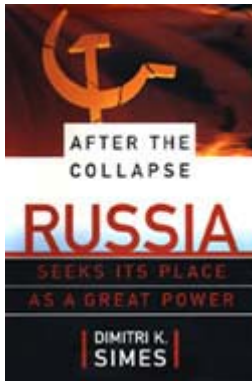


## BOOK REVIEWS



**After the Collapse:  
Russia Seeks Its Place  
as a Great Power.**  
By Dimitri K. Simes

*Simon and Schuster, 272 pp.  
Cloth \$25.*

*Reviewed by [Stephen Kotkin](#)*

**"Dimitri, it's all over.** It's really over," said Richard Nixon – referring not to his checkered career but to the erstwhile Soviet Union. So opens Dimitri Simes' alternately incisive and silly memoir-like book.

First, the silly stuff. Simes, a Russian émigré who is now president of the Nixon Center in Washington, accompanied Watergate's unindicted co-conspirator to the Soviet Union in 1991 for meetings with academics as well as the soon-to-be-obsolete Mikhail Gorbachev. The 78-year-old Nixon, it seems, could recognize a doomed politician instantly.

Calling Gorbachev "a poor bastard who belongs to the past," the former American president is said to have been involved in "masterminding a strategy to influence American foreign policy" 17 years after having been forced to resign. For Simes, being a part of Nixon's "design" was "a great treat." Nixon, too, was "loving every second of it." Gorbachev was presumably having less fun, but he comes across as a secondary character: The book's index contains only 12 lines of entries for the

Soviet president, while citizen Nixon manages 13.

Simes feels compelled to interject that "this is not a book about Richard Nixon." Even so, his worldview is decidedly Nixo-centric.

The fourth chapter, entitled "Russia is Reborn," begins with an assertion that most everyone got the new Russia wrong – except Nixon, who was even able to understand "the main thrust" of conversations in Russian without a knowledge of the language. Here, we discover that the Soviet K.G.B. chief tried to draw Nixon into his plot against Gorbachev. We learn, too, that Nixon helped the up-and-coming Boris Yeltsin to be taken seriously in Washington, admonishing Simes to keep mum about Yeltsin's unsteadiness and alcoholism since "the man is obviously under tremendous pressure."

The fourth chapter contains many other interesting tidbits, just nothing on Russia's rebirth. In subsequent chapters we get accounts of Nixon's final visit to Moscow, Nixon's critique of Bush, Nixon's critique of Clinton, Nixon's words of advice to Soviet (and later, Russian) policy makers. For events that take place after Nixon's death, Simes speculates on how Nixon would have reacted.

Simes, for his own part, assumes the mantle of semi-dissident. His qualifications are threefold: 1) he is Jewish, 2) before he emigrated in 1973, his mother, a defense counsel to actual dissidents, was frequently mentioned on Russian-language broadcasts of Radio Liberty and Voice of America, and 3) in 1966 the young Dimitri tried to organize a student meeting "to denounce" Soviet involvement in Vietnam, for which he was expelled (briefly) from Moscow University. Outright opposition, he writes, "was heroic but futile."

Whatever the problem, it did not prove fatal to his career.

Simes quickly resumed his studies, and soon landed a plum research position at the Soviet Union's most prestigious foreign policy think tank, the Institute of World Economy and International Relations. Even though, as Simes writes, the appointment was arranged by his father-in-law, it was not the kind of post given to enemies of the state. The institute was extraordinarily close to the Communist Party Central Committee. Moreover, Simes discloses that he served as first secretary of the institute's branch of the Communist Youth League.

Simes's boss at the institute was Yevgeny Primakov, now Russia's Prime Minister. For a Soviet apparatchik, even one in the scholarly world, the emigration of an underling did not always carry momentous consequences, but it could not have been pleasant. Simes claims that Primakov initiated a self-protective whispering campaign, accusing the defector of having faithfully served the system and of having been a nobody – "almost a member of the cleaning staff."

Simes responded by writing to Primakov from abroad. Calculating correctly that the K.G.B. would read the letter, Simes wrote not to complain about Primakov's barbed gossip but to remind him of their long-standing close association. The maneuver, Simes writes, was intended to demonstrate that two could "play" at the game of inflicting harm by means of innuendo.

