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The Poverty of Economic Policy

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delivered at the Graduate Institute of Cooperative Leadership, July 14, 1975

The Poverty of Economic Policy

The precipitous decline in industrial production that occurred between September of '74 and March of '75 was replaced in April and May by a mild decline followed by a small increase in June. Whether or not the recession has bottomed out is not as significant as the fact that the forces making for a run-away recession have been contained, if not reversed. The likelihood is that the sharp decline will be succeeded by a modest, if not stagnant, recovery. Because of the stand-off between Mr. Ford and the Congress, we can expect no meaningful initiatives with respect to the continuing high unemployment this relative stagnation implies. Thus we are in for a period of comparative tranquility in our economy - a sluggish performance and no disruptions from policy initiatives aimed at improving the economy's performance. As there are no immediate issues of decision on which a stand has to be taken, this is a good time to take a look at some fundamental aspects of our economy and of our economic policies.

Even though it is apparent that 1973-75 is not the beginning of a thoroughgoing collapse, such as took place in 1929-33, this relative success should not prevent us from recognizing that the events of the past decade in general, and of the past two years in particular, with its accelerating inflation, disruptive behavior of money and financial markets, and deepest (and longest) recession of the post-war era, have revealed serious flaws in our economy, the poverty of standard economic policy, and a bankruptcy of conventional economic theory.

Our leading authorities, both in Government and out, do not know what hit the economy over the past few years. The standard response of the prominent policy advising economists (both 'liberals' who advise Democrats and

'conservatives' who advise Republicans) remains consistent with the advice that they gave 4, 8, or 12 years ago; though they have lived through much they have learned little. The events of the past several years are not being used by these conventional seers as critical evidence which puts their theory about the behavior of the economy and their views on public policy to a serious test. As what happened during the past several years deviates from the way the economy is supposed to behave if standard economic theory is valid, the evidence from our recent experience casts doubt upon the validity and relevance of standard theory. Incidently, both the 'liberal' and the 'conservative' economists base their advice on the same economic theory. We need a fresh approach to an understanding of what makes our economy run which assimilates and is consistent with experience, and a new age of reform. Reforms are needed that will transform our economic structure, in the light of such a better understanding of how our economy works, so that meaningful and realistic policy objectives can be set and achieved.

Economics has been characterized as a dismal science. This is so because an economist recognizes that there are trade-offs, that the economic system operates so that well intentioned reforms often have side effects, so that the end result of reforms may be worse, not better, than the initial situation, and that resources and productivity limitations constrain what is possible in both the short and the long run. Thus even though an economist may be passionately devoted to equalitarian social justice objectives, he often must be a nay sayer to specific proposals whose objectives he accepts. The professional training of an economist forces him to recognize that subtle connections exist, in the way an economy functions, which act as barriers against the easy achievement of objectives that are highly desirable and deeply necessary. Economists thus are forced to be sceptics, and the

sceptical attitude sits ill in an age where obvious failures indicate that fundamental reforms are needed.

The economist's role in the formulation of policy is to help design economic structures and government policies that move the performance of the economy in the desired direction and contain, even if they do not eliminate, undesirable side effects of policy actions. To be successful, policy will have to be consistent with a deep and critical understanding of how an economy, with institutions such as we have, works; those who see no evil, hear no evil, and speak no evil about our economy are irrelevant to the pressing needs of our time.

The idea that there are trade offs which are inherent in the way any economy works can be phrased by recognizing that there is no such thing as a free lunch for the economy as a whole; who pays for the lunch and how it is paid for are the critical questions. We cannot use 5% to 8% of our productive capacity for war, espionage, and space adventures without losing out someplace else; we cannot improve the income at the super market of 10% to 20% of our population without lowering the income at the super market of some other segment of the population, we cannot subsidize the construction of urban sprawl without lowering some other dimensions of income. The relative decline of the United States per capita income, so that Switzerland, Sweden, and Denmark now have higher per capita incomes than the United States, can be laid to the bleeding of our economy by the excesses of defense, the inflation of prices at the super market can be laid in part to the Food Stamp program, and the decline of our central cities has been the result of the way suburban housing and the infra-structures for the suburbs have benefited from subsidies extracted largely from the dwellers in central cities. Looking to

the future the pervasive government subsidies and acquiesance in private taxation by utilities that are required by the proposals designed to keep energy output growing at its historic rate means that other dimensions of our living standards will be lower than they otherwise could be. The benefits to the construction workers, contractors, and the energy industries that the proposed national program in energy that emphasizes the subsidization of supply expansion implies will come out of the standard of life and well being of other groups: more electric energy means less of other outputs. The question about a free lunch is not whether it exists for some, which it can, but how and by whom will the tab be paid.

Even though economists need to put down both the heart-warming enthusiasm of social reformers and the mindless cheer leaders for the status quo: the post-war period has shown some improvement over earlier times. The fact that the economy has not gone through the wringer of a deep depression in the post-war era is evidence that the progress of the discipline, the economic policies legitimatized by the Keynesian Revolution, and the reformed structure of the economy that are a legacy of the Roosevelt Era combine to assure that we now avoid the worse that we have experienced in the past. Although economists must remain skeptics they need not be as dismal as in earlier times. However this success in avoiding the worse - a great depression - has been achieved at a cost of chronic and accelerating inflation, the continuance of abysmal poverty, dehumanizing policies that offer minimal protection against the worse ravenges of poverty, the institutionalization of inefficiency, and what for the want of a better term can only be called 'rip-offs' by the powerful and the affluent.

Economic policy in the past decade has been characterized by a failure

of analysis, a substitution of cliches for reasoning, excessive sentimentality, and a blatant disregard for reality. Although political posturing and opportunism have been responsible for a good deal of what ails us - certainly the erratic course of economic policy since the mid-1960's has disrupted the economy and aggravated problems - the roots of our difficulties are deeper than the economic policy excesses that can be attributed to the Viet-Nam War and the lack of understanding, character, and integrity in policy formation that characterizes the Nixon/Ford years.

Before we get into the details of our argument we have to set some ground rules. We are not interested in the behavior of some idealized economic order - whether the idealization takes the form of a mathematical construction or a fictional idealization. We are interested in the behavior of the economy as it is - with institutions, usages, and government interventions that are the product of history and which embody past errors of analysis and policy. Our policy objective is not the achievement of some abstract perfect order - we are not utopians - but rather we need to do better than we have. We never want to be caught in the trap where the ideal is the enemy of the good. Furthermore, in doing economic analysis and policy prescriptions we need to recognize that much as we may try we will not be able to solve economic problems once and for all and that there will be a need to repudiate at a later date what was, when instituted, an apt policy thrust; just as today we need to reform and perhaps reject inherited policy strategies that in their time were apt and desirable.

