war on excessive wealth.

Packard's book is the more readable of the two—it's always fun to poke into the lives of the super rich—but give Murray credit for trying to get beyond the usual nostrums of national politics. His ambitious aim is to build a philosophical base for the advancement of conservative policies in a post-Reagan era.

A Federal minimalist born two centuries too late, Murray possesses an incurable bent for maverick speculation. In his 1986 book, *Losing Ground: American Social Policy 1950–1980*, he won fame by shrewdly attacking cherished liberal social programs like community action, food stamps, and aid to dependent children. Not surprisingly, he is the darling of the Manhattan Institute for Policy Research, a think tank that serves both as a haven and a cornucopia for commentators on the right.

The super rich appear to have a dearth of socially acceptable spending outlets, Packard discovered.



Packard: How much is too much?

Murray's public persona is essentially sunny. Surveying the American scene, he finds much that enlists his interest but little that arouses his anxiety. Surely the least of his concerns is the recent surge of economic inequality. "Billions for equal opportunity," he proclaims near the close of *Losing Ground*, but "not one cent for equal outcomes."

In Pursuit of Happiness—less polemical, more metaphysical—trumpets the same theme. Murray draws on a broad range of conservative thinkers, both ancient and neo, in an effort to explain his response to the question: How can Government best assist its citizens in their pursuit of happiness? His answer, though draped in academic robes, seems remarkably reminiscent of Ronald Reagan's plain-spoken promise to "get the Government off our backs." In Murray's best of all possible worlds, "the central government wouldn't be permitted to do much. People would be left alone to structure the lives of their communities as they saw fit."

Thomas Jefferson and his fellow Founding Fathers play starring roles here; latter-day libertarians like Milton Friedman make cameo appearances. Jefferson, Murray reminds us, "rejected the public arena as a suitable place for virtue to manifest itself, putting it instead in the private sphere of effort and reward." It follows, in Jefferson's words, that "That Government which governs least governs best."

From Friedman, Murray gratefully borrows the notion of The Invisible Foot—a wicked twist on Adam Smith's benign "invisible hand"—to explain why most Government programs don't work. The Invisible Foot seems composed in about equal parts of hidebound bureaucracy and human unpredictability. In Murray's view, its custom is to kick the stuffing out of reform-minded initiatives. "No social program," he insists, "no matter how ingenious, can anticipate and forestall the myriad ways in which people will seek to get their way and thereby frustrate, with or without intent, its aims."

All this, of course, carries a certain appeal. It is as American as apple pie. Deep down, most of us are old-fashioned marketplace swingers who resent any suggestion of Government-imposed restraint. The trouble is that when the joy of doing one's own thing gets codified—that is, when it stiffens into ideology—we become socially paralyzed.

To put it another way, what do libertarians do when greed runs amuck? A timely case in point is the rampant growth of inequality that so worries Packard: The rich keep getting richer while the rest of us try to play catch-up. Murray, too, is aware of this drift. He speaks of "a hedonic treadmill," a reflex among the rich that drives them to accumulate more wealth even when it promises to bring them no additional happiness.

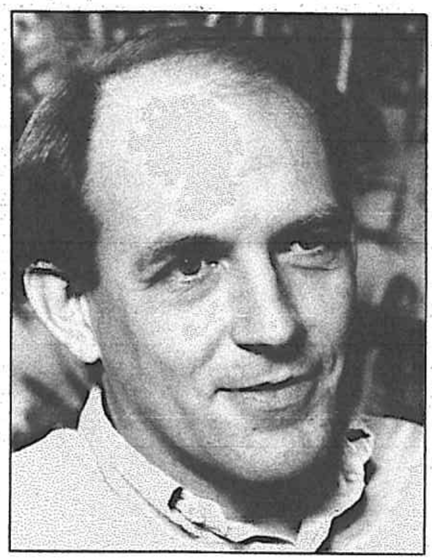
But Murray remains true to his Panglossian self. "The hedonic treadmill," he rationalizes, "is not as depressing as it may seem at first glance. . . . [I]t is not even necessarily a frailty we need to fight. . . . People may still, quite reasonably, want to increase their income. If they can't buy happiness, they can make some other good use of the money."

Packard does not share Murray's complacency. Having interviewed 30 centimillionaires or billionaires—all found by perusing the *Forbes*-400 list of richest Americans—he concludes that happiness and acquisitiveness often go hand in hand. "The *process* of accumulation itself," he writes, "may create more happiness than the hard-to-comprehend fortunes." [Packard's emphasis.]

But insatiability is not a pretty sight. In a striking analogy, Packard remarks that "quite a few [of the ultra rich] seemed caught up in the joy of unending accumulation just as a few slashing bluefish in a sea of smaller fish will keep on killing and eating until their bellies can bloat no further." And he quotes Ivan Boesky, who has since been imprisoned for illegal stock manipulations, trying to explain his zeal for accumulation: "It's a sickness I have in the face of which I am helpless."

The irony is that most of the people Packard interviewed did not know what to do with their Midas-like fortunes (whatever they

In Murray's view, the Invisible Foot of Government "kicks the stuffing out of reform-minded initiatives."



