



*the magazine of the
Democratic Socialists
of America*



inside—

*What Now for the Left?
Supercapitalism Review
DSA and YDS Conferences*

No Return to Normal

Why the economic crisis, and its solution, are bigger than you think.

By James Galbraith

Barack Obama's presidency began in hope and goodwill, but its test will be its success or failure on the economics. Did the president and his team correctly diagnose the problem? Did they act with sufficient imagination and force? And did they prevail against the political obstacles – and not only that, but also against the procedures and the habits of thought to which official Washington is addicted?

The president has an economic program. But there is, so far, no clear statement of the thinking behind that program, and there may not be one, until the first report of the new Council of Economic Advisers appears next year. We therefore resort to what we know about the economists: the chair of the National Economic Council, Lawrence Summers; the CEA chair, Christina Romer; the budget director, Peter Orszag; and their titular head, Treasury Secretary Timothy Geithner. This is plainly a capable, close-knit group, acting with energy and commitment. Deficiencies of their program cannot, therefore, be blamed on incompetence. Rather, if deficiencies exist, they probably result from their shared background and creed – in short, from the limitations of their ideas.

The deepest belief of the modern economist is that the economy is a self-stabilizing system. This means that, even if nothing is done, normal rates of employment and production will someday return. Practically all modern economists believe this, often without thinking much about it. (Federal Reserve Chairman Ben Bernanke said it reflexively in a major speech in London in January: "The global economy will recover." He did not say how he knew.) The difference between conservatives and liberals is over whether policy can usefully speed things up. Conservatives say no, liberals say yes, and on this point Obama's economists lean left. Hence the priority they gave, in their first days, to the stimulus package.

But did they get the scale right? Was the plan big enough? Policies are based on models; in a slump, plans for spending depend on a forecast of how deep and long the slump would otherwise be. The program will only be correctly sized if the forecast is accurate. And the forecast depends on the underlying belief. If recovery is not built into the genes of the system, then the forecast will be too optimistic, and the stimulus based on it will be too small.

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Democratic Socialists of America 2009 National Convention November 13–15, 2009

Evanston, Illinois

KEY DATES

November 13, 2009

DSA convention opens

November 12, 2009

Reserved for pre-convention activity

October 13, 2009

Last day to reserve hotel rooms at guaranteed reduced rates

September 29, 2009

Last day that locals may elect delegates to the convention

September 13, 2009

Certification of at-large delegates to the convention (unless there are sufficient nominations to require an election)

September 9, 2009

Last day for at-large members to self-nominate

July 16, 2009

First day the locals may elect delegates to the convention

July 15, 2009

Locals notified of the number of delegates they are entitled to elect

July 10, 2009

Last date for new members to join and be counted in the delegate apportionment

June 13, 2009

First day that at-large members may nominate themselves to serve as delegates to the convention

DSA National Convention Bulletin

These are times that cry out for a strong socialist voice. DSA will meet in convention a year into the administration of President Obama, during a time of deep economic crisis. This convention will be among the most important that we have ever held. All members and friends are encouraged to attend DSA's National Convention – November 13-15, 2009 – in Evanston, Illinois, a suburb of Chicago located just to the north of the city. The convention will be held at the Best Western University Plaza hotel, which is adjacent to the Northwestern University campus. The closest airport is O'Hare.

Convention bulletins will be issued throughout the year as information becomes available.

Reduced Hotel Rates

A special rate of \$109 per night (plus tax) for a single or a double has been set for the convention. The Best Western University Plaza is a union hotel. The hotel will extend the rate on either side of the convention if you wish to extend your stay. To guarantee the reduced rate, you must reserve no later than October 13, 2009. The hotel does not have a web site that will allow you to make the reservation on line at the group rate. However, you may make reservations by email (only email to initiate a reservation) or by telephone, (847) 491-6400 (staffed 24 hours a day). Be sure to mention the **Democratic Socialists of America** to get the reduced rate. As with all hotel reservations, credit card information or pre-payment of the first night will be required when you make your reservation. Reduced parking rates (\$7/night) will be available.

Other Information

Information on convention fees and the travel share system will be available in June. The fee for DSA's last convention was \$175. Information about the exact schedule and special events will be distributed as it becomes available. Information on getting to and from the airport and when to schedule your flights will be ready soon. Questions about the convention should be directed to DSA's National Director, filewellyn@dsausa.org or (212) 727-8610.

DSA Announces Debs Club

Democratic Socialists of America is launching a new program that will recognize the crucial role that regular donors play in supporting the ongoing work of the organization. Membership dues, by themselves, do not provide enough resources to allow us to publicize our political values and analysis and to engage in work that can shape the way political leaders think about such public policy issues as national health care or the economic and financial crisis. Most importantly, extra funds would expand the successful work of our campus group – Young Democratic Socialists – in educating and training a new generation of socialist activists.

Only with the help of members and friends who contribute significantly beyond the minimum membership contribution can DSA engage the broader public. We now wish to recognize the valuable work of our most loyal contributors in a manner similar to the way we report on the work of our local chapters in *Democratic Left* and DSANEWS. DSA's National Political Committee approved this program at its January 2009 meeting.

DSA is not going to transform itself into a public TV station that provides premiums for different levels of giving. Nor will we interrupt our regular political work to continually fundraise. Unlike public TV stations, we don't have a large enough staff to support that kind of program. But we will create a special group within the organization – the Debs Club – that will recognize our staunchest donors, as well as those individuals who leave a bequest to the organization. DSA will provide some special programming for this loyal network of supporters, such as conference calls with established DSAers as well as with up-and-coming social critics and organizers who represent the future of our organization. We have chosen the name because Eugene Victor Debs, the 19th and early 20th century socialist leader, represents the radical legacy of American democratic socialism that we aim to project into this century.

DSA hopes that the Debs Club will lead members to examine how they can help build the organization. We are in the midst of an economic crisis that has opened many people's eyes to the systemic way in which working and middle-income people are screwed by unregulated capitalism. It is not surprising that a recent poll found increased support for socialism and a big drop in support for capitalism. We need to expand our activity so that we can channel this new awareness, and the resulting anger, into effective political work that promotes socialist – rather than reactionary populist – values. We can only do that by increasing our financial resources. Regular, planned contributions and bequests (which are often a member's only opportunity to make a major gift) are the most effective ways an organization like ours can increase its resources. And in a capitalist society, it takes not only human, but also financial, capital to reform and transform our unjust society.

This program will be launched on May 1, 2009. Between May 1 and our national convention in November, every member will be given the opportunity to join in this extraordinary effort to build DSA. We will extend personal invitations through the mail along with on-line communications through email and on the DSA web site. We will announce our results at the National Convention and in the year-end issue of *Democratic Left*. Of course, the first group we will contact will be those members who already contribute on a regular basis; we will ask them not only to sustain their commitment to building DSA but also to enhance it if at all possible. If you just can't wait until you get your invitation, then email me at filewellyn@dsausa.org.

Frank Llewellyn
National Director

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Democratic Socialists of America share a vision of a humane international social order based on equitable distribution of resources, meaningful work, a healthy environment, sustainable growth, gender and racial equality, and non-oppressive relationships. Equality, solidarity, and democracy can only be achieved through international political and social cooperation aimed at ensuring that economic institutions benefit all people. We are dedicated to building truly international social movements – of unionists, environmentalists, feminists, and people of color – which together can elevate global justice over brutalizing global competition.

