

ECONOMIC NOTES

LABOR RESEARCH ASSOCIATION, INC., 80 E. 11th St., NY, NY 10003

Vol. 48, No. 11 - 12

Editor: Joseph Harris

50¢ a copy

\$5 a year

1981 Contract Struggles

The year 1981 will see a number of large contract struggles, as the table on page ten shows. The three largest groups of workers affected will be in the coal (125,000 workers), railroad (400,000 workers) and postal (571,000 workers) industries. The table gives a brief summary of 1981 contract expirations which affect more than 1,000 workers ("major" contracts).

Millions of Workers Affected

In addition to the 1.2 million workers covered under major contracts, 1.3 million workers in smaller bargaining units have contracts which expire in 1981. Another 1.4 million workers under major contracts have wage re-opener clauses and will fight for higher wages.

There are also 6.1 million workers under major contracts which do not expire in 1981, but who will receive deferred wage increases next year. (Deferred wage increase refers to wage increases due in the 2nd and 3rd years of a contract.) Deferred wage increases in 1981 will average 3.5 percent for the 3.8 million workers who have contracts with cost-of-living clauses. For the 2.3 million workers without COLA clauses, the average wage increase will be 8.1 percent.

On the average, these increases will be much lower than the expected rate of inflation and will fall short of the projected increases to be won by workers whose contracts expire in 1981.

Contract Fight Leads the Way

The 1981 contract fights are of great importance for all working people. They occur when workers and their unions are fighting to catch up from the impact of the "voluntary" wage controls under Carter, which were devastating to workers given the effect of double-digit inflation rates. They will also be the first tests of the Reagan administration which has threatened to declare an economic emergency, the brunt of which would fall on the backs of working people. And finally, all indications are that the inflation rate will not slow down in the coming period.

Consumer Prices Skyrocket

According to the forecast of the Labor Outlook Panel of the big business sponsored research organization, the Conference Board, consumer prices will increase between 9 and 15% in 1981. The Panel forecasts that wage-and-benefit increases will average 10.2% with a range of 9.8% to 12%. This percentage increase includes not only wage increases, but also increases for health and welfare, pensions, and increased vacation and holiday time.

Real Take Home Pay in Jeopardy

With predictions of such high inflation rates, it is clear that without real struggle, new contract settlements will fall behind the cost of living and deferred increases will lag even more seriously. In both cases, the hard facts of the matter are that workers will suffer a decline in their real take home pay for the fourth year in a row. ■

CONTENTS

ECONOMIC RACE:
US LAGS 2

POLITICS AND ECONOMICS..... 3-8

- *The Impact of Reagan's Election*
- *The Two-Party Syndrome*
- *Reagan's Economic Strategy*
- *Unemployment*
- *Inflation*
- *Spendable Earnings*
- *Profits*
- *More*

BIG STEEL IS BIG STEAL . . 9



"Confidentially I would worry more about a period between wars..."

US Has Less Room to Maneuver

The year 1980 marked a new stage in the relative decline of US capitalism, as the US fell to third place in world steel and to second place in world vehicle production. Japan replaced the US as the leading producer of motor vehicles and became the second largest steel producer, behind the USSR.

STEEL PRODUCTION IN 1980 (million tons)		
	1980	% of Total
World	790	100
Socialist bloc	236	30
USSR	167	21
Japan	123	16
USA	111	14
Common Market	142	18
Other Nations	178	23

(Wall St. Journal, 12/23)

US Advantage Has Eroded

The advantage the US enjoyed over its rivals after World War II, due to the destruction of the economies of all the other industrial powers, has by now eroded to such an extent that rough equality exists in many areas of competition. With this, increasingly fierce inter-capitalist rivalry is inevitable. In former eras, trade wars developed, and they helped to create the climate for hot wars as struggles to obtain cheap sources of raw materials and markets for finished goods intensified.

This may be less likely in the present era, when such wars would

possibly result in the overthrow of capitalist rule in at least some of the warring powers. This deadly question is likely to become increasingly important in the coming period.

Unemployment and Inflation Predicted to Grow

The outlook for 1981 and the rest of the decade is quite unsettled. Recessions, increased unemployment even in "good" times, and continuing inflation are the standard forecast. As 1980 drew to a close, the Organization for Economic Cooperation and Development (a multi-government research organization) said: "*Unemployment in industrial nations (capitalist nations—ed.) will increase over the next 18 months even though the current recession will begin to fade during the first six months of 1981.*" (NYT, 12/23)

The OECD predicted further that unemployment for the 24-member capitalist group will rise from the current 23 million to 25.5 million in the next 1 1/2 years. This will make the average unemployment rate for the group 7.5%. These are official figures, which greatly underestimate actual joblessness.

In many of the 24 nations, unemployment will soar far above the 7.5% level. In Great Britain, for example, it is already about 9% and is predicted to rise above 11%. "*In comparison, joblessness in seven leading member nations—the US, Japan, West*

Germany, France, Britain, Italy and Canada—averaged 4.4% in the 1970s." (NYT, 12/23)

Inflation in the 24 nations is expected to reach 11.75% in the first half of 1982 but then should subside, according to the OECD. This is a highly speculative report—inflation rate forecasting has been notorious for its underestimations.

Trade Wars May Grow

Due to the increasing difficulties the major capitalist economic centers will be facing, they will be making every effort to expand their exports while preventing imports.

