

THE INSIDE STORY

JOHN JUDIS



Wanted: mild slowdown, no recession

For those unfamiliar with the capitalist mind, it is always disconcerting to learn that some corporate executives, bank presidents, and high government officials *want* recessions to occur.

For them, recessions don't mean unemployment lines. They mean less wage pressure and the possibility of higher rates of profit. Or they mean that the dollar doesn't decline as rapidly because prices and imports don't rise as rapidly.

This fall, the recession birds began chirping in earnest. Corporations complained they were working at 85 percent of their capacity (high by current standards) and that with skilled labor scarce, it would cost them more than it was worth to expand further. Investment had to be made more attractive; costs had to go down and profit rates had to rise.

Bankers and governments in Europe holding a mere \$500 billion in American currency ("Eurodollars") began threatening to unload their dollars in earnest. With a 9.5 percent inflation rate chipping away at the dollar's value and a new European Monetary System about to crown the Mark as a viable alternative, what did they need with dollars?

By October, the U.S. was in the grip of a new kind of inflationary spiral. As inflation increased, the dollar went down; as the dollar went down, it raised import prices and also encouraged American producers to raise theirs; domestic inflation went up; as inflation went up still further, the dollar declined still further.

By the end of October, there were fears of a 1929-style financial panic. Pres. Carter's plan for wage-price guidelines failed to allay financial fears. He and Federal Reserve head G. William Miller were under pressure to take the dive.

On Nov. 1, Carter and Miller made their joint announcement. They would use \$30 billion worth of reserves to try to prop up the dollar; Carter would present a bare-bones budget in January; Miller would raise the discount rate for banks (the rate at which commercial banks can get loans from the Federal Reserve) and also

the reserve requirement (the proportion of deposits a bank has to keep in its vaults and not use for loans).

Among economists and financiers, Carter and Miller were seen as having finally bitten the bullet. They had decided, Wall Street analyst Sam I. Nakagama said, to "take" a recession.

Others simply concluded that, whether intentionally or not, Carter and Miller had opted for a recession. "Carter, knowingly or not, has acted to create a recession," economist Paul Samuelson said.

Question One: Did Carter and Miller intend to create a recession through the measures they took on Nov. 1?

American (and other Western) governments traditionally use monetary policy to hide their darkest designs. When Richard Nixon, in 1969 and again in 1973, didn't want to get blamed for causing a recession, he had his Federal Reserve chief Arthur Burns jack up interest rates and cut the money supply.

By cutting the money supply, one limits the amount of money that banks and Savings and loans (S&Ls) can loan out for home construction and small business. (Big corporations can still finance their activities from internal funds, commercial banks, bond flotations, or overseas, if necessary.) The housing market shrinks; so do related industries like steel and wood; layoffs occur, consumer demand declines; auto is affected; unemployment hits 7 percent, the GNP doesn't go up.

To do his part, the President has to hold down federal spending.

On the surface, it looked like Carter and Miller were simply following the Nixon-Burns example, but there were two indications that they were not:

1) Carter and Miller had already taken steps in June to make sure that rising interest rates would not cause an immediate collapse in the housing market. They passed a rule allowing S&Ls to issue Certificates of Deposit (CDs) at a higher interest rate than Treasury notes. This obscure move had enormous practical significance.

Ordinarily, what prevents S&Ls from offering loans is not higher interest rates, although these obviously do have some effect, but the absence of funds to loan. This happens because of a process called "disintermediation." As commercial interest rates go up, the interest rates on Treasury bills also go up. But S&Ls are prohibited from paying more than a certain interest for their customer deposits, generally around 7 percent. When persons can get more interest by buying Treasury notes, they tend to bypass S&Ls, and suddenly the S&Ls have no money to loan.

Allowing S&Ls to sell their own CDs made it possible for them to weather the first shock of the Nov. 1 measures.

2) If Carter and Miller want to cause a recession, they can rescind the regulation allowing the S&Ls the issue CDs, or they can directly cut the money supply available to both S&Ls and commercial banks.

Raising the discount rate has some effect on borrowing, especially for smaller banks, but it is mostly a symbolic gesture that indicates the Federal Reserve's intention to limit the growth of the money supply. The Federal Reserve regulates the money supply through its Open Market Committee, which meets monthly in secret. By selling Treasury notes for dollars or buying up notes with dollars, the Open Market Committee increases or decreases the dollars in circulation.

When Arthur Burns wanted a recession in 1969, he put the brakes on the money supply, lowering its average growth to only 2.5 percent. In late summer 1973, he cut money supply growth to zero.

