WHO'D BE SCARED OF 1990 IF LVT WERE IN ACTION ?

Bob Clancy, left, reviews Ravi Batra's best-seller, published by Simon & Schuster, New York, 1987

THE RECENT gyrations in the stock market have roused widespread apprehensions. Wall Street sneezes and world markets catch cold. What next? The ghost of 1929 walks again.

All this has given new significance to the best-selling book, *The Great Depression of 1990* by Ravi Batra.

As its title says loud and clear, we're in for it in a couple of years. Many are wondering if it will take that long.

The business magazine *Forbes* is not impressed. In a review of the book it said: "Batra's bafflegab is awful, appalling, terrible, no redeeming features whatever."

But the book's popularity reflects a serious concern on the part of many that all is not well in our economy.

Batra, a professor of economics, is of the cyclical school, and no doubt because of his Indian origin, there are some Hindu features in his analysis, such as the division of society into four castes (warriors, intellectuals, acquisitors, workers), as well as the cyclical interpretation of history.

In his analysis of cycles, Batra finds that a depression is overdue which has been staved off, but it should hit us by 1990.

One interesting point is that he finds a dangerous disparity in the distribution and ownership of wealth in America approaching an all-time high, with the richest 1% possessing greater wealth than the bottom 90%.

This with a shaky banking system and a speculative bubble, which when it bursts during a recession, will cause it to deepen into a serious depression.

His remedy for individuals is to convert to cash or gold. Get out of the stock market by 1989. He thinks real estate will also go down in value, therefore sell and take the cash. He does not seem to entertain the prospect of money losing its value.

And he does not distinguish between money and real assets, whether land or wealth. Nor does he consider that, if a depression hits, a person with land and a house has some place to live and some productive possibilities.

As for his social remedies, they are not very specific, even though he calls them "fundamental reforms". He would like to see a "planned free economy" with new New Deal measures such as controls over wages, over large corporations, a ceiling on wealth, etc.

We can understand why a conservative magazine like *Forbes* (and others) would not like Batra's book. It criticizes the policies of the Reagan administration, and the Conservative view is that the economy is doing well because of these policies.

But, whatever the shortcomings of Batra's un-fundamental analysis, the criticism that America is growing in wealth disparity is confirmed by other sources, incldng the U.S. Bureau of the Census (hardly a left-wing organization); and by M.I.T. economist Lester C. Thurow.

Thurow wrote a foreword to Batra's book. Without endorsing it and with a caveat on the complexity of economic problems, he said it is worthy of study.

Thurow was angered at the title that was given to the book which was supposed to be *Regular Cycles of Money, Inflation, Regulation and Depressions*. He does not want to go along with the prophecy game. (But would the book have sold with its original title?)

Backing for depressing talk

However, Thurow does support – in the present – a main point of Batra's that the distribution of wealth is becoming more unequal.

In no less a publication than *Scientific American* (May 1987) an article by Thurow appeared entitled "A Surge in Inequality."

He stated that "the rich are getting richer, the poor are increasing in number and the middle class has trouble holding its own".

He traces the problem to a slowdown in productivity. "The ultimate causes of this slowdown are harder to find, somewhat mysterious and a subject of controversy among economists."

Though a "liberal", Thurow does not primarily blame the Reagan administration which has not changed policies that much, despite all the fanfare.

He attributes the present plight to two major factors: intense international competition and a rising proportion of female workers who get lower wages than men.

Raise productivity, he urges as the remedy.

How? By education. Improve workers' skills so that they may become more competitive with Japan and Europe. And raise the earning power of women. But this does not address the question of great disparities in distribution.

Thurow speaks of the "feminization of poverty", but other low income groups have been cited – blacks, Hispanics, the rural poor, the unskilled. With economic opportunities restricted, some group or other is going to get the short end.

As for "education", we have been that route. After World War II there was an eduction explosion. The result has been that one might as well not look for a decent job without a college degree, preferably an advanced degree.

In the last century, people flocked to America from all countries – the tired, the poor, the uneducated – and they managed to get ahead. The big difference is that there was then an abundance of free land.

With most of the free land gone today, and much of it held out of use for speculation, that would explain the "mysterious" slackening of production.

It would greatly increase economic opportunities, stimulate production, lessen gross income disparities, and ease recessions by fully taxing land values and removing other taxes.

This would release a great reserve of land that would become available for production and for living. With such a remedy, we could say, "Who's afraid of 1990?"

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