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Economic Solution

continued from front cover

Consider the baseline economic forecast of the Congressional Budget Office, the nonpartisan agency lawmakers rely on to evaluate the economy and their budget plans. In its early-January forecast, the CBO measured and projected the difference between actual economic performance and “normal” economic performance – the so-called GDP gap. The forecast has two astonishing features. First, the CBO did not expect the present recession to be any worse than that of 1981–82, our deepest postwar recession. Second, the CBO expected a turnaround beginning late this year, with the economy returning to normal around 2015, even if Congress had taken no action at all.

With this projection in mind, the recovery bill pours a bit less than 2 percent of GDP into new spending per year, plus some tax cuts, for two years, into a GDP gap estimated to average 6 percent for three years. The stimulus does not need to fill the whole gap, because the CBO expects a “multiplier effect,” as first-round spending on bridges and roads, for example, is followed by second-round spending by steelworkers and road crews. The CBO estimates that because of the multiplier effect, two dollars of new public spending produces about three dollars of new output. (For tax cuts the numbers are lower, since some of the cuts will be saved in the first round.) And with this help, the recession becomes fairly mild. After two years, growth would be solidly established and Congress’s work would be done. In this way, the duration as well as the scale of action was driven, behind the scenes, by the CBO’s baseline forecast.

Why did the CBO reach this conclusion? On depth, CBO’s model is based on the postwar experience, and such models cannot predict outcomes more serious than anything already seen. If we are facing a downturn worse than 1982, our computers won’t tell us; we will be surprised. And if the slump is destined to drag on, the computers won’t tell us that either. Baked into the CBO model we find a “natural rate of unemployment” of 4.8 percent; the model moves the economy back toward that value no matter what. In the real world, however, there is no reason to believe this will happen. Some alternative forecasts, freed of the mystical return to “normal,” now project a GDP gap twice as large as the CBO model predicts, and with no near-term recovery at all.

Considerations of timing also influenced the choice of line items. The bill tilted toward “shovel-ready” projects like refurbishing schools and fixing roads, and away from projects requiring planning and long construction lead times, like urban mass transit. The push for speed also influenced the bill in another way. Drafting new legislative authority takes time. In an emergency, it was sensible for Chairman

David Obey of the House Appropriations Committee to mine the legislative docket for ideas already commanding broad support (especially within the Democratic caucus). In this way he produced a bill that was a triumph of fast drafting, practical politics, and progressive principle – a good bill which the Republicans hated. But the scale of action possible by such means is unrelated, except by coincidence, to what the economy needs.

Three further considerations limited the plan. There was, to begin with, the desire for political consensus; President Obama chose to start his administration with a bill that might win bipartisan support and pass in Congress by wide margins. (He was, of course, spurned by the Republicans.) Second, the new team also sought consensus of another type. Christina Romer polled a bipartisan group of professional economists, and Larry Summers told *Meet the Press* that the final package reflected a “balance” of their views. This procedure guarantees a result near the middle of the professional mind-set. The method would be useful if the errors of economists were unsystematic. But they are not. Economists are a cautious group, and in *any* extreme situation the midpoint of professional opinion is bound to be wrong.

Third, the initial package was affected by the new team’s desire to get past this crisis and to return to the familiar problems of their past lives. For these protégés of Robert Rubin, veterans in several cases of Rubin’s Hamilton Project, a key preconception has always been the budget deficit and what they call the “entitlement problem.” This is D.C.-speak for rolling back Social Security and Medicare, opening new markets for fund managers and private insurers, behind a wave of budget babble about “long-term deficits” and “unfunded liabilities.” To this our new president is not immune. Even before the inauguration Obama was moved to commit to “entitlement reform,” and on February 23 he convened what he called a “fiscal responsibility summit.” The idea took hold that after two years or so of big spending, the return to normal would be under way, and the costs of fiscal relief and infrastructure improvement might be recouped, in part by taking a pound of flesh from the incomes and health care of the old.

The chance of a return to normal depends, in turn, on the banking strategy. To Obama’s economists a “normal” economy is led and guided by private banks. When domestic credit booms are under way, they tend to generate high employment and low inflation; this makes the public budget look good, and spares the president and Congress many hard decisions. For this reason the new team instinctively seeks to return the bankers to their normal position at the top of the economic hill. Secretary Geithner told CNBC, “We have a financial system that is run by private shareholders, managed by private institutions, and we’d like to do our best to preserve that system.”



James Galbraith

But, is this a realistic hope? Is it even a possibility? The normal mechanics of a credit cycle do involve interludes when asset values crash and credit relations collapse. In 1981, Paul Volcker's campaign against inflation caused such a crash. But, though they came close, the big banks did not fail then. (I learned recently from William Isaac, Ronald Reagan's chair of the FDIC, that the government had contingency plans to nationalize the large banks in 1982, had Mexico, Argentina, or Brazil defaulted outright on their debts.) When monetary policy relaxed and the delayed tax cuts of 1981 kicked in, there was both pent-up demand for credit and the capacity to supply it. The final result was that the economy recovered quickly. Again in 1994, after a long period of credit crunch, banks and households were strong enough, even without a stimulus, to support a vast renewal of lending which propelled the economy forward for six years.

The Bush-era disasters guarantee that these happy patterns will not be repeated. For the first time since the 1930s, millions of American households are financially ruined. Families that two years ago enjoyed wealth in stocks and in their homes now have neither. Their 401(k)s have fallen by half, their mortgages are a burden, and their homes are an albatross. For many the best strategy is to mail the keys to the bank. This practically assures that excess supply and collapsed prices in housing will continue for years. Apart from cash – protected by deposit insurance and now desperately being conserved – the American middle class finds today that its major source of wealth is the implicit value of Social Security and Medicare – illiquid and intangible but real and inalienable in a way that home and equity values are not. And so it will remain, as long as future benefits are not cut.

In addition, some of the biggest banks are bust, almost for certain. Having abandoned prudent risk management in a climate of regulatory negligence and complicity under Bush, these banks participated gleefully in a poisonous game of abusive mortgage originations followed by rounds of pass-the-bad-penny-to-the-greater-fool. But they could not pass them all. And when in August 2007 the music stopped, banks discovered that the markets for their toxic-mortgage-backed securities had collapsed, and found themselves insolvent. Only a dogged political refusal to admit this has since kept the banks from being taken into receivership by the Federal Deposit Insurance Corporation – something the FDIC has the power to do, and has done as recently as last year with IndyMac in California.

Geithner's banking plan would prolong the state of denial. It involves government guarantees of the bad assets, keeping current management in place and attempting to attract new private capital. (Conversion of preferred shares to equity, which may happen with Citigroup, conveys no powers that the government, as regulator, does not already have.) The idea is that one can fix the banks from the top down, by reestablishing markets for their bad securities. If the idea seems familiar, it is: Henry Paulson also pressed for this, to the point of winning congressional approval. But then he abandoned the idea. Why? He learned it could not work.

Paulson faced two insuperable problems. One was quantity: there were too many bad assets. The project of buying them back could be likened to "filling the Pacific Ocean with basketballs," as one observer said to me at the time. (When I tried to find out where the original request for \$700 billion in the Troubled Asset Relief Program came from, a senior Senate aide replied, "Well, it's a number between five hundred billion and one trillion.")

The other problem was price. The only price at which the assets could be disposed of, protecting the taxpayer, was of course the market price. In the collapse of the market for mortgage-backed securities and their associated credit default swaps, this price was too low to save the banks. But any higher price would have amounted to a gift of public funds, justifiable only if there was a good chance that the assets might recover value when "normal" conditions return.

