

THE INSIDE STORY

JOHN JUDIS



Economist Barry P. Bosworth chairs the Council on Wage and Price Stability.

A handy guide to misunderstanding inflation

Rising budget deficits, corporate control of pricing, and labor's ability to prevent wage decreases and spending cutbacks have created permanent inflation for the last 30 years.

In the current debate on the causes and cures of inflation most government officials, financiers, union leaders, economists, and corporate executives have invariably fastened on one cause or one aspect of inflation to the neglect of others.

The reason for this misunderstanding is political. The same things that cause inflation also sustain the political climate that American capitalism needs to grow and survive. To understand and to eliminate them will mean to eliminate capitalism as we know it.

Painful adjustment.

The right wing in the inflation debate is represented by the Business Roundtable, the American Enterprise Institute economists, an apparent majority on the Federal Reserve Board, some Democratic and most Republican politicians, bankers and corporate chieftans. For them, big government is to blame for inflation.

Last fall, the First National Bank of Chicago published an analysis of inflation that epitomizes this school of thought. The bank not only lays the blame for inflation squarely on government spending and regulation; it exonerates not only corporations but also labor unions.

According to First National, inflation occurs when demand exceeds supply. In the American economy, this has occurred when government spending, through financing deficits, abnormally increases demand, while government regulation and taxation, by raising costs and discouraging investment, abnormally constricts supply.

To curb inflation, First National recommends that government drastically reduce its deficit and remove unnecessary regulatory barriers to investment, such as minimum wage hikes and new environmental standards. The bank acknowledges that a steep spending cut, by immediately contracting demand, might cause a "painful adjustment," but it believes that the "recessionary

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threat" can be minimized. By sharply cutting business taxes, government can "ease the squeeze on profits."

In making government the scapegoat, the corporate right wing kills two birds with one stone. It allows itself to think that instead of being a sick, aging beast sustained by government remedies, American capitalism is a roaring lion trapped in a government cage. In their eyes, corporate investment has not lagged because of world capitalist overcapacity, but because of OSHA, EPA, the minimum wage, and the corporate income tax.

But also, by omitting the role of corporations and unions, the corporate right wing fends off the threat of government intervention in the market through wage-price controls. If the right wing has to choose between measures that might foreshadow an American state socialism and another depression, it will choose a depression. As Minneapolis Federal Reserve president Mark Wille said recently, "I'm prepared to take the downside risk."

Anti-elitism on Capitol Hill.

The Carter administration, the Brookings Institution economists, and the corporate liberals scattered among the business establishment reject the right wing's preoccupation with big government. Ex-Brookings economist Barry P. Bosworth, who chairs Carter's Council on Wage and Price Stability (COWPS), sees the primary cause of inflation in "prices chasing wages and wages chasing prices."

These so-called moderates recognize that corporations and labor unions have been able to "limit severely competitive market restraints on wages and prices." They also recognize the useful political role that the trade-off between rising wages and prices has played. "Past inflation has been a lubricant for the social system, a means of avoiding direct conflict among strong competing groups over the distribution of income," COWPS' *Special Report on Inflation* states.

But they believe the process has gone too far. "The steel industry, the automobile industry, the trucking industry—they've been signing these costly contracts, in most cases without strikes," Bosworth complains to *U.S. News and World Report*.

Carter and Bosworth have proposed a "voluntary wage-price deceleration program." Bosworth thinks that inducing labor unions to hold wage increases to 6 percent or less will keep prices from rising above that.

Like the right-wing analysis, Bosworth's view of inflation is dictated by political imperatives. In recent testimony before a subcommittee of the House Banking Committee, Bosworth admitted that government spending played some role in spurring inflation, but he rejected "aggregate demand restraint" as a means for curbing it.

"I am not saying that we could not cure inflation with enough demand restraint," he told the House members. "But I think it would take in excess of 10 million unemployed for several years to do it. You will have to agree that this is a very high price."

But having rejected the inflation cure proposed by many corporate and financial leaders, Bosworth attempts to win them back by singling out labor unions as his inflation target. "How long can this country go on with one elite segment of the workforce getting wage increases that are consistently greater than the wage increases of everybody else?" Bosworth asks in a recent interview, failing to mention that union increases have made any non-union gains possible.

He also accedes to business' and labor's wish that he eschew wage-price controls. Bosworth recognizes that labor and business opposition could effectively sabotage their implementation.

Rejecting sharp budget cuts and wage-price controls in favor of "voluntary standards," Bosworth is left

with no effective means of stopping inflation. In effect, his is a program of jawboning and prayer.

Breaking the cycle.

Some economists and financiers share Bosworth's and Carter's view of inflation, but not their program for curbing it. They think some wage-price controls will be necessary.