The quotations from the financial press make for uneasy reading. For example: "*Seemingly relentless export drives by Japan and the US are creating a siege mentality in the Common Market that could worsen trade tensions in 1981. A mounting stream of cars and television sets from Japan and textiles and petrochemicals from the US was bruising enough in 1980, at a time when most European economies were relatively strong. But with the onset of recession in recent months, the mood of Europe is turning from anger to outrage.*

So far, the Japanese are bearing the brunt of the ill feeling... But more and more, the US is coming under fire as well. Its trade surplus with the Common Market, estimated at \$20 billion to \$25 billion this year, is twice that of Japan's surplus with the community."

"Unforeseen Consequences" Must be Stopped

The Wall St. Journal further speculates that the protectionist pressures may be overcome, but that trade wars may develop into serious proportions. These "*could pick up force into a major storm with unforeseen consequences.*" (WSJ, 12/24)

The economic contradictions contained within capitalism are growing, and with them, the danger of war. Working people around the world must unite as never before to meet and overcome the present danger. ■

Thanks!...and We're Sorry

This issue marks the end of 1980—Economic Notes' 48th year of publication. It has been a year of growth and experimentation for us. In addition to publishing Economic Notes and sending it to more and more people, we held a successful lecture series on "How to Be a Good Shop Steward," organized and led a group of US and Canadian Railroad workers to the USSR at the invitation of their Transport Workers Union, held a labor luncheon honoring Cleveland Robinson, published Railroad

Notes and began work on two books. This has all laid the groundwork for an even greater growth in 1981.

We want to take this time to thank all our readers for their support through the years and also to apologize for the lateness of this double issue. Because our staff is small, illness weighs more heavily on our work than we would like.

We wish everyone a very happy and healthy New Year. ■

Politics and Economics

The Two-Party Syndrome

by A.A. Paul

Reagan's Minority Mandate

Why was Reagan elected?

Consider the *electoral* college vote:

	<u>Electoral College</u>	<u>%</u>
Reagan	489	91
Carter	49	9
<u>TOTAL</u>	<u>538</u>	<u>100</u>

From this media declared a "landslide," a "swing to the right," an "Overwhelming mandate."

Now consider the *popular* vote:

	<u>Popular Vote</u>	<u>%</u>
Persons over 18 not voting	75,000,000	47
Votes for Reagan	43,300,000	27
Voter for Carter	35,000,000	22
Votes for Anderson	5,600,000	4
Votes for minority parties (est.)	1,400,000	1
<u>TOTAL</u>	<u>160,300,000</u>	<u>100</u>

Why does the press like to blow up the Reagan 27% of the electorate to look like 91%? Because they would like us to believe that 1) all the decisions affecting our economic lives were made on November 4th, and 2) the reactionary proposals which will be offered to the 97th Congress are justified by the election results. They want to disarm in advance the struggle of labor and consumers for better conditions and defense of gains already won.

Electoral System Is Lacking

In fact, the electoral college system (winner take all in each state) is undemocratic. For years many political scientists and others have been urging abandonment of the electoral college and adoption of a direct popular vote.

Second, only 52% of the people dragged themselves to the polls on Nov. 4th. Such is the general disgust and apathy with the election process.

27% of the electorate hardly com-

prises an overwhelming mandate. More than 5,000,000 actually voted for a candidate who said that the two major parties had no major differences but who, himself, had no party at all.

No "Swing to the Right"

In a poll of 12,782 voters just as they were leaving the polls, the N.Y. Times/CBS News Poll showed that 38% of Reagan's voters gave "It's time for a change" as one of their two main reasons for voting for him. Only 11% of the Reagan voters checked "He's a real conservative." So much for the

"swing to the right."

Practically all political observers and columnists acknowledge that much of Reagan's victory was a vote *against* inflation, a vote *against* unemployment, *against* the general poor condition of the economy. Reagan's principal campaign weapon—repeated millions of times in the press and television—was "Are You Better Off Than You Were Four Years Ago?" For the vast majority of voters, the truthful answer is indeed "NO."

Comparing the Records

Will the Reagan administration really bring a change? Can it? In this issue we compare performances for the past 34 years (17 Democrat and 17 Republican) with respect to:

1. Unemployment
2. Inflation
3. Average Spendable Weekly Earnings
4. Unemployment among Blacks and other Minorities
5. Corporate Profits

6. Taxes for corporations and the rich.

Unemployment

Was Reagan right in accusing the Carter administration of permitting the unemployment rate to rise to 7.5%? Of course he was. What he did not say however, was that unemployment is a permanent feature of our society, whether administered by Democrats or Republicans, and growing steadily worse. Chart I shows the unemployment rate for the past 34 years under five different administrations. Although there was an *annual* up and down fluctuation during each administration, the *average* rate of unemployment under the Democrats was 5.08% and under the Republicans 5.03%.

The only time the unemployment curve showed a trough was during the Korean War (under Democrats and Republicans) and during the Viet Nam War (again under Democrats and Republicans). As to the peak unemployment rates, the recession of 1974-75 under Republicans brought an unemployment rate of 8.5% and the 1980 recession under the Democrats brought the current unemployment rate of 7.5%. The anarchy of our economic system spared neither party.

