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FINISHING OFF THE CORPORATE STATE

By Peter Passell;


"HOW to fix the economy" manuals are a growth industry these days, and no wonder. The longest, deepest postwar recession has apparently run its course. But a feeble recovery leaving eight or nine million people jobless isn't likely to rekindle faith in the rationalizations for private greed otherwise known as supply-side economics. And even if the recovery proves robust, the odds are slim that prosperity will survive threats posed by budget deficits, trade competition, third-world financial instability and dependence on Arab oil. Must we then hope against logic that sufficient repetition of buzzwords -reindustrialization, quality circles, robotics - will allow us to muddle through?

Not according to "Beyond the Waste Land," a fix-it book with a twist. Samuel Bowles, David M. Gordon and Thomas E. Weisskopf all have solid establishment credentials as academics. But they are also radicals who reject the notion that the current system is worth repairing. Their neo-Marxist analysis of how we got into the current mess is a provocative alternative to the conventional wisdom of the political center. Yet their recipe for change is a letdown - less a practical plan than an assertion of the perfectibility of mankind.

Here is their analysis: Until the early 1960's, the postwar American economy was widely viewed as a great success. We might be more tolerant of economic injustice than our European allies, but our ability to put chopped sirloin on almost every plate and a car in almost every garage made us the wonder of the world. The economy is still delivering $8.5 billion worth of goods and services a day. But America's industrial heart beats feebly. Productivity is stagnant, and when revved to speed, the old engine of growth yields mostly inflation.

For Mr. Bowles and company, the decline is understandable, even inevitable. Economic success, they argue, was built on three legs: United States domination of the world economy, an accord between corporations and organized labor that traded high wages for managerial dominance in the workplace and an accord between corporations and consumers that traded prosperity for managerial dominance over the sorts of goods produced.

By the 1960's, however, the first leg was teetering. The economies of Europe and Japan became
competitive with America's. Third-world countries ceased to defer to American power, forcing up the price of imported raw materials. And a strong military, crucial to maintaining American power, became an increasingly expensive drag on the domestic economy.

Trouble from abroad only exacerbated trouble at home. Workers, made relatively secure by Social Security and unemployment benefits, became less productive. More generally, a people no longer worried about where the next mouthful would come from began to protest the quality of life created by the corporation-led state. Demands for occupational and environmental safety, racial and sexual equality and still greater economic security added to the claims on the resources needed to maintain growth. With so many interests competing for a bigger slice of a pie that was no longer growing, inflation was inevitable.

Corporate America, still in charge in Washington, then launched a counteroffensive that the authors label the Great Repression. Monetary austerity enforced by the Federal Reserve Board created a recession that frightened and silenced workers. The Reagan Administration did its part by relaxing environmental and safety regulations, granting billions in tax subsidies to corporations and cutting the welfare programs that gave the poor courage to protest.

There are, the authors admit, centrist opponents of the Great Repression who are now searching for ways to raise productivity that do not leave people hungry or homeless. But the first loyalty of these liberals, the authors say, is to the corporate state. And the prospects for a New Deal-style fix that does not bring further recession are small.

What is one to make of this radical interpretation of modern economic history? The style of argument - the emphasis on conspiracy - is off-putting. So too is the occasional sophistry. For example, the authors dismiss charges that excessive wages have made some American industries uncompetitive by citing figures showing that average wages are lower in America than Europe. Academic economists will probably gag on their dismissal of the efficiency of free markets and on the way they use statistics to make a case that social discontent accounts for the decline in productivity in the workplace. There's danger, though, of applying too tough a standard. "Beyond the Waste Land" is a polemic, not a Ph.D. thesis. Despite the histrionics and the sophistry, there's a lot of interesting stuff here.

THE most important contribution, probably, is the questioning of the inherent stability of our economic system. Mancur Olson, an economist at the University of Maryland, has written brilliantly about why special-interest politics seems to be hardening the arteries of capitalism in Europe and America. But Mr. Olson is an exception. Most liberals have been too busy celebrating capitalism's obvious virtues over Soviet-style central planning to think rigorously about its internal contradictions.

Unfortunately, Messrs. Bowles, Gordon and Weisskopf don't stop at analysis. They offer an Economic Bill of Rights meant to finish off the corporate state whose death struggle is giving us all such grief. To make employment more attractive and secure, they would offer public jobs to all
comers at about $7.50 an hour (raising the minimum wage accordingly), set wages by what work is worth rather than what the market will bear, shorten the work week, control prices (but not wages) and discourage plant closings. To destroy invidious corporate power, they would make union organizing much easier, give communities control over investments by local banks and insurance companies, subsidize community-owned enterprises and the production of goods deemed "needed" by a public planning administration, give the House of Representatives control over monetary policy, and much, much more.

HOW would all this be paid for? Considerable savings, they argue, would come from money now wasted on the corporate state. Military expenditures would be cut by 40 percent. Nuclear power plants would be closed. Food packaging and marketing costs would be cut by $32 billion a year, advertising by $31 billion, crime control by $12 billion, health care by $61 billion. But most of the money, they argue, would come from rapid economic growth. The high minimum wage would drive low-wage (and therefore, they argue, inefficient) companies out of business and funnel workers into more productive employment. A more democratic workplace would dramatically raise productivity. A democratic monetary policy would prevent government-created recessions. Community direction would reduce unproductive investment.

The temptation here is to attack specifics. Does anyone, for example, believe that neighborhood groups would allocate the money in banks rationally? Or that community public employment programs would be productive? Or that more powerful American labor unions wouldn't become the self-destructive bullies that their British counterparts are? But to note that the authors could never meet a payroll would be to miss the main point. Ever since Adam Smith, free-market economists have been celebrating selfishness. When properly channeled through competition, they argue, private greed creates social wealth. Messrs. Bowles, Gordon and Weisskopf come from a very different (but equally old and respectable) intellectual tradition. Selfishness, they argue, breeds only alienation. Today's workers may be cynical goofoffs, today's taxpayers may be cheats; but give them economic justice and real democracy, and they would all become team players. If you can believe that, the rest follows.

Most of us don't believe it. And those who do are still likely to doubt that the selfish folks now running things would peaceably yield their power. But that shouldn't not stop anyone from reading "Beyond the Waste Land." Capitalism didn't get this far on self-congratulation.

Illustrations: Drawing