A significant political breakthrough on this score came when the Federal Reserve Bank of New York, in its 1977 *Annual Report*, made favorable mention of incomes policies without favoring a specific program. Federal Reserve Board member Henry C. Wallich and Brookings economist Arthur M. Okun have, however, each proposed specific programs, which they call "tax-based incomes policies."

According to Wallich's scheme, employees would be given increases above a predetermined non-inflationary guidepost. According to Okun's, workers would be given tax incentives for accepting the guidelines.

Both proposals have met with almost universal labor-business opposition. On several technical points, they are quite vulnerable. Would there be a single guidepost for all industry, no matter what its past labor history or present financial condition? And if not, wouldn't this create an immense federal bureaucracy with inordinate power?

But the opposition is more basic. The corporate right wing sees a simple scenario unfolding: first emergency wage-price controls, then permanent controls, since everyone knows that temporary controls merely postpone inflationary outbursts; then government control over investment decisions to prevent corporations from using their investment powers to sabotage controls; and then...socialism.

Labor is obsessed with short-term fears. It knows that business is presently far more powerful and could get its way with any wage-price board, as it was able to do with Richard Nixon's. Labor therefore wants to keep the present system of industry-by-industry collective bargaining.

What is basic?

But labor's fear of both government spending cuts and wage-price controls has effectively driven it into a corner. It has had all it can handle in combatting Bosworth's attempts to pit it against non-union workers as a "privileged elite."

Even more than the right wing and the moderates, labor's analysis has suffered from its political imperatives. "What are the basic factors behind inflation?" George Meany asks in a recent speech. "One thing—it is not a wage-price push... But what are the basic factors? Rising costs of energy—that's oil, gas—rising costs of food, rising costs of health care, the rising land costs, and perhaps the No. 1 villain, high interest rates."

Except for high interest rates, which are linked to budget deficits, Meany omits all the structural causes of permanent inflation in favor of the contingent causes of accelerated inflation. It is clear why he does so—to avoid the onerous remedies proposed to combat the other causes of inflation.

But it is also clear that Meany's analysis leaves labor and the American left in no position to combat either Bosworth or the right. To do that, labor will have to acknowledge that American capitalism has reached a structural impasse from which only structural changes can extricate it.

In particular, labor will have to acknowledge the inevitability of wage-price controls if there is to be full employment without inflation. The question is not whether such controls should occur, but in what form: whether, as Wallich and Okun propose, they will primarily police labor's wages, or whether they will regulate and oversee corporate profits and investment as well. ■

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March on capital pressures Congress to extend ERA

We can become radical if they force us. The legislators will find civil disobedience in every state in the country.

By Carolyn Projansky and Fern Schumer

WASHINGTON

As long as you believe that this is the beginning, then it is.

—Eleanor Smeal, President, National Organization for Women
July 9, 1978

IT WAS A HOT, MUGGY SUNDAY AFTERNOON as 100,000 white-costumed marchers, bearing banners of purple and gold, formed battalions on the grassy mall below the Capitol. The Equal Rights Amendment was at stake and march organizers—mostly National Organization for Women (NOW) volunteers—had brought out the troops for an impressive, well-staged show of strength.

After six years the battlefield for the ERA is again Washington—and the stakes are high. The fate of the amendment may be determined in the next few weeks as Congress considers a bill to extend the ratification deadline another seven years. The extension amendment is pending in the House Judiciary Committee where a close vote is expected soon.

Widespread fear that the simple, 24-word proclamation will die in the states without congressional action on the extension finally galvanized feminists into launching a massive, organized demonstration. Previously, many had given only lukewarm support for ERA, preferring to be active in more controversial causes.

Although NOW organizers and other feminist leaders of Sunday's march told the crowd it was the beginning, not the end, of a movement, the ERA debate has been kicking around recalcitrant state legislatures for years. So far, 35 states have ratified, three short of the 38 necessary for its adoption. Three states have not only had time to ratify, but also time to rescind that ratification. And now the deadline is less than one year away.

Many present on the mall last weekend conceded that without an extension, ERA's prospects are bleak. That danger attracted many to Washington for the extension march.

Said Sen. Charles Percy (R-IL) to a group of ERA lobbyists who came to his office after the march, "Without a deadline, many of you wouldn't be here."

Norma Mendoza of Granite City, Ill., agreed. "It's only when you have the threat of something being taken away that you become concerned. I'm the kind of person who works better with a deadline, and I think a lot of people are the same way." That's the argument for a deadline—a new deadline that gives them sufficient time to garner three more states.

In support of more time, tens of thousands of women and men gathered in the searing heat of Washington for the event. Final newspaper estimates ranged from 40,000 to 100,000. Before the march NOW organizers had hoped 25,000 to 30,000 supporters would appear. NOW president Ellie Smeal had told a press conference two days before the march that it would only be a representational showing, not a mass, "peoples'" demonstration. Smeal defended her low expectations, adding that with only two months for preparation a turnout of 25,000 would spell success.