That chance can be assessed, of course, only by doing what any reasonable private investor would do: due diligence, meaning a close inspection of the loan tapes. On the face of it, such inspections will reveal a very high proportion of missing documentation, inflated appraisals, and other evidence of fraud. (In late 2007 the ratings agency Fitch conducted this exercise on a small sample of loan files, and found indications of misrepresentation or fraud present in practically every one.) The reasonable inference would be that many more of the loans will default. Geithner's plan to guarantee these so-called assets, therefore, is almost sure to overstate their value; it is only a way of delaying the ultimate public recognition of loss, while keeping the perpetrators afloat.

Delay is not innocuous. When a bank's insolvency is ignored, the incentives for normal prudent banking collapse. Management has nothing to lose. It may take big new risks, in volatile markets like commodities, in the hope of salvation before the regulators close in. Or it may loot the institution – *nomenklatura privatization*, as the Russians would say – through unjustified bonuses, dividends, and options. It will never fully disclose the extent of insolvency on its own.

The most likely scenario, should the Geithner plan go through, is a combination of looting, fraud, and a renewed speculation in volatile commodity markets such as oil. Ultimately the losses fall on the public anyway, since deposits are largely insured. There is no chance that the banks will simply resume normal long-term lending. To whom would they lend? For what? Against what collateral? And if banks are recapitalized without changing their management, why should we expect them to change the behavior that caused the insolvency in the first place?

The oddest thing about the Geithner program is its failure to act as though the financial crisis is a true crisis – an integrated, long-term economic threat – rather than merely a couple of related but temporary problems, one in banking and the other in jobs. In banking, the dominant metaphor is of plumbing: there is a blockage to be cleared. Take a plunger to the toxic assets, it is said, and credit conditions will return to normal. This, then, will make the recession essentially normal, validating the stimulus package. Solve these two

problems, and the crisis will end. That's the thinking.

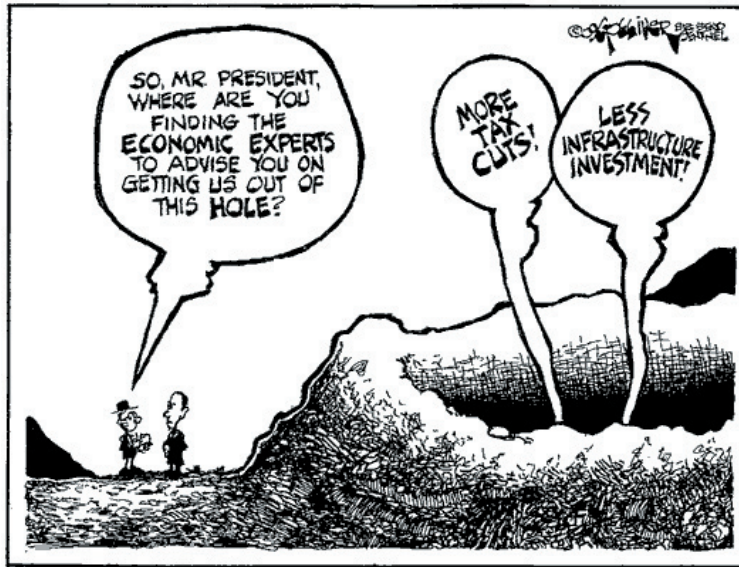
But the plumbing metaphor is misleading. Credit is not a flow. It is not something that can be forced downstream by clearing a pipe. Credit is a contract. It requires a borrower as well as a lender, a customer as well as a bank. And the borrower must meet two conditions. One is creditworthiness, meaning a secure income and, usually, a house with equity in it. Asset prices therefore matter. With a chronic oversupply of houses, prices fall, collateral disappears, and even if borrowers are willing they can't qualify for loans. The other requirement is a willingness to borrow, motivated by what Keynes called the "animal spirits" of entrepreneurial enthusiasm. In a slump, such optimism is scarce. Even if people have collateral, they want the security of cash. And it is precisely because they want cash that they will not deplete their reserves by plunking down a payment on a new car.

The credit flow metaphor implies that people came flocking to the new-car showrooms last November and were turned away because there were no loans to be had. This is not true – what happened was that people stopped coming in. And they stopped coming in because, suddenly, they felt poor.

Strapped and afraid, people want to be in cash. This is what economists call the liquidity trap. And it gets worse: in these conditions, the normal estimates for multipliers – the bang for the buck – may be too high. Government spending on goods and services always increases total spending directly; a dollar of public spending is a dollar of GDP. But if the workers simply save their extra income, or use it to pay debt, that's the end of the line: there is no further effect. For tax cuts (especially for the middle class and up), the new funds are mostly saved or used to pay down debt. Debt reduction may help lay a foundation for better times later on, but it doesn't help now. With smaller multipliers, the public spending package would need to be even larger, in order to fill in all the holes in total demand. Thus financial crisis makes the real crisis worse, and the failure of the bank plan practically assures that the stimulus also will be too small.

In short, if we are in a true collapse of finance, our models will not serve. It is then appropriate to reach back, past the postwar years, to the experience of the Great Depression. And this can only be done by qualitative and historical analysis. Our modern numerical models just don't capture the key feature of that crisis – which is, precisely, the collapse of the financial system.

If the banking system is crippled, then to be effective the public sector must do much, much more. How much more? By how much can spending be raised in a real depression? And does this remedy work? Recent months have seen much debate over the economic effects of the New Deal, and much repetition of the commonplace that the effort was too small to end the Great Depression, something achieved, it is said, only by World War II. A new paper by the economist Marshall Auerback has usefully corrected this record. Auerback plainly illustrates by how much Roosevelt's ambition exceeded anything yet seen in this crisis:



trates by how much Roosevelt's ambition exceeded anything yet seen in this crisis:

[Roosevelt's] government hired about 60 per cent of the unemployed in public works and conservation projects that planted a billion trees, saved the whooping crane, modernized rural America, and built such diverse projects as the Cathedral of Learning in Pittsburgh, the Montana state capitol, much of the Chicago lakefront, New York's Lincoln Tunnel and Triborough Bridge complex, the Tennessee Valley Authority and the aircraft carriers Enterprise and Yorktown. It also built or renovated 2,500 hospitals, 45,000 schools, 13,000 parks and playgrounds, 7,800 bridges, 700,000 miles of roads, and a thousand airfields. And it employed 50,000 teachers, rebuilt the country's entire rural school system, and hired 3,000 writers, musicians, sculptors and painters, including Willem de Kooning and Jackson Pollock.

In other words, Roosevelt employed Americans on a vast scale, bringing the unemployment rates down to levels that were tolerable, even before the war – from 25 percent in 1933 to below 10 percent in 1936, if you count those employed by the government as employed, which they surely were. In 1937, Roosevelt tried to balance the budget, the economy relapsed again, and in 1938 the New Deal was relaunched. This again brought unemployment down to about 10 percent, still before the war.

The New Deal rebuilt America physically, providing a foundation (the TVA's power plants, for example) from which

the mobilization of World War II could be launched. But it also saved the country politically and morally, providing jobs, hope, and confidence that in the end democracy was worth preserving. There were many, in the 1930s, who did not think so.

