

LABOR PERISCOPE

Using the economy as a club

Two weeks ago, the Carter administration's inflation czar Alfred Kahn stood before the nation's press and pronounced a new, modified version of the wage-price guideline policy. The plan, said Kahn, had been "liberalized" to take into account rampant inflation. Instead of the old 7 percent standard, the new program would allow for 15 percent wage and benefit increases over two years.

His remarks were greeted with justified skepticism. The old guidelines had been mostly ignored, the government's powers to enforce them were in doubt and seldom used, and with inflation running at upwards of 15 percent, surely no one would pay attention to this "modified" austerity program.

Kahn, who often says exactly what he means, told the reporters that they didn't understand the program. With the economy entering a recession, said Kahn, it is *the poor shape of the economy itself* that will hold down wage settlements by forcing companies to take tougher bargaining positions.

Kahn's statement is the first public admission by an administration spokesman that the government fully intends to use the economic collapse as a weapon to knock down wage increases.

Officials within Kahn's austerity-management bureaucracy, say the policy is already "operative" and "working quite well." Man-

agement, they state, has started adopting a get-tough attitude. "It's like they are telling labor 'look we got problems, so we can't pay what you expected,'" said a Kahn aide.

Such aides also report that for many companies poor sales have created backlogs of inventories; strikes are viewed as a way to cut costs and live off the backlog.

The Kahn people say that much of this is going on quietly, in small contract negotiations which are not getting the publicity.

It is clear that "collapse bargaining" is operative in the two key labor management confrontations:

The two electrical workers unions, with some 37,000 members, have been on strike against Westinghouse for the last seven weeks. Westinghouse has refused to sign the pattern agreement reached earlier in the summer with General Electric and is instead demanding a major "give back"—the changeover of the company's fully paid pension system to a contributory plan. Westinghouse is sitting on inventories of its major products and is prepared to hold out—even if the strike causes it to lose some customers to the competition. At this moment mediators report no progress in the negotiations.

In the auto negotiations, now less than a month away from a potential strike, General Motors and Ford in particular have seized

Kahn's economic club to try to beat down contract demands of the United Auto Workers. (Chrysler (see ECONOMICS) has been ruled out as a strike target; it has asked for special treatment from the UAW and has been assured that it will get some.) If the industry had been booming like this time last year, GM and Ford would likely want to reach a quick settlement to reap the profits from new car sales. But the Carter administration's oil hoax has gutted the new car market; sales figures are plummeting and an inventory glut fills showrooms. GM, in particular, is in a good position to ride out a strike and, according to sources close to the negotiations, is refusing to "give an inch" on the contract. On or about the Sept. 15 contract expiration date, the UAW is expected to announce that GM will be this year's strike target.

While Kahn states that a recession-dominated labor market is the "ultimate" weapon in the austerity arsenal, his aides indicate that other things are in the works. This initial phase of their plan will cause strikes and dislocation. Wait until after the auto strike, said a Kahn aide. The strike will soften everybody up for the next stage, some form of real controls program. Kahn's people are looking into such novel ideas as a form of "productivity indexing" which would link wage increases to rises in what the Department of Labor calls productivity. This would be coupled to a system of price controls. And even with this, inflation will be in double digits, economic activity slow, and unemployment high.

In the meantime, Genghis Kahn will swing his economic club.

He may be candid, but is he sane?

—L. Wolfe and M. Moriarty