

THE INSIDE STORY

JOHN JUDIS

Doyle Niemann



Douglas Fraser, UAW president, at the Democratic Agenda Conference.

Capitalism at the crossroads

At last week's momentous Democratic Agenda conference in Washington, two differing views on the obstacles to full employment in capitalism were presented.

The differences recalled the early debates of the anti-war movement around who was to blame—the system or the bureaucrats.

Some participants at the conference argued that the "economic nonsense" propagated by establishment economists like Charles Schultze was a major barrier to full employment. With their arguments that anything less than 4 percent unemployment would create intolerable inflation, these economists had undeservedly won the minds of Jimmy Carter and of corporate leaders.

Other argued for a more apocalyptic view. They maintained that capitalism, as presently structured, will not tolerate full employment. To have full employment, it must either be transformed or overthrown. They saw full employment as a "radical reform" whose pursuit would challenge the basis of capitalism.

Whereas the one group tended to dismiss out of hand the establishment economists, the other partly built its case on the truth contained in their views.

Blaming the bureaucrats.

The UAW's Doug Fraser, the Machinists' William Winpisinger, and Helen Henderson of the Environmentalists for Full Employment, were among those who led the attack against the economists.

They charged the economists with moral obloquy for not being concerned with the women, minorities and teenagers who would remain out of work if 4 or 5 percent remained the level of employment.

This edition published Nov. 23, 1977, for newsstand sales Nov. 23-29.

They charged them with theoretical obtuseness for adhering to the outmoded Phillips Curve, according to which a rise or fall in employment leads to a rise or fall in prices. They accused them of historical blindness for forgetting that both unemployment and inflation were less than 4 percent during much of the '50s and '60s.

On each of these points, however, the economists are on at least as good ground as their critics.

In defense of Schultze.

Schultze and his cohorts understand that the Phillips curve is inaccurate. They do not argue that reducing employment will automatically reduce inflation, but only that a decrease in unemployment past a certain level will inspire inflation. That level is different than it was in the '50s because the working class has changed.

The widespread entry of minorities and women into the workforce has segmented the American working class into different parts. Instead of their being one reserve army of the unemployed for the entire working class, each part has its reserve army, which acts to limit workers' bargaining power and keep wages down.

With unemployment less than four percent (some economists estimate from 5 to 7 percent), there will be near full employment among certain trades and professions that are largely confined to white adult males even while there is substantial unemployment among women, minorities, and youth. These workers will be able to bargain up their wages. As unemployment goes still lower, the upward pressure on wages will spread throughout the workforce.

This pressure on wages can lead to higher prices, although often not in the precise manner prescribed by the "wage-price spiral." Large firms count wages in their price calculation, but their planning period is usually longer than the term of the union contract. When a firm raises prices right after a wage increase, it is often because it can then blame the entire increase on the wage bill. But an anticipation of rapidly rising wage costs will lead firms to plan price increases.

Inflationary pressures can manifest themselves more immediately, however, in the service sector, with prices and taxes rising along with wages; and from there spreading elsewhere.

In either case, upward pressure on wages will increase the likelihood of inflation, as the establishment economists have argued.

The step not taken.

But Schultze and his cohorts often end their analysis here, especially when it is for public consumption. In fact they are more concerned with the threat an increase in employment poses to profit rates and to investment incentive than its threat to price levels.

In the '50s, American corporations were sufficiently far ahead of their rivals and their rate of productivity was high enough to absorb most wage increases without price increases and without any threat to their profits. But key American industries now find themselves threatened by foreign competition and unwilling to accept any increase in costs, whether it comes through higher than usual wage increases, corporate tax increases, or an increase in the price of necessary services. For this reason, they are dead set against full employment.

In this respect, Schultze's economic theories, far from being nonsense, reflect the imperatives of capitalist production in the '70s.

The full employment advocates who took Schultze more or less at his word and argued that capitalism itself was the enemy were on firmer ground during the Democratic Agenda conference than those who blamed Schultze for capitalism's ills.

The transition.

To put the matter in the broadest historical context:

Business and labor are today in a position similar to the one they found themselves in during the late 19th century. At that time, industrialists saw the threat posed by unionization and higher wages as a life-or-death matter. Given the competitive system, an individual firm that granted higher wages could not compete with firms that did not.

