

While We Were Sleeping...

The Battle of the Economists

By Kurt Staudter



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After weather forecasting there is perhaps only one other job where you can be as wrong as often and still remain employed - the economist. Elaine Bernard of the Harvard Trade Union Program has made sure that we've had a steady stream of economists to help us understand the realities we face in the changing world. We've heard from Richard Freeman and David Cutler of Harvard, Tom Kochan from MIT, and for the last few weeks we've had presentations from Barry Bluestone of Northeastern.

Barry has written a book along the late Bennett Harrison titled "Growing Prosperity: The Battle for Growth with Equity in the 21st Century." Now I don't profess any real understanding of economics, and even though I slog through book after book on the subject I still haven't a clue as to why some things happen in the free market free-for-all. I was mystified, that is until Barry made it all very clear. I guess I just needed someone to explain it, and at the same time discredit all I'd learned up until now.

Bluestone has a very user-friendly way of presenting the subject. He took us from the turn of the last century to the present identifying trends and significant milestones along the way. The explanation he gave of the stock market crash and the Depression demystified this period of time for me, and gave me an understanding of how the New Deal was able to restore prosperity to our nation. Barry then took us through to the present showing us along the way how the economy moved from the laissez faire, hands-off free market of the late-1800s, to the tightly regulated and controlled market of the New Deal of FDR and Great Society of LBJ, and now back to the "get government out of the way" domination of the global marketplace by lawless transnational corporate goliaths.

After he got done explaining the very basic principle of how the Gross Domestic Product (GDP) is calculated, we then used this yardstick to measure

what has happened in the economy over the years, and then looked at a controversial approach to restoring prosperity. A quick review: $GDP = C + I + G + X - M$. By changing any one or combination of these variables you can create growth in the economy. I can just imagine your eyes are beginning to glaze over so I don't want to dwell on this, but let's just look at how FDR was able to reverse the downward slide of the Depression.

In the beginning, no one had any money so they weren't consuming. Businesses were on the skids, so they weren't making any investments, government was small and not putting a whole lot into the economy, and both imports and exports were virtually non-existent because of the collapse of the world economy along with ours. This left our GDP in the dumps. Incidentally, the two world economies that weathered the depression better were Germany and Japan, and we'll find out why next. Roosevelt was able to turn our economy around by priming the pump with government spending. Just as the government spending used in the run up to WWII by Germany and Japan were keeping their economies afloat, FDR used federal funds to put people to work. This in turn gave them the ability to consume, which restored the confidence in the marketplace for investors, which led to greater exports to other European countries looking to arm for war, and on and on: all because of deficit spending during the New Deal that gave workers a needed raise.

Now add to that our amazing surge in production during the war and the retooling towards consumer good afterwards, the government investment in the interstate system, the Apollo program, the Cold War, the GI Bill, and housing, our export of consumer goods when things were made here, and it all adds up to growing our economy at an unprecedented clip.

So the question on our minds right now should be -

What Happened? Why has the growth stopped and why is there a rising divide between the haves and have-nots. This brings us to the clash of two economic models - The Wall Street vs. The Main Street models. Right now the dominant model is the Wall St. model. It calls for a balanced federal budget with surpluses, encouraging unlimited free trade, keeping wages low and employment insecurity high, deregulation of domestic and international markets, and the imposition of conservative Federal Reserve policy. Looking at the GDP formula, we see that with wages suppressed consumption is reduced, investment is largely made off-shore, government spending is sharply reduced on all but the military, we've run huge trade deficits and cheap imports flood in. When you run the numbers the answer is obvious as to why the middle class has been reduced to being the working poor.

The solution to creating prosperity that is more equally shared all across the economy, and not just enjoyed by the top 5%, is the common sense Main Street economic model. Barry Bluestone explained that by "investment in R&D, infrastructure, and human capital, establishing fair trade based on labor rights and standards, fostering rising wages, improving employment security, creating incentives for corporate best practice policies, expansionary Federal Reserve policy, and the regulation of global speculation," we restore an economy that works for all of us.

Hey, doesn't that sound like the New Deal? It worked before, and isn't it high time that working people got a raise again?

Springfield News and Views

By Bill Newman

Richard McInerney Helps Homeless Find Housing

Readers, you no doubt have heard at this time of and awarded, and Richard came to work for the



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