What did *not* recover, under Roosevelt, was the private banking system. Borrowing and lending – mortgages and home construction – contributed far less to the growth of output in the 1930s and '40s than they had in the 1920s or would come to do after the war. If they had savings at all, people stayed in Treasuries, and despite huge deficits interest rates for federal debt remained near zero. The liquidity trap wasn't overcome until the war ended.

It was the war, and only the war, that restored (or, more accurately, created for the first time) the financial wealth of the American middle class. During the 1930s public spending was large, but the incomes earned were spent. And while that spending increased consumption, it did not jumpstart a cycle of investment and growth, because the idle factories left over from the 1920s were quite sufficient to meet the demand for new output. Only after 1940 did total demand outstrip the economy's capacity to produce civilian private goods – in part because private incomes soared, in part because the government ordered the production of some products, like cars, to halt.

All that extra demand would normally have driven up prices. But the federal government prevented this with price controls. (Disclosure: this writer's father, John Kenneth Galbraith, ran the controls during the first year of the war.) And so, with nowhere else for their extra dollars to go, the public bought and held government bonds. These provided claims to postwar purchasing power. After the war, the existence of those claims could, and did, establish creditworthiness for millions, making possible the revival of private banking, and on the broadly based, middle-class foundation that so distinguished the 1950s from the 1920s. But the relaunching of private finance took twenty years, and the war besides.

A brief reflection on this history and present circumstances drives a plain conclusion: the full restoration of private credit will take a long time. It will follow, not precede, the restoration of sound private household finances. There is no way the project of resurrecting the economy by stuffing the banks with cash will work. Effective policy can only work the other way around.

That being so, what must now be done? The first thing we need, in the wake of the recovery bill, is more recovery bills. The next efforts should be larger, reflecting the true scale of the emergency. There should be open-ended support for state and local governments, public utilities, transit authorities, public hospitals, schools, and universities for the duration, and generous support for public capital investment in the short and long term. To the extent possible, all the resources being released from the private residential and commercial

construction industries should be absorbed into public building projects. There should be comprehensive foreclosure relief, through a moratorium followed by restructuring or by conversion-to-rental, except in cases of speculative investment and borrower fraud. The president's foreclosure-prevention plan is a useful step to relieve mortgage burdens on at-risk households, but it will not stop the downward spiral of home prices and correct the chronic oversupply of housing that is the cause of that.

Second, we should offset the violent drop in the wealth of the elderly population as a whole. The squeeze on the elderly has been little noted so far, but it hits in three separate ways: through the fall in the stock market; through the collapse of home values; and through the drop in interest rates, which reduces interest income on accumulated cash. For an increasing number of the elderly, Social Security and Medicare wealth are all they have.

That means that the entitlement reformers have it backward: instead of cutting Social Security benefits, we should increase them, especially for those at the bottom of the benefit scale. Indeed, in this crisis, precisely because it is universal and efficient, Social Security is an economic recovery ace in the hole. Increasing benefits is a simple, direct, progressive, and highly efficient

way to prevent poverty and sustain purchasing power for this vulnerable population. I would also argue for lowering the age of eligibility for Medicare to (say) fifty-five, to permit workers to retire earlier and to free firms from the burden of managing health plans for older workers.

This suggestion is meant, in part, to call attention to the madness of talk about Social Security and Medicare cuts. The prospect of future cuts in this modest but vital source of retirement security can only prompt worried prime-age workers to spend less and save more today. And that will make the present economic crisis deeper. In reality, there is no Social Security "financing problem" at all. There is a health care problem, but that can be dealt with only by deciding what health services to provide, and how to pay for them, for the whole population. It cannot be dealt with, responsibly or ethically, by cutting care for the old.

Third, we will soon need a jobs program to put the unemployed to work quickly. Infrastructure spending can help, but major building projects can take years to gear up, and they can, for the most part, provide jobs only for those who have the requisite skills. So the federal government should sponsor projects that employ people to do what they do best, including art, letters, drama, dance, music, scientific research, teaching, conservation, and the nonprofit sector, including community organizing – why not?

Finally, a payroll tax holiday would help restore the purchasing power of working families, as well as make it easier for employers to keep them on the payroll. This is a particularly potent suggestion, because it is large and immediate. And if growth resumes rapidly, it can also be

scaled back. There is no error in doing too much that cannot easily be repaired, by doing a bit less.

As these measures take effect, the government must take control of insolvent banks, however large, and get on with the business of reorganizing, re-regulating, decapitating, and recapitalizing them. Depositors should be insured fully to prevent runs, and private risk capital (common and preferred equity and subordinated debt) should take the first loss. Effective compensation limits should be enforced – it is a good thing that they will encourage those at the top to retire. As Senator Christopher Dodd of Connecticut correctly stated in the brouhaha following the discovery that Senate Democrats had put tough limits into the recovery bill, there are many competent replacements for those who leave.

Ultimately the big banks can be resold as smaller private institutions, run on a scale that permits prudent credit assessment and risk management by people close enough to their client communities to foster an effective revival, among other things, of household credit and of independent small business – another lost hallmark of the 1950s. No one should imagine that the swaggering, bank-driven world of high finance and credit bubbles should be made to reappear. Big banks should be run largely by men and women with the long-term perspective, outlook, and temperament of middle managers, and not by the transient, self-regarding plutocrats who run them now.

The chorus of deficit hawks and entitlement reformers are certain to regard this program with horror. What about the deficit? What about the debt? These questions are unavoidable, so let's answer them. First, the deficit and the public debt of the U.S. government can, should, must, and will increase in this crisis. They will increase whether the government acts or not. The choice is between an active program, running up debt while creating jobs and rebuilding America, or a passive program, running up debt because revenues collapse, because the population has to be maintained on the dole, and because the Treasury wishes, for no constructive reason, to rescue the big bankers and make them whole.

Second, so long as the economy is placed on a path to recovery, even a massive increase in public debt poses no risk that the U.S. government will find itself in the sort of situation known to Argentines and Indonesians. Why not? Because the rest of the world recognizes that the United States performs certain indispensable functions, including acting as the lynchpin of collective security and a principal source of new science and technology. So long as we meet those responsibilities, the rest of the world is likely to want to hold our debts.

Third, in the debt deflation, liquidity trap, and global crisis we are in, there is no risk of even a massive program generating inflation or higher long-term interest rates. That much is obvious from current financial conditions: interest rates on long-maturity Treasury bonds are amazingly low. Those rates also tell you that the markets are not worried about financing Social Security or Medicare. They are more worried, as I am, that the larger economic outlook will remain

very bleak for a long time.

Finally, there is the big problem: How to recapitalize the household sector? How to restore the security and prosperity they've lost? How to build the productive economy for the next generation? Is there anything today that we might do that can compare with the transformation of World War II? Almost surely, there is not: World War II doubled production in five years.

Today the largest problems we face are energy security and climate change – massive issues because energy underpins everything we do, and because climate change threatens the survival of civilization. And here, obviously, we need a comprehensive national effort. Such a thing, if done right, combining planning and markets, could add 5 or even 10 percent of GDP to net investment. That's not the scale of wartime mobilization. But it probably could return the country to full employment and keep it there, for years.

Moreover, the work does resemble wartime mobilization in important financial respects. Weatherization, conservation, mass transit, renewable power, and the smart grid are public investments. As with the armaments in World War II, work on them would generate incomes not matched by the new production of consumer goods. If handled carefully – say, with a new program of deferred claims to future purchasing power like war bonds – the incomes earned by dealing with oil security and climate change have the potential to become a foundation of restored financial wealth for the middle class.