Workers were divided among those who foresaw some future accommodation with capital and those who saw socialism as the only solution.

Competitive capitalism did not survive, but instead of begetting socialism, it begat monopoly capitalism. Unlike the competitive firm, the monopoly firm had the necessary power over pricing and its market to accommodate the unions.

But now monopoly capitalism faces a similar challenge to the one competitive capitalism faced: on key issues like full employment, it can no longer accommodate the needs of both workers and capitalists.

Corporate socialism.

Those at the conference who saw no solution within present day capitalism to the problems of unemployment nevertheless saw the U.S. facing a choice.

It could move toward socialism in which employment, investment, and income are democratically planned to meet social needs. Such a society could not merely guarantee full employment; it could lessen the amount of unpleasant but necessary work; and it could reshape economic priorities to take account of our endangered environment.

Or America could move toward a new stage of capitalism that economist Gar Alperovitz termed "corporate socialism" in which the state plans on behalf of corporate interests. Within such a system, full employment could be accommodated by the state's restraining workers' wages demands and inducing capitalists to invest even when the rate of return was modest.

This kind of state capitalism would initially be opposed by both business and labor, but as business leaders came to see no other alternative but socialism, they would be willing to cede much of their individual control of investment as long as they could retain their earnings and their class power. In this respect, the transition to state capitalism would resemble the earlier transition to monopoly capitalism.

Understandable differences.

The representatives of this "socialist" point of view were sprinkled generously among the conference participants and speakers. What they had to say was received seriously and appreciatively.

By the conference's end, it seemed that the differences in approach to the unemployment problem reflected as much the differing vocations of their respective proponents than it did their enduring convictions.

The socialist proponents tended to be concentrated among the college professors and freefloating intellectuals and activists, while those who took the anti-Schultze path were concentrated among the labor leaders and politicians. Being responsible to constituencies that were often to their right, the labor leaders and politicians had to exercise a certain caution that the intellectuals did not. And it expressed itself in making Schultze the main enemy.

Even to participate in a conference explicitly called by socialists was a courageous and pathbreaking step for these leaders. And it indicated the slow but steady movement toward socialist politics within the Democratic party and the labor movement.

IN THESE TIMES

THE INDEPENDENT SOCIALIST NEWSPAPER



Published 50 times a year; weekly except the last week of July and the fourth week of December by New Majority Publishing Co., Inc., 1509 North Milwaukee Avenue, Chicago, Illinois 60622, (312) 489-4444, TWX: 910-221-5401, Cable: THESE TIMES, Chicago, Ill.

EDITORIAL

James Weinstein, *Editor*, M.J. Sklar, *Associate Editor*, Doyle Niemann, *Managing Editor*, John Judis, *Foreign News*, Janet Stevenson, *Culture*, Dan Marshall, David Moberg, *National Staff*, Diana Johnstone, *Foreign Correspondent*, Bill Burr, Keenen Peck, Steve Rosswurm, *Library*.

BUSINESS

William Sennett, James Weinstein, *Co-publishers*, Nick Rabkin, *General Manager*, Judee Gallagher, *Advertising/Business*, Naomi Rosano, *Office*, Ed Starr, *Promotion & Development*.

SPONSORS

Robert Allen, Julian Bond, Noam Chomsky, Barry Commoner, Hugh DeLacy, G. William Domhoff, Douglas Dowd, David Du Bois, Barbara Ehrenreich, Daniel Ellsberg, Frances Putnam Fritchman, Stephen Fritchman, Barbara Garson, Eugene D. Genovese, Emily Gibson, Michael Harrington, Dorothy Healey, David Horowitz, Paul Jacobs, Ann J. Lane, Elinor Langer, Jesse Lemisch, Salvador Luria, Staughton Lynd, Carey McWilliams, Herbert Marcuse, David Montgomery, Carlos Munoz, Harvey O'Connor, Jessie Lloyd O'Connor, Earl Ofari, Ronald Radosh, Jeremy Rifkin, Paul Schrade, Derek Shearer, Warren Susman, E.P. Thompson, Naomi Weisstein, William A. Williams, John Womack Jr.