Unemployment has Steadily Worsened

What needs emphasizing is the steady worsening of the unemployment situation following each recession. Here are the average unemployment rates during the last five administrations:

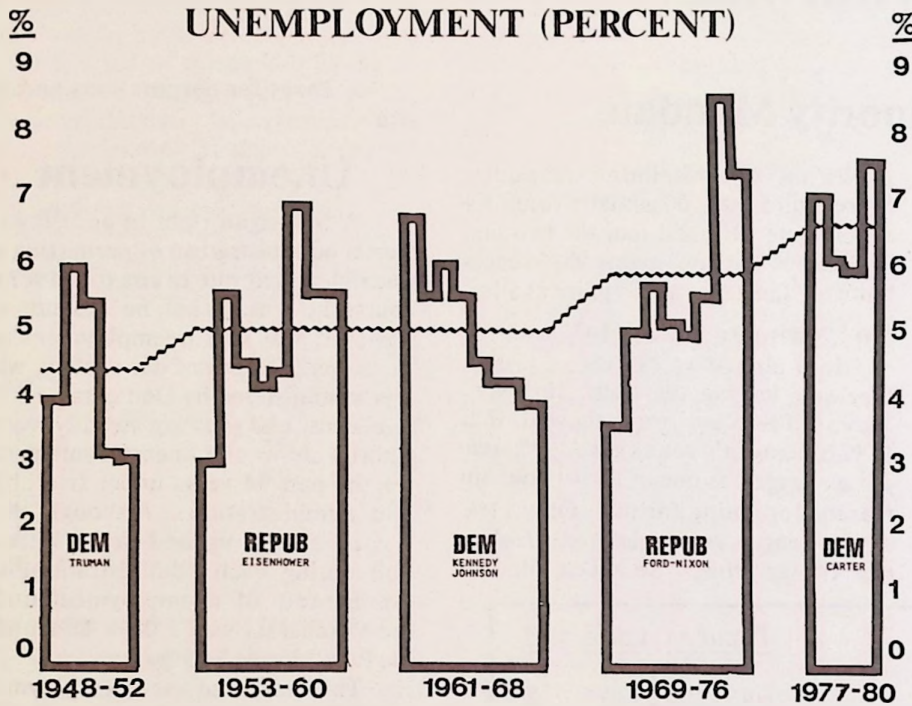
<u>Years</u>	<u>Administration</u>	<u>Unem. Rate</u>
1948-52	Democrats	4.3%
1953-60	Republicans	4.9
1961-68	Democrats	4.9
1969-76	Republicans	5.8
1977-80	Democrats	6.6

A.A. Paul is an economist with extensive experience in government and business.

(continued on page 4)

continued from page 3

CHART I
UNEMPLOYMENT (PERCENT)



(For purposes of comparing the long-term trend of unemployment, Bureau of Labor Statistics (BLS) data are used throughout this article. We believe that these Government statistics understate the true rate of unemployment - an issue discussed in other issues of *Economic Notes*.)

Writing two days after the elections, the historian Arthur Schlesinger, Jr. wrote: "...once the smoke clears and the bodies are carried away, we may see that the landscape remains pretty much the same... In domestic policy, both (parties) would fight inflation by inducing recession and unemployment."

Inflation

Inflation is commonly expressed by the Consumer Price Index (CPI), a number issued monthly by the Bureau of Labor Statistics (BLS) of the Department of Labor. Declaring the year 1967 as an index or base number 100, the CPI rose to 254 in October, 1980. In the past, *Economic Notes* has revealed how the CPI understates the true cost of living. We will continue to do so.

In the context of the change of administration, however, two points

should be made.

Dollar Now Worth 39¢

1) It is easier to understand the "purchasing power of the consumer dollar" than a statistical abstraction like the CPI. To convert the CPI into the purchasing power of the consumer

dollar, you simply divide the CPI into the number one. (In statistics that is called a "reciprocal.") In October, 1980, CPI stood at 254. Divide that into the number 1 and you get 39¢. So the consumer dollar which was worth \$1.00 in 1967 is now worth 39¢. For the first ten month of 1980 the average value was 41¢.

Inflation Grows Every Year

2) Secondly, so far as the worker's dollar is concerned, it doesn't seem to make much difference which party is in power. Look at Chart II. Comparing the last 34 years and using 1967 as the base year, one can see that between 1947 and 1980 the value of the dollar declined from \$1.50 to 41¢. The purchasing power of the dollar dropped in every one of these years except two (1949 under the Democrats and 1955 under the Republicans). Beginning in the 1950's, the annual percentage decline in the purchasing power of the dollar grew as each Party replaced the other.

AVERAGE ANNUAL DECLINE IN VALUE OF DOLLAR		
Years	Administration	%
1948-52	Democrats	2.4
1952-60	Republicans	1.4
1960-68	Democrats	2.0
1968-76	Republicans	5.9
1976-80	Democrats	8.7

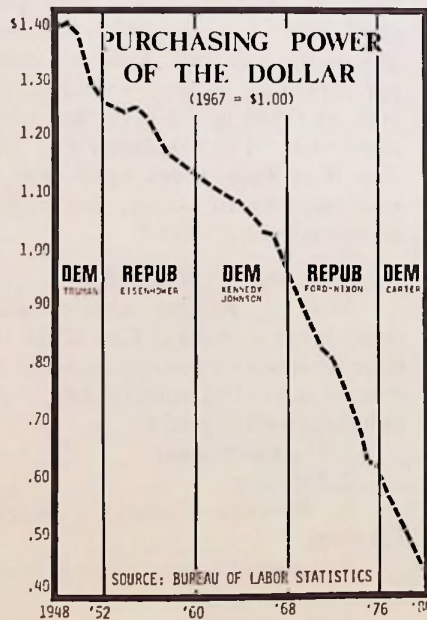
The only conclusion that appears reliable from these numbers and charts is that the inflation grows worse and worse — no matter which party is in power.

