Focus on THE REAGAN ADMINISTRATION

January-February 1981

# ECONOMIC NOTES

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# 1981 Outlook

The economic outlook for 1981 is uncertain if one is primarily concerned with the ups and downs of the business cycle. But if the focus is: *"what will happen to American workers?"*, then the answers look more definite. It's going to be a tough year!!

## "Profits Before People" Hurts

Workers are facing a one-two punch situation. First there's the poor economic situation. The results, for workers, of a "profits before people" economy are:

- Unemployment averaging at least 8%, with 25% of the workforce jobless at some point in the year. Minority workers, especially youth, face jobless at some point in the year. Minority workers, especially youth, face jobless rates of more than 50% in many sectors.
- Drop in standard of living for employed workers. Since wages are lagging behind prices, real spendable wages have fallen 10% in the past two years. In 1981, a drop of at least another 5% seems likely.
- Housing crisis. Less than 25% of families can now afford to buy homes, and rents, mortgages, and utility costs are skyrocketing. For the first time since World War II, the number of families sharing housing is on the upswing.

## Government Embraces Corporations

The second cause of workers' suffering is the government, which serves the owners of the "profits before people" economic structure, the Fortunate 500 corporations. The new Reagan Administration is continuing and accelerating Carter's policies. In a nutshell, they amount to: 1) feeding the military-industrial-complex by boosting the military budget at rates unprecedented since the beginning of the Vietnam war; 2) cutting services for non-monopoly sectors of the population, especially those least able to defend themselves: the poor, the elderly, children, single mothers, and victims of discrimination: Blacks, Hispanics, Native Americans, and Asians.

## Reagan's Interests Not the People's Interests

The Reagan Administration's plans to impose a new cold war upon the world, and its plans to gut a whole variety of social programs, are running up against some hard realities. Reagan and company's plans run counter to the interests of the vast majority of the American people and the people of the entire world. And therein lies the basis for defeating Reagan's anti-people, pro-profit, pro-monopoly, and pro-military policies.

## Europe Wants Detente

European nations are making it abundantly clear that they do not want another cold war. West Germany does not want the neutron bomb; England is expanding trade with the USSR; France wants detente and is opposed to any attempts by the US to achieve military superiority over the USSR.

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# Coal Strike Possible in 1981

Will 170,000 coal miners face another 111-day strike when their contract expires on March 27, 1981? Just three years ago, the Bituminous Coal Operators' Association (BCOA) forced that strike, the longest in the union's history. The mine owners had (then) President Carter declare a national emergency under the Taft-Hartley Act in an effort to break the strike, but they failed in their union-busting effort as the miners ignored the back-to-work order.

### Big Companies Tighten Grip

*"Recently, the coal industry's national bargaining group reorganized itself at the behest of U.S. Steel Corp. and Conoco Inc., and small coal companies were virtually eliminated from the active bargaining. Of the 11 companies composing the industry's bargaining committee, five are owned by oil companies and three by steel companies."* (*Wall St. Journal*, 12/22/80)

The BCOA's negotiation team is headed by:

- Darby Brown, pres. of Consolidation Coal Co., subsidiary of Conoco Oil Company, and second largest coal producer.
- William Miller, vice-president of US Steel's coal operations
- Peter Palumbo Jr., vice-president of Peabody Coal Company, owned by Kennecott Copper, and the largest coal producer.

### Coal Industry is Monopolized

The monopolization of the coal industry is proceeding with giant strides. *"Big oil, utility, steel and other non-coal companies account for nearly half of U.S. coal output, and by 1985, their share is expected to reach at least 62% of national output, compared with only about a 25% share in 1966."* (Ibid.) The number of mining operations is declining from more than 8,000 in the mid-1950s to 5,534 in 1979. In 1980, the number likely fell another 15% or 830, down to 4,700, according to a trade group, The Mining Reclamation Council.

## 1981 Study Trips

<u>*August 9-23, 1981*</u>

1. Health Workers: Moscow, Leningrad, Finnish Bay
2. Economists and Sociologists: Moscow, Leningrad, Baku
3. Trade Unionists: Moscow, Leningrad, Uljanovsk, Togliatti

<u>*September 6-20, 1981*</u>

1. Railroad Workers: Moscow, Tbilisi, Sochi

Now is the time to make your summer vacation plans--and LRA would like to help you make them both pleasurable <u>and</u> educational. In co-operation with the All Union Central Council of Trade Unions (AUCCTU) of the Soviet Union, LRA is sponsoring two-week STUDY TRIPS for American workers and others interested in learning about the Soviet Union.

This is a <u>unique</u> opportunity. You will visit factories, child care centers, health facilities, trade union headquarters, planning agencies, trade union Palaces of Culture, and much, much more. You will have ample opportunity for discussions with rank-and-file citizens--and leaders too.

For further details, including cost, write or call LRA -- and do it today!

Coal mining is the most dangerous occupation. Mining accidents killed 123 U.S. coal miners in 1980, and another 16,602 miners were injured (as of December 5). More than 83% of the injuries were serious enough to cause lost work days.