The "processional," as Smeal termed it, included members of more than 325 organizations ranging from "Mormons for ERA" to the National Gay Task Force. A large contingent of "Individuals for ERA" were also represented in the well-orchestrated display. Park police, barely visible during the day, remarked that this was the most orderly demonstration they had ever witnessed.

Compelling cause.

The surprising diversity of groups, and the sheer numbers who poured out to march illustrate that the struggle to ratify the ERA is now, more than ever, a compelling cause. Passage of the amendment, though its impact on social change is uncertain, is a test of strength of the women's movement as a whole.

Many marchers said they had never before come out for ERA or for any other feminist cause. But people from divergent political perspectives are beginning to recognize that their own movements can benefit from passage of the ERA.

Said John Haer, Pittsburgh member of the democratic socialist New American Movement: "We understand that the

feminist movement is not a socialist movement, but the goals of the feminist movement need to be a part of the goals of the socialist movement. You can't ignore it or you won't build an effective socialist movement."

Others came to the march, not to espouse a cause, but to pay homage to yet another chapter of feminists' arduous history.

"I'm glad I lived to see this day," 81-year-old Gertrude Davenport of New York City said. "I remember when women fought to vote in 1912. I wasn't old enough to march, but I watched the parades go by. The men were heckling the women and telling them to go home and wash their dishes."

Now, almost 70 years later, there were no hecklers. A significant number of men marched alongside distinguished feminists in support of women's rights. Several marchers held up signs proclaiming: "Men of quality are not threatened by women of equality."

The march climaxed in a rally on the Capitol steps. Energy ran high in the crowd as several prominent speakers drove home the message of the day.

"We've had it and we're not messing around anymore," said presidential assistant Midge Costanza to boisterous cheers and applause.

Easy rhetoric.

Gloria Steinem, long-time feminist spokeswoman and *Ms.* magazine editor, then spoke in sobering, but more political terms.

"The lawful and peaceful stage of our

revolution may be over," Steinem said. "It's up to the legislators. We can become radical, if they force us. If they continue to interfere with the ratification of the ERA they will find every form of civil disobedience possible in every state in the country."

Such exhortations may roll easily off the tongue of a seasoned political veteran like Steinem, or Bella Abzug, or Barbara Mikulski, who also spoke to the gathering in powerful terms. And radical rhetoric can be casually applauded by housewives and steelworkers alike on a sunny Sunday afternoon in the park. But it is not so easy to transform that rhetoric into political action. This is the '70s, not the '60s, and Church Women United is not the SDS.

How many among the 100,000 who marched on the Capitol can be mobilized for the continuing campaign next month, or next year, as the fight drags on and the excitement of this "new beginning" is gone? Though they lay their bodies across legislators' doorsteps, how will they deliver those few crucial votes in southern states where the Equal Rights Amendment has met with stubborn resistance?

The turnout for NOW's march indicates that the potential political muscle is there, if only it can be harnessed. But the power of a political movement is not only a function of the crowd count. The stirring speeches and cheers on July 9 may be the beginning of such a movement. The popular basis seems to be there.

Carolyn Projansky and Fern Schumer are writers in Washington.

Rally commemorates 1913 suffrage march

In 1913 eight thousand suffragettes marched here in Washington pressing Congress to support the right to vote. The women, wearing white gowns, were set upon by men lining the parade route. The men spit on them, heaped abuse and refuse on them, slapped them, assaulted them, burned them with cigar butts, and finally broke up the march as city police looked on smilingly.

Sixty-five years later over 100,000 marchers, mostly women, many clad in white, thronged through the nation's capital to urge Congress to extend the March 1979 deadline for ratification of the ERA. As demonstrators passed the National Archives Building, where the earlier march ended in disarray, a single bell rang solemnly to commemorate the earlier movement. But as the crowd surged by their mood was optimistic, not gloomy. Speakers at the rally on the west steps of the Capitol evoked the spirit of earlier suffragettes and spoke with determination.

Eleanor Smeal, president of NOW, told the impressive turnout, "You are

the message.... We're telling Congress that we want the ERA and we want it now!"

Margaret Costanza, aide to President Carter, said, "There is no time limit on human rights. There is no time limit on the full protection of the Constitution. There is no time limit on this administration's support for the ERA."

Unlike the march in 1913, opposition to women's rights was conspicuously absent. Phyllis Schlafly's claim that, "...the federal government is using our tax money to ram an amendment down people's throats that they don't want..." evaporated as the day wore on, the pro-ERA crowd swelled, and the anti-ERA prayer meeting at the Lincoln Memorial shriveled by comparison: only 200 people showed up.

Costanza chided Schlafly in *absentia*: "Our message to you, Phyllis Schlafly, is eat your heart out." And Betty Freidan exulted, "It's an incredible turnout. I don't see now anyone can say there wasn't support for the ERA with this crowd showing up in this weather."