All well-to-do industrialized nations increase services, which "tend to grow along with an expanding stock of goods." Third World manufacturing growth (e.g., in Korea, Brazil, Taiwan) does not necessarily mean Americans will be worse off. America's share of world manufacturing output has declined since World War II, yet the American gross domestic product per capita in the 1980s has increased 30 percent faster than Britain's and 23 percent faster than Japan's.

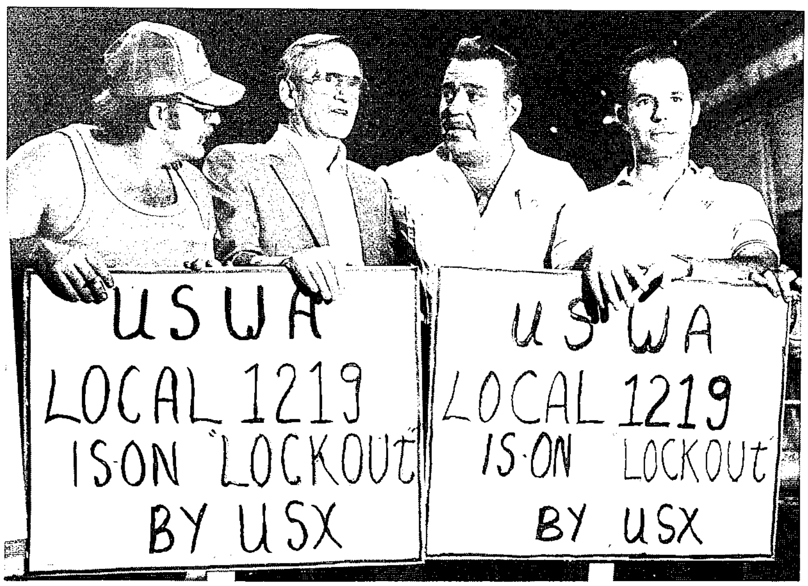
Not all U.S. industries are flourishing, McUsic concedes, but the data does not reveal "evidence of profound economic ills."

Labor Truce

"Labor-management scene in 1986 reflects continuing difficulties" by George Ruben, in *Monthly Labor Review* (Jan. 1987), U.S. Dept. of Labor, Bureau of Labor Statistics, Washington, D.C. 20212.

With American steel, automobile, and farm machinery manufacturers in trouble, unions and management have declared a temporary truce. Both, reports Ruben, a Bureau of Labor Statistics project director, are joining to cut costs to keep American industry competitive.

During the relatively prosperous period from 1946 to 1980, American unions won concessions with 200 to 400 major walkouts a year. In 1985—threatened with plant closures and layoffs—workers went out on only 52 major strikes (a record low), and in the first 10 months of 1986, only 65.



After a six-month dispute with USX, Braddock, Pa., steelworkers returned to work last February. They accepted pay cuts but gained job security.

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Yet Ruben's data suggests that today's labor-management truce has mixed results. At hard-hit Bethlehem Steel Corporation, where steelworkers agreed to suspend COLAs (cost-of-living allowances) and to cut pay by $1.97 an hour, employees still enjoy a high $23 hourly wage. Workers at the farm equipment manufacturer Allis-Chalmers, reduced in number to 2,000 in 1983 from a peak of 20,000 in 1950, accepted a wage cut, but company profits continued to decline.

Companies now seek ways to compensate workers other than by increasing their pay. Lump-sum bonuses cost management less in terms of (wage-based) pension benefits, as do profit-sharing, stock options, and assurances of job security. Chrysler distributed more than $550 million in cash and stock to 87,500 employees under its employee stock ownership plan. Steelworkers at CF & I Steel Corporation in Pueblo, Colo., traded cuts in already modest wages ($8–14 per hour) for job security and 38 percent employee ownership of the corporation after three years.

Facing increased foreign competition in the small car market, General Motors (GM) decided to save money by slowing completion of its ambitious Saturn manufacturing complex. GM also plans to shut down nine plants and reduce production at two by 1990. "Industry observers agree," says Ruben, "that General Motors [with 142,000 salaried employees in the U.S and Canada] is overstaffed."

The automobile manufacturing giant is also trying to trim expenses on employee health insurance, which increase approximately 14 percent a year. GM paid out $2.3 billion in health benefits in 1984, but managed to save a record $213 million in 1985 by offering its employees a choice of less costly HMO (health maintenance organization) and "preferred provider" plans along with "traditional" insurance.

What Deficit?

"The Real Federal Deficit: What It Is, How It Matters, and What It Should Be" by Robert Eisner, in *The Quarterly Review of Economics and Business* (Winter 1986), Univ. of Ill., 1206 South Sixth St., Champaign, Ill. 61820.

"Everybody—or almost everybody—is talking about 'the deficit,'" Eisner writes. "Very few know what they are talking about."

Eisner, a professor of economics at Northwestern University, argues that federal budget deficits are not always the demons many politicians make them out to be. "Deficits do matter," he says, "but it [seems] important to see how." If used properly, they can be a valuable tool in restoring economic health.

In order to assess federal deficits correctly, economists should first redetermine when a deficit occurs. Eisner suggests that federal deficit statistics should be adjusted in two ways. Because much of the federal debt is incurred by selling bonds with floating interest rates, deficit statistics should be adjusted to account for the variance in interest rates. Deficits should also be measured in constant dollars, since inflation decreases the value of the debt over time.