But death also comes slowly —and horribly— to coal miners. Black Lung, a disease caused by inhalation of coal dust (mainly due to inadequate ventilation equipment) strikes down thousands of miners each year. Last year the estimate is that 4,000 miners died of black lung.

### Owners Contest Black Lung Claims

Black Lung was officially recognized in the U.S. as a medical problem in 1968, although Britain first provided compensation payments in 1943. When active processing of claims was finally begun in 1977 (*UMW Journal*, 9/80), a flood of Black Lung victims clamored for help. A total of 365,836 claims was filed in the first year and a half. During 1980, close to 40,000 new claims were filed, as Black Lung continues to claim new victims. The mine owners vigorously contest most claims, and those victims who win disability compensation receive small payments. *"Black Lung cannot be cured, but it can be treated to the point of helping the miner lead a more comfortable and perhaps even more productive life."* (*UMW Journal*. 10/80)

### Miners Create Huge Surplus Value

Coal miners are tremendously exploited. In 1977, there were 197,000 production workers producing bituminous coal and lignite. These workers added $10.9 billion value to the coal in the process of mining it, but they were paid only $3.2 billion. That means that the average worker earned $16,200, but the coal operator, the operator's parent company, and their banks pocketed $39,000. The worker got to keep (before federal and state taxes took more of the income) only 29 cents out of each dollar of value he produced. (*Statistical Abstract*, 1979, Table 1313).

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**Reagan Administration**

# *Cast of Characters*

*by DAVID EISENHOWER*

## COLD WARRIORS

The Reagan Administration represents an unstable alliance between increasingly conservative Eastern ruling elements and right-wing South-Western elements. It is filled with people loyal to a rightist agenda. They have a business outlook on life, since, in the words of one Reagan intimate, *"running the government is like running General Motors."* (*Boston Globe*, 11/28/80)

Right-wing credentials and ideological purity will be tempered with the political necessity of shoring up the conservative/right-wing alliance and paying off political debts. Appointees will fall into three general categories:

- *Cold warriors* will fill the key Central Intelligence Agency (CIA), National Security Council (NSC), Defense Department, State Department, and United Nations posts.
- *"Supply-siders"* economic views will occupy the Commerce and Treasury Departments, the Office of Management and Budget (OMB), and the Council of Economic Advisers (CEA).
- *Free-enterprisers* will staff the Interior, Energy, Transportation, Education, Health and Human Services, Housing and Urban Development, and Labor Departments, as well as the Environmental Protection Agency.

Finally, lawyers sensitive to using the law to maintain the volatile conservative-right alliance will pack the Justice Department.

**William Casey** has been appointed director of the Central Intelligence Agency (CIA). A wealthy tax lawyer with the NY law firm of Rogers and Wells and also counsel to Merrill Lynch's law firm, Casey is a former chairman of the Securities and Exchange Commission (SEC). He was Undersecretary of State for Economic Affairs and President of the Export-Import Bank in the Nixon Administration. Casey was Reagan's campaign manager.

During Wold War II, Casey was the officer in charge of European covert activity for the office of Strategic Services (OSS), the forerunner of the CIA. He wants the CIA to take *"a much more aggressive approach to intelligence operations"* (*NYT*, 11/21/80), emphasizing counterintelligence and covert mischief.

### National Security Coucil (NSC)

**Richard Allen**, former professor at the Hoover Institution who quit Kissinger's National Security Council (NSC) while SALT I was being negotiated, is the new national security adviser.

Allen is a member of the anti-detente, anti-SALT Committee on the Present Danger as well as other rabid aggressive groups. He supports reviving the anti-ballistic missile (ABM) program and launching a drive for US strategic (nuclear) superiority over the USSR.

### Defense Department

**Caspar Weinberger**, who served as Reagan' finance director when Reagan was Governor of California, now heads up the nation's defense. He also served with Nixon as head of the Federal Trade Commission (FTC), head of the Office of Management and Budget (OMB), and finally as Secretary of Health, Education, and Welfare (HEW).

With Nixon's downfall, Weinberger left government to become Executive Vice-President and General Council for the Bechtel Corp., a giant (private) construction firm with strong ties to the Reagan Administration.

The new Defense Secretary is of the opinion that *"the Russians have opened up a rather big and serious (military) lead over us —a real gap unlike the 1960 missile gap. That means we're going to have to have a substantial increase in military spending"* (*Wall Street Journal*, 12/12/80). He also is looking for the phantom objective of *"military superiority."*

### State Department

**Alexander Haig**'s appointment as Secretary of State completes the militarization of U.S. foreign policy. He is a career soldier who rose to prominence in the Nixon Administration, first as military advisor to Kissinger and then as White House Chief of Staff during "Watergate." He then was appointed NATO Commander, gaining considerable experience with the European military-industrial establishment.

After leaving government "service" Haig was rewarded by being appointed President of the aerospace giant, United Technologies. He complains that he is taking an $11 million pay cut by returning to government.