Fundamentally a capitalist economy is flawed in three dimensions. Because of its financial system, capitalism tends to generate both speculative booms and deep depression: i.e. the economy is not stable. The processes of

capitalist accumulation tends to generate monopolistic and near monopolistic market structures together with financial practices and government policies which sustain these monopolies i.e. the economy is not efficient. In spite of the fact that the aggregate ability to produce increases and that production in our complex modern world is a deeply cooperative affair, private wealth ownership and the effects of monopoly power upon relative wages and profits rates means that capitalism as we know it leads to the creation, maintenance, and extension of extremes of poverty and wealth, i.e. the economy is not equitable. Thus economic policy, within a capitalist framework, has to be based upon a theory that helps us understand the flaws if we are to overcome or contain the instabilities, inefficiencies, and inequities. To be useful, economic theory has to be critical.

Financial Instability

A fundamental and inescapable flaw of a capitalist economy centers around the tendency of such an economy to generate speculative inflationary booms followed by financial crises, debt-deflations, and deep depressions; i.e. to generate what occurred in the late 1920's and the early 1930's. This instability exists because investment - which is always a decision to use current resources for a pay off in the often quite distant future - is a speculative activity in all economies.

However in a modern capitalist economy with a sophisticated, complex, and evolving financial structure, overriding speculative elements exist, which revolve around how investment and ownership of the stock of inherited capital assets is financed. In a capitalist economy liability structures of increasing complexity exist and lead to a wide range of financial assets for portfolios. The debts and thus

the cash payment commitments these financial instruments embody reflect past and present views about the future. These views are volatile in their response to successes and failures in the economy. A run of good times increases the desired and acceptable amount of debts, such increases in debt finances the demand for capital assets and investment, which means even better times etc.; on the other hand disappointment in the performance of capital assets as generators of cash lead to the failure of income to support inherited debt structures, which leads to a desire to reduce debt and thus investment, which leads to even greater shortfalls of income, etc. This financial instability is inherent in capitalism and many accommodations and institutions of a capitalist economy are designed to enable us to live with such instability.

A sophisticated financial system - Banks, Wall Street, the various money market institutions - is really the necessary and distinguishing characteristic of an advanced capitalist order. The basic speculative element which is special to a capitalist economy is the extent to which debt is used to finance the construction of new real capital assets as well as for the holding of existing real capital assets. In Table I, some details of the developments of the finances of non-financial corporations over the years since 1950 are exhibited. Over this period as a whole a marked increase in the ratio of total corporate debt to the gross internal funds generated by corporations (column II) has taken place. On closer inspection the development of the debt-cash flow ratio falls into two steps: an early period 1950-1965 in which this ratio showed no perceptible trend (this ratio was lower in 1965 than in 1950) followed by a decade (1965-1974) in which the ratio increased from 6.15 to 10.46.

Debts are promises to pay cash as interest and as a repayment of principal.

TABLE I

Financial Developments Over the Post-War Period

Non-Financial Corporations

	I	II	III	IV
	Fixed Investment / Internal Funds	Total Liabilities / Gross Internal Funds	Total Liabilities / Demand Deposits	Total Liabilities / Protected Assets
1950	1.069	6.91	5.12	2.88
1951	1.070	6.93	5.33	3.03
1952	1.044	6.78	5.40	3.18
1953	1.122	7.02	5.59	3.18
1954	1.00	6.55	5.39	3.25
1955	.905	5.98	5.95	3.362
1956	1.066	6.49	6.47	3.984
1957	1.109	6.45	6.79	4.245
1958	1.002	7.025	6.887	4.256
1959	.929	6.452	7.728	4.216
1960	1.038	6.894	8.666	4.930
1961	.978	7.109	9.137	4.947
1962	.931	6.454	9.646	5.079
1963	.931	6.664	10.333	5.234
1964	.906	6.196	10.945	5.735
1965	.961	6.154	12.044	6.362
1966	1.016	6.272	13.121	7.311
1967	1.043	6.746	13.514	7.757
1968	1.111	7.562	14.405	8.353
1969	1.270	8.542	14.88	9.666
1970	1.319	9.346	15.76	9.909
1971	1.170	8.535	16.60	9.562
1972	1.212	8.457	18.218	10.377
1973	1.283	8.827	20.939	11.961
1974	1.421	10.461	23.038	11.904

Source: Computed from Board of Governors, Federal Reserve System *Flow of Funds Accounts*, (various releases)

The cash that corporations have available to meet these commitments is the difference between their receipts and the cost of purchased materials, services, and labor: gross internal funds is a good though not perfect measure of such available cash. The payments corporations need to make are reflected by their total liabilities, whether these liabilities are short term or long term, and the interest rate on their liabilities. As is well known the interest rate on corporate liabilities have increased markedly over the decade 1965-1974 and the average term of debt has decreased. Thus the cash payment commitments have increased by even a greater ratio than indicated by the rise in the liability/gross internal funds ratio from 6.15 in 1964 to 10.46 in 1974. This implies that if corporations are to achieve the same ratio of funds available to meet financial commitments to financial commitments in say 1975 as ruled in 1964, they may have to double their gross internal funds over the amount achieved in 1974. We hear much about the ratings of corporate bonds and the need for internally generated funds by corporations, what we don't hear is that the debt structure of firms that we now have generates an independent inflationary thrust to the economy. To achieve sufficient internal gross profits to improve the quality of their debts firms would need a substantially higher dollar mark up on their out of pocket costs of porduction than that which ruled in the early 1970's: profit inflation at a substantial rate is necessary to make corporations as healthy as they were earlier. This need for profit inflation is a lingering inflationary effect of earlier inflation and investment booms.

In addition to the rise in the ratio of liabilities to cash flows the period since 1950 has witnessed a market deterioration in the holdings by corporations of secure assets relative to debts; thus liabilities were 5.12

times demand deposits in 1950 and 23.04 times demand eposits in 1975. (Table I, Column III). A similar deterioration in the ratio of secure assets to liabilities is shown in C olumn IV of Table I, which shows that liabilities relative to protected assets (Total Bank Deposits plus Government Debt of corporations) has risen from 2.88 in 1950 to 11.90 in 1974. Corporations have been stripped of their liquidity.