This cannot be made to happen over just three years, as we did in 1942–44. But we could manage it over, say, twenty years or a bit longer. What is required are careful, sustained planning, consistent policy, and the recognition now that there are no quick fixes, no easy return to “normal,” no going back to a world run by bankers – and no alternative to taking the long view.

A paradox of the long view is that the time to embrace it is right now. We need to start down that path before disastrous policy errors, including fatal banker bailouts and cuts in Social Security and Medicare, are put into effect. It is therefore especially important that thought and learning move quickly. Does the Geithner team, forged and trained in normal times, have the range and the flexibility required? If not, everything finally will depend, as it did with Roosevelt, on the imagination and character of President Obama.

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James K. Galbraith's new book is The Predator State: How Conservatives Abandoned the Free Market and Why Liberals Should Too. He holds the Lloyd M. Bentsen Jr. Chair in Government/Business Relations at the LBJ School of Public Affairs, University of Texas at Austin, and is senior scholar with the Levy Economics Institute.

Supercapitalism: We're All at Fault? What You Mean "We," Reich Man!

Robert B. Reich, *Supercapitalism: The Transformation of Business, Democracy, and Everyday Life*, New York: Alfred A. Knopf, 2007, ix + 272 pp.

By Jason Schulman

Robert Reich, secretary of labor in the Clinton administration, is troubled by how capitalism has overwhelmed political democracy in the United States. He is no socialist – he even writes in his new book, *Supercapitalism: The Transformation of Business, Democracy, and Everyday Life* that “capitalism is almost certainly a precondition for democracy,” as “[d]emocracy requires private centers of power independent of a central authority.” Nevertheless, Reich believes that the current balance between capitalism and democracy is off, at least in the U.S., and offers an explanation of why and how.

In the mid-twentieth century, says Reich, Americans lived in a “Not Quite Golden Age” of democratic capitalism, characterized by mass production, mass unionization and mass prosperity. Democratic capitalism was a business-run planned economy, where the largest corporations escaped competitive pressures but nevertheless delivered the goods, and those corporations’ top executives acted as “corporate statesmen” who tried to balance the claims of stockholders, employees, and the American public. Labor unions – more specifically, the labor bureaucracy – were an established part of the system, “sharing with business the credit and responsibility for ensuring the public’s rising prosperity.” Despite obvious problems – the persistence of institutionalized racism and sexism, anti-communist witch-hunting, pockets of poverty, a foreign policy that acted on behalf of the U.S.’s largest corporations’ desire for cheap resources abroad – it appeared that political democracy in America had “offset the economic power of large-scale production and widely disperse[d] its benefits.”

Reich’s argument as to why this arrangement died is essentially technologically determined; class struggle does not enter the picture. Technologies that were born as a result of the Cold War – containers for cargo ships and planes, fiber-optic cables, satellite communication systems – led to the commercial development of computers and software that could produce items at low cost without large scale and ultimately distribute them via the Internet. Barriers to entry in various industries collapsed, as did regulatory barriers between industries. New production processes, financial deregulation, and globalization – specifically, the creation of global supply chains in which components or services are added depend-

ing on wherever they can be done “best and most cheaply” – buried both economies of scale and democratic capitalism. Companies must now fight ever harder to preserve their competitive positions, and so they have become more deeply involved in the crafting of deregulatory legislation. As investors have put their savings into giant mutual funds and pension funds, which pressure companies for higher returns, the corporate statesman has died. CEOs now have one sole task: to raise share prices. Unionized wages and benefits are no longer abided. In the place of democratic capitalism now stands supercapitalism.

As a result, Americans gained as consumers and investors; indeed, the average American (at least before the market crash) was now investing in the stock market like never before, and industry itself became “the handmaiden of Wall Street.” But inequalities of wealth and income have widened, job insecurity has greatly increased, and global warming is

a big problem. American democracy itself seems imperiled, unable to respond to the concerns of citizens – even as the need for public provision of social welfare grows.

Still – and this is the most striking aspect of his analysis – Reich claims that there is no use in pointing the finger at corporations for their “bad” behavior; everyone, it seems, is at fault for the current predicament, regardless of their social class. Many may

think that CEOs are obscenely overpaid, but this is merely the result of the workings of the market, which is driven by the average American as consumer and (often) investor. Baby boomers who fear environmental destruction often drive SUVs. Those who hate the business practices of Wal-Mart often still shop there because of its low prices. And so on. Do not blame everything undesirable about supercapitalism on a big business-Wall Street conspiracy, says Reich – the real culprit is not class warfare but increasingly cutthroat competition which all of us are spurring on. Do not attempt to make corporations “socially responsible,” or “patriotic,” either – corporations simply do not work that way. Governments can make moral calculations, but profit-seeking entities cannot, and so activists should be seeking greater governmental regulation, not to change the basic nature of the corporation as a (wealth-generating) institution.



Reich is certainly correct that it is pointless to try to make private corporations operate on some other basis than the profit motive. But he has surprisingly little to say regarding precise measures to rein in supercapitalism. He may believe that a better balance between democracy and capitalism is still possible, and declares himself in favor of “laws and regulations that make our purchases and investments a social choice as well as a personal one,” but he says nothing about what sort of social movement would be necessary to make such laws come into being. He laments the decline of unions and other institutions which might “guard the border” between capitalism and democracy, but offers little save an exhortation that Americans begin to actively make their values as citizens balance out their desires as customers and investors.

Reich’s technologically deterministic explanation for the increased role of financial institutions within capitalism and on politics under capitalism fails to see the very genuine class warfare – most visibly and effectively from above – that has characterized the last 35 years. He mentions the inflationary pressures of the early 1970s, but not from whence they arose – namely, increased union militancy and the combination of public spending on Great Society programs and the Vietnam War. It was the “masters of the universe” in the financial sector who were at the forefront in demanding the defeat of the social forces that they saw as responsible for the inflationary pressures undermining their assets’ value. Today, capitalism is dominated by finance capital, *abstract* capital, which can operate everywhere and anywhere, without a location, in contrast to productive capital. Subordinating productive capital to itself, finance capital makes the economy function on a short-term and unproductive basis. It is therefore fundamentally predatory and parasitic, increasing investment in circulation rather than production – spending vast levels of resources on income property, commodity, equity and bond speculation.

Presently, only 15 percent of the U.S. workforce is directly involved in actual production. The U.S. draws its wealth through the international financial system from other parts of the world (East Asia, Korea, China and Japan). That’s a description of a national capitalism in an advanced state of decay and decline, acting as a parasite in the world economy. While Reich sees the connection between the expansion of the financial sector and the decline of organized labor and mentions how, with pension savings invested in the stock market, most American households had become shareholders by the late 1990s, he doesn’t provide a clear explanation of *why* this occurred, despite mentioning the stagnation of most Americans’ income over the last 30 years. He even praises capital markets as being “far more efficient than they were decades ago,” playing down how financial deregulation inevitably leads to speculative bubbles and bursts because financial markets are based on uncertain information about future economic performance. And though he worries about the effect of supercapitalism on the environment and wants government to change the “rules of the game,” he does not indicate just how drastically the rules would have to change in order to overcome the threat of global ecological devastation.

The truth is that under present conditions, any reform program which fails to directly challenge the capitalist system is

wholly insufficient. In particular, if ecological priorities are to take precedence (and they should), then it is necessary to demand the establishment of new public institutions which would enable democratic, collective determination of the allocation of resources – and, furthermore, the transformation and democratization, not just the regulation, of the whole financial system, turning it into a public utility, one that accords to democratically established priorities rather than short-term profit.

