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Hyman P. Minsky Ph.D.

capitalist system with no chance of being solved without the construction of a socialist society. What is really needed is a different social system — one that is directed to meet the needs of the entire society of producers in place of one that, when push comes to shove, promotes and protects business profits.

Murray N. Rothbard

Economics professor, Polytechnic Institute of New York and author of "For a New Liberty."

Inflation can be stopped very easily. It is caused by the Federal Reserve's continually expanding the amount of money available for lending in the nation's banks. The Fed must stop this practice permanently. The fear that a recession would ensue overlooks the fact that we always have recessions but that this time the recession would not add to the problems of inflation; for once, this recession would not sow the seeds of future recessions.

High tax burdens on individuals and corporations cripple productive investments and savings, hence hamper economic growth and prevent productive citizens from spending their own money in ways they deem best. Government regulation cartelizes industries — classic examples being the airlines or trucking industry. It restricts the competitive pursuit of consumer business, raises prices and curtails production, and, by such regulations as licensing, cripples small-business men and keeps them from getting started or from competing with larger, established firms.

And government producers — from the post office to local garbage collection — are almost invariably swollen, wasteful, and glaringly defective, since they face no incentive to be efficient and make profits or avoid losses.

The solution is simple in concept though difficult in practice: Get Government out of all these areas — and off our backs. The state is neither Santa Claus nor expert fine tuner and problem solver. Rather, it is a parasitic encumbrance on the voluntary activities and the creative energies of the American people.

Hyman P. Minsky

Professor of economics, Washington University; author of "The Financial Instability Hypothesis; A Restatement."

Steps to halt inflation induce financial crises; measures to abort crises accelerate inflation. The dismal behavior of our economy now is due to the fragility of the banking and financial system, the exercise of monopoly power by business and labor and inappropriate Government interventions. Before a more stable economy can be achieved, a series of reforms are necessary. Monopoly power must be lessened and competition increased. Barriers that keep groups of people — the young, the aged, women, minorities — out of the job market must be removed. Employment projects, like those of the New Deal's Works Progress Administration — W.P.A. should replace welfare in all its various forms. We must limit the assets any private organization can control, and we must put constraints on the types of debt business and banking institutions can use to finance their undertakings.

The oil crisis, which is exacerbating our economic instability, is really a balance-of-payments problem. The bill for imported oil makes it impossible for the United States to achieve a close approximation to full employment at stable prices. The solution is to emulate the Europeans and impose a stiff (at least $1 a gallon) tax on gasoline. This tax will yield enormous revenues, which can be the basis for tax reform. A prime candidate for tax reform is the payroll tax, which, being a cost, is both inflationary and a cause of unemployment because it causes employers to hire fewer workers than they might otherwise.

Nicholas Georgescu-Roegen

Professor emeritus, Vanderbilt University; author of "The Entropy Law and the Economic Process."

To stop inflation and unemployment, we must erase some past structural distortions of the economic process. This task, painful though it will be, pales in comparison with that imposed by the irrevocable depletion of fossil fuels. The irremediable shortages of natural resources not only exercise a steady pressure on all prices but, worse, reach beyond the economic into the bioeconomic. The question is not just how the human race makes a living but whether its work now jeopardizes its own industrial advanced mode of life.

The previous technology, based on wood, was also menaced by a crisis. That crisis was resolved by the discovery of the qualitative conversion, via the steam engine, of the power of fire into motor power. Coal then became technologically accessible. Today, the qualitative conversion of fissionable materials by the breeder reactor is not proved safe. And the known recipes for harnessing solar radiation are parasites of the current technology. The only reasonable bioeconomic program consists of systematic conservation, reducing the growth rate of world population and diminishing inequalities among nations. In this way we can gain more time for the discovery of a safe, self-sustaining technology, or alternatively, adjust without great calamities to some softer technology. As a species, instead of "maximizing" our rate of production, we should minimize our future regrets.

To rely on the price mechanism for conservation would be a great mistake: it does not protect the whale from extinction, nor us from air pollution. Only quantitative restrictions are apt for the job. We must stop claiming that a new technology is already there to rescue us — a dangerous illusion. No doubt, the above bioeconomic program exceeds the power of any single nation. But if serious concerted action is not forthcoming soon, warheads are likely to fly over the possession of the last drop of oil.

Robert E. Lucas

Professor of economics, University of Chicago.

In the 1970's, authorities repeatedly sacrificed long-term objectives to shock the economy into the appearance of better performance. There is, obviously, a limit to the number of times such tactics can work.

I would favor a gradual approach to 4 percent annual monetary growth and a balanced-budget fiscal policy, the steady maintenance of these policies thereafter, and the avoidance of controls on wages and prices, direct or indirect. These policies would virtually assure a return to approximate price stability. They would not, in my view, hinder real performance averaged over the decade. Most important, they would contribute to providing a predictable, stable economic environment.

Kenneth E. Boulding

Professor of economics, University of Colorado, Boulder, a former president of the American Economics Association.

The inflation-unemployment dilemma can be solved, first, by a 10 percent surcharge on income tax to reduce the budget deficit, which is the prime source of the inflation — since there is not much hope of reducing Government expenditure. Second, there should be a law invalidating all money-lending contracts unless their rates of interest are immediately cut at least in half.

To help solve the long-run resources crisis (oil, gas, water, minerals), all commodity and land and real-estate taxes should be shifted onto those things which are going to be scarce later, like oil and gas, to make them expensive *now*, for nobody will either conserve or find new substitutes and sources for anything that is cheap.

We must be bolder, says Boulding.

William K. Tabb

Associate professor, Queens College, CUNY; member of the Union for Radical Political Economics.

First, we are not in an ordinary business cycle but a severe restructuring crisis more akin to the Great Depression; thanks to state expenditures, however, it is less disastrous. The problems are rooted in the transformation of the world economy. Inflation is caused by the decision to create dollars and buy up resources around the world, beneficiaries being large banks and corporations, losers being workers who earn less in real wages than a decade ago. The cures proposed by mainstream economists require severe suffering and promise little. The consensus is that America should be given a dose of recession. The debate is over how strong the dose. Unfortunately, all capitalist nations have the same basic medicine for dealing with inflation: reducing wage costs to stimulate sales. But competitive austerity lowers living standards everywhere, and, in the end, *helps no one.*

A better outcome can result from a process of political polarization that is already in progress. Needed, above all, is the extension of democratic processes to the economy: community control, workplace democracy and elections that offer people the opportunity to restructure the economy to the quality of life. This is not a utopian dream. God help us, it is the only realistic alternative to senseless austerity.

E. Ray Canterbery

Professor of economics at Florida State University and author of "The Making of Economics."

We must disabuse ourselves of the notion that even the best monetary and fiscal policies will do. High interest rates drive up housing prices even as they slow construction. Prices under mature capitalism simply do not respond to fine-tuned interest hikes or budgetary frugality — only to massive unemployment and reductions on income. And such drastic slides shatter Adam Smith's notion of Divine Harmony. *(Continued on Page 33)*

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