One reason for the rise in the ratio of debt to cash flows and secure assets is shown in Column I of Table I. The measure of fixed investment divided by internal funds shows us how corporations have financed their additions to capital assets - up until the middle 1960's this ratio showed no perceptible trend, and in many years such as 1961-1965 fixed investment by corporations fell short of the flow of gross internal funds. However in the years 1966-1974 this ratio never fell below one and in many years the ratio was well above one; a marked shift from internal to external financing of investment took place.

What is exhibited in Table I is the evolution of the financial structure of the corporate sector froman initial robustness to a current fragility. In Table II the evolution since 1950 of the financial structure of commercial banking is exhibited. Without going into details all of the measures exhibited - the ratio of financial net worth to total liabilities (Column I), Total Liabilities to Protected Assets (Column II), Demand Deposits to Total Liabilities (Column III), and Bought Funds to Total Liabilities (Column IV) indicate that the banking system was much less stable and robust in 1974 than it was in 1950. The data indicates that we should not be surprised at the fact that three banks of over a billion dollars each in total assets failed in 1973/74.

It is hard to believe, but it is true, that the standard economic theory

TABLE II

Financial Developments Over the Post-War Period

Commercial Banking

	Financial Net Worth / Total Liabilities	Total Liabilities / Protected Assets	Demand Deposits / Total Liabilities	Bought Funds / Total Liabilities
1950	.0748	2.88	.6858	.035
1951	.0740	3.03	.6905	.035
1952	.0735	3.18	.6845	.056
1953	.0753	3.18	.6694	.037
1954	.0763	3.25	.6612	.039
1955	.0777	3.362	.6555	.042
1956	.0799	3.984	.6462	.047
1957	.0825	4.245	.6257	.047
1958	.0810	4.256	.6086	.049
1959	.0834	4.216	.6053	.048
1960	.0857	4.930	.5902	.046
1961	.0847	4.947	.5690	.054
1962	.0831	5.079	.5411	.046
1963	.0765	5.234	.5118	.056
1964	.0764	5.735	.4923	.068
1965	.0734	6.362	.4643	.084
1966	.0730	7.311	.4430	.104
1967	.0698	7.757	.4288	.109
1968	.0667	8.353	.4150	.129
1969	.0658	9.666	.4065	.179
1970	.0637	9.909	.3932	.158
1971	.0615	9.562	.3766	.108
1972	.0592	10.377	.3573	.121
1973	.0570	11.961	.3268	.157
1974	.0562	11.904	.2968	

Source: Computed from Board of Governors, Federal Reserve System *Flow of Funds Accounts*, (various releases

virtually ignores financial phenomenon of the kind exhibited in these tables. Monetary and financial relations are peripheral to the explanation of how a capitalist economy functions in the standard economic theory that underlies the standard set of policy prescriptions. In an economy with financial characteristics such as our economy possesses, a financial structure is transformed from being robust to being fragile over a period of prosperous years. At the end of World War II the financial system, due to the legacy of the great depression and war finance, was extraordinarily robust. Twenty years of economic growth and mild business cycles occurred before any serious evidence of financial fragility became apparent. The first post-war signs of serious fragility of the financial structure was the credit crunch of 1966. Another threat of a financial trauma occurred in 1970, and we have just experienced a third. These threats of financial crises were aborted by Federal Reserve and Government actions. We are still engaged in bail outs and refinancing that reflect the financial tautness of 1973/75. Success in bailing out institutions such as the R.E.I.T.'s and the giant banks, which is what is going on now, will set the stage for a renewal of accelerating inflation.

Thus we have had three threats of a financial crisis in the past decade, and the third threat was accompanied by a serious recession. The very size of the government sector, combined with Federal Reserve and fiscal policy actions, have in each threat prevented the occurrence of a debt deflation - and so far we have avoided a deep depression and prolonged stagnation. However it is now clear that the economy does generate cycles, that these cycles reflect inherent tendencies in the system, and that these cycles encompass a threat of deep depressions.

Much follows once a cyclical perspective for the behavior of the economy

is adopted. Income distribution becomes a result of the cyclical behavior of the economy and policy actions rather than as standard theory holds the result of the purely technical conditions of production. The existence of monopolies and trade unions can be explained by the desire of economic agents to be protected from the losses that would result from price and wage competition in a cyclical economy. Because the prevention of a serious depression is of such overriding public concern, economic policy and intervention is necessary: laissez-faire is an impossible concept for a cyclically unstable economy. The issue of government regulation and intervention is not whether they will take place but what kind of intervention will occur and who will in fact benefit.

Thus once it is recognized that capitalism is inherently unstable it follows that we need an activist economic policy to constrain and attenuate the effects of this instability. Once an activist economic policy is accepted the question of what kind of policies will be adopted and whose interests will be served by the adopted policies becomes important. The discussions of economic policy in the post-war period have faced up to the issue of the use of government policies to prevent serious depressions and some of the inflationary consequences of such policies, but the discussion has virtually ignored questions about how policy affects what kind of output will be produced and for whom will output be produced.

Policy Responses to Recession and Hunger

Because the dominant fact of the past decade - the emergence of financial fragility and thus the recurrent threats of a debt-deflation and deep depression - is foreign to the economic theory that acts as a guide to policy, the policy

actions of the past several years have been either trivial or inept. Because policy has been guided by irrelevant theory and responded to irrelevant cliches - such as the appeal to the virtues of a non-existent free enterprise system - or by excessive sentimentality - such as the issue of hunger in America - policy has been inept and often irrelevant to the serious issues we confront.

A most striking aspect of the irrelevance and wrong headedness of policy has been the recourse to the dole, not only in response to the current recession - but over the longer run. A dole is the handing out of cash or services where nothing is required in exchange for the hand out. Although much has been made of welfare the facts are that what is usually meant by welfare is but a small part of the total of such transfer payments in cash and in kind. When the Administration and Congress were confronted with the highest unemployment rates of the post-war period their immediate response was to institutionalize and sustain unemployment by increasing the amount and the duration of unemployment insurance and the handing out of cash tax rebates from the Treasury.