In turn, it is necessary to go beyond the limited political democracy of the “Not Quite Golden Age.” Reich fails to understand that there is not only a bias toward property owners under modern American capitalism, but also that the American state does not exist independently of the economic system. It is very much a *capitalist state*, deficit-financed through organized financial markets and part of an international state system, subject to the world market, through which capital reigns. Despite universal suffrage – which itself functions quite imperfectly – it is an oligarchy, not a genuine democracy. Therefore, the fight for economic democracy is intrinsically tied to the fight for greater political democracy than capitalists and their political representatives will ever be willing to accept: to go beyond the freedoms of speech, assembly, association, movement, etc., and onto democratic control of the economy and real control of the state.

Ultimately, *Supercapitalism* illustrates the limits of traditional, “New Deal” liberal thinking. Now more than ever, those limits need to be transcended, not just in theory, but in action.

Jason Schulman is on the editorial boards of DL and New Politics (www.newpol.org). A more in-depth version of this article will appear in the June 2009 edition of New Political Science.

Marianna Schaupp Wells

Detroit DSA member Marianna Wells died on February 18th at the age of 88. Born in upstate New York, she moved to the Midwest as a young woman. After graduating with a Bachelor’s Degree from Northwestern University in 1942, she moved to Detroit, where she received additional training in occupational therapy at Wayne State University and then worked for many years as an occupational therapist at Children’s Hospital of Michigan. She was a founding member of the Democratic Socialist Organizing Committee (DSOC) and later a founding member of DSA. She was also a strong environmentalist and member of the Sierra Club. Treasurer of the North Macomb County Democratic Club, she was actively engaged in electoral politics until shortly before her death.

She was a staunch supporter of DSA who maintained a monthly pledge to the organization since its founding and was able to leave it a modest legacy.

What's a Left to Do? Crisis and Renewal

By Bill Fletcher, Jr.

Crises can be resolved in any number of ways, but one thing that is always clear is that in the midst of a crisis there is an opportunity for new ideas and approaches to be considered, often by a mass audience. Take, for instance, the issue of nationalization of the auto industry. It is no exaggeration to say that had someone seriously suggested this proposition in early 2008 they would have been laughed out of town. Nevertheless, in the midst of the auto crisis of late 2008-early 2009, this proposal

has been surfaced and taken quite seriously, even by its detractors. The material conditions

have offered up the chance for consideration of what would have been, at one point, impossible to consider.

Thus, we on the left find ourselves in a situation of profound national (indeed, global) economic and political crisis, but with a lack of the movement and organizational coherence needed in order to respond in unified fashion. In order to address this, one must first admit the problem and understand its nature. The problem exists not only in the U.S. In many other capitalist countries there is mass outrage in the face of the current economic crisis, but there is also complete confusion as to whether an alternative route can and should be advanced. In this situation, protests take place and anger is expressed, but this is not generally linked with a movement for social transformation. This is a highly dangerous situation because in such situations right-wing populism (and worse) can emerge, offering irrational answers.

What is the Left?

The term “left,” whose origins go back to the French Revolution, has become overused and often abused. For the political right, i.e., the forces of reaction, the left is anyone who believes in a government that supports social programs and some level of distribution of the social surplus. In this sense, the right defines people such as former President Bill Clinton and institutions such as the *New York Times* as being allegedly “left.”

Such a definition is ridiculous and of little use. The left needs to be understood as the various social forces which advocate a process of progressive social transformation going *beyond capitalism*. This is critical precisely because the left does not position itself as the defender of capitalism, or as a force which would simply improve it. While the majority of leftists have always fought for critical social reforms under capitalism, such fights do not and must not define the limits of the left. The left seeks to supersede capitalism with another

system. Such a system may be represented by socialism, anarchism, or something in between, but it is not the continuation of the existing establishment.

This understanding of the left is important because there are often mischaracterizations of the left based on differences around strategies and tactics. The fact, for instance, that some forces on the global left have (at one point or another) advocated armed struggle and others have not, does not place

one group within the left and one outside. Though the differences can be very sharp, what is critical to grasp is

that the fundamental difference is *between the left and the non-left*, which revolves around the matter of whether one is seeking to preserve the capitalist system, even with basic reforms, or whether one is aiming to *transcend* capitalism.

Is There a Left in the U.S.?

It has become a pseudo-truism to assert that there is no left in the U.S. Regularly, at conferences, in speeches, and in articles, many left-wing individuals will suggest that there is no left in the U.S. Is this correct?

It is fundamentally wrong to suggest that there is no left in the U.S. Indeed, the left is quite weak and very dispersed, but it remains very real. The U.S. left can be found in a variety of places including – but not limited to – avowedly left-wing and radical organizations as well as in what Chilean theorist Marta Harnecker calls the “social movement left.” The social movement left is a term referring to the forces engaged in very specific movements who have a radical consciousness but are largely disconnected—at least organizationally—from the lefts in other social movements and, perhaps more importantly, are not engaged in an overarching project of left-led social transformation. The social movement left can be found in the *social wage movement* – i.e., projects such as worker centers – as well as among those engaged in organizing traditionally dispossessed groups (for example, domestic workers); organized labor, particularly in reform movements aimed at building a revitalized labor movement; the environmental movement, especially the environmental justice movement; and many other progressive social movements.

The point, however, is that the left very much exists, but its weakness means that it is less than the sum of its parts. The weakness is not simply organizational, as important as that is, but also ideological and political. Specifically, the left still operates in the shadow of the crisis of socialism.

The crisis of socialism is far broader and deeper than the ramifications of the collapse of the Soviet bloc. The term “crisis of socialism” refers to a predicament and challenge that has had an impact on every left trend, specifically focusing on the mixed record of the impact of left-led social transformation projects in the twentieth century. Central to that, as analyzed by Egyptian Marxist theorist Samir Amin, has been the impact of Stalinism on the Communist left (and the collapse of the Soviet bloc); the unraveling of the welfare state and its impact on the devolution of social democracy; and the end of the national populist projects in the global South which sought to find a “third way” between socialism and capitalism.

The end of the Maoist experiment in China, along with challenges faced by other left projects (including their active suppression by imperialist forces and their allies) in building a transformative project, coincided with a particular resolution to the stagnation of Western capitalism in the late 1960s-early 1970s, a resolution which came to be known as “neoliberalism.” Neoliberalism, through the combination of massive privatization, de-regulation, casualization, trade liberalization, and the exploitation of speculative bubbles as well as its insistence on export-led production (particularly in the global South), promoted the image of a form of wealth accumulation that could outpace the economic development efforts promoted by the left. Particularly and insofar as many left projects did not fully break with capitalism (but rather attempted to manage capitalism), such projects encountered additional challenges, i.e., taking the “rap” for economic problems that were rooted in specific forms of capitalist accumulation even when the state was led by forces on the left itself.

The weakening of left alternatives combined with capitulation within the left to neo-liberal thinking. This could be found in a gross form in the British Labour Party under Tony Blair. There was the slow but steady distancing of the party from any notion of socialism, even given that such notions in the Labour Party had been largely rhetorical for years if not decades. With the collapse of the USSR, this trend spread very rapidly around the world. In the global South, formerly revolutionary national democratic movements jettisoned their radical rhetoric and approaches and moved – sometimes nearly overnight – to adopt neoliberal practices, and sometimes even neoliberal rhetoric. While there was and continues to be resistance to the neoliberal model on the left – e.g., the World Social Forum movement – and some parties on the left have continued to advance a radical alternative politics, the capitulation mentioned above became an ideological/political epidemic.

