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# AN ECONOMIC PROGRAM FOR JUSTICE AND GLOBAL SOLIDARITY

by Samuel Bowles

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The U.S. today needs economic leadership that is populist but not jingoistic, that is committed to the solidarity of all the world's people without sacrificing the livelihoods and communities of the working people of the U.S., that builds our future by enhancing the productivity and opportunity of all Americans rather than evading economic realities and promoting racial and international tensions by blaming other countries for our problems.

Trickle down has been tried; and it has failed. Seven years of Reaganomics has reduced living standards in the U.S. and abroad, opened a widening gap between haves and have-nots, and propelled the U.S. economy to the brink of financial collapse.

- The President promised that tax breaks for the rich would channel more money into savings: the well to do got their tax breaks, but since he took office the savings rate has plummeted to historic lows.

- The President promised that lowering taxes on corporate profits and deregulation would spark an investment boom; under his administration we have seen a decline in net investment compared to the previous four presidential administrations and a deterioration of services in deregulated sectors of the economy.

- The President promised that all would benefit from his economic program; but while six-digit incomes have soared, the paychecks of production workers have shrunk, home ownership eludes more and more young couples, and poverty stalks the streets of America on a scale unknown in a generation. The president promised an economy which would be lean and mean; for the middle class, workers and the poor he delivered a quality of life which was just that.

- The President promised that his brand of slash and burn economics would restore the competitive edge of U.S. firms in world markets; but the decline of U.S. competitiveness has accelerated under his administration, culminating in unprecedented trade deficits and what must be the most dramatic case of national downward mobility in memory: the U.S. fell from its position as the world's largest creditor to the world's largest debtor in the course of a single presidency.

- The President promised that the trickle down remedy would safeguard the future prosperity of the U.S. people; but he has ignored the needs of children and those who care for them, he has shortchanged our schools and universities, starved civilian research and development, has adopted policies that have placed the future of our natural habitat at risk, and promoted an environment of financial instability in which mergers and takeovers gobble up corporate dollars while the need for productive investment to modernize the U.S. economy goes unmet.

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***Trickle down has been tried; and it has failed. Seven years of Reaganomics has reduced living standards in the U.S. and abroad, opened a widening gap between haves and have-nots, and propelled the U.S. economy to the brink of financial collapse.***

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That's not all the bad news: the U.S. people have yet to feel the real pinch, for the failure of Reaganomics has been papered over by borrowing against the future. The U.S. economy today is living beyond its means—importing more than we sell to the rest of the world—to the tune of \$150 billion each year. This number—which Reaganomics created and can't seem to budge—may

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University of California at Berkeley

be called the great discrepancy, for it gives the lie to the President's promises of a rejuvenated economy.

- To finance the great discrepancy we are borrowing from governments and the well to do in the rest of the world. As C. Fred Bergsten, director of the Institute for International Economics in Washington put it to a reporter for the Wall Street Journal, "The borrowing binge of the 80s leaves a legacy of debt service to foreigners equivalent to about 1.5% to 2% of the whole gross national product. That's a permanent cost that will be levied on ourselves, our children, and our grandchildren."

The next president will inherit a deeply divided America, a nation in hock to the future and to the rest of the world, a productive system which increasingly fails to meet our most basic needs for food, shelter, medical care, and education, and a roller coaster economy whose industrial and agricultural foundations have been shaken by eight years of mistaken economic leadership.

There is no quick fix for the U.S. economy. But it can be rebuilt.

## **Productive Investment**

The economic record of the past seven years has made it clear that tax handouts for the corporations and Robin Hood-in-reverse policies for the well off do not stimulate productive investment. The key to investment is

- an economic environment protected from financial instability,
- a credit system which is geared towards guiding savings into productive investments rather than financial speculation,
- management committed to modernizing the U.S. productive system rather than turning a fast dollar in paper transactions,
- a well trained productive workforce with enough money in its pocket to provide the needed demand for goods which is the surest stimulus to investment,
- lower interest rates to foster home buying and other purchases, and to make it possible for businesses to borrow money for needed productive investments at profitable rates, and
- public institutions to channel adequate credit to those sectors of the economy—family farms, worker co-ops, community based economic development corporations, and others—that should be a part of our economic future but are shunned by commercial banks.

## **Global Trade and Development**

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***We need a global trade and development strategy based on raising living standards and promoting workers' rights throughout the world rather than protectionism at home and support for economic austerity and anti-labor governments abroad.***

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Government imposed barriers to trade may sometimes be required either as bargaining chips in dealings with other nations

or to provide time for communities, businesses and workers to make needed adjustments to new economic realities. However, protectionism as a general long run strategy is self defeating and divisive, for it sets the interests of U.S. workers against U.S. consumers and U.S. workers against producers throughout the world. A program of world wide economic expansion provides both a more sound economic prospect and the basis for a reduction in world tensions.

Specifically, we need a Marshall Plan for the Third World, a program for Third World debt relief and a halt to IMF imposed austerity policies; these programs will promote economic justice across the globe and stimulate demand for U.S. goods in the rest of the world.

For example, if a restructuring of the debt of Latin American nations relieved them of a little over half of their current debt service, and if they used as little as a third of the freed up foreign exchange earnings to buy U.S. goods, the result would be a surge of U.S. exports to Latin America—both agricultural and manufacturing—and the creation of over half a million new jobs in this country.

