By David Moberg

MT. VERNON, IOWA

Babbitt makes pitch for workplace democracy

There are three main ways in which the U.S. can respond to its painful immersion in the world economy, former Arizona Governor Bruce Babbitt recently told a small gathering of townspeople and college students. One of those is to raise protectionist walls and "walk away from the international economy." Another, a favorite of too many corporations, he said, is to adopt the "Hong Kong model," which "says we compete by driving American workers down to the level of Hong Kong." The third is to recognize that now the U.S. has "a lot of dumb systems and smart people, people who could make a difference if anybody listened, if they were rewarded." That requires, he argued, "workplace democracy."

Babbitt has long languished at the back of the presidential pack, but has recently benefited from a wave of favorable media accounts and is creeping upward in some polls. Most of the attention has focused on his stern, self-righteous demands for "truth telling" about the federal deficit and his plans for a 5 percent national consumption tax and "needs testing" for all federal programs (see *In These Times*, Oct. 28, 1987). On these issues, Babbitt offers a mix of ideas, some good (like eliminating interest deductions for second homes) and some not-so-good (like his consumption tax, inevitably regressive despite his tinkering).

Toward a new workplace: Babbitt's less-publicized notions of workplace democracy, however, are among the most promising new ideas Democrats have offered. Talking about these ideas on the way to a campaign appearance, Babbitt admitted that he doesn't know exactly what workplace democracy would look like, "but I know trends when I seem them."

He first encountered the idea through a friend, W.L. Gore, the inventor of Gore-Tex waterproof fabric, who "came to Arizona and set up a pretty remarkable set of workplaces that were in their concept democratic to the point of anarchy, all kinds of shared compensation, and no titles."

By contrast, in 1986 he was invited to mediate copper industry labor negotiations and "saw how adversarial and bitter the American workplace had become." Three years earlier, Babbitt had called out the national guard in the highly charged Phelps-Dodge strike that workers eventually lost. But in the 1986 conflict, he persuaded the reluctant unions to tie wage increases to copper prices. Luckily for both the workers and Babbitt, copper prices have since doubled.

Increasingly Babbitt became convinced that workplace democracy had "real power" but was not at first terribly inviting to either management or labor. "These are policies in search of a constituency," he admitted. But for a candidate who mostly offers stern lessons and bitter medicine, workplace democracy could have potent appeal—especially if presented more forcefully than Babbitt is doing—as a way of giving power to the average worker.

Slicing a different pie: "We've got a society where we say, 'Here's capital. You set up the business, you have the prerogatives,'" Babbitt argued. "The board of directors has legal obligations only to stockholders who put up the capital. Labor bargains for a piece, and that's all that's owed to labor. All the rest of the relationships run back to the people who put up the money. Effective as that may have been in productivity terms when you had strong backs on an assembly line and repetitious tasks, if you really want to engage workers, you've got to engage them spiritually and intellectually as well as physically. In order to do that they've got to have a piece of the action in the broadest sense. They've got to have a fair share, not just defined in traditional terms of bargaining, but in terms of the whole spectrum of enterprise."

Bruce Babbitt on workplace democracy: "I know trends when I see them."

Babbitt clearly shares what has been dubbed a "post-industrial" view of the economy. More properly, it may be described as an economic agenda that stresses skill, knowledge, flexibility and specialization, even in traditional manufacturing.

"It becomes less and less possible to base an industrial economy on those distinctions [of capital and labor]," he said, "because we have enormously exacting, demanding jobs that require a level of engagement and skill...you can only bring out by involving people. And the price of involvement is power in decision-making. Otherwise the involvement is not real. It's cheerleading, and people don't respond to it."

Babbitt favors encouraging employee ownership, even though he's well aware that employee stock-ownership plans have often been badly abused. "The question is," he insisted, "how does employee ownership translate into democratic decision-making?" He doesn't see workplace democracy as "lessening the role of unions. There is a need for workers to have the power of numbers and organization. That in itself is a democratic concept."

Changing the priorities: Beyond worker ownership, Babbitt advocates a variety of policies that would democratize the workplace:

- If businesses treat executive bonuses as tax-deductible business expenses, then they would have to offer all workers performance pay. No company could offer "golden parachutes" to executives unless all departing workers got equivalent multiples of their salaries.
- All employers would be required to establish pension plans, and all pensions would be portable from job to job.
- Uniform national child-care certificates, scaled to income, would be available to everyone (see *In These Times*, January 27).

Babbitt, along with Jesse Jackson, endorses repealing the right-to-work provision of the Taft-Hartley Act allowing states to prohibit union shops. He also favors stronger enforcement of workplace health and safety standards, raising and indexing the minimum wage, granting tax credits for worker training, expanding unemployment benefits and reforming labor laws to ease organizing.

