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How to nationalize the railroads

by MICHAEL HARRINGTON

The railroads of the United States will be nationalized during the next several years. The issue is not whether this will happen but how. Will the public take over the losses and burdens while private rail companies keep the profits? Will nationalization be bureaucratic or democratic? Will consumers and employees participate in the decisions of public boards as the American rail unions suggested to Congress when they first proposed public ownership in 1919?

The United Auto Workers are for nationalization; so is the Washington *Post*. The *Wall Street Journal* favors a Consolidated Facilities Corporation (ConFac) which would be a nationalized body owning the right of way and physical structures. And John P. Fishwick, president of the Norfolk and Western Railway, told the Interstate Commerce Commission at the end of March, "Admittedly, there is no way for all of the bankrupt lines in the Northeast to be restructured and operated viably as private enterprise." Fishwick came out for nationalization—but in "an area in which it can be contained."

Some think that nationalizing industry is an inherently leftist, "radical" demand. That is not the case at all. From Bismarck to the *Wall Street Journal*, conservatives have demonstrated that national property can be a main prop of the status quo and private, corporate power. The crucial issue of nationalization is not the demand itself, but the manner of implementation. In what follows we will be talking about the specific and immediate case of the railroads. But this is relevant to broader questions of nationalization.

First of all, there is no question that, as Fishwick said, the private railroads in the Northeast no longer function. In part, this has happened because Government subsidies to transportation—which, up to 1973, totaled more than $450 billion—were doled out without any integrated transportation plan. Thus the trucking industry benefitted enormously from the $76 billion federal investment in the Interstate Highway System. Washington followed the priorities of Exxon and General Motors, not those of the Penn Central.

But the Penn Central made its own contribution to this sorry mess. In an 800 page report issued in 1972, the Securities and Exchange Commission (SEC) revealed that Penn Central officers had used "insider information" to unload their stock in the company before it went bankrupt in 1970. There were also tricky accounting schemes, the SEC said: "The public was fed misleading information on a virtually continuing basis"; the stockholders were deceived by the directors, and so on. Even the U.S. Railroad Association (USRRA), the pro-business organization established by Congress in 1973 to propose a new system in the Northeast, admits that there were "managerial shortcomings," including "high dividends paid out in the face of cash shortages, the deterioration of internal accounting controls . . . and overly imaginative accounting procedures to bolster reported income."

So a combination of private greed and the subordination of public planning and subsidies to the priorities of autos, oil and suburbia led to the destruction of the most environmentally benign, energy-saving mode of transport in the land. Now the Government will have to intervene. How?

First, almost all of the current proposals—those from liberals as well as those from conservatives—suffer from the same basic defect: they treat the specific problems like the Northeastern railroads without reference to, or planning for, a national system.

In testimony before the House Banking Committee last April, Leonard Woodcock put the matter well.

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Whatever happened on the way to the rally

by ISAAC HILLQUIT

In the largest labor demonstration since the 1930's, 60,000 workers converged on Washington, D.C. on April 26th to demand "jobs now."

This event, widely reported in the press as labor's rally for jobs, was actually two events. Of these two, the one which received the most attention was the AFL-CIO Industrial Union Department rally in RFK Stadium which was disrupted and ended prematurely. Equally important was the demonstration which occurred only hours before on the steps of the Capitol and the ensuing march through the streets of Washington, D.C. The fact that there were *two* events, and the nature of those two events, illuminates some of the problems of the labor movement in the U.S. today.

In the fall of 1974, the economic crisis was taken seriously by everyone except President Ford and his conservative economic advisors. Within organized la-

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Labor rally . . .

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bor, considerable pressure was being exerted by the rank and file on the secondary leadership to do something. There was strong feeling that Ford and the Democratic Congress were getting nowhere slowly. The UAW and District 65 of the Distributive Workers of America were quick to react and planned demonstrations in Washington for early 1975. In December, the Executive Board of District 3 of the IUE passed a resolution calling for a protest. Victor Gotbaum, Executive Director of AFSCME's District 37, wrote a front-page editorial for the January *Public Employee Press* entitled "Why We Must March on Washington."