Haig "categorically" rejects detente on the grounds that it does not serve U.S. interests. He has a fixation about Soviet military, political, and diplomatic energies (*WSJ*, 12/17/80).

### United Nations Representative

The position of UN Representative went to a neo-conservative intellectual in recognition of the ideological service rendered not only by her but by the entire neo-conservative community. **Jeane Kirkpatrick** is a Georgetown University professor and resident scholar at the American Enterprise Institute (AEI) whose anti-communist views came to Reagan's attention by way of *Commentary* magazine.

She will perform her UN duties much in the style of Patrick Moynihan —hostile to "third world" interests and shrilly anti-Soviet. (*NYT*, 12/23/80)

*(continued on page 4)*

*David Eisenhower is a professor of sociology.*

(continued from page 3)

## SUPPLY-SIDERS

Supply-siders advocate government policiesthat favor large tax cuts for business and cutbacks in the social budget. They say that these policies will stimulate investment and hence economic growth (expand "supply"), resulting in expanded tax revenues and reduced inflation.

### Treasury

**Donald Regan**, the Chairman of the largest Wall Street firm, Merrill, Lynch and Co. has been named Secretary of the Treasury. He has the business contacts which will help gather support behind Reagan's economic policies.

Regan is a member of a number of important ruling class organizations, including: Business Roundtable (policy committee), Committee for Economic Development (board of directors), and Council on Foreign Relations.

### Commerce

In an effort to secure alliances, a Connecticut manufacturer of household appliances and long-time friend and supporter of Vice-President George Bush was chosen Secretary of Commerce. **Malcolm Baldrige**, Chairman of Scovill Inc., brings Eastern credentials to Reagan's Administration. He is a member of the Business Roundtable and sits on the boards of a number of corporations including AMF, Bendix and Uniroyal (*NYT*, 12/12/80).

Baldrige has said his priority concerns will be to increase the rate of productivity of American capital, increase US exports, and reduce *"excessive government regulation."* (*WSJ*, 12/12/80)

### Council of Economic Advisers

**Murray Weidenbaum**, Chairman of the Council of Economic Advisers, is a right-wing economist and advocate of "supply-side" policies. Formerly employed by the Boeing Corp., he has been active in advising Congress in support of right-wing legislative policies, especially dismantling the Occupational Safety and Health Administration, and other regulatory agencies. He promotes bigger military budgets.

## Big Business On Top

Never before has an Administration so completely and brazenly been staffed by representatives of big business —or so completely excluded people with the remotest connection to labor.

Financial reports of those appointed show that at least ten of the 17 cabinet members are millionaires. Almost all of the millionaires are multimillionaires! Only four of the cabinet members claim net worths of less than $500,000.

The **Rockefeller** interests, so prominent in the Carter and Nixon Administrations, apparently are represented here only indirectly, but in key positions. Alexander Haig, the Secretary of State, for the last two years was President and Chief Operating Officer of the giant war industry firm, **United Technologies**. Its main financial link is with **Citibank,** but it also is closely connected with **Exxon,** the lead industrial company of the Rockefeller group.

Defense Secretary Caspar Weinberger was Executive Vice-President and General Counsel of **Bechtel Corp.**, the huge construction firm. The Bechtels, father and son, are both closely connected with the **Morgan Bank**, the father as a member of its senior advisory council, and the latter as an IBM director. However, Bechtel is heavily involved in construction work in Saudi Arabia, a Rockefeller preserve, suggesting ties also between the Bechtels and the Rockefeller group.

The Morgan interests appear to have more play in the Reagan Administration than in any other recent administration. The Secretary of Commerce, Malcolm Bladrige, was Chairman of **Scovill**, a long-time inner company of the Morgan group. Samuel Pierce, Secretary of Housing and Urban Development, is a director of two major Morgan-related corporations: **General Electric** and **Prudential Insurance**. Two J.P. Morgan Directors, Alan Greenspan and George Schultz, are economic advisors of Reagan; and the latter, apparently, turned down a top cabinet job.

George H. Bush, the Vice President, is a very wealthy Texas oil and banking magnate. He moved to Texas from Connecticut, where the family fortune came from the big Wall Street banking house of **Brown Brothers Harriman.**

A number of other top people are mainly Wall Street oriented, in addition to several who are mainly affiliated with California or other western financial interests.

*In terms of these connections, the Reagan Administration may be considered a merging of the Wall Street and California groups on a cold war, anti-people reactionary policy line.* ■

### Management and Budget

Michigan Representative **David A. Stockman,** a disciple of Friedrich von Hayek, a right-wing economic theorist, is the designated director of the Office of Management and Budget. Stockman is not an economist.

Stockman and Kemp warn of an economic disaster if their supply-side commandments are not immediately obeyed (*NYT*, 12/18/80). At the OMB, Stockman is in the position to oversee the on-and-off budget cutbacks:

- $10-20 billion in food stamps, medicaid, disability, heating assistance, social security, unemployment compensation, and school lunches;
- $8-10 billion in CETA, the Economic Development Administration, the Community Development Program, parks, arts, and humanities funding;
- $2-5 billion in federal construction support;
- $1-2 billion in federal personnel and office expenses.

