

# *The Fed in Handcuffs*

“Trends” by George Feiger, in *The Milken Institute Review* (Third Quarter, 2003), 1250 Fourth St., 2nd fl., Santa Monica, Calif. 90401-1353.

You’ve just retired, and you think you’re sitting pretty with a cool million in the bank. Then you look around at today’s interest rates on certificates of deposit and medium-term bonds and realize that your stash is only going to yield between \$10,000 and \$30,000 in annual income. Then you get mad.

That’s going to happen more and more often in the years ahead, and it’s going to have serious effects on U.S. economic policy, predicts Feiger, a senior adviser at Monitor Group, a financial services and consulting firm. The historically low interest rates of the past three years have kept the economy afloat, but they’ve been “an unmitigated disaster” for many re-

tirees, especially the more affluent ones.

Feiger foresees several future effects of low interest rates. Americans will need to save more, so government will find ways to mandate more saving by individuals, and both Washington and the private employers who oversee 401(k) and other private savings plans will channel savers into low-risk and low-cost investments. The high-flying wealth management industry will shrink. As savings rise, consumption will fall, at least for a time.

More significantly, says Feiger, “baby boom retirees won’t take anemic returns lying down.” In years ahead, they will make it politically difficult for the Federal Reserve to pursue the low-interest policy that prevails today.

# *Reviving Labor*

“What Are Scholars Telling the U.S. Labor Movement to Do?” by Bruce Nissen, in *Labor History* (May 2003), Taylor & Francis Ltd., Rankine Rd., Basingstoke RG24 8PR, United Kingdom; “An Immodest Proposal: Remodeling the House of Labor” by Stephen Lerner, in *New Labor Forum* (Summer 2003), 25 W. 43rd St., 19th fl., New York, N.Y. 10036.

To get back on its feet after decades of decline, should organized labor: (a) adopt “value-added unionism” or (b) embrace “social movement unionism”? Answer: “b,” says Nissen, director of research at the Center for Labor Research and Studies, Florida International University. Lerner, director of building services for the Service Employees International Union, doesn’t disagree, but offers yet another prescription: Labor should (c) start thinking big and restructure itself.

Advocates of value-added unionism urge unions to stop being their old adversarial selves and actively work to help employers meet their business goals, exerting influence *within* corporate management. The partnership between Harley-Davidson and its two main unions is an oft-cited example of the win-win situation that can result. But value-added unionism has “limited applicability,” says Nissen, because few corporations are willing to give unions a role in management.

Nissen sees more promise in social move-

ment unionism, in which unions make their cause part of a larger struggle for social justice and against corporate domination and greed, seeking allies and inspiration in civil rights, feminism, environmentalism, and other movements. The approach works best with low-wage labor forces, particularly those with mainly nonwhite or female workers. His own union’s “Justice for Janitors” campaigns and its successful drive to organize 10,000 home health-care workers in California are good models. It may be hard to sustain the militancy and channel it into stable collective-bargaining relationships with employers, Nissen observes, but labor’s chief need today is simply to grow.

Labor has the resources to grow, but its balkanized structure is an obstacle, says Lerner. The AFL-CIO, which operates by consensus, is divided into 66 amalgamated international unions with multiple overlapping jurisdictions. And most of the unions have powerful autonomous locals in each state and