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By putting more money in Americans' hands, deficits increase the demand for goods and services and stimulate the economy. Too little stimulation can mean recession; too much, inflation. But in times of high inflation and interest rates, the stimulus that Washington provides with one hand, it can take away with the other. And the authors believe that inflation and high interest rates since 1976 have eaten away the national debt—in effect, taking the money right out of government bondholders' pockets—faster than Washington has piled up deficits. The net effect: a deflationary economy.

In 1980, for example, the federal deficit totaled $61.2 billion on paper. But by the authors' calculations, the 13.5 percent inflation that year reduced the real value of the government's cumulative outstanding debt by $55.9 billion. Because interest rates also rose, the market value of outstanding government notes dropped even further—by another $12.6 billion. (If you buy today a $100 bond with fixed 10 percent interest, and commercial interest rates jump to 20 percent next year, your bond would then be worth $50.) In 1980, by these calculations, Washington chalked up a $7.3 billion surplus, taking the money out of consumers' pockets and slowing economic expansion.

Eisner and Pieper argue that Washington did not take its foot off the brakes until 1982, when it produced a mildly stimulative real deficit. They contend that the role of the Federal Reserve Board and its monetary policy as both cause and cure of the recent recession has been exaggerated. Despite all the scare talk about federal red ink, they see no cause for alarm until 1986, when projected interest and inflation rates together with an anticipated deficit of about $211 billion will bring "an extremely expansionary but unsustainable fiscal policy."

Union Revival?

"Can Labor Lead?" by Bob Kuttner, in *The New Republic* (Mar. 12, 1984), 1220 19th St. N.W., Washington, D.C. 20036.

For America's labor unions, this is a time of layoffs, contract "givebacks," and declining membership. But even amid all the dismal news, writes Kuttner, a *New Republic* contributing editor, "a new unionism seems struggling to be born."

The "old" unionism, says Kuttner, is a child of the late 1940s, when Big Business gave up bare-knuckle fights against organized labor in return for moderation of union demands. The unions concentrated on winning better wages and benefits for members, mostly in "smokestack" industries. Instead of working to broaden union membership, their leaders aimed to pass social legislation in Washington—with considerable success.

But the decline of heavy manufacturing industries during the 1970s and the rapid expansion of nonunion industries (services and high technology) hurt the established unions. The labor-management bargain finally came unglued in 1978, when Big Business helped to block U.S.

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The number of major strikes nationwide dropped from 219 in 1978 to 81 in 1983, thanks to organized labor's adoption of new tactics and to workers' lessened demands in the midst of an economic recession.

Senate passage of the Labor Reform Act, which would have made it easier for unions to organize workers in the new industries.

Kuttner sees signs that organized labor is now shaking off its old "complacency." Service sector unions—the United Food and Commercial Workers, the Hospital Workers, the Communication Workers—are aggressively seeking new members. Some 2,000 professional union organizers are at work. Moreover, unions have developed new strategies. In 1980, for example, the Amalgamated Clothing and Textile Workers mounted a "corporate campaign" to stop J. P. Stevens and Company from blocking union organizing efforts. By threatening to withdraw substantial pension funds invested in the insurance firms that lent Stevens money, they made it hard for the company to win the financial support it needed to keep fighting.

Labor's new sophistication in collective bargaining has made a difference even in recent, much-publicized union "givebacks." When Eastern Airlines won 18 percent wage reductions from three unions in 1983, it had to give union members 25 percent of the company's stock, four seats on its board of directors, and a voice in day-to-day management.

If Big Labor is to survive, Kuttner believes, more unions will have to adopt aggressive organizing tactics while recognizing that employers need to make a profit.