In his testimony to the Senate Finance Committee on Nov. 16 (the same day Carter was telling White House reporters he didn't expect a substantial setback in 1979), Miller said that he intended to keep the money

supply growing at 5 to 7.5 percent in 1979, compared to 8 percent in 1978. Along with other measures, this would, he predicted, lead to a mild slowdown in economic growth (2.5 to 3 percent for 1979), but not to a recession.

On the basis of these two actions, Carter and Miller don't seem to be planning a recession. Instead, they seem intent on trying to get by with a mild slowdown and wage-price guidelines. If inflation continues upward, Carter and his inflation czar Alfred Kahn have said that they would even resort to mandatory controls before they would "take" a recession.

Question Number Two: Even if Carter and Miller don't want a recession, could they get one anyway?

Before Nov. 1, there were reasons to think that the U.S. was headed at least toward a slowdown, if not a recession:

- An October McGraw-Hill study found that businesses projected a capital spending increase of only 2 percent for 1979, which is the lowest since the 1974-75 recession.

- Consumer debt has risen to over 20 percent of consumer income. Over 15 percent used to be considered dangerous.

- Major businesses, as mentioned, are operating at 85 percent capacity, and skilled labor is scarce.

By discouraging spending still further through their Nov. 1 actions, Carter and Miller may unwittingly have tilted the U.S. toward a recession.

But a more likely scenario would be an initial slowdown, as Miller foresees, with no appreciable drop in the 9.5 percent inflation rate. This would reawaken fears about the dollar that a puny \$30 billion can do little to allay (one-quarter of the sum has already been used up).

Carter and Miller would then have to impose wage-price controls. To convince suspicious European bankers, who have little respect for such controls, they might also have to tighten the money supply.

Wage and price controls tend to discourage investment; they tend to suppress rather than eliminate wage-price pressures. It is likely that their imposition would lead to a more severe re-enactment of the price explosion and recession that occurred after Nixon rescinded his controls.

Carter (or his successor) would sooner or later have to withdrawn controls to foster investment; inflation would spiral, the dollar plummet, and a recession would be on the way.

Or a recession might come close upon the imposition of controls, as business cut back still further on investment.

Question Number Three: What should a poor boy do?

Recessions always indicate the depth of capitalist irrationality: its need to destroy in order to preserve, to waste in order to save. In this case, the irrationality goes a step further, because it combines a downturn in the business cycle with a downturn in world capitalist investment and the deterioration of the trade and currency arrangements that have united the major capitalist countries since the end of World War II.

This is why the current recovery has had all the earmarks of a recession: its unemployment *low* of 5.8 percent corresponds to an unemployment *high* in the 1949, 1954, and 1971 recession years. The annual rate of growth in business investment has been half that of previous recoveries.

When one reads in the *Wall Street Journal* or *Business Week* or in the more arcane business publications that Carter and Miller should tighten the money supply further, "tough it out," or "bite the bullet," one should realize they are talking about actions that could evenuate in 12 to 15 percent unemployment and a world, not just an American, recession. ■

IN THESE TIMES

THE INDEPENDENT SOCIALIST NEWSPAPER

Published 50 times a year: weekly except the first week of January and the fourth week of July by The Institute for Policy Studies, Inc., 1509 North Milwaukee Avenue, Chicago, Illinois 60622, (312) 489-4444, TWX: 910-221-5401, Cable: THESE TIMES, Chicago, Illinois. Institute for Policy Studies National Offices: 1901 Q Street, Washington, D.C. 20009.

EDITORIAL

James Weinstein, *Editor*, M.J. Sklar, *Associate Editor*, John Judis, *Foreign News Editor*, Patricia Aufderheide, *Cultural Editor*, David Moberg, *National Affairs*, Diana Johnstone (*Paris*), Mervyn Jones (*London*), Bruce Vandervort (*Geneva*), *Foreign Correspondents*, Ron Williams, *Editorial Assistant*, Steve Rosswurm, *Librarian*, Ken Ratner, *Proofreader*.

ART

Kerry Tremain, *Director*, Tom Greensfelder, *Associate Director*, Nori Davis, *Assistant Director*, Jim Rinnert, *Composition*, Pam Rice, *Camera*, Ken Firestone, *Photographer*.

BUSINESS

William Sennett, James Weinstein, *Co-Publishers*, Richard Goldensohn, *Executive Publisher*, Ellen Deirdre Murphy, *Advertising/Business*, Jan Czarnik, Pat Vandermeer, *Circulation*.

