N X E M O N I C S: Workers Pick Up Tab

**"In the fairly crude, primitive economic system in which we live, we do not know how to mesh full production, full employment, and social justice."**

By the ILWU Research Department

President Nixon has been in office nearly two years. During that time he has accomplished a feat many thought impossible in the American economy: he has brought a sharp rise in unemployment coupled with continued price hikes. Economists, and indeed many people, believe that capitalism isn't supposed to work this way. It is traditionally a rule of economics that economies grow and reasonable price stability. Subsequent events have tarnished the President's rosy optimism.

By the end of 1976, we will have had two years of the President's administration in consumer prices since the post-war years 1946 and 1947.

During these two years of Republican control, the number of unemployed in the United States has increased by some two million. This November, the unemployment rate climbed to 5.8 percent—meaning 4.6 million people out of work—the highest rate in the past two years. Three hundred and fifty thousand workers were added to the ranks of the unemployed in November alone. Returning Vietnam veterans have been among the hardest hit by these layoffs.

Economic growth—measured in terms of the output of all goods and services—has faltered. Profits have been in decline, and the results have been painful. We have experienced the worst stock market crash since 1929.

And until recently, interest rates were at their highest point in 100 years.

The economic policies of the President and his advisors—conceived by major industrialists and Wall Street financiers—were carefully designed to have the working class pick up the tab for this nation's economic misfortunes and to keep people bear the burden through increased unemployment, regressive taxation, lower interest rates, and cutbacks in domestic spending.

On December 1, the President's Council of Economic Advisers issued its second "Inflation alert"—with labor as the primary target.

Singing out recently negotiated wage increases, the President's men issued an order to the bargaining settlements in the construction, automobile and transportation industries. Workers were ordered to pass on some recent price increases, it was clear they were concerned about organized labor to be the major villain.

Emphasizing the Administration's co-opting of its friends in the business world, the interrupted columnist Maria Porter reported on a conversation on December 6, she had with a "tough guy" who told her that after his company raised prices weeks after Nixon became President. Our own economist told us to go ahead and said we wouldn't be called SOBs by the White House."

**WHO'S RESPONSIBLE**

Time and again the country has been told that the "so called unions" create all our economic problems by negotiating "inflationary" settlements for their members. While it is obvious that at some point the cost of labor is reflected in the cost of various goods and services, the hard economic facts do not support the allegation that higher wages automatically cause higher prices.

The highly respected Wall Street Journal wrote in October, "Labor costs aren't the Frankenstein monster they're often cracked up to be." The article said that labor costs per unit of output have risen only slightly in the past year and much less than feared in 1968 and 1969. It is also significant that the largest price rises have emerged in so-called service industries—industries that are highly unionized at all. This includes hospital and doctor fees, insurance rates, automobile repairs, etc.

Price rises for manufactured goods often reflect the monopolistic nature of price-fixing in an American economy. The Wall Street Journal on December 9, 1976, provides a good illustration.

"Ford led off the price parade in mid-September this year with an across-the-board 5 percent price boost. By the end of October, prices had worked out to an average of 5 percent per car. Eight days later, GM, the acknowledged industry price leader, announced a further price increase of 4.2 percent to match Ford.

"Chrysler and American Motors followed shortly with their price increases and then Ford, in mid-October, announced a further price increase of 24 percent to match GM.

"Soap and detergent producers are advancing a 10 percent price increase in November in an effort to pass along more of their new labor costs to the consumer. Chrysler and GM have already increased price by 7 percent with an additional price increase on December 9.

And on December 9, Ford once again announced a price hike and fell in line behind Chrysler and GM.

**VIETNAM WAR DRAIN**

The war in Vietnam is universally recognized as one of the most important and most difficult of our postwar problems. That war drains 25 to 30 billion dollars a year from the national economy.

How does Vietnam and other defense spending affect the working class consumer?

Hundreds of thousands of workers labor on ordnance and munitions used in Vietnam, all the time earning wages they expect to spend at home on the necessities of life. At the same time that the country spends over $70 billion a year on defense, the nation's factories turning out consumer goods are operating at about 75 percent of their capacity.

Thus we find a large number of workers producing goods that the people cannot buy, while the production of necessary consumer goods is being held back.

The Wall Street Journal recently put it this way: "The worker who received overtime for making cars helps increase the supply of goods that his paycheck can subsequently buy. But a worker who received overtime for making wheel chairs for the disabled in Vietnam does nothing to increase the supply of consumer goods."

Manufacturers are given a golden opportunity to raise their prices, because the supply of consumer goods is deliberately limited.

Spending for defense has caused sharp cutbacks in outlays for domestic use.

Home, school, and hospital construction projects have fallen off. Public works projects have been delayed or stopped indefinitely. Aid to education, to the elderly, to the indigent, has been held to rockbottom.

And then to make matters worse, while economic forecasts do not support the allegation that higher wages automatically cause higher prices.

A disturbing trend recently taken by Congress has been the pressure for restrictive trade legislation "protective" than in 1968 and 1969. It is also significant, to limit price competition by eliminating certain foreign-made consumer goods from the market.

Countries around the world are threatening to retaliate against the American goods. Such a trade war will have a disastrous effect on employment in this country. One economist, for example, estimates that six jobs protected or created by import restrictions would mean seven jobs lost through shrinkage of our exports.

Blame for our present conditions cannot be laid on President Nixon alone. To begin with he inherited from the preceding eight years of Republican administration the disastrous war in Vietnam and the massive defense budget. Of course he did not pay for the war, yet he did not oppose the steps toward war.

More important, he inherited an economic system with certain built-in shortcomings. For example, we have not yet found the means to achieve full employment during peace time. This is why spokesmen call 4 percent unemployment "full employment." To working people, full employment means everybody working.

Under this economic setup, we have not been able to achieve price stability without increasing unemployment. We are not willing to curb growing concentrations of wealth at one end of the economic scale and continued poverty at the other end.

We have not been able to have orderly economic expansion at home without substantial doses of economic planning abroad.

Barring the likelihood of a radical reform in the American economic system, we need actions which will stimulate both production and employment:

- An end to the war in Vietnam;
- Cutbacks in defense spending;
- Sharp increases in domestic spending for housing, medical care, education, air and water pollution and various public works projects which would provide necessary employment and needed public services;
- Tax reform at all levels of government—reform which would shift the tax burden from those least able to pay to those most able to pay. Taxing the wealthy and closing the loopholes would substantially raise government revenues which could be subsequently plowed back into the domestic economy.

- Steps to curb the trend toward monopoly in the economic system;
- Reform of the welfare system, increased Social Security, and a guaranteed annual income.

- Steps to expand free trade on a world-wide basis.

- Curbs on American companies operating abroad at the expense of the jobs and incomes of American workers.

- Lower interest rates, and greater public control of the banking empire.