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## AN ALTERNATIVE FROM THE LEFT

by Lori Gladstein

Economists have said little in the last ten years to evoke credibility and optimism. They are quite pessimistic about the ability of the U.S. economy to attain a level of employment remotely similar to the prosperous days of the 1960s. Their prescription is harsh: Americans are consuming to an excess, and recovery requires sacrifice by all in order to encourage investment. Since workers have made real sacrifices (unemployment and give-backs) during the long recession since 1974, policy prescriptions calling for less consumption (and more saving) sound like even more sacrificing. For a completely different and refreshing point of view, curious readers should consider the optimistic proposals and novel explanations offered by three progressive political economists, Samuel Bowles, David M. Gordon, and Thomas E. Weisskopf, in their new book *Beyond the Wasteland: A Democratic Alternative to Economic Decline* (Anchor Press/Doubleday, 1983).

*Beyond The Wasteland* is worthwhile reading just for the enormous sweep of the argument. The authors raise complex issues that few have dared raise in recent years, and they do so in a way accessible to all readers. The strength of the book is its explanation of secular decline in the U.S. and its insightful analysis of the fundamental anti-democratic nature of corporatism (commonly called industrial policy). The authors believe in neither the free market nor in centralized bureaucracy. They propose a democratic alternative based on four points: 1) the problems facing the U.S. economy may be traced to the costs of maintaining a faltering system of private corporate power, not a lack of investment; 2) because of this, the U.S. economy falls short of productive potential, squandering time, energy, and natural resources; 3) the key to recovery lies in lifting this burden of waste; 4) centralized bureaucracy will not work—democratic change requires sustained popular mobilization. While the analysis is an important step toward finding new solutions, their alternative (An Economic Bill of Rights) does not appear to be politically feasible.

**Growth is not a zero-sum game.** Bowles, Gordon, and Weisskopf break with mainstream economics in their strong rejection of growth models based on the rate of capital formation and the rate of technical progress. They believe that the basic relationships in the economy are social relationships, and the basis of their plan (democratic economics) is a social model of the economy that directly changes these relationships. Accordingly, they reject all analyses that contend that the current decline is due to a shortage of capital and that the necessary solution is less consumption in order to have more investment. These "zero-sum" analyses contend that real sacrifices by workers, so that wages fall and profits rise, are necessary to move capital into the most promising and profitable areas. There are two immediate flaws in that argument. One is that the free market criterion, profitability, may not be the only standard that society wants to use in considering its investments. The second concerns the need to sacrifice; the zero sum argument implies that sacrifice is necessary because nothing is being wasted. The authors assert that "... waste pervades our economy, an ubiquitous consequence of the priorities and power structure of the postwar corporate system." The authors crudely estimate the waste burden for 1980 at \$1.2 trillion. The presence of such profligate wastefulness means that democratic restructuring of the economy can tap an enormous potential output.

**Domestic conflict and declining productivity gains.** The slowdown in the rate of growth of productivity is the economic mystery of the decade. The decline in the average annual rate of growth of hourly output in private business has been significant, decreasing from 3.2% per year during 1948-1966, to .8% per year during 1973-1979. The authors disagree with the idea that the productivity slowdown can be explained by a lack of investment. They view the current decline as caused by domestic conflict and the waste resulting from misusing resources to quell that conflict. The increasing conflict between labor and

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management and the resulting decline in work intensity is a compelling, although partial explanation for the productivity slowdown. The labor-management accord of the late 1940s had resulted in a high level of compensation for labor at the cost of retaining management rights over technology, production, location, and prices. That accord began to break down during the 1970s from rising unemployment and accelerating inflation. Continued stagnation fuels this conflict, and management is fighting labor today with a strength reminiscent of anti-unionism before the First World War.

**Pro-business alternatives to supply-side economics.** As a prelude to their program, the authors present a clear and cogent discussion of some of the alternatives to **Reaganomics**. The new liberal approach is corporatism, where selective government intervention is used to promote or support specific industries. Corporatists call for coherent government policy to boost the rate of profit and capital formation. Intervention would occur by consensus among the largest corporations, unions, and government agencies. Under the corporatist plan, production is rationalized by extensive planning to maximize profits, not social welfare.

After reviewing two earlier periods of economic decline (the depression of the late 1890's and the Great Depression of the 1930s), the authors argue that the resolution of each crisis involved a struggle between profitability and democracy, with political and economic institutions undergoing substantial change. They believe that the resolution of the current crisis will involve a similar struggle. Industrial policy, by following market dictates with powerful government intervention, is fundamentally undemocratic. By encouraging capital mobility with massive subsidies set by quasi-public (mostly private) investment boards, industrial policy represents a dangerous threat to popular political power.

**An Economic Bill of Rights.** Even the name of their program, democratic economics, can be accused of boundless idealism. Where corporatists often see U.S. economic decline as a result of changes in the international economy, Bowles, Gordon, and Weisskopf place more emphasis on the intensity of domestic conflict. To resolve that conflict, the authors present a 24 point Economic Bill of Rights that outlines their basic policy proposals. They contend that their program will effectively promote economic recovery and foster economic and political democracy. While the reasoning behind their program makes sense, some of the concrete policy proposals do not seem reasonable.

As an alternative to the trickle-down tax cuts of Reaganomics, the authors propose a change in production and distribution through democratic planning. Democratic planning calls for a vast array of groups (community, worker, management, government) to be involved in the planning process, making planning a substitute for profits in resource allocation. The program rests on three principles: 1) wage-led growth (instead of profit-led growth), which would result from the demand-side effects of full employment and supply side effects of greater worker motivation; 2) needs-based allocation (instead of market-based allocation), which uses democratic planning to identify and meet social needs; 3) cooperation for economic security, which means an end to the pursuit of international economic and military domination.

**Democratic economics and political reality.** How can anyone argue against something so democratic? But we must ask is it politically feasible? Can their Economic Bill of Rights work in today's socio-political-economic environment? The necessary pressure for a populist program of this scale has no historical precedent, nor has this country proved itself capable of peacetime mobilization. Very few citizens have the ability to effectively participate in American politics. Political action takes money, and lots of it. As Thomas Ferguson noted in *The Nation* (August 6-13, 1983), "It is time to recognize that political action is a special form of investment--one which is usually far beyond the means of most citizens."

America must face its difficult political and economic problems. The authors have given us an accurate and alarming look at the choices ahead.

-- Lori Gladstein

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