BUREAUS

SOUTHERN: Jon Jacobs, 830 W. Peachtree St., Suite 110, Atlanta, GA 30308 (404) 881-1689. NEW YORK: George Carrano, Jon Fisher, 784 Columbus Ave., New York, NY 10025, (212) 865-7638. BOSTON: Sid Blumenthal, 123 Oxford St., Cambridge, MA 02140, (617) 864-8689. CALIFORNIA: Larry Remer, 3609 4th St., San Diego, CA 92103, (714) 225-1128.

SPONSORS

Robert Allen, Julian Bond, Noam Chomsky, Barry Commoner, Al Curtis, Hugh DeLacy, G. William Domhoff, Douglas Dowd, David Du Bois, Barbara Ehrenreich, Daniel Ellsberg, Frances Putnam Fritchman, Stephen Fritchman, Barbara Garson, Eugene D. Genovese, Emily Gibson, Michael Harrington, Dorothy Healey, David Horowitz, Paul Jacobs (1918-1978), Ann J. Lane, Elinor Langer, Jesse Lemisch, Salvador Luria, Staughton Lynd, Carey McWilliams, Herbert Marcuse, David Montgomery, Carlos Munoz, Harvey O'Connor, Jessie Lloyd O'Connor, Earl Ofari, Seymour Posner, Ronald Radosh, Jeremy Rifkin, Paul Schrade, Derek Shearer, Stan Steiner, Warren Susman, E.P. Thompson, Naomi Weinstein, William A. Williams, John Womack Jr.

The entire contents of IN THESE TIMES is copyright ©1978 by Institute for Policy Studies, Inc., and may not be reproduced in any manner, either in whole or in part, without permission from the publisher. All rights reserved. Publisher does not assume liability for unsolicited manuscripts or material. Manuscripts or material unaccompanied by stamped, self-addressed envelope will not be returned. Subscriptions, address changes, and adjustments should be sent to IN THESE TIMES, P.O. Box 228, Westchester, IL 60153. Subscriptions are \$17.50/year. Advertising rates sent on request. All letters received by IN THESE TIMES become the property of the newspaper. We reserve the right to print letters in condensed form. Second class postage paid at Chicago, Illinois.

This edition (Vol. 3, No. 4) published Dec. 6, 1978, for newsstand distribution Dec. 6-12.

IN THESE TIMES

"Revolutionary suicide," 1978

By David Moberg

GEORGETOWN, GUYANA

"Dad—I see no way out—I agree with your decision—I fear only that without you, the world may not make it to Communism."

—from a letter found on the body of Jim Jones

REVEREND JIM JONES DID NOT bring the world closer to communism in his 47 years. But with an ironic twist characteristic of so much of his life and teachings, he did bring his agricultural colony in Jonestown, Guyana, close to—perhaps several steps beyond in some ways—the most die-hard anti-communist vision of a socialist future.

"It could have been really nice," Edith Bogue, a survivor now detained in the Park Hotel in Georgetown, still says. It was precisely that kind of hope that sustained so many people, perhaps even to their death, in the face of massive evidence of Jones' folly. Some people living at Jonestown were undoubtedly seriously disturbed psychologically. Others appeared to have drifted in, perhaps seeing it as a refuge from an already hard life—having "nothing to lose," as survivors say, or attracted to something about Jim Jones or his promises. Many others, however, were idealists, humanitarians and politically dedicated socialists.

Overwhelmed by the question of how any group would choose to follow their leader into mass suicide, observers have been less inclined to ask another pressing and painful question: how could people dedicated to ideals of racial equality, human brotherhood, abolition of economic exploitation and socialism produce and support with such intensity a small society that violated and inverted so many of its principles?

End justifies the means.

It is easy to dismiss Jonestown as the work of psychotics or the consequences of religious cultism, but the dark side of Jonestown was a perverted product of the left as well. "The church was just a front for the socialist movement," Michael Prokes, a TV journalist turned People's Temple member, insisted.

Jim Jones spun out paranoid fantasies of CIA machinations. He caught himself up in the dilemma of secretly being a socialist while publicly appearing a religious crusader. He exaggerated the political oppressiveness of American society to the point that he saw no hope for change. He justified ruthless authoritarianism as "proletarian dictatorship."

He wrote off the majority of Americans as inevitably reactionary and believed anything was legitimate to pursue his goal of socialism. These political tendencies were not incidental to the deaths at Jonestown; they were directly connected with them.