Transfer Payments

A major trend in our economy has been the growth of transfer payments. In Table III the growth of transfer payments from 1929 through the first quarter of 1975 is detailed. From a trivial proportion of personal disposable income in 1929, transfer payments have grown so that they are 15.6% of disposable personal increase in 1975I. It is also apparent that the greatest growth in transfer payments has occurred during the Nixon/Ford years. Welfare state transfers grew from $61.6 billions in 1969 to $134.6 billions

TABLE III

TRANSFER PAYMENTS AND DISPOSABLE PERSONAL INCOME

Selected Years 1929-1974 and Quarterly 1974I - 1975I

(billions of $)

	Disposable Personal Income	Government Transfer Payments to Individuals	Government Transfer Payments ÷ Disposable Personal Income %
1929	83.3	.9	1.1
1933	45.5	1.15	3.3
1941	92.7	2.6	2.8
1950	206.9	14.3	6.9
1960	330.0	26.6	7.6
1961	364.4	30.4	8.3
1963	404.6	33.0	8.2
1969	634.4	61.6	9.7
1970	691.7	75.1	10.9
1971	746.4	89.0	11.9
1972	802.5	98.6	12.3
1973	903.7	113.0	12.5
1974	979.7	134.6	13.7
1974I	950.6	123.1	12.9
1974II	966.5	130.6	13.5
1974III	993.1	138.7	14.0
1974IV	1008.8	145.8	14.5
1975I	1017.4	158.7	15.6

in 1974: they more than doubled in five years. Welfare state transfer payments is a conservative policy response to a characteristic of our economy - the generation of unemployment economic dependency in the midst of what should be a plentitude of opportunities.

Transfer payments consist of much more than welfare. In 1973, the last year for which a detailed breakdown of transfer payments is available, they totaled $113.0 billions, of which $50.7 billions was social security and $9.7 billions was Hospital and Medical insurance. That which is often characterized as the "Welfare Mess" - aid to families with dependent children totaled $7.2 billions in 1973; a sizeable sum but only about 6.5% of the total of transfer payments.

Food Stamps

One sleeper in the transfer payments schemes which is now a substantial sum is the food stamp program. This program is an example of how excessive sentimentality affects policy, and in addition of how a poorly thought out policy effort that reflects good intentions has undesirable side effects. The food stamp program is a significant factor generating the inflation that has so troubled us in the past several years.

Today in the super markets of the nation there are two kinds of money that can be used to purchase food - every day money and the 'funny money' of food stamps. Basic to the food stamp program is the definition someplace in the Department of Agriculture of a 'standard economy diet', that is defined as a minimum that everyone presumably should have. The cost of this standard diet for families of different sizes is determined, and the food stamp program is based upon the view that a household should spend no more than 30% of a

specially defined disposable income - i.e. its actual income minus some quite bizarre deductions. If this computed income is sufficiently low so that 30% of it will not purchase the standard diet, then sufficient food stamps to purchase the standard diet can be purchased for 30% of income.

Currently the standard diet for a family of four is costed at $162.00 per month; this means that if the take home pay of a family of four is $400 a month, this family can purchase $162 of food stamps for $113; with a take home pay of $350 per month the cost of $162 of food stamps will be $95 per month.* Inasmuch as the cost to a family of the standard diet increases with family size, the income which entitles a family to food stamps increases with family size. Thus a family that has six children with wage and salary income of $10,000 a year, which after social security taxes, income taxes, journey to work, and medical cost deductions that are taken to define income for food stamp purposes might well come to a $700 per month, will be entitled to purchase $278 of food stamps for $207. Inasmuch as a family with three children and the same income will not be entitled to food stamps, we have a children's allowance of 23+ dollars a month for the incremental children in such larger families. Inasmuch as the income tax deduction for children is worth a minimum of $8.75 per month to a family-paying income tax the total children's allowance for the 4th, 5th, and 6th children of our large family may be excess of $32 per month. For some families, through food stamps, we have a variant of the negative income tax that proved so disasterous to McGovern in 1972!

What happens to prices when demand is increased without any commensurate increases in supply? The answer is obvious, prices rise. Now let us integrate this single idea into an analysis of the effects of the food stamp program. In 1970 the value of food purchased for off-premise consumption was about $100 billions and food stamps were $1 billion; food stamps accounted for

*The numbers are from a Food Stamp Program table which rounds out the 30% of income standard expenditures.

about 1% of the food purchases, in 1973 the last year for which detailed information is available food purchased by households cost about $125 billions and food stamps accounted for $2.2 billions, approaching 2%. The newspaper reports on the food stamp program indicate that the costs are now running at the rate of $5.2 billions a year. We do not have current details of national income to enable us to update food spending; let us assume it now runs at 170 billions, so food stamps are now 3% of such food purchases.

Every time the price of the standard budget increases, the value of food stamps that can be purchased for an unchanging number of real dollars increases and the number of households eligible for food stamps increases, because the maximum eligible income is the cost of the standard diet as related to family size divided by .3. Today large families with incomes well above $10,000 a year as commonly measured are eligible for food stamps. Every rise in the price of food in the standard basket - and remember food stamps can be used for all foods not just basic or surplus foods - means that eligible households receive larger amounts and more households are eligible, the rate at which funny money is printed increases even more rapidly than the inflation rate. Some 20 millions are now on food stamps, and the estimates are that another 20 millions are eligible but are not now receiving food stamps: an explosive inflationary potential exists in the food stamp program even beyond what has already been achieved.

A rise in the price of food mainly hurts those who are close to the eligibility line although not eligible: the near poor are mainly hurt by such a program that is intended to help the poor. If food costs are an element determining collective bargaining demands - and in many areas an

indexing of wages, salaries and transfer payments is in effect - the repercussion is automatic - a rise in food prices translates into a generalized rise in wages, supply prices, and demand for goods. The beneficiaries of income increases 'fight it out' with the food stamp recipients for available food - raising prices another round, which raises both the eligibility level for food stamps and the amount paid out to prior recipients of food stamps etc: food stamps constitute an independent cause of an inflationary spiral.

If ever there was a program in which sentimentality with regard to hunger and cliches about consumer sovereignty dominated analysis and reason it is the food stamp program. There must be a better way than the road we have traveled. I will get back to transfer payments before I finish.

One striking characteristic of policy over the past 40 years has been a consistent thrust towards the generation of income independent of current labor market participation. If an economy is felt to be unable to generate a sufficient number of jobs to employ all who are willing and able to work under one set of social rules, then one way to eliminate unemployment is to change the social rules so that labor market participation is decreased. Raising the school leaving age and lowering and improving retirement benefits is one tack; another is to improve the money income that is available independent of labor market participation. Welfare, unemployment insurance, and food stamps are additional elements in the anti-employment thrust to policy.