In late January a meeting took place in Washington with representatives of civil rights groups, activist elements in the labor movement, and liberal Democratic Party figures. At this meeting, the proposal for a march on Washington met with cool response from high level union leadership. When the January unemployment statistics were released (8 percent, the highest since 1940), panic spread through labor's ranks.

Gotbaum began to receive positive responses from many members of his union as well as other labor figures in the New York area. Strong support was offered by such people as William Bywater, president, and Archer Cole, assistant to the president, of IUE's District 3; Martin Gerber, director, and Edward Gray, assistant to the director, of UAW's region 9; Martin Veneri, president of New Jersey's Industrial Union Council; David Livingston, president, and Cleveland Robinson, vice president of District 65 of the Distributive Workers; Leon Davis of the Hospital Workers; and Morton Bahr of the Communications Workers. Enouraged by the reaction, Gotbaum called a meeting of area trade unionists for February 28th. The unanimity of opinion was striking.

All 50 or so participants were agreed on holding a militant demonstration in Washington. The only controversy at the meeting was whether to hold the protest on a weekday or on the weekend. A tentative date of Wednesday, April 29, was chosen. Although there seemed little hope of winning their support, it was decided that the presidents of International Unions would be approached and asked for their support. The date was left tentative.

Gotbaum began the next meeting on March 12 by introducing Bill Lucy, secretary-treasurer of AFSCME, who reported that the meeting earlier that morning of the Executive Board of the Industrial Union Department of the AFL-CIO had voted to support an unemployment protest rally in Washington with a tentative date of April 19. According to the March 17 *Wall Street Journal* account of the IUD meeting, ". . . consideration was given to holding the meeting in Washington's big professional football stadium, partly to insure orderliness." The news was stunning. Following Lucy's report, there was vigorous debate on the question of cooperation with IUD plans. Opposition centered on fears that IUD sponsorship would dilute, or even preclude, the 10-point program which had been approved on February 28 and included such things as an IUE full employment proposal (see April NEWSLETTER) and a call for an end to military assistance to Cambodia and South Vietnam. Some also opposed the IUD proposal for a rally instead of a march, which they found lacking in militancy and predicted would leave participants unfulfilled. Gotbaum and others argued that it made no sense for the New York group not to participate in the demonstration now that it had persuaded larger forces in the labor movement of its point of view. Indeed, it was remarkable that the IUD decided to sponsor any kind of mobilization. Meany had publicly opposed either a march or a rally (and continued to state his public opposition right up to the day of the rally). Those in the IUD leadership who supported a militant action in Washington fought for their point of view against heavy resistance. Those who had convened and led the meetings to plan a New York-New Jersey mobilization argued that it would make no sense to reject these efforts of friends and allies in the national IUD leadership.

Participants at the meeting agreed. But to the extent that they were willing to be flexible on the question of programmatic details, they were concerned with the tone of the event. Rather than hold a separate event, they agreed on staging a march *in conjunction* with the IUD rally.

The IUD met again in Washington on March 19. In response to objections by the building trades which had scheduled a legislative rally of several hundred around April 19, the date was reset once more—Saturday, April 26th. Despite resentment over the confusion which the further change in scheduling had caused, the New York group once more agreed to go along with the IUD. At its March 20 meeting, the New York Steering Committee made final plans for cooperation with the IUD rally and for a march from the Capitol to the Stadium.

Two weeks before the demonstration this is the plan that emerged for the day's activities: New York and New Jersey participants would be dropped off at the Capitol starting at 11:00 A.M. When sufficient numbers had gathered, they would begin the two mile march to RFK Stadium. The rally at the Stadium was scheduled to start at 1:00 P.M. Because of the expected overflow crowd, loudspeakers were to be set up for those who would stand in the grassy area outside. Low-cost lunches would be made available by the IUD. In addition to the entertainment, 14 speakers were

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scheduled. The rally was to end at 3:30.