Besides worker ownership and decision-making, Babbitt's labor policy stresses "strategic investments in people," this year's standard Democratic gospel of education and training and pay-for-performance or "gain-sharing." Unionists often balk at the latter. They fear tying pay to performance could be used to undermine their goal of secure, adequate wages, or lead to a stronger worker identification with the firm than with fellow workers.

Babbitt's approach to workplace democracy emphasizes structural changes within business, brought about by government incentives and contracts more than comprehensive regulation. He shares the neoliberal faith in a dynamic marketplace. (He frequently declares Marxism "dead" and trumpets a new American century of global open markets and democracy.) But he says he wants to guarantee that market forces do not wreak havoc on workers. For example, he wants to see expanded international trade, partly spurred by reducing Third-World debt-service payments. But rather than rely on fair trade rules or actions to reduce bilateral trade imbalances, he favors a requirement that major countries maintain an overall, multilateral balance of imports and exports.

But he argues it is necessary worldwide "to find common standards, to prevent the downward cycle of wage-cutting competition, which lowers demand and ultimately undermines the whole concept of where we want to go." But setting such standards might mean international agreements that establish some relationship between wages and productivity. At present, workers in newly industrializing countries receive wages far out of line with productivity.

Misplaced faith: Babbitt's marketplace faith, however, does not adequately take into account the power and practices of multinational giants. But even if he does not follow Jackson's lead in attacking the export of jobs, he is willing to lambast corporate outlaws and to talk about changing control over investment. Instead of current law that requires corporate directors to demonstrate financial trustworthiness only to stockholders, Babbitt said, "directors [should also] have some fiduciary responsibility to workers."

Government loans and contracts should go only to companies that restructure themselves toward greater workplace democracy, he said. Even government regulation of pension funds could be leverage for greater democracy and worker ownership. Babbitt wants to use the White House to encourage the evolution of a trend, not set statutory directives.

Although he supports a six-month advance notice to workers about plant closings, he says the real issue is not that of plant closings but of job security—a focus on the people, not the physical assets. Typical of Babbitt's market orientation, his response reflects inattention to how plant closings are used as political threats and how disinvestment often works. He resists any industrial policy involving labor-management-government decision-making or government capital allocation on the grounds that the "style and culture of American democracy" preclude the necessary political discipline for such policies. Yet he seems aware of problems involved in "moving assets where you are destroying job bases in existing firms," such as a steel company buying oil companies and abandoning the steel business. Unlike Jackson he has not spoken out clearly on such abuses.

Babbitt's workplace democracy ideas are far from complete and far from perfect. They rely too heavily on markets, too little on public planning. Sometimes they seem pitched to the enlightened manager or intellectual more than the average worker. But Babbitt is right about the economic and political importance of workplace democracy. The challenge now is to expand and refine the concept, to extend it to economic democracy, and to create its political base. □

By Brian Jacobs

In the wake of a $593 billion catch-all spending bill for fiscal year 1988 that became law in December, environmentalists are celebrating a small but veritable victory. Nestled inside the 2,100-page legislation is environmental language addressing, for the first time, the relationship between the debt crisis and Third World environmental destruction—particularly the deforestation of tropical rain forests.

A key clause in the bill requires the U.S. Treasury Department to explore ways in which the World Bank and International Monetary Fund (IMF) can promote debt-relief in exchange for conservation in developing countries. The provision's inclusion re-

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sulted from prodding by human-rights and environmental groups, including the Environmental Defense Fund and the National Wildlife Federation.


Rainforest Action Network

More than 40 percent of the world's rain forests have already been destroyed.

World Bank and IMF to encourage debt-for-conservation swaps

The groups had good reason to take action. More than 40 percent of the world's rain forests have already been destroyed, and the rest is threatened with annihilation in the next few decades. Much of this devastation results from ill-planned development schemes intended to bring about short-term economic benefits—often as part of the effort to service foreign debt—at tragic environmental expense. In this development process, thousands of indigenous inhabitants have been displaced or have suffered encroachment from outsiders.

The Bolivian breakthrough: The "debt-for-conservation" clause is part of the appropriation for the U.S. contribution to the Multilateral Development Banks (MDBs), a group of international lending institutions of which the World Bank is the largest and most influential. Supporters of the provision had to win over Congress as well as the Treasury Department, which represents U.S. interests at the MDBs and IMF. That, according to organizers, was no easy task.

The effort, however, gained momentum last July when Bolivia agreed to protect about 4 million acres of forests in exchange for a $650,000 reduction of its private debt, thereby becoming the first country to swap debt relief for conservation.