No matter how much the process is obscured by artifacts like the social security trust funds, transfer payments always involve a transfer of income from those who are active in the labor force to an inactive segment of the population. This transfer takes the form of raising the price level of

consumption goods relative to the wages of production workers, adjusted for whatever increases in productivity may occur. There is a limit, determined by increased productivity of labor in the production of consumer's goods, to the increase in transfer payments that is consistent with an improvement in the real income of production workers. Shifts in the labor force away from the production of consumer goods and towards the production of investment goods or sterile government goods such as defense and increases in the scope and generosity of transfer payments that combine to exceed the limit given by increases in productivity in the production of consumer goods will lead to price increases; i.e. be inflationary. The standards of life not only of the production workers in consumption goods but of the entire population is lowered by such programs if they are carried beyond the limits given by productivity increase in consumption goods production.

We have to reverse the thrust of policy of the past 40 years and move towards a system in which labor force attachment is encouraged. But to do that we must make jobs available; any policy strategy which does not take job creation as its first and primary objective is but a continuation of the impoverishing strategy of the past decade.

Income Distribution: Poverty and Impoverization

Much has been made of economic growth as a solution to problems of poverty - and much of policy has been based upon the importance of investment as the major determinant of the rate of growth. Investment means that current resources are used to produce hoped-for future income. One side effect of this emphasis upon investment is the development of liability structures that contain a large volume of debt: the acceleration of financial instability,

discussed earlier, is one result of the emphasis upon growth through investment.

The institutionalization of the emphasis upon investment, by means of investment tax credits, accelerated depreciation, and various proposed absorptions of entrepreneurial risk by the Government, are all conducive to instability and by transferring workers from the production of current output to the production if hoped for future output, the emphasis upon investment is inflationary.

One major development over the post war period has been a widening of the spread of relative wages among production workers. Over the past decade a sharp rise has occurred in the relative wages of production workers in contract construction. Inasmuch as workers in contract construction are largely employed in the production of capital assets, this increase is a result of the way in which the emphasis upon growth through investment has strengthened the hand of a particular set of unions, at the expense of other workers and the public in general.

Prior to the 1930's trade unions in the United States were woefully weak. This was so because union strength and power was related to business cycle—stages. During periods of good times and labor shortages, labor succeeded in organizing, and during depressions labor unions were effectively reduced in power, if not destroyed. One aspect of the great depression was an enormous - 20% - decline in prices and a 33% decline in wages over the years 1929-1933. The financial repercussions of such a fall in prices and wages was that the burden of debt increased enormously, leading to successive waves of bankruptcy, each wave making the depression worse. It was reasoned that if a floor were set to how far wages could fall, then a cumulative debt-

deflation could not occur. (It is important to note that the New Deal policies were set before the publication of The General Theory by Keynes: the monetary and fiscal thrust towards the control of recessions and great depressions had no intellectual respectability.) Thus once price-fixing, by the N.R.A. device, was ruled out by the Supreme Court, it was felt that strong trade unions were needed as a barrier against wage and price deflation. Hence the development of government support of trade union organization. Similar reasoning underlay the agricultural programs.

However since World War II the various Keynesian devices to sustain income have been available and respectable - and transfer schemes plus large federal government spending due mainly to so called defense has made the floor to income relatively high. Thus the deep depressions that periodically virtually destroyed trade unions have been removed, and the protections of, and lack of control over, trade union power has remained. This has resulted not only in a strong upward thrust in money wages but also an increase in the dispersion of relative wages since World War II. The coexistence of strong trade unions alongside weak trade unions and unorganized sectors is perhaps the worse of all possible arrangements: especially in a society whose morality approves of or tolerates the exercies of "clout." A regime of universal trade union organization with annual tri-partite (labor, management and government) is superior to what we have.

In Table IV some details supporting the above assertions with respect to wage movements and wage dispersions are presented. Over the years 1948-1973 the average weekly earnings of production workers in manufacturing rose from $53.12 to $165.24. Over the same quarter of a century the consumers price index rose from 72.1 to 133.1, the relative C.P.I. was 1.846; if the

TABLE IV

Relative Weekly Earnings of Production Workers

Average Weekly Earnings relative to Average Weekly Earnings in Manufacturing

Production Workers in 21 Manufacturing Industries, Mining, Wholesale and Retail Trade and Finance, Insurance and Real Estate

% Distribution

Weekly Earnings relative to the average production worker in manufacturing %	% of Workers in each relative income class					
	1948	1953	1961	1966	1969	1973
135.6 - 145.5			.52		9.36	9.3
125.6 - 135.5	.74	.66	9.60	14.7	.36	7.75
115.6 - 125.5	18.40	28.84	14.04	10.54	14.17	5.73
105.6 - 115.5	9.37	4.27	9.73	9.62	10.16	11.08
95.6 - 105.5	14.36	11.63	12.63	8.66	8.49	.94
85.6 - 95.5	18.27	10.39	-	4.07	3.89	11.28
75.6 - 85.5	11.38	6.82	11.57	13.11	13.51	12.28
65.6 - 75.5	27.24	10.09	4.81	4.0	3.81	2.78
55.6 - 65.5		27.17	35.07	35.0	36.01	38.71
# of workers in above (thousands)	23,616	25,947	24,880	28,953	30,865	32,349
total civilian employment	60,621	63,015	70,459	75,770	80,734	88,714
% of civilian employment in above distributions	38.9%	41.1%	35.3%	38.2%	38.2%	36.4%
average weekly earnings in manufacturing	$53.12	$70.47	$92.34	$112.34	$129.51	$165.24
relative weekly earnings in industry with highest relation	1.304	1.282	1.346	1.302	1.402	1.450
relative weekly earnings in industry with lowest relation	.682	.644	.628	.610	.607	.574
Range: highest ÷ lowest	1.91	1.99	2.14	2.13	2.30	2.52

price level had remained constant over these twenty five years an average wage of only \$89.91 would have purchased the same bundle of goods that the \$165.24 purchased. Of the \$112.12 increase in weekly wages some \$36.79 represents real betterment and \$75.33 was an offset to inflation. At the same time the spread of the distribution of earnings of non-supervisory workers has sharply increased. In 1948 42% of the workers were in industries that fell in the range ± 15% of the average in all manufacturing, 19% were in industries where average earnings were more than 15% above the average in all manufacturing, and 39% were in industries where earnings were less than 85% of the average. In 1969, 23% were in industries in the bracket ± 15% of the average, 25% were in industries where earnings were more than 15% above the average, and 52% were in industries where earnings were less than 85% of the average in all manufacturing. In 1973, the latest years for which data is available, the ranges ± 15% of the average included 23% of the workers in these categories, 27% were in industries where earnings were more than 15% above the average and 54% were in industries where earnings were less than 85% of the average.