This reviewer is convinced. As for the substance of Primakov's alleged badmouthing, Simes reveals that he did compose officially approved op-ed pieces at the institute, while giving lectures on the side "for a nice fee." He confesses here, however, that it bothered him that he could not write "honestly."

Readers may wonder how a former Communist Youth leader and critic of America came to serve an American politician whose ascent had been predicated on anti-Communism. Simes explains that he received an invitation from Nixon to meet in 1985, after having written an op-ed piece "reappraising" him as "a very impressive President" and "an honorable statesman."

"This book could not have been written without Richard Nixon," Simes acknowledges. But the expression of gratitude extends well beyond the acknowledgements. We are also informed that Nixon found Simes a wife, served as best man at their wedding and personally selected him to head the Nixon Center.

When Simes drops names, he makes sure to record Nixon's presence. If the ex-President was absent, Simes hastened to brief him afterwards. He diligently reports on the compliments Nixon bestowed, but also describes one meeting with Russian officials in which Nixon deliberately failed to make known his agreement with something Simes had written and "enjoyed seeing me put on the defensive." Some aspects of Simes's work over the years do not find a place in the book. When Gorbachev was named General Secretary in March 1985, for example, Simes, then a senior Sovietologist at the Carnegie Endowment for International Peace, told *The Christian Science Monitor* that the new Soviet leader "has no new ideas." Simes does write in the book that upon traveling to

Moscow in Oct. 1987, and sitting next to one of Gorbachev's closest advisors at a White House state dinner the following December, he belatedly grasped the seriousness of Soviet reforms.

This could be true. But Simes fails to mention here that a year later, he was still vehemently dismissing Gorbachev's radical and unprecedented arms-reduction proposals as dangerously Machiavellian. Nixon was also arguing at the time in *Foreign Affairs* magazine that "under Gorbachev, the Soviet Union's foreign policy... has been more aggressive, not less" – an absurdity that Simes chooses not to quote.

By the time Simes and Nixon got around to revising their publicly stated views on the consequences of Gorbachev's new thinking, the latter's Presidency was all but over. With hindsight, Simes observes that the Soviet political system and empire were "betrayed" by the ruling elite. "It was widely assumed," he writes in apparent reference to himself, that the fully armed Soviet regime had "the resources... and the will to retrench" if attempted reforms went too far. "No one anticipated that a leader would come to power who knew the rules of the Communist party apparatus and could use them with tactical genius... while simultaneously not understanding the fundamentals of the system."

Arguing that Gorbachev unwittingly destroyed the Soviet system, Simes plays down the importance of external threats, such as Reagan's military buildup and the "Star Wars" missile defense initiative. By implication, Nixon cannot be accused of appeasement or of prolonging the Soviet Union's existence with his policy of *détente*.

Now for the incisive part. "After the collapse," Simes writes, some two hundred pages into the book, "Russia was left without a clear conception of its national interests." He shows that Russia's quest for "its place as a great power" remains unresolved, but that after a shaky start Russia has begun to articulate and defend its state interests.

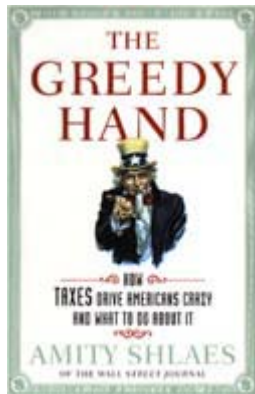
Since 1996, Primakov, first as foreign minister and then as prime minister, ended Russia's subservience to Washington. Simes argues that, under his old institute boss, Russia has come to accept that it is no longer a superpower and that nostalgia is not a guide for effective diplomacy. It makes a point of standing up to the United States, but stops short of outright confrontation. Its diplomacy is based not on a global ideology but on domestic needs – particularly economic interests, such as the pending Caspian Basin energy bonanza.

Accordingly, Simes sensibly advises the United States to build lasting ties founded on mutual interests and mutual respect, instead of seeking to remake Russia in its image. "The Russians may resent American predominance," he observes, but "chances are that almost anyone who should come to power in Russia... will be interested in normal relations with the United States," provided the United States avoids gratuitous grandstanding about Russia's irrelevance.