BUREAUS

LOS ANGELES: Bob Gottlieb, Barbara Zheuthin, David Talbot and David Lindorff, 437 28th Ave., Venice, CA 90291, (213) 931-9351
SAN FRANCISCO: Chris Dorf, 140 Sanchez St., San Francisco, CA 94114, (415) 626-7897.
SOUTHERN: Jon Jacobs, 830 W. Peachtree St., Suite 110, Atlanta, GA 30308, (404) 881-1689.

ART

Jane Melnick, *Art and Photography*, Kerry Tremain, *Design*, Jim Rinnert, *Composition*, Nori Davis, Elaine Truver, *Production Assistants*, Ken Firestone, *Washington photographer*.

The entire contents of IN THESE TIMES is copyright © 1977 by New Majority Publishing Co., Inc., and may not be reproduced in any manner, either in whole or in part, without permission from the publisher. All rights reserved. Publisher does not assume liability for unsolicited manuscripts or material. Manuscripts or material unaccompanied by stamped, self-addressed envelope will not be returned. Subscriptions, address changes, and adjustments should be sent to IN THESE TIMES, Circulation Department. Subscriptions are \$15 annually. Advertising rates sent on request. All letters received by IN THESE TIMES become the property of the newspaper. We reserve the right to print letters in condensed form. IN THESE TIMES subscribes to the following: Africa News Service, Congressional Quarterly News Service, Editorial Research Reports, Gemini News Service, Internews, Liberation News Service, Pacific News Service, Peoples Translation Service. Second class postage paid at Chicago, Illinois.

A big step forward in full employment campaign

By Dan Marschall

The burgeoning campaign for full employment took a healthy step forward Nov. 11-13 as over 1,000 trade unionists, Democratic party reformers and progressive activists convened in Washington, D.C., under the banner of the Democratic Agenda Conference. While the campaign's future direction remains unclear, the conference, initiated by Michael Harrington's Democratic Socialist Organizing Committee (DSOC), clearly achieved its minimal goal: to bring together often-hostile constituencies, promote an exchange of ideas and begin to explore cooperative activities.

"We came here basically with one idea—to start to build a mass, popular movement in the U.S. that brings labor, liberal and progressive forces together around the issue of unemployment. Somehow we've got to bring together those forces and we've got to be willing to make some compromises on all sides," declared Dick Wilson, director of the Labor Division of the Chicago-based Midwest Academy. That coalition-building theme was sounded repeatedly by conference participants, many of whom saw it as a hopeful sign that the wounds dividing labor, liberal Democrats, feminists, environmentalists and others were beginning to heal.

Forty percent from labor.

About 40 percent of those attending were trade unionists, including international officials, local union leaders and staff persons. Major addresses were made by Jerry Wurf, president of the State, County and Municipal Employees (AFSCME); Machinists' president William Winpisinger; and United Auto Workers' president Douglas Fraser.

The second largest contingent came from the reform ranks of the Democratic party. It included the state chairs of the party in Wisconsin and Minnesota, several black councilmen from the District of Columbia, members of the Democratic National Committee, leaders of the Americans for Democratic Action (ADA), and activists from the California Democratic Council. Their full employment work is expected to center on the party's mid-term convention next year.

Also represented, in smaller numbers, were women's, environmentalist, community and minority organizations. These included the National Organization for Women, the National Women's Political Caucus, Boston's Nine To Five, Friends of the Earth, Environmentalists for Full Employment, the New Jersey Tenants Organization, and Connecticut's La Casa de Puerto Rico.

Considering the size and composition of the conference it was one of the most significant gatherings of progressive forces under socialist auspices in decades.

No grand program.

While the event itself was an obvious success, few participants harbored illusions about the ease of cohering a broad-based coalition or about the prospect of affecting government policy in the immediate future. Speakers avoided proposing grand programs or universal panaceas to sweep away the unemployment mess. Many recognized that full employment—the right to a job for anyone willing and able to work—remains an abstract amalgam of issues that would entail fundamental changes in American capitalism.

"I'm beginning to wonder whether when we gather in a coalition like this, we are going through a therapeutic exercise in discovering how bad things are, shaking hands with old comrades, or whether we're prepared to put together what it takes to make the kind of fundamental changes and fundamental responses that we need from the political system," cautioned Jerry Wurf.