If we look at the ranges of relative earnings we note that in 1948 the entire distribution ran from 65% to 135% of the average and less than 1% of the production workers were in an industry with earnings that were more than 25% above the average, and 27% were in an industry with wages less than 75% of the average. In 1973 the range runs from 145.5% of the average to 55.6% of the average and 17% of the workers are in industries with more than 25% above the average in weekly wages and 41% are in industries with less than 75% of the average. Clearly the range has increased.

Of special interest in the light of our above discussion of investment

is the course of average weekly earnings in contract construction. In 1948 weekly wages in contract construction were 1.20 of the average in manufacturing, in 1966 they were at 130% of the average, and in 1973 they were 1.45% of the average. Contract construction labor is a major ingredient in the cost of housing and in the plant part of investment. But to validate investment in housing or in plant the rents or profits have to be large enough to pay the interest and the principal on the debts and equities that are issued to finance this investment. The prices of the products of these investments - whether they be the house rents or utility bills - have to be high enough to meet these financial commitments: the absolute dollar value of future rents and future profits have to be larger relative to today's wages in manufacturing than they were for earlier construction. Dollar markups on operating costs have to rise to validate newly produced capital assets that are used in commodity production: this in itself is an inflationary pressure. Either the other dimensions of the standard of living of the rest of the population has to decline to repay investors for the wages of construction workers or a generalized inflation has to occur which raises the future dollar incomes of other workers to a level that is consistent with the higher costs of construction labor.

As long as we are on an investment kick in national policy the power of the unions and contractors in construction is not only sustained but increased; they will attempt - and by the record to date succeed - in keeping and increasing their current incomes relative to other money incomes. Thus the inflation is not only not a 'one round' phenomena but is a recurring phenomena; and furthermore it is at an accelerating rate.

When in 1948 the average contract construction weekly wage was 120% of

the average weekly wage in manufacturing, the average worker could more easily pay the rents needed to validate housing costs than when the average wage in contract construction is 145% of the average wage in manufacturing as in 1973. Wage increases have priced new housing out of the ability to pay of the average worker; as a result we need ever increasing doses of subsidies and an acceleration of inflation to sustain housing production.

Maintenance of housing is more labor intensive than the construction of new housing. Part of the urban problem can be laid to the rise in the relative wages of labor in construction, which has an even greater impact upon maintenance than upon new construction.

<u>What Can Be Done?</u>

The way in which the economy has functioned over the past ten years and the likely future of our economy, if we keep along the path we are on, is clearly unsatisfactory. The irrational elements in our economy are pervasive. The current crisis is compounded out of flaws which are inherent in Capitalism and institutional arrangements and policy thrusts which in many instances were adopted to alleviate some of the shortcomings of Capitalism. These institutional arrangements and policy thrusts are largely ineffective and to some extent perverse because policy has not been based upon a deep realization of the flaws inherent in the economy. To do better we have to design our institutions and operate our policies on the basis of an analysis of the economy which recognizes the imperfect nature of the capitalist order of things.

Thoroughgoing reform will touch on many elements of our economy. The market mechanism is a powerful control and coordinating device if the ruling

conditions are appropriate - and the most appropriate ruling condition is the absence of private power and control over markets. Technically this private power and control is the result of monopoly, but in addition to the power over markets due to monopoly type arrangements there is the power that comes from size. In place of an anti-trust policy we need a positive policy with respect to size - a simple slogan to guide action is that bigness is bad.

Bigness

Of course what is big can become an issue. In banking, the sector of the economy I know best, we can define a bank as being too big if it will not be allowed to fail; in the current situation this may mean an upper limit to size of any bank of something between $5 billion and $10 billion in total assets. (The $60 billion National City Bank and Bank of America are clearly too big). In the corporate sector the limits of acceptable size may be more difficult to define, and the difficult question is what are the alternatives to allowing organizations that are too big. It is easier to break up the giant banks than some of the giant corporations.

One way of looking at the issue of appropriate size and organization is to inquire whether a firm - or an industry - is going to fully face the test of the market or whether it is going to be protected by various government actions if unfavorable developments occur. Furthermore we may inquire as to how the prices of what it sells are determined. Is there an impersonal market which determines price, so the unit takes what it can get, or are the prices of what it sells determined by its own or by some regulatory procedure, i.e. it gets what it can take. Many prices, such as utility rates, which by their very nature do not directly reflect current

costs , can be best viewed as the result of private taxing power: A.T.T., Union Electric, T.W.A., etc. are more like tax farmers than the competitive businessman of the economics text books.

Where an organization is in the nature of a private taxing authority an arbitrariness in the prices of outputs is inevitable. This arbitrariness imlies an ability by the organization to cross subsidize: to get revenue from sector A rather than from sector B. But once the issue of cross subsidization through the taxes of a rate structure are admitted to exist, the question needs to be raised whether an entire industry - like the railroads - should meet its costs through the taxes in the form of prices, or perhaps part of the costs can be met by taxes on other outputs or from general revenues. For example if Railways are less polluting and less energy intensive than trucks, buses, automobiles or airplanes it might make sense to add into the fares or cost structure of trucks, buses, automobiles, and airlines funds to subsidize railroads. Special gasoline taxes to subsidize mass transportation is rational possibility for cross subsidization. Given the arbitrary nature of particular prices for particular outputs of such capital intensive joint product organizations, as railways and automobiles the possibility exists that relative prices should be used to guide use patterns. In fact prices for the private taxing and public subsidized sectors of the economy are as much a political decision as the income tax schedule.

It is clear that utility, transportation, and much of communication can be called private enterprise sectors only by an unwarranted extension of the term. We have to escape from the hang-up about nationalization and go back, not to square zero, but to the early 1930's when we were innovative in creating various not private and not centralized public forms of organization that

would be authorized to use the private taxing powers not for profits but to serve a publicly defined purpose. If the Congress would not be remiss in its oversight functions, if Legislatures and Boards of Aldermen really oversaw such public bodies, I would trust decentralized public enterprise with many tax powers rather than giant private corporations which stand revealed as corrupt and corrupting institutions.

