

appear in an investor's portfolio by the wave of a magic wand. Such an investment represents the allocation of existing funds to a particular asset—funds that could be directed into other (possibly more productive) endeavors.

Coverage of the deficit by printing money may indeed make households *feel* wealthier, as Eisner goes on to state it. It may, in fact, make *some* households wealthier; but it does so by redistribution, not by increasing the total wealth within the system. Furthermore, most of the redistribution represents the transfer of wealth from the private to the federal sector; that is, it is a hidden tax.

The thrust of the proposition appears to be an attempt to disprove the First Law of Economics and establish that there is such a thing as a free lunch. Unfortunately, it does not succeed.

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An important part of Eisner's analysis is the adjustment of various statistics for inflation. It would be interesting to also determine the impact of deficits on the causes of inflation. The reason that his remedy, increasing the money supply, lowering interest rates, and lowering the dollar relative to other currencies, is not embraced by 100% of our population is the fear of inflation. Then again, which is cause and which is effect? Right now, the increase in the trade deficit has caused investors to sell their debt instruments, which has raised interest rates by 3% so far since April. Presumably, if the trade deficit decreased, this would cause interest rates to decrease. Is vice versa also true?

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Response: Rashkis has a point in suggesting that running a federal budget deficit, and thus increasing the federal debt and treasury interest payments, may have an impact on income distribution. It is not clear though that this impact, compared with what would happen if we eliminated the deficit, either by raising taxes or cutting government expenditures, is injurious to "the middle class and the poor."

For, in fact, some 18% of the current \$2400-billion debt is held by U.S. government agencies and trust funds, including the social security funds. Another 10% is held by the federal reserve, which pays its profits right back into the treasury. And the distribution of the rest among banks, insurance

companies, state and local governments, and individuals, particularly in their pension funds, is such that it is not at all clear that the ultimate beneficiaries are particularly less "middle class" than those who pay the taxes. And if eliminating the deficit means spending less for education, health, social security, and public investment of all kinds, it is likely that the poor and all of the rest of us will be worse off. Of course, if the deficit, let alone the debt, could be reduced by eliminating expenditures that many of us find wasteful if not damaging—Star Wars, perhaps?—the middle classes and many more might find themselves better off.

Sutton is right that deficits which are too large *can* cause inflation. Deficits imposed on an economy with substantial slack capacity and unemployment do not, in fact, do so. It must be observed that while deficits soared from 1982 on, inflation and nominal interest rates both declined sharply. Easier money, lower interest rates, and a lower dollar are all the more indicated now with the stock market's Black Monday and its aftermath. The current danger is recession, not inflation.

Menkart's observation that an individual does not become wealthier by the act of buying a government bond is entirely correct, but his inference from this that increases in government debt do not increase the assets of the private sector illustrates the fallacy of composition. What is true for one individual is not in this case true for all. For if the government runs no deficit, one individual must buy treasury securities from another. One person then gives up money for a treasury bill or bond and another gives up his treasury security for the money. But if the government is running a deficit, that means it is getting money from one individual by selling a security and then giving that money to some other individual as it carries out its deficit spending. Thus, the total amount of money held by the public is unchanged, but the total of federal debt held by the public is increased by the amount of the deficit. Of course, whether this increase in private sector wealth in the form of government securities results in more real wealth, public and private, in the entire economy, is another matter on which I hope my article offered some illumination. In general, total real wealth is likely to be increased by deficits in economies with significant unemployment and unutilized resources. And that, by the way, entails profound effects on the distribution of income as well as its aggregate.

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Facial Recognition Cells and Autism

The report "Cells in temporal cortex of conscious sheep can respond preferentially to the sight of faces" by K. M. Kendrick and B. A. Baldwin (24 Apr., p. 448) is relevant to an understanding of the neurological defect in infantile autism because it provides evidence that there is a distinct area along the fundus of the superior temporal sulcus in the brains of sheep related to facial recognition. A similar area exists in monkeys (1–4). This area receives inputs from the inferior temporal cortex, which is related to visual data processing (2, 3) and sends outputs to the amygdala, which has neurones responsive to faces (2). The amygdala has been called the "sensory gateway to the emotions" (5) because it receives converging inputs from a variety of cortical processing areas involving all sensory modalities.

The adult human ability to interpret emotion, achieved through facial expression, gestures, and nonlinguistic aspects of speech such as melody, pauses, intonations, stresses, and accents, is disrupted by brain lesions in the right posterior temporal and posterior parietal opercula (6). This area is analogous to Wernicke's area in the left hemisphere, damage to which produces sensory aphasia (6, 7). Desimone *et al.* (4) place the facial recognition area of monkeys within the area of the cortex in man devoted to supramodal language, that is, Wernicke's area.

If this area or its subcortical connections, such as the amygdala, is disrupted in the right hemisphere, with or without damage to the analogous area in the left hemisphere, early in life, particularly before language is well established, then a serious disorder of socialization and of language learning would probably result. A person with such a disorder would experience the essential elements of infantile autism (pervasive developmental disorder): serious difficulty in interpreting and forming social relationships (8–10) as well as major problems in comprehending language (9–11).

Many of the nonessential, but commonly associated, features of autism, such as mental retardation and seizures, can be accounted for by damage extending outside this area.

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