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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.

If this is done, new patterns in the rise and fall of the deficit emerge. By official reckoning, the Carter years (1977–80) produced a cumulative budget deficit of $152 billion. As adjusted by Eisner for interest rates and inflation, the Carter years actually produced a surplus of $72 billion. Double-digit interest rates and double-digit inflation made deficits appear to be much larger than they actually were.

Carter's economic advisers and the Federal Reserve Board tried to fight the red ink through a combination of tight-money policies and spending cuts; the result, in Eisner's view, was the recession of 1981–82. The Reagan administration used another tactic, slashing taxes and increasing military spending, which resulted, even after Eisner's adjustment, in the largest U.S. budget deficits in history. Yet these deficits, by reducing unemployment and stimulating growth, resulted in the start of economic recovery in 1983.

The current goal of deficit reduction envisioned in the 1985 Gramm-Rudman Act is misguided, Eisner contends. Gramm-Rudman, if actually implemented by Congress, will result in "real" budget surpluses, which will reproduce the sluggish economy of the Carter years.

Politicians, Eisner concludes, should drop the ideal of a balanced budget at any cost and accept deficits as a permanent—and somewhat helpful—element in American economic life. "A budget balanced by current federal rules of accounting," Eisner warns, "is an invitation to the worst economic downturn in half a century."

SOCIETY

Volunteers of America

"Volunteering in America" by Natalie de Combray, in *American Demographics* (Mar. 1987), 127 West State St., Ithaca, N.Y. 14850.

Americans would rather give away their money than their time, reports de Combray, a freelance writer; nearly 90 percent of Americans gave to charities in 1985, but fewer than half volunteered time. Still, volunteer work is alive and well, if not exactly burgeoning. It grew six percent from 1981 to 1985. Eighty-nine million men and women helped out more than three hours per week in 1985.

With federal budget cuts pinching many nonprofit organizations, free help is more in demand than ever. Where will it come from? Independent Sector, a coalition of nonprofit groups, has compiled the following demographic profile:

Women still make up the volunteer core, a tradition that extends back to the 19th century, when ladies organized temperance crusades or fought prostitution. Today, as 44 percent of the work force, women have less free time than men—16 hours a week, compared with men's 20—but they dominate volunteer groups by a six percent margin.

Most two-career couples manage to find a few spare hours to help; single people, with more free time, don't. Likewise, college-age Americans