The day started well. Every other vehicle on the New Jersey Turnpike that sunny morning was a charter bus. The crowd was in high spirits as busload after busload of demonstrators joined the line of march. By 1:00 P.M. the stadium turnstiles had counted a capacity crowd, and the gates were closed while thousands were still marching. Even before the speechmaking began, the tension was evident. Those standing in the long lines for the subsidized lunches and the rest rooms grew restless. Once seated, many participants were unable to hear the proceedings. The first major speech was to have been presented by Steelworkers chief I. W. Abel, president of the IUD. Abel was unable to attend because of a death in his family, so the speech was delivered instead by the Steelworkers' secretary-treasurer Walter Burke. As the speech passed the 20 minute mark, a handful of the restless participants dashed across the empty infield. The crowd roared its approval. Stimulated by this, several hundred standard-bearing radicals followed. Their momentum pulled many others onto the field. As Burke's speech ended and Hubert Humphrey's began, as many as 2,000 were in the infield. Humphrey was unable to complete his speech. Neither Barbara Jordan nor Bella Abzug was able to quiet the crowd in front of the rostrum, which by this time had grown quite noisy. As the dissidents wrested control of the microphone, large numbers of those who had been sitting in the stands left the stadium. The rally was declared over, and the P.A. system shut off. The already frustrated participants then spent an average of two hours searching for buses in the parking lot.

By most estimates, 60,000 had participated in the rally and related activities. District Council 37 alone had sent 20,000; IUE District 3, 4,500; UAW's Region 9, 2,000. Altogether, the New York-New Jersey coalition of unions and community groups sent about 40,000. District Council 37 had spent $500,000 on publicity and transportation; IUE District 3, $50,000; UAW's Region 9, $25,000. The IUD's total budget, according to Jacob Clayman, secretary-treasurer, may approach $40,000.

What went wrong? Did anything go wrong? Publicly at least there is a consensus among the union leaders involved in the planning of the demonstration; that, in terms of its political impact, the march-rally was successful. 60,000 people came to Washington to vigorously protest this country's callous disregard of workers and their situation. Furthermore, Congress and the Administration could plainly see that they were angry.

Where the demonstration tragically failed was in not creating a base for future mobilizations. Those who participated went away frustrated for a variety of sound reasons. The lecturer-listener atmosphere, the faulty sound system, and the seemingly interminable speechmaking, engendered little feeling of participation. This in turn encouraged the spontaneous disruption of the rally. The open infield made it possible.

The lack of foresight with regard to the structure and physical detail of the rally indicates the attitude of the IUD, whose concern for the orderliness of the action manifested itself in confining the crowd to a stadium rather than allowing them the freedom of the Mall; likewise in separating the crowd from the podium by a large open area. Upon reflection, it was precisely these factors which caused the disintegration of the event. At the same time it is useful to point out that the two-mile march by 40,000 participants was unmarred by disorder, and marked by a sense of purpose and participation. Had this mood been sustained throughout the day's activities, those 60,000 people would have been ready for subsequent action.

What does all of this say about the current state of the labor movement? The two events under their separate and overlapping sponsorships indicate roughly two tendencies within the labor movement right now. One is the far larger "mainstream" of the labor movement represented by the IUD leadership. This tendency follows George Meany fairly closely and tends, as the rally plans show all too well, to be distrustful of mobilizations and of the rank-and-file. The other tendency, which is well represented by the leadership of the march, is more activist and more militant. These unionists lean much more heavily on rank-and-file mobilizations as a tactic, and it was in response to their actions that the IUD moved on the rally at all. Unfortunately, the more militant strand, because it is smaller and sometimes isolated, often defers to the style of the mainstream to maintain labor unity. Meanwhile the mainstream, in its efforts to preserve labor unity, defers to the more conservative building tradesmen (as in the postponement of the rally because of a potential conflict with the Carpenters' legislative conference). In this particular case, the net effect was to dilute the actions called for by the activist trade unions. Because of the disintegration of this rally, the threat sounded by Leonard Woodcock in February—to bring a quarter million workers onto the streets of Washington if labor's priorities were not met—rings hollow. The secondary leaders and the rank-and-filers who could provide the rallying point for that effort won't be in any hurry to get back to Washington now. And the cautious leadership of the AFL-CIO will be even less likely to support such an effort. Yet without that kind of mobilization, without the rank-and-file confronting their legislators and a hostile Administration over labor's priorities, how can the trade unions fashion an effective response to the economic crisis? ☐