Construction Wages

It was pointed out earlier that wages in construction have risen relatively to wages in other industries. Over the period in which this took place a large part of construction was on government contract - roads, military, space, public housing - and another large part of construction was for the private taxing authorities such as utilities, communications, etc. which pass on increased costs in their private taxes. In addition housing construction receives pervasive subsidies through mortgages etc.: look at the to do that takes place whenever housing starts falls below some target. Furthermore business investment, which is heavily construction, is subsidized and encouraged by government programs such as investment tax credits.

Much of construction labor thus is either paid for by government or is protected from market forces by government policies. But if the government pays or protects should not the government be involved in the setting of contract terms? A general principal should rule government intervention in markets for labor: If the government is to pay, or if private taxes are to pay, then the government should participate in the setting of wages and prices. Thus permanent institutionalized wage and price controls in the construction, utility, health and defense supply sectors are called for. In construction I suggest the thrust of government controls should be roll back wages to the neighborhood of 125% of the average in all manufacturing from the present

(1973) 145% of the average.

Reform of Transfer Payments

The transfer payment mess cannot be handled by piecemeal changes; thoroughgoing reform, based upon an understanding of how our economy works and principles consistent with human dignity and independence is needed. The principles that should underline the reform are an affirmation of both the dignity of labor and the social value of receiving income as a right because it is earned. Thus, thoroughgoing reform requires the manipulation of the economy so that there are jobs for all - the young, able-bodied adults, handicapped, and aged. Very few should be excluded by principle from the dignity which comes from a realization of their worth through doing a job. The task of job creation is to take people as they are and to generate jobs that fit: no more demeening the worth of the unskilled by calling their jobs "dead-end" jobs.

In order to have more jobs than workers and not create a strong inflationary thrust the job guaranteed will have to be at the statutory minimum wage for adults - with some minor differentials for youth. Furthermore, because it is highly desirable that the old, the young, the infirm, and those with child care responsibilities have the opportunity to work, the jobs that are created should include part time as well as full time jobs.

As only the government can take people as they are and fit jobs to them, I propose the creation of an open ended modern equivalent of the Works Progress Administration of the 1930's As I conceive it, this modern W.P.A. would differ from the public service employment schemes that are being advanced in that the jobs would be at a wide variety of public and semi-private contracting agencies. The objectives of the contracting agency would be

spelled out and the tasks to be performed would be agreed upon. As I visualize this scheme it guarantees every participant who fulfills job responsibilities an income of $4,200 a year (the current minimum wage rate). By allowing multiple earners in a family, family income can exceed the $4,200 by a margin: there should be no means test for these jobs; anyone willing and able to work will be put on the projects.

The guarantee of an income through a job is the first step towards the elimination of the welfare mess.

Job creation through W.P.A. is a completely different strategy from that which has been followed during both Kennedy/Johnson and the Nixon/Ford eras. Whenever over the past fifteen years there has been a lack of jobs the policy strategy has been either to reduce taxes - almost always for the already affluent - or to expand government spending on projects that tend to hire the already well paid workers: defense, space, highways, fancy metro systems, housing, etc. The strategy has been to reduce taxes and increase spending for the already affluent, in the vague hope that some benefit will trickle down to the poor and low income population. The strategy proposed here is to create jobs at modest income for all: the immediate benefits are to the unemployed and the low income population. The already affluent need no breaks - and they can so to speak take care of themselves.

In addition to the open-ended W.P.A., I would immediately ressurect the Civilian Conservation Corps of the 1930's. This could, and should, be done independently of the other parts of the scheme. I would make the enlistment period for C.C.C. one year, I would initially program the operation for 1,000,000 young men and women at the ages of 16 through 21. As I see it the program would involve camp living, the young worker would receive

room and board and perhaps $5.00 a week pocket money and at the end of the year's participation a lump sum payment of $2,000 would be made (alternatively $20 a week could be sent home and $1,000 lump sum payment could be provided). I would use military personnel in supervisory functions at the camps; the contracting agency for the tasks would provide the on the job supervision. I visualize both urban and rural projects for the corps.

The putting to useful work of such youths will do much to alleviate the social problems of our urban areas. If 40,000 young men and women who do not want to be in school and who are unemployed with no immediate job prospects were removed from the New York City school system and streets, the task for the schools and the public order authorities would be eased. After a year in the corps the young men and women would have broader visions, job experience, and confidence in their capabilities as well as a stake for either schooling or a start on another job. To my mind it is a criminal neglect of public responsibility that the C.C.C. went off to World War II and never returned. It is of great urgency that it be re-established as soon as possible.

A third weapon in the arsenal of a job strategy against poverty is the resurrection of the National Youth Administration of the depression days. N.Y.A. was a program that provided jobs through high-schools and colleges. I would make N.Y.A. jobs available to all who want to work - with the high schools and colleges as the contracting agent. Not only would such jobs provide income and work experience for students, if properly run the work performed would remove some of the cost burdens on the schools. N.Y.A. should also provide open ended summer-employment opportunities for youths. The object would be to make about $800 per year in income through jobs

available to youngsters in high school: half during the school year and half in the summer. I would have the program provide $1,600 per year for college students; again half during the school year and half during summer.

A fourth tool in the program is a universal children's allowance. Because I envisage that N.Y.A. and C.C.C. will pick up the tab for youth income at the age of 16, this program will cover all children until their 16th birthday. At $40 per month, with 61.3 million children under 16 (1972) the gross payment would be $29.4 billion. Eliminating the $750 per child allowance in the income tax would recapture about $9 billions. In 1972 aid to dependent children cost $7 billions, and the elimination of food stamps for children should recapture several additional billions of dollars. Thus the net costs of a children's allowance would be about $11 billions - and doubtlessly other transfer payment schemes could also be reduced at the same time. Although $11 billions may seem like a great deal we must recall that total transfer payments were running at almost $160 billions in the first quarter of 1975.

Social security is another transfer payment scheme that has to be brought under control. Basically I would eliminate the 62 optimal and the 65 "mandatory" retirement ages. I would also eliminate the ceiling on earned income. I would give each person the option of beginning to receive social security benefits at the age of 65 or to delay receiving benefits until later, allowing the death benefit and the retirement income increase on an actuarily sound basis with the age of actual retirement. Such a combination of a right to work (including full or half time on the W.P.A.) and the ability to schedule social security benefits to conform to the wishes and needs of the retiree should enable us to end the pressure for ever escalating benefits.

