NIXONOMICS: 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 steady prices."**
> —Economic columnist Sylvia Porter

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 — simultaneously we have had a sharp rise in unemployment coupled with continued price hikes. Economic pundits teach that capitalism isn't supposed to work this way. It is traditionally a rule of economics that as more people are laid off, prices either stay constant or go down.

On June 17, 1970, in a major address on the economy, the President announced actions "that will help to move us ahead more quickly toward our goal of full employment, economic growth and reasonable price stability in peacetime." Subsequent events have tarnished the President's rosy optimism.

By the end of 1970, we will have had two years of the greatest inflation in consumer prices since the post-war years 1946 and 1947.

During these two years of Republican administration, 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 seven and one-half years. Three hundred and fifty thousand workers were added to the ranks of the unemployed in the month of November alone. Returning Vietnam veterans have been among the hardest hit by growing joblessness.

Economic growth — measured in terms of the output of all goods and services—has faltered. Profits have been "squeezed" and business failures have been plentiful. We have experienced the worst stock market crash since the 1930's.

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

The economic policies of the President and his advisors—carved out by major industrialists and Wall Street financiers — have been specifically designed to have the working class pick up the tab for this nation's economic imperfections. Working people bear the burden through increased unemployment, regressive taxation, higher 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.

Singling out recently negotiated wage increases, the President's men zeroed in on collective bargaining settlements in the construction, automobile and transportation industries. While the Council took a passing swipe at some recent price increases, it was clear they considered organized labor to be the major villain.

Emphasizing the Administration's coddling of its friends in the business world, syndicated columnist Sylvia Porter reported on a conversation on December 8, she had with a "tough industrialist" who told her: "My 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 those "damned 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 paper said that labor costs per unit of output have risen only slightly in the past year and much less so than in 1968 and 1969. It is also significant that the largest price rises have emerged in so-called service industries—industries that are hardly 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 the American economy. The **Wall Street Journal,** December 9, provides a good illustration of this:

"Ford led off the price parade in mid-September this year with an across-the-board 5 percent price boost which worked out to an average of $156 per car. Eight days later, GM, the acknowledged industry price leader, followed with a $208, or 6.2 percent boost.

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

"GM, following a 10-week strike . . . announced a further price increase in late November in order to pass along more of its new labor costs to the consumer. Chrysler then followed GM with an additional price increase."

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 the single most important cause of our present economic difficulties. That war drains 25 to 30 billion dollars a year from the nation's wealth.

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 receives $150 per week for making cars helps increase the supply of goods that his pay can subsequently buy. But a worker who receives $150 per week for making bombs for use 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.

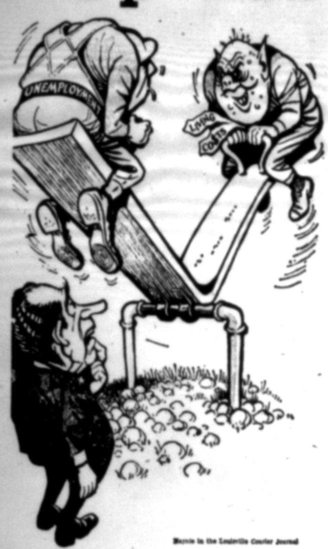
Spending for defense has caused sharp cutbacks in outlays for domestic use.

Home, school, and hospital construction have fallen off sharply. 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, when Congress finally got around to cutting back on defense spending, no plans were made to provide productive employment to the thousands of workers laid off. Few steps are being taken to convert the economy to a peacetime footing.

A disturbing turn recently taken by Congress has been the pressure for restrictive trade legislative "protectionism." This will drive prices up because it will 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.



Bayle in the Louisville Courier Journal

Blame for our present conditions cannot be laid on President Nixon alone. To begin with he inherited from two Democratic Administrations the disastrous war in Vietnam and the massive defense budget. (Of course, the Republicans 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 peacetime. (Some government 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 spectrum and continued poverty at the other end. We have not been able to have orderly economic expansion at home without substantial doses of economic intervention 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 growing trend toward monopoly in the economy.**
- **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.**

SAFETY AWARDS—Three ILWU members received awards for years of dedicated work in the field of dock safety at the governor's 21st annual safety conference in Olympia last month. From left, holding citations, are Clinton B. Mayer, Local 19, Seattle; Mel Bannister, Local 21, Longview; and August Koch, Local 4, Vancouver, Wash.