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***We need an end to the tight money policies which have choked off credit, strangled the U.S. economy and repressed economic growth throughout the world since the late 1970s***

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For example, if the U.S. in conjunction with Japan, the U.K., Germany, and Canada were to reduce interest rates by a single percentage point, leaving real interest rates throughout the world far higher than they were during the 1960s or 1970s, the major economies would be propelled forward in tandem, each fueling and supporting the expansion of the others. The result of this quite moderate change, according to the Federal Reserve Board's multi-country economic model, would be an increase of over 4% in total U.S. output in four years. This would mean well over two thousand dollars increased income for every family, at least two million more jobs, and a federal deficit reduction of over \$50 billion due to a reduction in interest costs and increased revenues.

A viable U.S. international trade policy must be founded on opposition to the undemocratic and anti-labor policies of governments and businesses of many of our trading partners because these are violations of fundamental rights and because dictatorial policies hold back the growth of wages, living standards and demand for goods throughout the world.

While the U.S. trade deficit has many sources, some of it stems from the fact that firms in undemocratic nations—both U.S. multinationals and others—can wield the big stick against labor with impunity and despoil the natural environment without paying the costs. We should consider imposing selective tariffs on the importation to the U.S. of goods produced under these conditions.

The result would be to strengthen the hand of democratic movements in the nations with which we trade.

## **Taxes and the Budget**

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***Before the age of Reaganomics, the government taxed the well-to-do in order to help pay for needed public services . . . The government now borrows from the rich, paying them back with interest.***

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Since 1981 the rich have been relieved of much of their tax burden. The government now borrows from the rich, paying them back with interest. The way out of the budget debacle is the way we got in: restore fair taxes, eliminate dangerous and unnecessary military expenditures, and promote a healthy expanding economy which will turn tax consumers into revenue generators.

All levels of government perform essential services which cannot be shortchanged without eroding our quality of life and jeopardizing the economic health of the nation. We need significant increases in the levels of expenditure for low income housing, education, child care, health, environmental protection and occupational health and safety, above and beyond inflation.

Increased taxation of the wealthy and corporations will not reduce needed investment, for as we have seen, neither savings nor productive investment have increased since the massive tax deductions of 1981. Economic studies point unmistakably to the fact that it is not tax rates but a growing level of demand for goods and services and lower interest rates which are the key to investment.

## **Wages and Work**

The U.S. cannot and should not compete in the global market place as the newest entry in the low wage labor sweepstakes. It was high wages and the expansion of public education which accelerated the pace of technical innovation and made America the economic wonder of the world in the past.

To take advantage of global trading opportunities and the immense productivity of new technologies we must continually adjust to changing economic realities. However, it is time to stop making those least able to pay—the small farmer, the worker displaced by automation or by imports—shoulder the price of economic progress.

- We need changes in labor law designed to facilitate the organization and democratic functioning of unions, and the aggressive implementation of equal pay for equal work and an end to racial, sexual and all other forms of employment discrimination.

- To promote the economic stability of communities and the security of working people, we need strong plant closing provisions to ensure advance notification of closing and extended health coverage after closing.

- We need new sources of credit for non-profit and other community organizations in communities hard hit by economic change, for workers seeking to buy out a plant teetering on the edge of closing, for communities currently dependent on defense production which are seeking to diversify, and for the industrial regions hurt by imports.

- To promote economic flexibility and the ability of all Americans to benefit from and respond to our changing global economic environment we need lifelong education and training programs available to all workers—the currently employed as well as the displaced and unemployed.

- The purchasing power of the minimum wage has been declining for two decades and now stands at its mid 1950s level. We need to eliminate the injustice of low wage work and the lure that it provides for the proliferation of low productivity employment. We need a significant increase in the minimum wage indexed to grow with average wages.

## **Economic Security for Families**

Families are not only a cultural center of our life, they are a productive center too. Those who work in families—raising children, caring for the elderly, caring for one another—are literally their brothers' and sisters' keepers. They deserve to be recognized, offered flexible employment opportunities, and where outside work is not desirable or feasible, supported financially for their efforts. Towards this end we need

- legislation to allow up to sixteen weeks of unpaid family leave for either child care or care of the sick or elderly without loss of benefits and job tenure or security;
- a significant increase in welfare payments to needy parents;
- the expansion of quality public day care facilities and flexible hours provisions to enhance families' choices about child care and work, and to make it easier for all family members to share child raising and other home care.

## **The Way Ahead**

These ideas add up to a program which will reduce world wide and domestic economic injustice, enhance our economic freedoms and help us move towards making democracy a way of life rather than a false promise. This is a program which makes economic sense of the worldwide hope for justice, jobs and peace. For what is needed today—global cooperation to support human rights and higher living standards, greater economic democracy in the workplace, including the direction of pension fund investment, fairness in taxation, a national security policy which will allow significant military cost cuts by aggressively pursuing peace rather than military strength, and an end to the economic insecurity of old age, unemployment, and ill health—is not a detour away from the path to a peaceful and prosperous world. It is the only way to start walking that path.

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*Samuel Bowles teaches economics at the Center for Popular Economics, Amherst, MA and the University of Massachusetts, Amherst. Professor Bowles is in residence at U.C. Berkeley this semester as Visiting Ford Professor of Economics and is currently advising the Reverend Jesse Jackson on economic policy.*

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