Spendable Earnings

We have seen the purchasing power of the consumer dollar going down year after year as a consequence of inflation. Every month the government (BLS) publishes another measure of how workers are faring called "Spendable Average Weekly Earnings."

The spendable average weekly earnings in 1967 dollars takes account not only of inflation but also of the taxes which workers have to pay through payroll deductions. Now look at Chart III. This shows the trend of

CHART II



(continued on page 5)

continued from page 4

spendable average weekly earnings for a worker with three dependents from 1948 through October 1980.

Real Spendable Earnings Are Down

During the Democrat years 1948-52 spendable average weekly earnings increased from \$67.28 to \$72.79. Through the next eight Eisenhower years they went up from \$75.29 to \$82.25. During the next eight Kennedy and Johnson years they climbed from \$83.13 to \$91.44. Now the trouble began.

From 1969 through 1976, the eight years under Nixon and Ford, spendable average weekly earnings rose from \$91.07 to \$97.11 and then slipped back to \$91.42 in 1976. There followed four years under Carter and the Democrats. As of 1980 the spendable average weekly earnings dipped to \$82.43. If you look carefully at the chart you will have to go back *twenty years* to 1960 to find the spendable earnings as low as that. Will the Reagan administration turn this curve around?

Unemployment for Blacks

During the campaign both major parties made demagogic appeals to Blacks and other minority groups of the working population. Does the record show any difference with respect to minority employment and unemployment performance under the two parties?

Chart IV makes a comparison of 33 years of unemployment rates under five administrations for four groups — all workers, white workers, Blacks and other minorities, and Blacks and other minority males aged between 16 to 19 years.

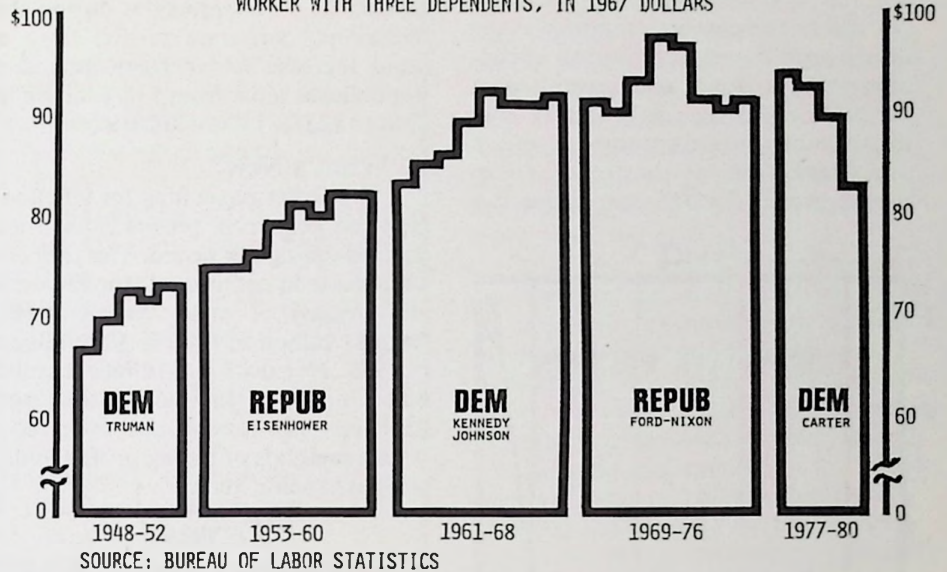
From the chart two facts are painfully clear:

Black Unemployment Steadily Worsens

1. No matter which party was in power, Blacks and other minority workers suffered twice as much unemployment as white workers. BLS places the unemployment figure among Blacks

