## ECONOMICS, LABOR & BUSINESS

### *Mortgaged Future?*

"What Hath Conservative Economics Wrought?" by Gerald Epstein, in *Challenge* (Aug. 1986), 80 Business Park Dr., Armonk, N.Y. 10504.

The news about the U.S. economy, as Reagan administration spokesmen observe, has been pretty good. The inflation rate, which hit 13.3 percent during the Carter years, averaged only 1.8 percent during 1986. Economic expansion continues. Polls find Americans confident of the future.

But Epstein, an economist at the New School for Social Research, is unimpressed. A broad look at the Reagan record, he says, shows that while the administration "promised a miracle, it delivered a debacle."

As outlined in its 1981 *Program for Economic Recovery*, the White House sought, with help from Federal Reserve chairman Paul Volcker, to enhance business profits, make U.S. exports more competitive, and prompt growth—while keeping inflation at bay. How? High interest rates would attract foreign investment and trigger a recession, forcing down inflation, wages, and consumer demand. Meanwhile, tax cuts would spark investment and spur industry to supply more goods—another remedy for inflation. The plan, says Epstein, aimed for an "economic equivalent of the Grenada invasion"—a quick victory over inflation coupled with "carrot and stick" business incentives.

But the plan failed. The victory over inflation was real, but Pyrrhic. Between 1980 and 1985, the average real growth rate hit a postwar low (2.1 percent); the U.S. trade deficit soared from $1.9 billion in 1980 to $117.7 billion in 1985. And, in 1982, unemployment reached a postwar high: 10.7 percent. Reagan's decision to fight inflation instead of unemployment, contends Epstein, cost the nation from $800 billion to $2 trillion between 1980 and 1984, in terms of the lost output of idled workers.

The 1981 tax cuts did not spark investment as much as was hoped, and high interest rates discouraged business borrowing; instead of expanding, firms went on a merger and acquisition binge. Then the "strong dollar" tactic backfired: U.S. wages grew more slowly than did those of the nation's trading partners, but America's business costs *increased* faster than did its competitors' in 1983 and 1984. The overvalued dollar ended up eroding U.S. gains in overseas markets.

Epstein believes that a policy aimed at lowering unemployment would have tamped down inflation successfully by increasing the supply of goods and services. The Reagan quick fix not only failed, but produced deficits that are "mortgaging our future."

### *How Bossing Began*

"What Do Bosses Really Do?" by David S. Landes, in *The Journal of Economic History* (Sept. 1986), 3718 Locust Walk, Univ. of Pa., Philadelphia, Pa. 19104-6297.

Are bosses necessary?

Not according to Harvard economist Stephen Marglin. In a widely noted 1974 essay, "What Do Bosses Do?", he argued that capitalist employers do little more than subjugate workers, with a strategy once used