ECONOMICS, LABOR & BUSINESS

Turning Points For America

"The Future of Our Economy" by Lester Thurow, in *Harvard Magazine* (July-Aug. 1976), P.O. Box 301, Uxbridge, Mass. 01569.

MIT economist Thurow looks at what lies ahead for the economy in America's third century and finds some serious problems obscured by current misconceptions. Contrary to popular belief, he contends, economic growth has not brought us more leisure time, but less: "American families are working more and more, with fewer and fewer hours at home." (Hours of paid work by women have increased substantially.) Another 1950s prediction—that the United States would develop a "service economy" and a white-collar society—has also proved wrong. (The only real growth service industries have been health and education; both require large capital investment. And distinctions between white- and blue-collar workers have become so blurred as to be meaningless.) Thurow denies that the "so-called energy crisis" represents a significant "turning point in economic history." Energy, he says, has only stopped becoming cheaper. (The price of a barrel of oil, in terms of hours worked to earn the money necessary to buy it, is the same now as it was in 1968.)

While waiting for the world of the futurists to arrive, Americans may soon see semi-socialist Sweden surpassing the United States in its real average standard of living, or per-capita gross national product (Sweden's annual growth rate substantially surpasses the United States' 3 percent), to be followed soon by Denmark, Switzerland and West Germany. Public realization that the American economy is performing poorly will generate demands for drastic change. Thurow predicts some form of wage-indexing (a cost-of-living escalator for all workers) or guaranteed jobs within the next 15 to 20 years if nothing else solves the inflation-unemployment dilemma now imposed by "oligopolistic big business and big labor." Either remedy, he says, would mean major, controversial changes in the economy.

A New Ethic For Business?

"An Unscandalized View of Those Bribes Abroad" by Walter Guzzardi, Jr., in *Fortune* (July 1976), Time & Life Building, New York, N.Y. 10020.

Bethlehem Steel won the contract to supply rails for Russia's Trans-Siberian Railroad (begun in 1891) after Charles M. Schwab presented a $200,000 necklace to the mistress of Czar Alexander's nephew. Schwab's gift provoked no burst of outrage, says Guzzardi, yet far less crass sales inducements are now universally denounced when used by U.S.

companies doing business abroad.

Guzzardi argues that American business is being unfairly condemned for failing to adhere to "new and sweeping principles of conduct" that are as yet ill-defined. A new ethic, he says, is being imposed by Congress and the Securities and Exchange Commission in an "erratic and inequitable application of existing but inadequate statutes." Critics in the business community accuse the SEC of exceeding its 1933 Congressional mandate calling for disclosure of all "material" information about a publicly owned company—that is, only information of significance to an investor. The SEC seems to regard all "improper acts" as "material." Moreover, critics charge, the Commission claims power to impose sanctions for falsification of financial records—an authority more appropriately left with the Justice Department, the IRS, or state district attorneys.

More recently, Guzzardi says, the SEC seems to have discovered a distinction between payments made to government officials overseas to procure special and unjustified favors, and those made to persuade low-level government officials to perform their duties (customs officials, for example) in a timely fashion. Guzzardi urges the Commission to continue in this direction and resist Congressional demands for even broader disclosure. What is needed, he writes, "is legislation that will be clear about what is legal and what is not."

Industry and The Small Town

"Small Towns Beware: Industry Can Be Costly" by Gene F. Summers, in *Planning* (May 1976), 1313 E. 60th St., Chicago, Ill. 60637.

Rural communities suffering from the twin woes of unemployment and inflation often try to attract new industry as a cure for economic anemia. Professor Summers makes a strong case against the "multiplier theory," which holds that new economic activity always generates a net local increase in jobs and income.

His evidence is a recent University of Wisconsin study on the impact of 700 manufacturing plants established in 245 rural communities in 34 states between 1945 and 1973. Summers shows that anticipated new revenue frequently leaks away (employees in the new industries decide to live or shop in other communities or they quit existing jobs in the community to work in the new plant). The multiplier effect fails to materialize because existing local industries are either unequipped to provide needed materials and services, or don't have to expand to meet demand. Local government is unable to convert private-sector growth into new public revenue; property assessments increase, primarily in residential areas, bringing greater tax burdens for disgruntled homeowners and farmers who had been promised by civic leaders that new industry meant tax relief.

While revenues failed to grow as hoped, towns sometimes made