Editorial

Why give Mr. Volcker anything?

How readily Americans resort to the image of the family in discussing economic policy. "In hard times, tighten the belt," "it's impossible to live beyond your means," "wait for things to get better," "we've got to sacrifice." Jimmy Carter was proficient in this sort of rhetoric; so are many Republicans.

We were reminded of how poisonous this fixed-universe outlook has become by the March results of General Motors' negotiations with the United Auto Workers. The package cancels all pay increases during the new 30-month contract, eliminates nine days of paid vacation per year, and defers the cost-of-living allowance for nine months, which means real wages will shrink even if inflation further abates. In exchange, the UAW has been promised that GM will open four plants employing a total of five thousand workers, and will grant a profit-sharing plan to employees.

The GM contract

Within the "family" of GM and its workers, the facts of the matter are that the abolition of the nine-day vacation cuts more man-hours than the new auto plants would provide. Nor will GM create those five thousand jobs. One industry expert who has reviewed the company's accounts tells us that the company has cooked its books into unrecognizability to cover huge operating deficits; instead of earning $330 million in 1981, as GM claims, it lost somewhere between $1 and $2 billion.

And no one should have any illusions that the slack of devastated industrial capacity will be taken up by opening some more sweatshops, which is what the administration's "urban enterprise zones" amount to.

Contrary to the advocates of givebacks and enterprise zones, labor is not the problem: Paul Volcker is.

Paul Volcker destroyed U.S. auto production by making both consumer financing and technological investment impossible. The pattern of heavy-industry wage and benefit givebacks simply further reduces purchasing power. This, as Volcker has repeatedly stated, is his aim: to permanently reduce American living standards. "Supply-siders" tend to agree; as some of them confided to us before Mr. Reagan's inauguration, the "supply-side" doctrine is a euphemism for funneling "savings" out of consumption and industrial investment, into debt-service and speculative post-industrial sectors.

Who's draining profits

Will givebacks at least provide American business with breathing room? The truth is that if all the concessions granted thus far by the UAW, the Teamsters, the United Steel Workers, the Meatpackers, and the airline workers during Volcker's tenure are totaled, they amount to about $2.5 billion per year. Yet for every 1 percent increase in interest rates, industrial corporations pay an additional aggregate of $4 billion in operating expenses. *EIR* has calculated that since 1980, Mr. Volcker's first full year at the Fed, interest payments on industry's debt have leaped by 80 percent, or $75 billion—fifteen times the amount of total labor givebacks.

The United States was built by belying Volcker's argument that high wages mean inflation. Americans applied themselves to the improvements in agriculture and manufacturing which expanded output and living standards, and lowered costs. The federal government, at key points, applied itself to promoting technological innovation and large-scale infrastructure. That is the task of government: to ensure that producers have the opportunity to produce, instead of being idled and ruined by the "free-market" userers at the dictatorial Federal Reserve.

One sacrifice is badly needed: Paul Volcker. That is the way to save the family's sustenance, and the nation.