What such a program of say 2.5 million on W.P.A. ($10 billions),

1 million on C.C.C. ($4 billions), and some million high school youths and half a million college students on N.Y.A. ($1.6 billion) should do is break the back of dependency and poverty - especially if combined with a $11 billion dollar net cost children's allowance. Twenty seven billion dollars or so seems like a lot, but it is quite manageable in the light of our current $158.7 billions of transfer payments. In addition the workers on W.P.A., C.C.C., and N.Y.A. will be contributing to national income and wellbeing by their projects. From the present schemes we get little or nothing.

Furthermore the W.P.A. approach is a substitute, not an add on for two programs adopted during this recession: the extended unemployment insurance, which is blatantly inflationary, and the tax reductions/investment tax credits which are a continuation of giving to the well to do in the hope that something may accrue to the poor. Thus the net costs of a program such as I envisage will be substantially less than the gross costs of the program. It is fiscally manageable.

A vital attribute of the above schemes is that set floors to income. They do not promise affluence - they promise a reasonable minimum and the dignity of self reliance. A job based, rather than a transfer based, strategy against poverty is a first and vital step towards making our economy work better.

Capital Shortage

A major attempt is underway by the Administration, Bankers and Wall Street operators to create a belief that the American economy is suffering from a capital shortage. In particular they are adding up guesses as to capital needs for the decades ahead and estimating the availability of

savings flows, in order to come up with gaps of greater or smaller magnitude that they label as a capital shortage. Their policy proposals are aimed at increasing the flow of savings by tax changes which benefit corporations: larger and permanent investment tax credits, exempting dividend payments from the corporate income tax, increasing the tax exempt dividend allowance for households, and various schemes of government underwriting of corporate debt - especially in the energy related fields.

Some of the proposals for government risk absorption for large scale enterprises could serve as a definition by example of socialism for the rich. Any guarantee against losses due to an inept choice of technology - which is a feature of the proposals for the privatization of the front end of the nuclear energy chain - is a government underwriting of inefficiencies in the choice of techniques.

However I really want to deal with some more fundamental aspects of the so called 'capital shortage.' First of all it is economic nonesense to speak of a 'capital shortage' independent of the price that has to be paid for providing capital on the lavish scale that is proposed. What are we going to give up if we go ahead and build capital assets at the scale envisioned; what are the alternative technical choices which are available which have been rejected in determining capital needs.

We know we have large scale unemployeemnt and we also know that even at the cyclical peaks our unemployment rates are significantly greater than those of the successful Western European economies. We really suffer from chronic labor surpluses - that is the reason why we need to introduce a permanent W.P.A., C.C.C., and N.Y.A. into our policy strategy. We have carried substitution against labor too far in much of our technology: and the proposals now eminating from the administration and Wall Street really want to further this tendency.

Central to the argument that there is a capital shortage is the energy crisis. The attempt to meet a presumed need for energy requires enormous sacrifices of current output. We know that Sweden has a higher per capita gross national product than the United States; we also know that the energy consumption per capita in the United States is twice that of Sweden. This is a counter example to the argument that we need more energy to raise our standard of living; if we were as energy efficient as Sweden we could presumably achieve our current level of life with half our energy consumption. We would presumably be in a position to be a net exporter of oil if we achieved this. Think of what such energy efficiency in the United States would do to O.P.E.C!

But to achieve such energy efficiency we would need to do much more than increase the energy efficiency of the automobiles we use to levels comparable to those achieved in Europe and Asia. We would need to restructure our transportation system - rebuild our railways - and more importantly compact our urban centers so that the journey to work is decreased.

We need to think hard about the social prerequisites for achieving a compacting of our urban centers so that the journeys to work and the journeys to the activities of life are decreased and much less energy dependent. After all the cheapest, least polluting and perhaps most healthful way to get from one place to another is either to walk or to bicycle. In our urban centers we should endeavor to arrange things so that for most people the journey to work, to leisure activities, to schools, and to shops is either less than a mile or can be accomplished readily by public transport.

We need to manage our cities and our productive facilities better; we

really do not need more of what the capital shortage people are trying to sell.

I mentioned earlier that bigness is bad because it conveys power. We need to seek alternatives to the giant corporations as the centerpiece of our economic life. Certainly the abberation of corporate structure, which lead to the conglomoration of many types of activities under one corporate umbrella, does much more harm than good. The glamour is gone from the fairy tale about the efficiency of large scale organization. We now know that the giant corporations and conglomorates are not paradigms of virtue, of efficiency, or of foresight.

What we need is an age of experimentation with alternatives to the giant firms and capital intensive production technique. We need a revitalized co-operative movement which looks towards the establishment of cooperatives of various kinds. As overhead wage scales and prices rise in the corporate sectors of the economy, room is made for high and fulfilling standards of living through craft and handicraft production. We really should have a National Handicraft Extension Service - an urban equivalent to the Agricultural Extension Service - which aims at the promotion of localized labor intensive production: we need craft alliances, furniture craftsmen cooperatives, sewing associations, neighborhood maintenance organizations, and urban cooperative stores. We need experimentation in industrial organization which allows for state, local, and regional ownership. The thrust that developed after World War II, in which the giant corporation was the focus for development and progress, was largely an error and certainly has now run out of steam. Even perceptive Wall Street operators are now calling for massive government subsidization of giant firms.

Before we go along that route, we should explore alternatives.

Capitalism's virtues and strengths depend upon the innovations and initiative that come from entrepreneurial involvement not only in management but in the financing of operations. The corruption revealed by Watergate and the bribery of foreign operations may be just the tip of the iceberg. If the "management" of a corporation owns but little of the corporation, if they have learned how to launder money to bribe foreign officials and to pay the levies of CREEP and other politicians, is it too much to suspect that the same techniques can be used to convey bank and corporate funds for the benefit of management. Integrity and the giant corporate organizations as they now exist seem to be mutually exclusive.

Thus what we have is in many ways the antithesis of free enterprise. Only by thoroughgoing reforms, designed not to aid the rich and affluent but to abet the lot of the poor directly - not by trickle down techniques - can we do better.

The crucial need is for a good hard look at where we are - and what is wrong with where we are. I have offered some suggestions along those lines, and some rather modest proposals for reform of our approach to economic policy.