The challenge to the left also emerged from post-modernism, which in many respects “ideologized” the retreat of the left and suggested that not

only was there no “master narrative” but that having one was problematic in and of itself. Further, post-modernism suggested that resistance struggles by various social movements was more than likely the most that could be counted upon within the left rather than the development of any overarching socially transformative project. Finally, post-modernism deepened subjectivism in moving left analysis away from notions of social contradictions and strategy and toward viewing oppression as a personal experience that could be analyzed separately from larger societal conflicts.

Battered internally and externally, the left retreated from contemplating a pro-active project, and further retreated from serious discussions regarding questions of organization. Thus, the idea of building a left party or a party for socialism was in most quarters put on the back burner, if not outright repudiated, while greater attention was placed on operating as individuals in mainstream organizations and movements, or establishing non-profit organizations where left activists could both work and conduct their political tasks. That the latter projects were and are largely externally funded has presented problems at the level of strategy and makes it difficult to integrate these initiatives into a larger left venture.

Nevertheless, the basis actually exists for a new left in these various centers of activism and theory, but in order for it to reemerge there will need to be new thinking on matters of vision, strategy and organization. This new thinking and action must draw from the experiences and lessons being accumulated by the left internationally, while at the same time be firmly grounded in the concrete realities of class struggle in the U.S.

Renewal

We on the left in the U.S. must see as one of our major tasks the objective of advancing *mass leftist politics* that are integrated into real-world projects. In other words, it does us



Boston DSA members rally in support of the Employee Free Choice Act.

little good to have left-wing spokespersons and writers if they are disconnected from mass struggles. Yet the connection to mass struggles must be done in such a way that the left is not continually subordinated to other political forces in the “center” or, even worse, in hiding. The following are some suggestions toward a process of left renewal.

Theory: Left-wing theoretical development too often takes place in a vacuum. Those who think of themselves as theoreticians are often disconnected from those who are involved in mass struggles. Many left activists in mass struggles deprecate theoretical development, suggesting that theory is unnecessary or at best a luxury. The left needs serious theoretical work on major questions ranging from summing up the socialist experience of the twentieth century to the “resolution” of the economic crisis. This theory must ultimately be at the service of those in struggle. In this respect not only is there a critical need for Social Forums, but there is also a need for summation and writing. We desperately need an accessible leftist journal or magazine that combines examination and exposure of critical issues with the elaboration of analyses of the big picture.

A real-world project: In order for the left to be more than the sum of its parts it must cohere within social movements and develop strategies that correspond to the needs and challenges of said social movements. Let’s take labor. Within labor – both the unions and the social wage movement – there are major challenges regarding the road forward. Many left activists, including this writer, have extensive experience as union staff or, in the case of other activists, being employed as staff in worker centers or other such independent working class-oriented projects. The staff person will have a different vantage point and, indeed, a different power relationship to a social movement. This means that it is critical that left activists who are serving as staff do not confuse their roles. There is a need for a left project within labor and this project needs to think through the concrete steps necessary to advance the revitalization of the union movement and its fusion with the social wage movement. In my book *Solidarity Divided*, I suggest that one such approach can be summarized in the notion of *working people’s assemblies*.

Organization: The left is too broad to conceive of one organization uniting it. Nevertheless, the question of organization remains critical on several different levels. Unfortunately the left tends to approach organization at either the level of “it’s our way – that is, the way of our little groups – or the high-way” or we engage in a series of tactical alliances. Neither approach is acceptable in the current situation. The following are suggestions as to how to approach this.

A party for socialism: There needs to be a political organization that unites socialists. Such a political organization or party is necessary to elaborate a clear and different vision for the future of the U.S. and this planet. Such a party must

aim to be mass in character (i.e., hundreds of thousands of members) and represent a *radical* alternative. Such a party will need to be grounded in social movements, and particularly understand the linkage between race, class, gender and empire. (Time and space do not permit a further elaboration on this.)

Coordinated work in social movements: There are periodic efforts to unite left forces in various social movements. The Black Radical Congress, founded in 1998, was one such attempt. This was not formed to be a cadre organization, but a vehicle to unite the left in the Black Freedom Movement. Such efforts, however, are very difficult to sustain and precisely because they have, by definition, a broad basis of unity, they tend to have a limited field of action. This is not necessarily a problem if recognized in the beginning. In all progressive social movements, efforts to unite left forces are critical so that the left can speak with a public voice.

A neo-Rainbow approach to electoral work: Electoral work remains a means to openly discuss politics with masses of people. We have seen through the Obama campaign the tremendous possibilities that have emerged with millions of people looking for a different vision and a different way of doing politics. The left tends to either abstain from electoral politics; marginalize itself with small-party candidacies in partisan elections; or tail after the Democrats. It is time for the left to invest in a different approach, one that I and others have called a *neo-Rainbow approach*, which emphasizes an independent politics and organization that operates inside and outside the Democratic Party. Working the electoral arena that way opens up opportunities to develop a mass base and hearing for a left/progressive agenda.

The entire point of this essay is to suggest that the left, as a left, must stop being so shame-faced and recognize that its revitalization will not happen spontaneously. Masses of people are looking for alternative directions today in areas ranging from the economy to ecology, yet the weakness of the left inhibits our ability to project and practice an alternative politics that advances social transformation. This lethargy, spontaneism, inertia – call it what you want – must end. We must move towards a mass left politics that helps to reshape this country and unites with the global left in transforming this planet.

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150 Young Activists Attend “Beyond the Ballot: Making the Movement Matter”

By David Duhalde and Erik Rosenberg

From February 27th to March 1st, Young Democratic Socialists held its national outreach conference, “Beyond the Ballot: Making the Movement Matter,” at the Academy of Environmental Science in New York City. The event focused on developing strategies for building progressive and radical social movements to push the Obama administration to the left. This year, YDS successfully increased the prominence of socialist politics in workshops and plenaries while articulating why building a democratic socialist organization is necessary to achieve even moderate reforms, let alone a serious power shift from capital to labor.

Amy Goodman, host of *Democracy Now!*, spoke on the plenary “Now, the Hard Part: Movement Building Under Barack Obama,” with Democratic Socialists of America (DSA) member Bill Fletcher Jr., a veteran radical trade unionist, and DSA Vice-Chair and Temple University Professor Joseph Schwartz. Reminding the audience of the important role that media play in making and breaking progressive change, Goodman encouraged activists to use grassroots forms of communication, while admitting the limitation of mainstream media in promoting anti-establishment viewpoints, even when they are popular. Fletcher reminded the audience that socialism is more than just a topic for study groups and spoke

about the need to critically examine social movements and organizations in order to better the movement we already have. Schwartz proclaimed that there is social democracy in the United States – but that it is restricted to the affluent in American suburbs with their excellent public schools and services. He added that a key goal of democratic socialists is to expand such social benefits to all. All speakers agreed that the Obama administration offered an opening to social movements but that we need to have one foot in the system and one in the streets. Visible protest with direct demands would help distance Obama from his corporate backers.