CHART III REAL WEEKLY TAKE-HOME WAGES

WORKER WITH THREE DEPENDENTS, IN 1967 DOLLARS

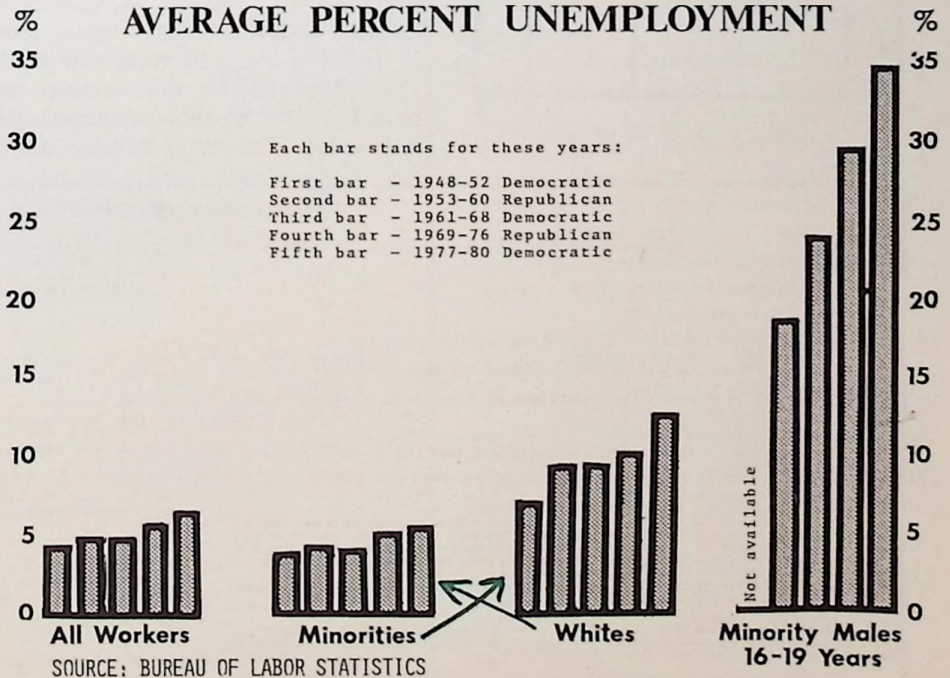


and other minority youths at more than one out of three. Other statistics, like those of the National Urban League, show that the BLS statistics are much too low and that in fact between a half and two thirds of Black youths in urban areas are without work.

2. With each successive administration the unemployment rate among Blacks gets worse—and among Black youth it is desperately bad. Will the new administration reverse or continue this 34-year old trend?

(continued on page 6)

CHART IV AVERAGE PERCENT UNEMPLOYMENT

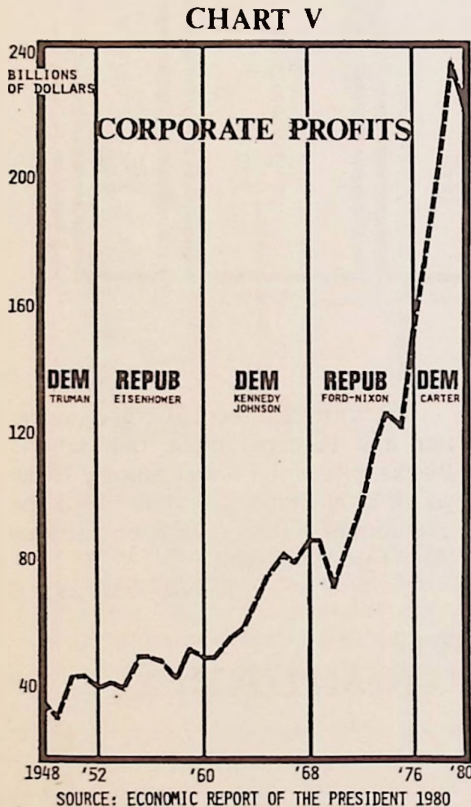


continued from page 5

Profits

When the purchasing power of the dollar goes *down*, the average spendable wages go *down*, and unemployment for whites and especially Blacks goes *up*, what happens to corporate profits?

Chart V shows the trend of corporate profits for 33 years under five



different administrations. With the exception of a few squiggles during the recessions, corporate profits show a rapid increase under Democrats and Republicans alike from \$35.2 billion in 1948 to \$236.6 billion in 1979.

So What's New?

Even after accounting for inflation, reported corporate profits more than doubled during this period. This excludes an increase in net interest (for financial institutions) of more than 6,000%, from \$1 billion in 1948 to \$130 billion in 1979. Nor does it take into account huge increases in depreciation and depletion allowances and other corporate methods of hiding profits under various expense items.

Taxes

The Reagan economic policy calls for reductions in taxes for the rich and for corporations so as to induce investment and thereby combat both inflation and unemployment. Are reductions in personal income taxes for the rich and for corporations a new idea? Are they peculiarly Republican? Let's take a look at the tax history.

New Loopholes for the Wealthy

In 1950 (Democrats), the federal tax rate was 3% on all (personal) income, with a graduated tax of from 17 to 88% above a certain level. In 1954 (Republicans), laws were passed reducing taxes on income earned after retirement. The main benefactors of

this law were the wealthy who received income from interest and stocks and bonds. Also at this time, taxes on dividends were reduced and income from interest was partially exempted from taxes.

In 1964 and 1965 (Democrats), the Revenue Acts lowered the tax range significantly, to 16-77%. In addition, income-averaging provisions were introduced, whereby a person making a large sum of money in one year could average that amount with another year when he/she made a small amount of money. This substantially reduced the rate of taxation, for speculators especially.

In 1972 (Republicans), the maximum tax rate on earned income was lowered to 50%, from 77%. In 1978 (Democrats), the first 60% of the money made from sales of stocks and bonds held over six months was exempted from taxation.

Corporate Percent of Tax Load Decreases

Meanwhile, amendments and revisions to the laws on corporate taxes, such as depletion (oil) allowance and accelerated depreciation and other tax loopholes, reduced the corporate share of income tax from 28% of Federal tax revenues in 1950 to 15% in 1977. About half of this decline took place under the Democrats—about half under the Republicans. (*Economic Review*, Federal Reserve Bank of Richmond, 5/80).

