

# *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

city. All told, the AFL-CIO includes some 13 million workers. For labor—which now represents a mere 9 percent of the private work force—to get larger and stronger, says Lerner, the organizational structure must be changed, so that there are only 10 to 15 unions, all fo-

cused on dominating particular industries, labor markets, and sectors of the economy.

“By focusing workers on changing conditions in an industry, not just fighting their individual employer, unions start to create the conditions that allow unions to win.”

## SOCIETY

### *Faith-Based Facts*

“Debunking Charitable Choice: The Evidence Doesn’t Support the Political Left or Right” by Mark Chaves, in *Stanford Social Innovation Review* (Summer 2003), Stanford Graduate School of Business, 518 Memorial Way, Stanford, Calif. 94305-5015.

The Bush administration has championed “faith-based initiatives” to increase the flow of government dollars to grassroots religious organizations that help the needy, arguing that their charitable efforts are more intense and more effective than government programs. Yet, these advocates say, faith-based nonprofits often get short shrift when public funds are given out.

The reality is very different, argues Chaves, a sociologist at the University of Arizona and principal investigator in a study of national religious congregations. There’s very little discrimination against religious groups in the competition for government grants and contracts. “In a few cases, overzealous bureaucrats have demanded that Catholic hospitals remove crucifixes or the Salvation Army refrain from using the word ‘salvation,’” according to Chaves. But over the decades, thousands, perhaps tens of thousands, of grants and contracts have gone to religious organizations, large and small. Catholic Charities gets about 60 percent of its funds from government sources, and the Salvation Army about 20 percent.

Nor is the typical religious congregation deeply involved in aiding the downtrodden,

Chaves points out. “Only six percent of congregations have a staff person devoting at least quarter time to social service projects.” Clergy, according to time-use studies, spend minimal hours on community activities of any sort. And in 80 percent of the congregations making an effort, no more than 30 volunteers are involved over the course of a year.

Advocates of faith-based initiatives claim that, in President George W. Bush’s words, “faith can move people in ways that government can’t”—and opponents fear that that might happen with government support. But “transformed souls and religious conversions” are hardly likely, says Chaves, when even churches, synagogues, and mosques heavily involved in providing social services seldom integrate their “clients” into their congregations.

Usually, congregations simply address individuals’ immediate needs—for food (33 percent of congregations have food-related projects), housing (18 percent), or clothing (11 percent). And when congregations and other religious groups seek to do more than that, they often must turn to government agencies and secular nonprofits. They are not an alternative to that world, Chaves says. They are part of it.

### *Help for the Mentally Ill*

“Leaving the Mentally Ill Out in the Cold” by E. Fuller Torrey, in *City Journal* (Autumn 2003), Manhattan Institute, 52 Vanderbilt Ave., New York, N.Y. 10017.

When President George W. Bush’s Commission on Mental Health issued its report this past July, hardly anybody seemed to notice. Maybe that was because of the endless

platitudes that filled the report, suggests Torrey, a physician and coauthor of *The Invisible Plague: The Rise of Mental Illness from 1750 to the Present* (2002). Or maybe the report’s po-