

1

HOWARD J. SHERMAN University of California, Riverside

J

Harper & Row, Publishe<u>rs</u> New York, Hagerstown, San Francisco, London

CONTENTS

PREFACE ACKNOWLEDGMENTS	xi xiii
1. THE HUMAN IMPACT OF STAGFLATIONHistory of Unemployment in the U.S. EconomyThe Misery of Unemployment 5The True Extent of Unemployment 8Underemployment 12Unemployment of Minorities and Women 13Seasonal Unemployment 17Frictional Unemployment 18The Problem of Inflation 19The Human Impact of Inflation 20Blaming the Victim 22	1 2
2. CAPITALISM AND EFFECTIVE DEMAND The Capitalist System 28 Production for the Market 28 Regular Use of Money 31 Production for Private Profit 33 The Conservative View of J. B. Say 35 The Liberal View of J. M. Keynes 38 Equilibrium of Aggregate Supply and Demand Disequilibrium, Unemployment, and Inflation	27 38 40

ι,

Keynes and Consumer Behavior 41 Keynes and Aggregate Demand 43 The Radical View of Karl Marx 46
3. INEQUALITY AND CONSUMER DEMAND49Inequality in Income Distribution49Labor Income and Property Income51Consumer Psychology and Social Structure54Consumer Behavior Over the Business Cycle56Cyclical Shifts in Income Distribution60Cyclical Interaction of Income Distribution and Consumption64Appendix: Ratio of Profits to Wages66
4. INVESTMENT AND PROFITS67Gross and Net Investment67Investment Fluctuates Violently68Decision to Invest70The Accelerator'71Psychological Attitudes73Investment Determined by Profits and Profit Rates74
Realization of Profit77Production of Profit78Wage Costs Over the Cycle81Total Costs Over the Cycle84Profits Determined by Demand and Costs85
5. UNEMPLOYMENT 89 Conservative Neoclassical Theories 89 Liberal Keynesian Theories 91 The Underconsumptionist Version of Liberal 10 Theory 93 The Conservative Overinvestment Theory 96 A General (Radical) Theory of the Business Cycle 102 Factors Intensifying Cyclical Unemployment 104 Appendix A: Marx on Cyclical Economic Crises 113 Appendix B: A Radical Model 117
6. INFLATION121Normal Inflation in Business Expansions122Inflation in Wartime123The Money Supply and the Federal Reserve123The Federal Reserve System126

How Banks Multiply Money 128 Monetary Policy 131 Inflation in the Midst of Unemployment 133
7. MONOPOLY POWER137The Trend of Concentration137Increasing Business Concentration141The Reasons For Monopoly143Prices and Profit Maximization143Who Controls the Corporation?145Monopoly Profit Rates146Monopoly and Waste150Union Power153
8. MONOPOLY AND STAGFLATION 159 Labor Unions and Inflation 161 Monopoly Power and Administered Prices 163 Prices of Autos, Oil, and Food 166 Explanation of Price Behavior 167 Monopoly and Stability of Profit Rates 170 Retrospect and Preview 173
9. GOVERNMENT AND STAGFLATION175How Economic Inequality Produces Political Inequality175Watergate and the President178Congress and Economic Power179Economic Background of Political Leaders180Effects of Government on Economic Inequality182Government and Business186Regulatory Agencies188Fiscal Policy189Automatic Stabilizers190
Discretionary Fiscal Policies and Social Priorities191Military Spending Versus Welfare Spending194The Military Economy196Government Policy in Stagflation200
Stagflation Policy and the Ideology of Economists 205 Antitrust Policy 207 10 STACELATION IN INTERNATIONAL CARITALISM 211
10. STAGFLATION IN INTERNATIONAL CAPITALISM 211Monopoly Power in Other Capitalist Countries211Concentration by Multinational (or Global) Firms213

٩

٩,

ix

235

Imperialism216Profits and Imperialism218Stagflation and Imperialism219Rise and Decline of the U.S. Empire221Balance of Payments Problems223The International Monetary Crisis226Shortages230

11. WHAT IS TO BE DONE? THE NEED FOR
SOCIALISM AND DEMOCRACY
Existing So-called Socialist Systems236What Is To Be Done Immediately?238What Is To Be Done in the Long Run?240The Long, Long Run242

For Further Reading 244 Index 245