Soon after, Rep. John Porter (R-IL) introduced legislation requiring the Treasury to pressure the World Bank and IMF to set up their own debt-forgiveness program. The proposal was soon picked up by Rep. David Obey (D-WI) and Sen. Robert Kasten (R-WI). Treasury Secretary James Baker, however, was set against any plan that would require the MDBs to forgive debt. In a letter to Kasten, Baker argued that "the absolute policy in each institution (World Bank and IMF) against forgiving or rescheduling financial obligations has not been altered in more than 40 years...any change in this policy would undermine the confidence of investors in the securities issued by the banks—raising the cost and lowering the quantity of funds available to the banks and their borrowers."

Baker prevailed and forced the legislation's supporters into a revision. The rewrite—which was approved by Congress—will encourage the MDBs to promote private bank debt-forgiveness for conservation. In essence, the MDBs will be encouraged to act as mediators and facilitators between host countries and private banks, but will forego reduction or forgiveness themselves. The Environmental Defense Fund's Bruce Rich, the head of the campaign, was the principal rewriter of the bill and sees little loss in the compromise. "The MDB debt," he comments, "is fairly insignificant in terms of the debt burden of the tropical rain forest countries. By far the greatest part of the debt is the *private* bank debt."

Prods: It is still too early to tell what effect the bill will have. The Treasury is now required to prepare a study and submit a plan of action by April 1, but the faithfulness with which the mandate is carried out remains to be seen. Barbara Bramble, director of the international program at the National Wildlife Federation, is one who believes "the Treasury will have to be prodded to take it seriously," adding that she and other environmentalists "intend to prod."

Perhaps the largest problem in the debt-for-conservation swaps—or in fact debt-for-equity swaps in general—is that they can only constitute a small fraction of the debt relief. In the case of Bolivia, for example, the $650,000 reduction was only a small part of that country's $4 billion external debt. The stakes will have to be much higher before countries like Brazil find they have more to gain from preserving the land, rather than exploiting it for short-term economic gains. And it is unlikely that private banks will be willing to give up larger amounts of debt.

A tragic shortcut: In fact, Brazil is in the process of graphically illustrating how the need for quick cash to service their debt is leading to wholesale destruction of their tropical forests. In a Northwest region of Brazil's Amazon, pig iron plants are being built with planned obsolescence. Because the world market prices for pig iron—a substance later converted to steel, cast iron or wrought iron—are so glutted and depressed, the only viable way to fuel the plants is by using primary rain forest trees around the plants, according to Bramble. And so, rather than have one large plant, the Brazilian authorities decided to build three smaller ones, spacing them out over hundreds of miles, and thereby better utilizing the trees.

Even with this tragic energy shortcut, an astonishing 57 percent of the total pig iron production costs will be for fuel, according to Bramble. Moreover, almost 80 percent of all the workers at the plant will be involved in cutting and transporting the trees. Within a few years the plants will no longer be

A new bill requires the U.S. Treasury Department to explore ways in which the World Bank and the IMF can promote debt-relief in exchange for conservation in developing countries.

economically viable because the trees will be too far away to be transported. By then, it is estimated that hundreds of thousands of square miles will be deforested. As Barbara Bramble points out, "everyone knows it's a short-term, quick-hit, destroy the Amazon—'who cares, there's plenty of Amazon'—solution. And when they run out [of rain forest], they run out." Such practice is, as Nicholas Guppy has pointed out in *Foreign Affairs*, "a means of *avoiding* tackling real problems by pursuing chimeras: a 'license to print money' that yields quick cash results at the cost of ultimate catastrophe."

Developing into disaster: For environmental and human-rights groups trying to protect the rain forests and the Indians living in them, the debt crisis is only a part of the problem. And tying the World Bank and other MDBs into debt-conservation swaps is most importantly a way of forcibly raising its environmental consciousness—in the hope that they fund more responsible development projects.

Indeed, it is World Bank-funded projects like the Polonoroeste frontier settlement in western Brazil that has caused unprecedented rain forest destruction. Pat Adams, director of the Canadian group Probe International, notes that that project "will see the clearing of an area of the Amazon forest the size of Great Britain by 1990." In India, the Narmada River Development Scheme, another World Bank project, will submerge 875,000 acres of forest and displace 67,000 of the land's inhabitants. These projects are some of the more egregious examples of an ongoing development debacle that, as one observer put it, "can be compared only to the extinction of the dinosaurs."

Whether or not the World Bank is truly on the move to more responsible project loans—or whether in fact, as a development institution, it is capable of genuine reform—can only be vaguely assessed. There is no doubt, however, that it is an institution vulnerable to public opinion—particularly U.S. public opinion, as the U.S. is by far the largest of its donors. Last May, World Bank President Barber Conable announced the formation of a top-level environmental department as a reponse to mounting pressures in the U.S.,

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