In addition, their plan calls for the removal of federal controls on the energy industry (*NYT*, 12/14/80).

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# FREE ENTERPRISERS

Turning public services over to private enterprise, and then operating them to make profits instead of to provide services —along with eliminating federal restrictions on business —are two commitments the free-enterprisers of the Reagan cabinet have in common.

## Domestic Affairs

**Martin Anderson**, a conservative professor, Reagan's Chief Advisor on Domestic Affairs, believes that poverty has been eliminated in the U.S. by an overly effective welfare system. But the cost has been *"the destruction of any incentive for people to leave the welfare roles"* (*Philadelphia Inquirer*, 12/27/80).

For Anderson the "solutions" to this problem are to require welfare recipients to work, to assign a larger role for caring for the needy to private charity, and to make welfare primarily a state, *not* federal issue.

## Health and Human Services

Senator **Richard Schulz Schweiker**, Reagan's 1976 Vice Presidential running-mate, will oversee the nation's health and welfare. Both can be expected to suffer, given Senator Schweiker's anti-OSHA convictions and his cost-benefits approach when it comes to food additives.

Instead of national health care, Schweiker advocates *"jogging"* and *"diet"* (*NYT*, 12/12/80), and reliance *"as much as possible on the private sector"* (*WSJ*, 12/12/80).

## Agriculture

**John Block**, a corporate pig farm owner from Illinois will head the Agriculture Department.

He is "production" oriented, favors high prices, supports exports, and is determined to reduce consumer influence on agricultural policy. In addition he is committed to cutting the food-stamp program 10 to 40%.

Block also tends to see eye to eye with **Jesse Helms**, incoming chairman of the Senate Agricultural Committee —e.g., regarding the need for tobacco subsidies and eliminating the government anti-smoking campaign.

## Interior

**James Gaius Watt**, a former lobbyist for the U.S. Chamber of Commerce who *"fought against federal control over water pollution and reclamation of strip mined land"* (*NYT*, 12/16/80), has been selected Interior Secretary. He is currently President of the Mountain State Legal Foundation, established by Joseph Coors and other Western businessmen to fight the Environmental Protection Agency (EPA) and open up federal lands to commercial exploitation.

The Wyoming-based Legal Foundation has also been involved in a number of right-wing causes, challenging Indian sovereignty over reservation land, opposing special utility rates for the poor and handicapped, and fighting the time-extension for ratification of the ERA amendment.

## Energy

**James Edwards**, governor of South Carolina, has accepted the job of phasing-out the Energy Department.

He is a *"staunch conservative"* and racist (upon returning from a trip to South Africa he complained that it was undue Black influence in American politics which prevented South Africa from getting a sympathetic hearing in the U.S.).

Edwards champions price decontrols and *"lessening the power of environmentalists"* (*NYT*, 11/11/80).

## Housing and Urban Development

**Samuel Pierce**, a partner of the N.Y. law firm of Battle, Fowler, Jafflin, Pierce and Kheel, and former judge, has been chosen Secretary of HUD. Pierce, who is Black, is a lifelong N.Y. Republican. He sits on the boards of a number of large corporations including U.S. Industries, Prudential Insurance, G.E., and First National Boston Corp. He is also a trustee of the RAND Corp.

Pierce likely will follow the advice of Reagan's Urban Task Force. It recommended such private solutions to public problems as: tax breaks to small businesses which locate in poor neighborhoods and hire the people who live there (in lieu of CETA jobs); and the phased ending of rent-controls to encourage construction of rental housing (*NYT*, 11/21/80).

## Education

**T.H. Bell**, teacher, former U.S. Commissioner of Education, and Utah Commissioner of Higher Education, has been chosen Secretary of Education. He acquired important budget-cutting experience in Utah. This *"ought to stand him in good stead"* (*NYT* 1/8/81) in Washington, where he will be called upon to oversee dwindling federal support for education.

## Labor

**Raymond Donovan**, a wealthy New Jersey contractor, was tapped to be Labor Secretary. An Executive Vice President of the Schiavone Construction Company, with no governmental experience, Donovan has been a longtime Reagan supporter and fund raiser.

Donovan can be expected to press the business agenda which includes less vigorous OSHA enforcement, emphasis on the private sector in job training programs, relaxation of equal employment opportunity requirements, reductions in trade adjustment assistance programs and changes in the provisions of the Davis-Bacon Act (*WSJ*, 12/17/80). Donovan has received the endorsement of the National Right to Work (for less) Committee (NRTWC).

## Justice

Reagan chose his personal lawyer and close friend, **William F. Smith**, to be Attorney General. Smith, a senior partner in one of Los Angeles' most influential law firms, Gibson, Dunn and Crutcher, sits on the boards of Crocker National Bank, Pullman, Inc., and a number of other companies. His specialty is labor law, especially as advocate for management in disputes against labor.