Simes underscores this *realpolitik* approach by quoting Russia's former ambassador to Washington, Vladimir Lukin: "Just name us a 'great power,' for God's sake – then you can do whatever you like."

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**The Greedy Hand:  
How Taxes  
Drive Americans Crazy  
and What to Do About It**  
By Amity Shlaes

*Random House, 240 pages.  
\$22.95*

*Reviewed by [Joel Slemrod](#)*

**A**MITY SHLAES is a member of *The Wall Street Journal's* editorial board, where she often writes on tax policy. And the Journal's editorial cure-all, you probably know – the secret to undreamed-of prosperity in the future – is to lower the taxes paid by higher-income folks. Thus when the book arrived, I immediately flipped to the concluding chapter, hackles up.

It was not what I expected. Shlaes lays out some principles she believes should guide tax reform, most of which I find pretty hard to argue with. Taxes should be simple. Taxes are, first and last, a source of revenue: no trying to save the world (or the middle class) through the tax code. And to her credit, Shlaes takes on not only the easy targets, but also some tougher ones, such as the deduction for home mortgage interest.

Next, taxes ought to be lower. Other things equal, this one's a no-brainer. But other things (specifically, revenue) aren't equal. And exactly which programs ought to be cut to cover the shortfall aren't covered in book. I, too, favor, eliminating programs that are not worth their cost. This is not really a tax reform question, though, but rather a matter of the proper size and scope of government.

To this point I almost felt the author and I were comrades in arms. But what exactly should be done about taxes? The easy part is to point out inconsistencies and even outrages – the "what drives Americans crazy" of the book's subtitle. The hard part is to identify the appropriate path to reform – the "what to do about it" of the subtitle. And here, *The Greedy Hand* disappoints.

The book devotes just three pages to specifics. It dismisses a national retail sales tax or value-added tax on the grounds that either approach would make us a nation of scofflaws. End of argument.

*The Greedy Hand* spends all of one paragraph on the most intriguing tax idea of the last two decades – the Hall-Rabushka "flat tax" championed by the House majority leader, Dick Armey, and the Republican presidential candidate Steve Forbes – dismissing it as "a radical measure, particularly when it comes to business taxes." As if that weren't bad enough, the flat tax "would involve disruption." So much for the fire-breathing Republican idea of tearing the income tax out by its roots.

Shlaes does seem to favor a third, "serviceable" option: "clear out the

underbrush and put through lower, simpler rates that apply to all in a consistent manner." If you think this sounds like the spirit behind the sweeping Tax Reform Act of 1986, you wouldn't be off base. Earlier in the book, Shlaes refers to that act as "the only solid tax reform in recent years." But if you think Shlaes is casting her lot with liberal reformers like the late Joe Pechman, tax sage of the Brookings Institution, you'd be wrong.

Another of Shlaes' guiding principles is that "we don't have to load extra taxes on the rich." Good liberal Pechman probably wouldn't have put it quite this way. But even this principle is hard to oppose until it's clear what "extra" means.

Shlaes does allude approvingly to one particular proposal, the "alternative maximum tax," calling it ingenious. Under the plan, would taxpayers have a choice between forking over what they would owe under the current system or simply paying a fixed portion of their income – say, 20 to 25 percent – to Uncle Sam.

Finally, she gives us something concrete to shoot at – and an inviting target, no less. For the alternative maximum tax would preserve all the complexity of the existing system, adding a new layer that would create unimaginable (except to good tax lawyers) opportunities for: a) playing one system against the other within a tax year, b) playing one year against the next, c) playing off the tax liabilities of related individuals using different options. And don't forget the small matter of how to make up for the loss of tens of billions in revenues.

The bulk of the book goes about the easier task of demonstrating that the current tax system is too complex, too intrusive and too often economically distorting. Come to think of it, it isn't all that easy to demonstrate this and keep things from getting dull. The Greedy Hand involves the reader, making ought-to-be-dry analysis come alive with anecdotes. The main sections are loosely organized around stages of life: "Your Work," "Your House," "Your Accountant," "Your Baby," "Your Death."

The chapter on marriage is especially effective, laying out the impossibility in a progressive tax system of eliminating the marriage penalty without creating a "stay-at-home-mom" tax. It also illustrates very neatly how the current tax system has become entangled in the culture wars, a weapon in the battle over the role of women and the sanctity of marriage.

