

Subsidies will put unemployed to work, says MSU prof

The government should help put auto workers back on the job by subsidizing their wages instead of paying them unemployment benefits, said a Michigan State University international economist.

Prof. Mordechai Kreinin said that would cut automobile production costs and make the price of American-made cars more competitive. The subsidy should last two years, until the automakers complete the transition to smaller cars.

About 300,000 of the 1.4 million UAW members are now laid off. For at least a year, many of them receive almost their entire salary through unemployment benefits, supplemental unemployment benefits and trade adjustment assistance paid to workers who lost their jobs because of imports.

Kreinin proposes giving all that money to the automakers, who would rehire the workers. The government would subsidize a portion of the workers' wages, about 20 percent, while the companies would pay the remaining 80 percent.

"At the same time, both the unions and the companies would have to agree not to raise wages or profits for the

next two or three years," said Kreinin.

He thinks the subsidy would be a better solution than putting import quotas or taxes on foreign-made cars and making all Americans pay more for automobiles. He also prefers this to a state proposal to boost sales by eliminating the sales tax on cars.

For those who feel opposed to government subsidy of the auto industry, Kreinin pointed out that the government is paying out this money to the unemployed. Other industries have been subsidized and the government is already helping one automaker — Chrysler.

Import tariffs or quotas, which would violate international agreements, are just hidden subsidies, said Kreinin.

"I want to emphasize that this is a second-choice solution," he said. "It's a way to help the American economy get back on its feet."

In the 1970s, American automakers had the chance to take the competitive edge over imports. The American dollar was devalued from 4 to 1.7 German marks and from 600 to 250 Japanese yen. This was a huge subsidy to the industry, said Kreinin.



Sidetrapping serenade

Nancy Kolton (right) of Southfield joined Lori Mills in a serenade to movie and TV actor Ephrem Zimbalist Jr., who was in town for the Republican Convention last week and happened by Greenfield Village on a sightseeing sidetrip. Singers Kolton and Mills are performers in the Village's Old Time Summer Festival, running through Aug. 31.

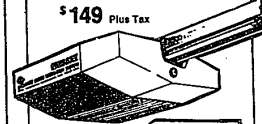


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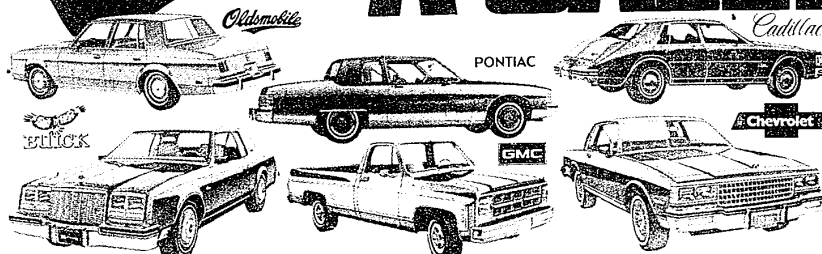
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