"I heard Jim Jones say so many times, 'The end justifies the means,'" said Harold Cordell, 42. A follower of Jones from Indianapolis for the past 24 years, Cordell escaped death at Jonestown and left behind five children in the heap of cyanide-poisoned bodies, two of whom had pointedly refused his plea to leave Jonestown with him. "He justified lying to achieve a socialist society. You can imprison large numbers of people. You could kill thousands to make things better for others."

Revolutionary suicide.

In the end, the means included 909 "revolutionary suicides" (some of them, especially those of children, more properly called murder). Inspired by the term introduced earlier by Black Panther leader Huey Newton, and citing precedents such as the self-immolation of Buddhist monks, Jones argued increasingly after he settled in Jonestown, in the summer of 1977, that it was better to kill oneself than to



American troops relaxing after they had finished removing more than 900 bodies from Jonestown for transport back to the U.S.

be defeated by one's enemies.

Such an obsession with "being ready to die for the revolution," which had started during his years in California, was refined, in Guyana, into at least one practice suicide and numerous alerts where Jones would ask, "Who is ready to die for Jonestown?" (Accounts differ about the alerts—called either "White Night" or "White Knight"—and the number of death rehearsals.)

But, on Saturday, Nov. 18, after five people, including Congressman Leo Ryan, were killed at the nearby airstrip, there was a difference; more guns for the security forces, administration of the Flav-R-Aid to the children first, and cyanide, quickly producing agonized twists of dying bodies.

How could it have happened? Only part of the story has come out, despite the volume of print and images, and more will undoubtedly come with the books (at least four already out or under contract) and reports to come. To say that Jones was a madman is only to ask what was his madness—and that, like all insanity, it mirrored the values of the madman's culture.

Survivors claim that Jones was a socialist from his early days as a minister in Indianapolis, where he was a controversial advocate of integration. To the very end, he maintained his support of the Soviet Union as the vanguard of world revolution. But he chose to appear as a preacher.

"Telling people about socialism in America, you'd get 20 people," explained Jones aide Tim Carter, who, along with Prokes and another temple member, escaped death by being chosen to take a suitcase of money and letters to the Soviet embassy in Georgetown. "But as a preacher you could get a large audience."

Sexual favors.

Just as his fear of open advocacy of socialism was a product of the McCarthyite '50s, so was his obsession with the threat of nuclear holocaust. It contributed to his move, in 1966, to Redwood Valley, near Ukiah, Calif., where his advocacy of racial integration brought attacks from townspeople. These encounters fed his already-strong sense of doom and persecution.

But his success in attracting followers encouraged his grandiose sense of self.

As he grew more influential, it seems, he became more arrogant. "I'm the only God you'll ever know," he told followers. While preaching sexual abstinence for members, he claimed exaggerated sexual prowess and demanded sexual favors from numerous women and men in his following—often justifying it either as "therapy," as a way of keeping his followers in the movement, or as simply a cure for his prostate troubles.

Jones focused all attention on himself. He tried to maintain distrust among followers, even while he encouraged general communal warmth. He doled out secret information among various loyal associates, on a "need to know basis." He discouraged close family ties. For example, on Jonestown's last day, one couple finally revealed to their daughter their plans to leave. They had not talked earlier for fear that the children would turn them in. Ironically, two of their daughters had hatched the same escape plans and had the same fear. Yet, two others refused to leave and cursed their family's decision.

He tried to separate members from anyone on the outside of the People's Temple. He insisted on being called "Dad" or "Father" by all of the "brothers and sisters" in the giant communal family, but he also insisted—especially in Jonestown—that he was "dictator of the proletariat."

His paranoia and megalomania set upon each other in a deadly spiral. Having elevated himself so high, having shown the hubris to challenge the gods and claim perfection, Jones could tolerate no deviation from his desires, and apparently came to see the whole world revolving around him. Thus, every disagreement, every infraction of a rule, every question from outside, became part of a conspiracy to bring him down. No criticism was ever permitted.

His closed services—for members only—began to include more discipline, more embarrassment, more punishment. He picked up from Synanon and other groups ideas about "confrontation therapy." Serious "therapy" required beatings. But as the efforts to solidify the community under his control increased, so did the threat that came with anyone's departure. That was especially true since departing members had increasingly grisly tales to

Jones exaggerated the oppressiveness of American society to the point that he saw no hope for change. He wrote off the majority of Americans as reactionary and believed anything was legitimate in his pursuit of "socialism."

Continued on page 19.