When Reagan was Governor, he appointed Smith Chairman of the University of California Board of Regents where he took a hard-line against student protests and led the efforts to fire Angela Davis from her teacing position at UCLA. ■

Reagan Administration

# Supply-side Economics: Which Side Is Supplied?

*by VICTOR PERLO*

"Supply-side" economics is the term coined by the major economic advisors of the Reagan Administration to describe the new administration's economic policies. In summary, "supply-side" economists say that the country needs to 1), increase profits by cutting wages and pensions; and 2), increase business' investments at the expense of workers' consumption.

If this sounds like a callous policy decided upon by greedy people, it is. But the "supply-siders" have a line of argument to make it seem reasonable.

Here's a typical presentation of the Reagan Administration and other supply-side supporters' position (in our words):

*"Under former, mainly Democratic Administrations, government policy concentrated on increasing consumer income so as to overcome recessions. The idea was to increase the demand for consumer goods, and thus stimulate economic growth whenever a recession occurred or threatened to occur.*

### Wages Too High?

*Wages were favored over profits. Minorities and women received special advantages, reducing efficiency. The unemployed, the disabled, the elderly, and welfare recipients gained more and more of the nation's output.*

*Exaggerated environmental, health and safety, and other governmental regulations crushed business initiative and risk taking, Profits suffered from all of the above.*

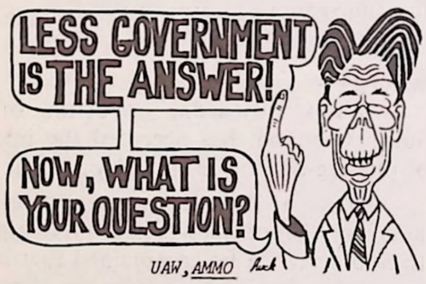
*What was the result? Businesses slowed their investments. The nation's productive plant ran down. Labor productivity declined.*

*The increased income going to consumers simply pushes up prices, since productivity is declining. Consumers' increased income adds to inflation, instead of enabling people to live better. The multiplied cost of imported oil adds to the inflation and reduces the real wealth of the country.*

### Belt Tightening For Workers

*What can the nation do to turn this situation around? Middle class workers and the former poor must reduce their affluent standard of living. They must make sacrifices. The government must get off the backs of business.*

*It's necessary to emphasize policies that will increase the supply of goods, rather than protecting demand (consumer income). To do this, it is necessary for private enterprise to increase their spending on new and improved plant and equipment."*




### Profits, Profits, Profits

However, they can't do this unless they can increase thei profits... and that's where reduced wages come into the picture. Likewise, that is why taxes on corporations and investors must be reduced; OSHA and environmental regulations eliminated; minimum wages either reduced, or not allowed to rise as fast as inflation; and social security, welfare, and unemployment compensation benefits slashed."

The supply-siders say: *"This medicine will hurt you now, but in the long run you'll be glad we prescribed it, because it will eventually lead to lower unemployment and inflation."*

### Herbert Hoover Revisited

The New Deal itself was a response to the disastrous impact of Herbert Hoover's policies, during the years 1929-32, policies which were quite similar to present day supply-siders. Then it was called the "trickle down" theory: the rich and the corporations would get the government handouts to encourage them to increase production, and some benefits would trickle down to the workers in the form of jobs and increased income. Nothing trickled down, however, but more misery.

### Struggles Bring About New Deal

Improvement only came about when the Hoover version of supply side economics was defeated by mass struggles, including the election of the Roosevelt "New Deal" Administration. When the unemployed, workers in basic industries, farmers, tenants, and homeowners decided that they would no longer accept impoverishment and hardship, then and only then did monopoly make any concessions.

### False Argument

The argument of the present-day supply-siders is false. Let's examine what actually happened since World War II.

Under postwar administrations, both Democratic and Republican, government actions helped reduce the share of consumption and increase the share of investment. The portion of the private Gross National Product (excludes the government portion of the GNP) that has been spent on non-farm plant and equipment has increased steadily, decade by decade, rising from 10.8% of the total in 1947-49 to 13.5% in the decade 1970-79 (*1981 Report of the President*). Correspondingly, consumers' share has dropped!

### Productivity Has Increased

Productivity has steadily increased since World War II. It has not decreased in recent years, as the supply-siders

*( continued on page 10)*

*Victor Perlo is an author and economist.*

## Reagan Administration

# U.S. Has "Brink-of-War" Economy

*by VICTOR PERLO*


*"I don't care how tough times get, you've got to quit biting on that bullet."* (UTU News)

An accelerated transition to a brink-of-war, *"waiting for the fighting to begin,"* economy is at the core of both Carter's and Reagan's proposed budgets. This significant development has been almost completely ignored by business and government economists and journalists.

### Military Increases Hushed Up

Reagan hardly mentions the size of his military budget increases. He evidently feels he would have more difficulty in winning approval for more nuclear bombs and other weapons of destruction *and* for massive cuts in social programs if he were to connect ("link") both sides of his program.