STATEMENT OF OWNERSHIP

Statement of Ownership, Management and Circulation (Act of August 12, 1970; Section 3685, Title 39, United States Code)

- Title of Publication: ECONOMIC NOTES.
- Date of Filing: October 1, 1980
- Frequency of Issue: Monthly. 3A. Annual Subscription Price: \$5.00. except for combined July-August.
- Location of Known Office of Publication: 80 East 11th Street, New York, N.Y. 10003.
- Location of the Headquarters or General Business Offices of the Publishers: 80 East 11 Street, New York, N.Y. 10003.
- Names and Addresses of Publisher, Editor and Managing Editor:
 Publisher: LABOR RESEARCH ASSOCIATION, INC., 80 East 11th Street, New York, N.Y. 10003.
 Editor: JOSEPH HARRIS, 80 East 11th Street, New York, N.Y. 10003.
 Managing Editor: Same.
- Owner (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 percent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as that of each individual must be given.)
 LABOR RESEARCH ASSOCIATION, INC., 80 East 11th Street, New York, N.Y. 10003.
 LEMENT HARRIS (Chairman, Board of Directors),
 80 East 11th Street, New York, N.Y. 10003.
- Known Bondholders, Mortgagees, and other Security Holders owning or holding 1 percent or more of total amount of Bonds, Mortgages or other Securities (If there are none, so state): None.
- For completion by Nonprofit Organizations authorized to mail at Special rates (Section 132.122, Postal Manual).
 The purpose, function, and nonprofit status of this organization and the exempt status for Federal income tax purposes (Check one)

- Have not changed during preceding 12 months Have changed during preceding 12 months
 (If changed, publisher must submit explanation of change with this statement)

11. Extent and Nature of Circulation:

	Average No. Copies Each Issue During Preceding 12 Months	Single Issue Next to Filing Date
A. Total No. Copies Printed (Net Press Run)	2000	2000
B. Paid Circulation		
1. Sales through Dealers and carriers, street vendors and counter sales	122	125
2. Mail Subscriptions	1471	1609
C. Total Paid Circulation	1593	1734
D. Free Distribution (including samples) by Mail, Carrier delivery or other means	60	52
E. Total Distribution (Sum of C and D)	1653	1786
F. Copies Not Distributed		
1. Office use, left-over, unaccounted, spoiled after printing	347	214
2. Returns from news agents	none	none
G. Total (Sum of E & F—should equal net press run shown in A)	2000	2000

I certify that the statements made by me are correct and complete.

MARY JAMISON
 Manager

(Signature of editor, publisher, business manager, or owner)

Politics and Economics

Reagan's Economic Strategy

by Thomas Kenny

1981 opens up as the year of the all-out anti-labor offensive of big business.

Actually, this offensive has been underway for some time, and picked up steam with the rightward movement of the Carter Administration.

But the election of Reagan is being falsely interpreted by big business as a mandate to go after its anti-labor, pro-profit objectives.

It was no such mandate. Far from it. Even Reagan started making what seemed to be pro-labor, pro-people sounds in order to get elected.

But the offensive is underway, nonetheless.

Its main objects are:

- * A further decline in real wages, on top of the 10.2 percent decline of the last two years.
- * Radical slashing of real minimum wages.
- * Slashing of old age pensions and other social security benefits.
- * Offensive against unions, including tough, uncompromising bargaining.
- * Virtual dismantling of OSHA, and serious curtailment of environmental protection.
- * Abandonment of affirmative action, increasing racial and sexual discrimination.
- * Rapid increase in militarization of the economy, transition to a semi-wartime regime, high danger of military intervention, especially in the Persian Gulf area.

All restraint is being abandoned in the military budget. Carter's military budget for 1982 is reported at \$196 billion, and Reagan is expected to increase it to far above \$200 billion.

This represents real, above inflation, increase of something like 15%. It represents a major distortion of the economic life of the country, with inevitable negative impact in terms of inflation, shortages, and lowered living standards.

However, the forces of resistance to this offensive are strong. There have already been evidences, among labor, minority, and peace groups, of heightened activity.

Illusions about supposed good intentions of the Carter Administration will no longer hold people back. There remain strong points of people's support in Congress.

The activity of the unions, nationally and locally, the extent to which the membership is mobilized, will have much to do in determining the outcome of the political and economic battles that will inevitably emerge during 1981. ■

Tax Rate Reductions

Along with spending controls (for social services only!) the Reagan strategy calls for an across-the-board tax cut for personal income. The proposal is for a 10% cut each year in 1981, 1982 and 1983. Although appealing to working people because of the tremendous burden of current payroll taxes, the proposal would benefit the rich far more than the poor.

The plan contains an undisguised give-away to corporations in the form of "*accelerated depreciation for business to stimulate job-creating investments.*" Accelerated depreciation means that companies can say that their factories and other capital stock become less and less valuable and eventually worthless over a shorter period of time, thereby lowering the tax rate on the corporation. Less tax is paid on a building which is said to be worth \$100,000 than on one worth \$500,000.

Deregulation

Deregulation is another way that Reagan's economic strategists plan to hand more money to the corporations. The effectiveness of regulatory agencies such as the Occupational Safety and Health Administration (OSHA) and the Environmental Protection Agency (EPA) will be lessened by the following proposals:

1) A requirement that any proposed regulation be accompanied by "*an economic impact statement.*" (It's better to save money than lives.)

2) New legislation to restrict the latitude of public officials to interpret and enforce existing regulatory law, leading to greater delays in the enforcement of minimal standards.

Another Boon to the Oil Companies?