Murray: Happiness in the pursuit.

touched turned to dollars). Indeed, one of the most poignant problems confronting today's super rich appears to be a dearth of socially acceptable spending outlets. Conspicuous consumption, which in the Gilded Age kept the Astors and their imitators happily occupied, is nowadays taboo.

"Today," says Packard, ". . . great fortunes are losing their function except for really power-hungry or dynasty-craving people." Centimillionaire heiress Alice Frances du Pont Mills may live on a "super-elite" island, but she answers her own telephone. Jeno Paulucci makes millions building posh houses for wealthy, retired Floridians, but he and his family live in a humdrum neighborhood where some of the houses sell for under $50,000.

Even the appetites of the rich, once so impressively Rabelaisian, have been pathetically curtailed. As Packard points out, "The rich too have become diet conscious. Their doctors scold them about cholesterol and calories." Among the 30 he interviewed, 11 mentioned eating patterns that were "Spartan or plebeian."

In a visit with Arthur Jones (also known as Mr. Exercise Machine), the founder of Nautilus Sports Medical Industries Inc., Packard asks if Jones thinks he could live on $1 million a year. "I could live on $10,000 to $15,000 a year," Jones fires back. "What are you talking about! I don't spend anything personal. I eat very little, maybe $30 a week on food. I don't have an extensive wardrobe. . . . Any parties are strictly business."

If the super rich as consumers tend to be relatively parsimonious, as taxpayers they are downright stingy. Along with batteries of lawyers and accountants they are forever thinking up new ways to preserve their bootless fortunes by keeping them beyond the grasp of Uncle Sam's outstretched hands. The outcome is seldom in doubt. As a New York tax lawyer tells Packard, "Most of the really wealthy people I know pay less taxes than I do. Some don't pay anything. Some with hundreds of millions pay less taxes than I do."

Love of the sport rather than of the dollar may account for this dismaying circumstance. Packard comments, "For many people of great wealth, figuring out ways to protect their wealth from tax collectors seems to contribute excitement to the game . . . of being rich. And thousands of tax attorneys and estate planners are eager, for fees, to press ideas upon them. The changes made every couple of years in the extremely complex federal tax code add to the prosperity of the advisers."

Packard devotes an entire section to explaining "How They Protect Their Wealth." The litany of loopholes is familiar: "mortgaging yourself up to the hilt." The game seems hopelessly rigged in favor of the ultra rich.

In this fiscal Sodom, Packard has managed to find one tycoon "who would crack down on the super rich." He is Sol Price (net worth: about $200 million), whose national chain of discount Price Clubs is transforming retail marketing methods. "Mr. Price," writes Packard with obvious relish, "believes that a much greater proportion of large fortunes should be returned to the public through charitable contributions or taxes to enrich our society." Moreover, he "was considerably annoyed that so many rich people were mad at the government and tried to pay as small an amount of taxes as possible."

Let Price speak for himself: "I can't understand these people—they must be very shallow—who spend their lives with this horrible antagonism toward the government. . . . I would say what the hell is wrong with paying money to the government. It's a nice government and it takes pretty good care of us."

Price has some specific ideas for shifting private riches into public channels. Among other things, he would place a limit on inherited wealth and introduce a 4 percent annual wealth tax (instead of a 28 percent income tax). At the same time he would eliminate both the corporate income tax and the estate tax.

In a final chapter Packard, who plainly believes his Price is right, elaborates on the same theme. He envisions a progressive wealth tax on individual net worth, starting at 8 percent for fortunes exceeding $25 million and increasing to 25 percent for those worth $2 billion or more. "This arrangement," says Packard, ". . . should encourage the rich to invest more venturously." The wealth tax, he claims, should also "produce tens of billions of much-needed revenue for the federal government."

In addition, Packard recommends "placing a ceiling on the amount of assets that a great wealthholder could transfer to heirs." The limitation, he says, would "correct the current situation in which significant philanthropy does not begin until death, and even then occurs only on a . . . scale that is not noteworthy." He hopes that these changes will "produce a sustained explosion of benevolence."

Centimillionaires: Jeno Paulucci, real estate developer and founder of Chung King foods; Arthur Jones of Nautilus, "Mr. Exercise Machine."

For a nation long accustomed to equating the pursuit of happiness with that of wealth, this is strong medicine. We have always been blithely tolerant of the ultra rich in our midst, not necessarily because we admire their status but more likely because it is one to which we ourselves aspire. As Packard reminds us, Ronald Reagan understood this perfectly. "What I want to see above all," he declared from the Oval Office, "is that this remains a country where someone can always get rich."

So long as we imagine our pursuit of personal wealth to be not so wild a dream, just so long will we continue to accept the good fortunes of our centimillionaire compatriots. That way lie laissez-faire and the minimalist worlds of Charles Murray and Ronald Reagan.

But what if Packard is right? What if to most Americans the race for wealth no longer seems worth entering or even identifying with? The economic landscape that he depicts, after all, is one of narrowing opportunities and of hardening inequalities.

Under the circumstances, it appears possible that the public might ultimately buy into a wealth tax, a reining-in of the ultra rich. One doesn't have to agree with Packard to concede the possibility. All one has to do is read his lips. ■