President Ford began the post-Vietnam military buildup; Carter accelerated it; and Reagan wants to put the buildup into overdrive. Here are the data:

| YEAR | DEFENSE BUDGET |
|---|---|
| 1976 | Exceeded $100 bil.* |
| 1982 | Exceeded $200 bil.* |
| 1984 | Will exceed $300 bil.** |

*for first time
**LRA estimate

### Feeding the Pentagon...

Reagan has announced his proposals for the 1981 and 1982 budgets. He plans to ask for an increase of $7 billion over Carter's proposed $171 billion for the military in 1981. After that, he plans to increase the military's share of the 1982 budget to a whooping $220 billion (Carter had proposed a mere $196 billion). Thus, in one year, Reagan wants to raise the amount of tax money going to the military by $50 billion!

At the same time he announced that he will *cut* between $40 and $50 billion from Carter's proposal for the 1982 social program budget.

A major reason why the inflation rate today exceeds that of the 1950s and 1960s is that 40 years of rising military spending have left powerful marks on the economic structure of the nation. These include:

- Strengthening of the military-industrial-complex, which sets the pace for monopoly price-gouging.
- Misdirection of the nation's political and economic energy, leading to shortages of social services: schools, public transportation, public housing, health care —and thus driving up their prices.
- Systematically creating federal budget deficits, which are one of the leading causes of inflation.

### Military Spending and Jobs

Military spending has been used to help get the country out of recessions and because of this there is a widespread belief in the United States that military spending creates needed jobs. However, jobs have never been the impetus for increased military spending —corporate profits get the main boost. In addition, the job creation side of military spending has been decreasing rapidly in recent years.

Thus, the 1980 recession was the first to occur during a period of rapid military build-up! Unemployment increased along with the Carter Administration's military builup, and it is expected to increase further in 1981.

### Priming the Pump

Military spending and job creation works like this:

During the early period of a build-up for war, the economic effect of increased armaments spending is multiplied beyond the contracts given to "defense" contractors. The reason is that the armaments manufacturers and other military suppliers gear up for the still bigger business they foresee. They accumulate materials, purchase machinery and equipment, build factories and hire workers —all in anticipation of the vastly expanded needs of a larger military manpower, destruction of equipment in combat, etc.

After that initial burst, however, military spending provides less employment than a corresponding number of dollars spent for civilian purposes. Furthermore, in recent years armament production has become more specialized in highly sophisticated, computer-controlled items. A smaller proportion of its production is spent on heavy, mass produced equipment, causing the number of armament production jobs to rapidly decline.

### Military vs. Civilian Employment

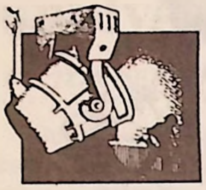
Let's compare the number of jobs created by military spending in 1980 with the number that could have been created if civilian needs had been met. Military contracts totalled $146 billion in 1980, and they created 5,058,000 jobs.

That same amount of money, if used for civilian purposes, would have provided 7,069,000 jobs, or 2,010,000 more than were created by military spending. (These statistics were developed using the ratios provided by Marion Anderson in *The Empty Pork Barrel* and adjusted for wage changes since the publication of that report.)

Employment in defense product industries increased from 1,076,000 in 1976 to 1,379,000 in 1980, an increase of 303,000 (*Business Conditions Digest*, 9-12/80). During that same period, military budget outlays rose $63.5 billion. Therefore, one additional job was provided by each additional $210,000 of military spending. By contrast, in 1980, there was one employee for every $90,000 of sales in the manufacturing industry (Dept. of Labor and Commerce).

### Guns or Butter?

The evidence is clear: rapid increases in military spending no longer have the same ability to create jobs that they once had. Furthermore, the US economy today cannot deliver both "guns and butter." ■



STEEL

# *Too Many Hours*

*by THOMAS KENNY*

Forty thousand United Steelworkers of America (USWA) members in the metal container industry are negotiating a new contract with Continental Can, American Can, National Can, Crown Cork & Seal and other can manufacturers. Container workers are one of the four major conferences in the USWA; the others are basic steel, aluminum, and nonferrous metals.

## Job Losses Threatened

Key issues in the negotiations are: corporate threats to close plants; spread of "self-manufacturing" of cans by large can users such as brewers; growing use of 2-piece cans, which require less labor to produce; can company diversification out of canmaking, resulting in aging canmaking plants and heightened possibility of shutdown; and declines in industry employment (1970, 63,000 workers; mid-1980, 53,000).

USWA negotiators are seeking contract improvements in such areas as *"sick leave protection, medical and insurance benefits for retirees, paid holidays, vacation provisions and schedules, minimum rates, extension of the job classification manual, and cost of living provisions."* (*Steelabor*, 12/80)

Unmentioned in the *Steelabor* report on the USWA container conference is the issue of the length of the workday in can manufacturing. As the table shows, workers in can manufacturing work for longer hours than other steel workers do. (see Table 1).