The Carter administration has paved the way for the deregulation of energy prices. It is quite possible that the Reaganomics will allow even swifter price increases, with complete immediate, rather than phased-in deregulation. Despite ample proof to the contrary, Reagan claims that deregulation will give the giant oil monopolies "*incentives to produce.*" Certainly it will produce more profits. ■

Politics and Economics

The Impact of Reagan's Election

by Thomas Kenny

The Reagan administration says that one of the chief benefits of having conservative Republicans in the White House is that we will now have a "stable and sound monetary policy." Reagan claims he will follow a consistent economic policy, thus restoring confidence.

However, even establishment voices have started complaining that the Reagan economic strategy does not make sense, even from a big business standpoint. Here are some examples:

"Irresponsible Fiscal Program"

Sam Nakagama, chief economist for Kidder Peabody, a Wall St. investment banking house, writes in *Economic Perspectives* (11/21): "If President-elect Reagan actually goes ahead with this strategy (the Kemp-Roth tax proposal), it must be viewed as the most irresponsible fiscal program to be presented to the American people in our times... It is hard to understand why President-elect Reagan persists in backing a fiscal formula that can only mean higher inflation and even higher interest rates ahead. Unless the Reagan stance is sharply modified, it is likely that our economic and financial problems in the Eighties will make the Sixties and Seventies look good by comparison."

"Doubtful..."

● *Fortune Magazine*, Business Roundup: "Even if defense is held to a 5% real rise, nondefense spending would have to be pared back to 1975 levels in real terms to accommodate all the tax cuts and achieve a balanced budget. Reagan showed no taste for such draconian measures when he was governor of California, and it is doubtful that he will meet his targets." (12/1)

"No Grand Economic Scheme"

● *New York Times* editorial: "With three weeks left till Inauguration, the Reagan Administration had no grand economic scheme, only some vague plans to cut through the growth

of Federal spending, cut taxes and prune regulations. It sounds less and less like trumpets and more and more like the second Carter Administration." (NYT, 1/2/81)

Social Gains Threatened By Reaganomics

While some big business spokesmen are worried about its inconsistency, its riskiness, its lack of realism, or its inflationary character, the Reagan economic program poses a far more immediate threat to labor; Reaganomics amounts to a direct, unadorned attack on the living standards of working people.

The Republican 1980 campaign platform is perhaps one of the best sources of information on the specifics of the Reaganite plans

Threats to: Labor Rights

1. "Right to Work" Laws— "The Republican Party reaffirms its longstanding support for the right to states to enact "Right-to-Work" laws under section 14(b) of the Taft-Hartley Act."

2. OSHA— "...the arbitrary and high-handed tactics used by OSHA bureaucrats must end. OSHA should concentrate its resources on encouraging voluntary compliance by employers and monitoring situations when close federal supervision is needed... OSHA should be required to consult with, advise and assist business in coping with the regulatory burden before imposing any penalties for non-compliance. Small businesses and employers with good safety records should be exempt from safety inspections..."

3. Public worker collective bargaining rights— "We oppose any federal action, including any action on the part of the Dept. of Education, to establish 'agency shops' in public schools."

4. Trade Union Political Action— "The Republican Party strongly supports protections against the practice

of using compulsory dues and fees for partisan political purposes."

Threats to Minority Rights

While paying lip service to the enforcement of existing civil rights laws, the Reaganite panacea— "economic expansion through tax rate reductions, spending restraint, regulatory reforms and other incentives" callously refuses to address the special oppression experienced by these groups of working people.

1. Affirmative Action— "equal opportunity should not be jeopardized by bureaucratic regulations and decisions which rely on quotas, ratios and numerical requirements to exclude some individuals in favor of others, thereby rendering such regulations and decisions inherently discriminatory."

2. The Minimum Wage— "Republicans are committed to the enactment of a youth differential in the minimum wage."

3. School Desegregation— "...we condemn the forced busing of school children to achieve the arbitrary racial quotas."

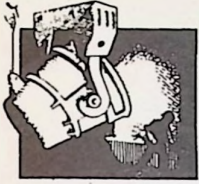
Threats to Social Services

1. Public Education— "The Republican Party supports deregulation by the federal government of public education, and encourages the elimination of the federal Dept. of Education." To aid private schools, "we affirm our support for a system of educational assistance based on tax credits."

2. Health— "We reject the creation of a national health service and all proposals for compulsory national health insurance... what ails American medicine is government meddling and the strait-jacket of federal programs."

3. Welfare— "We oppose federalizing the welfare system; local levels of government are most aware of the needs in their communities. We support a block grant program that will help return control of welfare programs to the states." ■

Thomas Kenny is an economist.



STEEL

Big Steel is Big Steel

by THOMAS KENNY

The last issue of *Economic Notes* discussed how the federal government fostered the big WW II expansion of steel capacity to the great profit of the largest companies, especially U.S. Steel. The Federal government supplied half of US Steel's funds for capital spending and expansion during this time. What happened to the government-financed, government-built and government-owned plants *after* the war?

Pro-monopoly Bias Exposed

William Hogan's *The Economic History of the Iron and Steel Industry in the U.S.*, written with a pro-company bias, gives some insights into this question:

"The problem confronting the government was the disposal of these plants at a price that would not affect the competitive status of existing facilities in the West. (Most of the new capacity built during the war was in the Western states to supply the Pacific theater.) The cost of facilities to meet the war needs was extremely high, making it difficult for the government to recoup its expenditures. The solution was to sell the plants by competitive bidding which at that time was unusual for government disposals."