More than 1000 activists gathered in Washington for full employment, bringing together often hostile constituencies and beginning the process of developing strategy.

Photos by Doyle Niemann



Bella Abzug, top, addressed the gathering, calling for renewed effort when people returned home. Gar Alperovitz, bottom, said that the system we want has a name and we shouldn't be afraid to use it—socialism.

In an effort to find concrete handles for the full employment campaign, speakers presented a variety of issues around which they thought diverse constituencies could unite. Uppermost in the minds of everyone was the Humphrey-Hawkins "Full Employment and Balanced Growth Act," first introduced in 1974 and altered five times to placate Congressional and business opposition. (*ITT*, June 8.)

On Nov. 11, the day before the conference began, President Carter stated that he would support the latest compromise version of Humphrey-Hawkins, which would set a target unemployment goal of 4 percent to be reached by 1983. Unlike earlier versions, the Carter "full employment" bill, as emerging from negotiations with the Congressional Black Caucus, would neither establish a mandatory unemployment limit nor require the President to

submit a separate annual full employment plan.

Reaction to Humphrey-Hawkins.

Conference participants were divided in their reactions to the bill, whose complete text has yet to be released. Economist Nat Weinberg and Robert Lekachman are totally opposed because of the extensive compromises, though Rep. John Conyers (D-Mich), a Black Caucus member, characterized it as a "tremendous step forward."

"There are requirements in the bill that the President enunciate the plan by which we are going to reach a target objective. He's got to make an economic statement at the beginning of every year to determine how he's going to deal with unemployment. It puts him in a terrible bind and also gets it out into the national arena,"

Conyers told *IN THESE TIMES*.

DSOC national chair Michael Harrington shared the criticisms of the bill but said that it was "politically crazy" to oppose it because labor and the Black Caucus have long been fighting for it. He viewed it as a potential organizing tool and political weapon that would provide progressives with an opportunity to apply pressure around the President's annual message.

Another organizing focus, suggested by Winpisinger, was a revised version of the counter budget proposed by the National Urban Coalition in 1971. "It remains one of the most practical and prophetic documents of the last quarter century," he declared. "Maybe new sections should be added, which include technological change and international trade. It should also get into a comprehensive analysis of income and wealth distribution in the U.S. today."

The formulation of this budget will begin soon, Winpisinger told *IN THESE TIMES*. "Doug Fraser and myself will probably sponsor a small group of pros—from our unions, the economic profession, and community leaders—and we'll draw the counter budget over again, put it out under the aegis of the unions or this conference, and rally some support. Of course we'll put it out through our local unions."

Energy and a shorter work week.

Others saw the energy issue as integral to any full employment campaign. The Midwest Academy, for instance, is organizing a national community and labor coalition to demand an "energy policy that is designed to stimulate employment, provide necessary energy to the public at reasonable cost, encourage conservation, and lead to the development of safe, clean renewable sources of energy." Coalition organizers intend to hold a national convention soon to adopt a program and develop an organizational structure.

Another approach towards full employment is proposed by a trade union committee formed in Detroit last month to organize for a shorter work week (*ITT*, Nov. 9). Rep Conyers is planning to introduce legislation that would require double-time for work over 35 hours per week and ban compulsory overtime, provisions that supporters claim would create almost eight million new jobs.

While these possibly-divergent campaigns were presented at the conference, none were fully discussed. Some participants feared that instead of working on a central full-employment-related issue, different forces would go their separate ways, thereby lessening their combined impact.

The conference was drawn together by a "coalition from the top," composed mainly of DSOC, trade union officers, and Democratic party figures. But there were indications of a commitment to translate the energy there into local organizing. The final day, devoted to "what to do next," contained a rousing address by the Midwest Academy's Heather Booth who discussed the citizen action movement, accountability meetings for Congresspeople, and building local mobilizations in the fight for jobs.

A mid-term focus.

DSOC organizers readily admit that they do not have the final answers for how to foster local activity. They therefore did not present a coherent full employment strategy at the meeting. In the next few weeks the main forces behind the conference will hold an informal planning meeting to begin working out follow-up actions. A prime focus will be the Democratic mid-term convention in 1978.

They hope to move that convention away from the legalisms that have domi-

Continued on page 18.