## Industry Pushes for 12-hour Day

The container industry is aiming at nationwide introduction of the 12-hour day (two shift) with "continuous operations." Some locals report company threats of plant shutdowns if they don't consent to a 12-hour system.

*Thomas Kenny is an economist.*

The expiring contract permitted the 12 hour day to a limited extent. But owing to company propaganda and pressure, 60% of canmaking plants are now on the 12-hour shift, according to some estimates. It was sold to some locals as a way of increasing leisure time (4 days on, 4 days off), but in practice 5, 6, and 7 consecutive days of 12-hour shifts are not uncommon where the 12-hour system has been introduced.

## Forced Overtime = Profits

The employers' drive for maximum profits is behind the attempt to re-introduce the 12-hour day. By working each worker four extra hours, an employer pays only modestly more in overtime pay, fringe benefits do not rise, and there is little or no increase in overhead costs per worker. The employer, however, obtains 50% more output per worker per day.

The interest of the workers in opposing the 12 hour day is also clear: First, longer workdays cause a huge increase in on-the-job risks to safety and health; not to mention extreme stress, break-up of marriages, alcoholism and drug abuse. Second, forced overtime prevents growth in employment by lowering the total number of workers employed.

## Fight for Shorter Workday in Europe

While U.S. steelworkers are trying to prevent a *lengthening* of the workday, growing numbers of West European and other workers are winning their demand for a shorter workday. Steel and other metalworkers are often in the lead in winning a cut in hours.

A growing proportion of British full-time workers were on a workweek below 40 hours in 1980. This was *not* short time due to unemployment; the workweek had been *re-defined* as less than 40 hours. (London *Economist*, 12/13/80).

It is noteworthy that employers have granted fewest concessions to manual workers.

## British Workers Get Reduced Hours

Some 5 million British workers are covered by agreements to reduce working hours. Engineering workers at Ford plants in Britain have threatened to strike if Ford refused to reduce working hours. At Imperial Chemical Industries, the British chemical giant, 50,000 manual workers will be on 37 1/2 hour weeks by June 1985. About 50,000 engineers at British Rail go to a 39 hour week in 1981.

TABLE I: PRODUCTION WORKERS' HOURS

| | METAL CAN INDUSTRY | | BASIC STEEL | |
|---|---|---|---|---|
| | *Average Weekly Hours* | *Average Overtime Hours* | *Average Weekly Hours* | *Average Overtime Hours* |
| 1975 | 42.7 | 3.8 | 39.5 | 1.9 |
| 76 | 43.5 | 4.6 | 40.3 | 2.5 |
| 77 | 43.7 | 4.6 | 40.5 | 2.8 |
| 78 | 43.4 | 4.7 | 41.5 | 3.5 |
| 79 | 43.9 | 5.1 | 41.2 | 3.4 |
| 80p | 43.8* | 4.6p | 39.3 | 2.2 |

*1980 was a recession year, hence the decline in hours worked and overtime.

*Source:* *Employment and Earnings*, B.L.S.

*(continued on page 9)*

# Steel

(continued from page 8)

TABLE II: % OF BRITISH FULL-TIMERS WORKING

| | 35 hrs. or less | 37 hrs. or less | 38 hrs. or less |
|---|---|---|---|
| Male manual workers | 2.3% | 6.2% | 16.0% |
| Female manual workers | 15.4 | 21.2 | 30.5 |
| Male non-manual | 21.2 | 53.7 | 76.6 |
| Female non-manual | 30.5 | 61.9 | 81.0 |

Source: London Economist, 12/13/80

*"In 1979 the Trades Union Congress carried a resolution calling for priority to be given to bargaining reductions in hours without loss in pay. The campaign was motivated partly by a desire to share work as unemployment rises. But there was also a strong feeling that it is time Britain caught up with other European economies."* (*Economist*, 12/13/80)

*The Journal of Commerce* reported (12/12/80): *"At this point two out of three European workers still have a 40 hour week. Longer hours are worked in Spain, Greece and Switzerland. Against that, the workweek already has been shortened to 38 hours in Belgium, and here and there in Scandinavia."*

## W. German Steelworkers Fight for Shorter Hours

The main demand of a 6 1/2 week strike by 200,000 W. German steelworkers, members of I.G. Metall, which ended in January 1979, was a guarantee of employment and a reduction of working hours from 40 to 35 a week. That reduction, which the workers did not win, could have helped to provide more jobs or at least stop the steady reduction in the number of steel industry jobs.

In a special survey of West Germany (11/8/80), the *Economist* noted: *"German employers rail against the 35-hour week. But for much of big industry it is already a reality. In the chemical industry a recent study showed it was already under 33 hours."*

Not all the gains are in Europe. According to Herb Kaye (*Daily World*, 12/23/80), Australian workers in oil refining, distribution, coal mining, and on the waterfront now work a 35-hour week.

## US Workers Slip in Standings

Even in the U.S. there has been some decline in hours *on average*. But progress here has been slow compared with progress overseas.