This paragraph confirms that a) the plants built in wartime were constructed by steel companies and related engineering firms with huge cost overruns which produced immense profits, and, b) the chief purpose of the disposal policy was to continue the privileged position of the biggest steel monopolies, especially U.S. Steel. Hogan never questions the notion that the steel facilities had to be sold—even at a loss—rather than have the government own and run them.

This Was Competitive Bidding?

The most important of the war plant disposals was that of the government-owned Geneva works, in Geneva, Utah. This plant cost \$191.2 million to build, and was operated during the war

by U.S. Steel. The War Assets Administration (W.A.A.), the agency in charge of disposal of government facilities, announced that the Geneva plant was on the auction block. The WAA received the following bids:

- The Assets Reconstruction Corp, Ltd. of Los Angeles, California bid \$38.8 million.

- Colorado Fuel and Iron Co. bid \$80 million.

- Pacific-American Steel Iron Corp. of Seattle bid \$40.5 million.

- The Riley Steel Co. of Los Angeles bid \$135 million.

- Judson Warshaw of N.Y. bid \$132 million.

- U.S. Steel bid \$40 million.

Each bid was accompanied by a proposal for financing the purchase and operation of the plant.

The Giveaway

The government awarded the plant to U.S. Steel, the industry giant and *the second lowest bidder*. The government's justifications for accepting a bid less than one-third the size of the largest bid had little substance. For example, the claim that U.S. Steel would *"stimulate full employment, including employment of war veterans"* applies equally to all other bids.

The giveaway of the Geneva works was only the most notable. Another outrageous giveaway was of the government-owned Lone Star Steel Co. A group of Texans led by Eugene B. Germany of Dallas, aided by Rep. Wright Patman of Texas and financed by some Dallas banks and by Henry Kaiser, bought the plant from the WAA for \$7.5 million. Its original cost was \$29 million.

Gov't Loans Helped Corporations

Several companies acquired new steel plants during the war by taking advantage of long-term low interest government loans. This development of new steel plants occurred only because of government intervention and included:

- Kaiser Fontana— This integrated steel plant was built and soon owned by Kaiser interests, using a \$111.8 million loan from the Reconstruction Finance Corp., a New Deal economic agency.

- Sheffield Steel, Texas— Wholly owned by Armco, \$12 million of the \$17 million cost of the plant was met by RFC loan. The government financed all mines and washing plant coal mines, forty-seven byproduct coke ovens, one 700-ton blast furnace, two 100-ton open hearth furnaces, one 35-inch blooming mill, and one 110-inch heavy plate mill.

Companies Hold Out for Another War

After obtaining these World War II plants at bargain prices, the steel industry sat back and for 5 years added little or no new capacity despite surging postwar steel demand. Only in the early 1950's, when during the Korean War the federal government *again* provided "rapid depreciation" tax gimmicks and fresh government loans on easy terms, did the industry embark on major steel plant additions.

One example was the Colorado Fuel and Iron Co. In January 1951, it *"received loans from the government totaling \$73.4 million... The loans enabled the company to construct facilities for making steel tube products for the petroleum industry."* For the same firm, *"the National Production Authority of the U.S. Dept. Of Commerce provided \$23.4 million, later raised to \$37 million."* (Hogan). Likewise, U.S. Steel, having long put off construction of a "greenfield" plant (a completely new plant on a new site, as opposed to additions to an existing plant), began construction of the giant Fairless Works in 1950.

No More Phoney Baloney

Conclusion: far from being a drag on steel investment, the federal government has repeatedly been a leading, if not *the* leading stimulus, to capital formation in steel. ■

MAJOR CONTRACT EXPIRATIONS IN 1981			Workers Covered
Month	Employer	Union	
Feb.	Can Companies: American Can Co. Continental Can Co. National Can	Steelworkers Steelworkers Steelworkers	20,000
Mar.	Bituminous Coal Operators	Assn. Mine Workers	125,000
Apr.	Railroads	14 Rail Unions	400,000
June	Maritime: Maritime Service Comm.; Tanker Service Comm.; American Maritime Assn.; Pacific Maritime Assn.	Masters, Mates & Pilots; Maritime Union; Sea- farers; Marine Engineers; National Maritime Union	50,000
July	Pacific Maritime Assn. U.S. Postal Service	Longshoremen (ILWU) Letter Carriers; Rural Letter Carriers; Postal Workers; Mail Handlers (Laborers)	11,500 571,000
Nov.	TWA (Ground)	Machinists	12,000
	United Airlines (Ground)	Machinists	18,000
Dec.	Eastern Airlines (Ground)	Machinists	11,500
		TOTAL	1,219,000

* * * * *

Cleveland Robinson Honored

On November 16, 1980, Labor Research Association held its Fifth Annual Banquet Luncheon, honoring Cleveland Robinson, Secretary-Treasurer of District 65, UAW and First Vice-President of the Coalition of Black Trade Unionists.

The response to the luncheon was tremendous. More than 600 people attended from 50 different unions. We were especially honored by Coretta Scott King's attendance. Many thanks to our readers who came to the affair or sent contributions. You helped make the luncheon a success! ■

LABOR RESEARCH ASSOCIATION, Inc.
80 East 11th Street
New York, N.Y. 10003

Tel: 212-473-1042

Economic Notes

- \$5 a year
- \$6 a year-foreign

NAME _____
 ADDRESS _____
 CITY _____ STATE _____ ZIP _____