The next plenary, “Student Debt: The New Indentured Servitude,” fit right into YDS’ national programming, as the organization, at its Summer Conference, voted to make student debt a national priority. The panel featured academ-

ics Christine Kelly and Jeffery J. Williams and was moderated by leading YDS and New Jersey intercollegiate activist Michael McCabe. Kelly, a historian of student activism, discussed the fight against tuition increases in the days of Roosevelt and afterward, noting that only organized student bodies could successfully fight against raises in fees and for increased funding. Williams, in a popular experiment, asked the audience how many had graduate school debt, then undergraduate debt. Combined, a good portion of the auditorium raised their hands. Then he asked how many had high school debt. No one raised a hand.



YDS’s Chris Maisano introduces Amy Goodman, Joseph Schwartz, and Bill Fletcher.

Williams used this moment to highlight that our society views education as a right until the age of 18. He also said that skyrocketing debt is a new phenomenon born over the past few decades. He and Kelly connected the dominance of neoliberalism to the shift from grants to loans in subsidizing individuals’ higher education. When asked by an audience member about the need to increase funding for technical schools because higher education is “a privilege,” both answered that the role of socialists and progressives is to spread the idea that college education is a right for those who qualify. Kelly, who recently joined DSA, ended by telling the audience how her family directly benefited from the GI Bill, which enabled her father to attend college. Young socialists, she urged, must remind a generation that grew up with anti-government rhetoric that the state can be a force for good.



On Sunday, DSA Youth Section (YDS's former name) veterans addressed America's weak economy and imperial wars. Mark Levinson, the first DSA-YS chair and current chief economist for labor union UNITE-HERE, and Joseph Schwartz, the first DSA-YS national organizer, spoke on "The Economic Crisis and the Wars: Seeing Through the

Misdirection." Levinson told the students that only starry-eyed conservative economists did not predict the housing crisis and the stock market collapse. He added that growing income inequality contributed to the crisis, as stagnating working-class wages forced people into debt and higher wages at the top and deregulation of financial instruments led to more economic speculation. This proved to be a dangerous combination as the economy tanked largely due to bad debts and poor investments. Schwartz, who filled in for an injured Frances Fox Piven, told the audience the "dirty little secret" that the U.S. could be perfectly safe with a drastically cut military budget, as the United States currently outspends all other nations combined on "defense." Most current foreign policy dilemmas faced by the U.S. are not solvable by the brute use of armed force, he argued; rather, a sane U.S. foreign policy requires sophisticated multi-lateral diplomacy, sound economic policy, and intelligent "intelligence" gathering. A great deal of our spending is dedicated to maintaining our Cold-War style imperialist army and

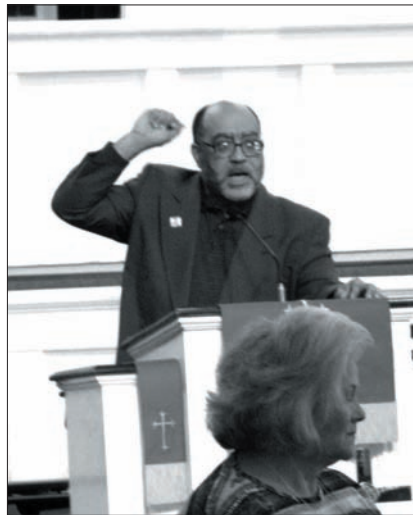
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Metro Atlanta DSA Organizes Conference on Foreclosures

By Barbara Joye

Over 120 people attended "Fighting Foreclosures: A Call to Action," organized by Metro Atlanta DSA (MA-DSA) and the Georgia Rural Urban Summit (GRUS), an affiliate of USAction, with co-sponsorship by 30 other civic, church, labor, and social justice organizations. A progressive state senator, Vincent Fort, and the pastor of the First Iconium Baptist church that hosted the forum, Rev. Timothy McDonald of Clergy and Laity Concerned, joined Atlanta Legal Aid Society attorney William Brennan and Emory University professor Michael Rich on the panel, which was introduced by MA-DSA chair Milt Tambor. The event took place on April 4, the anniversary of the assassination of Atlanta native Dr. Martin Luther King. "If he were alive today, he would be here today," said more than one of the speakers.

Fort, who authored a 2002 law restricting predatory lending that was soon gutted under pressure from the banks and the U.S. Treasury Department, was a recipient of Metro Atlanta DSA's 2008 Douglass-Debs Dinner award. Brennan, who heads Atlanta Legal Aid's Home Defense Program, has been fighting to prevent foreclosures for low and moderate income Atlantans, some of whom attended the forum.



State Senator Vincent Fort rails against foreclosure being levied on an audience member because she and her husband (a policeman disabled in the course of duty) were tricked into taking an adjustable rate mortgage they can't afford.

Rich displayed maps showing the concentration of foreclosures and sub-prime mortgages in low-income and minority neighborhoods. Many seniors and women have also been targeted with deceptive practices and aggressive marketing by the "toxic assets" industry. Atlanta has the third highest rate of foreclosures in the country, and 10,000 more foreclosures were announced April 7.

After a lively question-and-answer session, more than 100 of the forum attendees signed up to take action in the next few weeks to "shine a light" on some of the banks that are the biggest offenders. Organizers met a few days later to form the "Atlanta Fighting Foreclosures Coalition" and plan their first action: an April 21 demonstration against Wachovia, demanding "No more predatory lending! No more foreclosures! Modify loans so our neighbors can stay in their homes! You took our bailout money; now you

work for us!" The actions are taking place with the understanding that the problems are systemic and widespread, not a matter of one bank's practices. As we go to press, busloads of protesters are being organized by coalition members.

YDS Conference

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being ready to invade developing nations. Schwartz also said socialists should also push for more democratic control of the capital that our government is now investing in failing industries. He reasoned that since it's our tax money, we ought to have control over how it is used.

The closing panel was "We are an Intergenerational Movement!" with DSA Vice-Chair and Midwest Academy trainer Steve Max and journalist and author Liza Featherstone. Though he would offer no advice to student activists on how to organize themselves, Max did explain that the socialist movement had helped change the U.S. for the better. While not always featured prominently in textbooks, socialist organizations have helped activists become smarter and more organized movement builders. Featherstone stressed the critical role socialist organizations play in building organic activists and intellectuals. Both speakers reminded us that there is a strong anti-intellectual current in American politics on both the right and left and agreed that being active in YDS is a great way to build an educated democratic left and to counter reactionary and misguided anti-intellectualism.

The conference also featured fourteen workshops on labor, immigration; gender, sexuality, and race; healthcare; the economy; the environment; the war; and more. One of the

most successful workshops was "Strike While the Iron is Hot: How to Build a YDS chapter." Over twenty chapter activists and people interested in starting chapters from ten schools came together to discuss how to build a socialist organization through political programming and intellectual development. The attendance of younger chapter activists, including high school students, showed that there is a new generation ready to grow YDS.

The atmosphere of that workshop and the entire conference was one of hope – even if that hope was cautious. Gone is the anger and resentment of youth activism under Bush. YDS is ready to play a strong and visible role in building progressive social movements and a democratic left under Obama. We know that we are socialists and Obama is not – no matter what the right wing says. We will continue recruiting and building DSA as a multi-generational socialist organization. "Beyond the Ballot: Making the Movement Matter" only emphasized our belief that elections play an important but limited role in social change. Obama's election created many opportunities for social change. Now our job is not only to convince him that our ideas are right but also to build the movements to make him enact them.

Erik Rosenberg and David Duhalde are the present and immediate past YDS organizers, respectively.

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