In 1968, U.S. workers were in fourth place behind West Germany, Sweden and Canada. In 1979, U.S. workers were in fifth place, ahead only of France in the struggle to cut the workweek.

The facts about the recent advances made by European and other workers in cutting hours, often with no cut in pay, need to be more widely known in the USWA and in all U.S. unions. ■

TABLE III: HOURS OF WORK -- MANUFACTURING

| | 1968 | 1979 | Cut in hours |
|---|---|---|---|
| USA | 40.9 hrs. | 40.1 hrs. | -0.8 |
| Canada | 40.6 | 38.9 | -1.7 |
| Britain | 41.8 | 40.0 | -1.8 |
| W.Germany | 36.4 | 32.8('78) | -2.6 |
| Sweden* | 39.0 | 35.4('78) | -3.6 |
| France** | 45.0 | 41.0('78) | -4.0 |

* all agricultural workers
** all private nonagricultural workers
Source: Monthly Labor Review, 3/80

# Coal

(continued from page 2)

In tune with Chrysler and other corporations which are trying to impose "takeaways" upon workers, the oil, steel, utility and other monopolies which dominate the BCOA are attempting to force the coal miners to accept "Continuous operations." This means operations seven days a week, around the clock. If the BCOA wins this demand, safety conditions would plummet as corner cutting on mine clean-up and maintenance would intensify. It would lead to rotating shifts, destroying needed time-off regularity.

## Mineworkers Fight for Needed Benefits

The United Mine Workers, on the other hand, is trying to win several important demands:

- **Cost-of-living allowance (COLA).** UMW President Sam Church recently stated that the Consumer Price Index (CPI) rose 40% since the 1978 settlement, but wages and benefits have risen only 16.5%. Currently, the top wage for union miners is $10.56 per hour. (*NYT*, 1/23) The UMW, which now has no COLA, reportedly seeks a COLA clause of one cent an hour increase in pay for each 0.25 point rise in the CPI, in addition to a general wage boost. (*WSJ*, 1/15)
- **Increased pensions,** for pensioners as well as future retirees.
- **Improved health care,** and especially dental benefits.
- **Abolition of the Arbitration Review Board,** the compulsory arbitration unit that the mine owners have used to stall settlements for thousands of miners' grievances.
- **A shorter work-week,** with no cut in pay.
- **Catch-up wage increase** to offset the real wage loss of the past 3 years.

## Which Side Is Reagan On?

The coal miners strike, if it materializes, will be a big test for the Reagan Administration —and for the entire labor movement. The question will be: "Which side are you on?" ■

*(continued from page 6)*

# Supply-side

allege. In the last two years, 1979 and 1980, hourly output per production worker in manufacturing increased 3.2% and 1.9% respectively. Since 1980 was a recession year, the 1.9% figure was quite satisfactory, because productivity increases always slack off during recessions.

Anti-worker propaganda from the government and business seldom mention the manufacturing data. They talk only about the economy-wide data which include service industries and other sectors of the economy where productivity measures are so unrealiable as to be worthless. The data for these other sectors distort the economy-wide productivity data downward —and those figures are what the propagandists trumpet.

## Corporate Profits Go Up, Wages Go Down

Corporate profits have multiplied, far outdistancing inflation, while real wages (adjusted to account for inflation) have been on a downward trend since 1972. Real wages have plunged an unprecedented 10% during the past two years. The table shows figures which the supply-siders would prefer to remain unknown! All figures are "real," in that they are adjusted in accordance with rising prices.

## Supply-side Economics Not New

The trends described here have been underway for decades. They were screened by the complexity of events, and by partly offsetting gains made by working people. During the Carter Administration, however, there was a lurch rightward all along the line, and by the end of Carter's reign, supply-side economics was fully in the saddle. The Reagan Administration is accelerating the move to the right, claiming that its election was a mandate to attack the gains launched during the New Deal almost half a century ago.

The accelerating military spending of the supply-siders will worsen all the worst features of the US economy: inflation, unemployment, cyclical instability, geographical unevenness in industry, poverty, racial and sex discrimination, superprofits and substandard wages.

## Lessons Must Be Learned

The lessons of the New Deal era —within a modern context— must be relearned. In the words of the brilliant anti-slavery leader, Frederick Douglass: *"Power never concedes anything without a struggle; it never has and it never will."* ■

| | % Change 1972–1980 |
|---|---|
| Real spendable wages of private non-farm workers | -14% |
| Real corporate profits after tax | +55 |
| Real dividends | +29 |
| Real net interest received by business | +98 |

*(continued from page 1)*

## Fightback Has Started

Workers can blunt the Reagan Administration's offensive here at home too. Already, the "Coalition on the Fiscal Year 1981 Budget," uniting 150 labor and public service groups, is moving against the cutbacks. Black and other minority organizations are building up steam for marches and other mass protests. Union struggles and initiatives can provide a big test for the government and the monopolies. One of the potentially major battles will be between the United Mine Workers and the coal operators: their contract expires March 27, and a strike could upset all of Reagan's calculations about what he can get away with. ■