Many of Shlaes's anecdotes, including the details of the introduction of income tax withholding in 1943, are new even to old tax hands like me. Others make the I.R.S. look heartless. Exhibit 1: The I.R.S.'s pursuit of relatives of victims of the Lockerbie airplane crash, demanding taxes in advance on the multimillion dollar settlements that the I.R.S. estimated they would receive from Pan Am's insurers.

Of course, the anecdotes not recounted here are also revealing. For example, outrage at the I.R.S. could have been channeled elsewhere if the book had focused on tax evasion scams that effectively increase the tax burden on the non-scammers among us. In other cases cited by Shlaes, it is more difficult to cast the taxpayer as victim, as in the long account of how the income tax complicates the lives of families who are looking to hire good nannies. This issue

inspires Shlaes to somewhat misplaced revolutionary fervor. "As long as high taxes cut at families' freedom," she writes, "the struggle will continue."

Nevertheless, after reading ten chapters of *The Greedy Hand's* breezy prose, it is hard to dispute that the tax structure is "an unwieldy artifact of an irrelevant era" and that Thomas Paine was prescient when he spoke of "the greedy hand of government, thrusting itself into every corner and crevice of industry."

But anecdotes are not enough. While they can certainly illustrate the intrusiveness, inconsistency and downright silliness of the current structure, they're no substitute for tight analysis of difficult issues.

Consider the question of tax progressivity. Although Shlaes waffles on exactly what sort of tax system she favors, she is crystal-clear in opposing what she calls the core principle of the existing code. Any progressivity at all – even a single rate tax with an exempt level of income – would fail *The Greedy Hand* test.

There are certainly intellectually respectable economic grounds for opposing progressivity. The trade-off between fairness and efficiency in tax design has been a – maybe the – contentious issue in public finance over the last century. But Shlaes doesn't deign to dip a toe into the huge pool of research assessing the distortions created by progressive taxes. Instead, she argues that progressivity is, in the words of the French pamphleteer Frederic Bastiat, a "fatal illusion," meaning that no matter how we attempt to tax them, the rich manage to evade the bite and thus "the wrong people end up paying."

Shlaes seems to argue not that progressivity is too costly, but that it is not feasible. To be sure, the two criticisms are related since the time and money that the affluent devote to tax avoidance are, from society's point of view, an irredeemable loss. But the two arguments are distinct and have drastically different implications about where to look for reforms.

If the problem is making the income tax progressive in reality as well as in name, we should be looking at structural defects in the system, such as the preferential treatment of capital gains. But this is not the road Shlaes, as a member in good standing of *The Wall Street Journal* editorial board, recommends. She wants to scrap progressivity because it leads to big, intrusive government and throttles the growth potential of the economy.

Surprisingly, the effects of high taxes on growth are given little attention. Shlaes does assert that progressivity stops people from starting new businesses and such. And, without much elaboration, she tosses in the argument that lower tax rates on the rich generate more revenue, not less. But she does not seem to have much enthusiasm for this line of attack.

Perhaps she wanted to spare her readers the joy of plowing through a discussion of labor supply elasticities and tests of statistical significance. Perhaps she sensed this argument would not resonate during a boom that followed on the heels of tax rate increases in 1990 and 1993. Or perhaps she wished to avoid a discussion of the fact that the halcyon years of United States economic growth, the 1950's and 1960's, featured top marginal tax rates above 90 percent.

Whatever the reason, *The Greedy Hand* is not the place to look for help in sorting out the costs of alternative tax systems. My own reading of this evidence suggests that it would certainly be possible to raise more revenue from the affluent – and that the waste created in doing so would be significant, but lower than might be expected if the tax base hadn't been broadened since 1986.

*The Greedy Hand* devotes one chapter each to Social Security (her solution: privatize it) and to financing public schools (her solution: localize it). I was struck here by the inverse relationship between the attention Schlaes gave to a topic and the radical nature of the proposed fix.

Obviously, Amity Schlaes has thought long and hard about what ails the tax system, and her book is an engaging, eye-opening account of the symptoms. But, as a guide to action it is surprisingly unfocused, perhaps because there are no easy answers. I will be pleased, though, if *The Greedy Hand* enlists a few more people in the cause of simplifying and rationalizing the United States tax system.

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