Socialist weekend

A second "socialist weekend" sponsored by the DSOC is being planned for May 30, 31 and June 1 at the Hudson Guild Farm in Netcong, New Jersey.

The weekend conference is devoted to serious socialist discussion of some larger issues, and some of the panels will addres questions like "Socialism and Human Nature" and "New Trends in U.S. Capitalism." Panelists for the weekend will include, among others, Irving Howe, Deborah Meier, Michael Harrington, Robert Lekachman and Nat Weinberg.

Costs for the entire weekend will be about $35, including meals and lodging. More information on the conference is available from the national DSOC office, Room 1112, 31 Union Square, New York, N.Y.

Pulling the purse strings: why credit is tight

by James Devor

In early April, Standard and Poor suspended New York City's credit rating. Only the timely arrival of state aid saved the city from technical insolvency or a disastrous trip to the credit market. The Right argues that New York City can simply no longer afford to maintain its liberal social service programs in the face of a mounting deficit (estimated to be $800 million for fiscal year 1975-76). In response to these calls for austerity and to "reassure the investment community," the comptroller curtailed the city's borrowing schedule for the next six months and required municipal pension funds to resume their purchase of New York City bonds and notes. Furthermore, the mayor disclosed plans to slash payrolls by more than 8,500 at an estimated annual savings of roughly $150 million —the first municipal layoffs since the Depression.

For a significant portion of the corporate Right, the call for social spending cuts is just the opening round. In its January 13, 1975, editorial for example, *Barron's* demanded that New York City impose an 18-month freeze on hiring and pay boosts; raise mass transit fares to "whatever levels necessary to wipe out the operating deficits"; clamp down on open enrollment in the City University; overhaul the welfare system; and "dismantle a system of rent control which is bankrupting landlords. . . ."

Yet, there is no objective evidence that the city will default on its obligations. For example, when Moody's Investors' Service (which along with Standard and Poor's is the most important bond rating service in the country) announced that it was maintaining its "A" rating of NYC bonds, it stated that "the strong legal backing of the city's obligations and the city's unique position in the American economy provide strong assurance to the creditor."

In other words New York City's problem is not one of potential bankruptcy, but rather of a lack of liquidity. The city's basic assets far outweigh its libalities; turning these assets into ready cash to meet current bills is New York's difficulty.

Despite the Right's distortion of the situation, the conventional wisdom of the Left is just as inadequate. The current crisis results not merely from a hold-up by a group of pinstriped bankers and credit analysts who live outside the city and who, out of greed, spleen, and moral turpitude are willfully seeking to devastate New York. The banks are fully aware of the importance of the city to the stability of the national economy. For example, First National City, Chase Manhattan and Manufacturers Hanover Trust are leasing or constructing more than 2 million square feet of office space in Manhattan while many companies are retrenching and the office rental market is stagnating. Nor are the banks simply trying to bleed every last dime out of the city, although to paraphrase General Electric's old slogan, "profits are their most important product."

What then are the causes of the current crisis? The banks' reluctance to continue financing the city's debt centers on the dubious liquidity of New York City's bonds. While no one doubts the city will continue to pay interest and at maturity, the principal, on its obligations, the resale value of bonds prior to maturity has declined substantially.

To further compound the problem (pun intended), banks have placed a greater priority on liquidity. Their Real Estate Investment Trust (REIT) adventures verge on bankruptcy and loan losses are increasing. Loans in relation to capital are near an all time high.

While the resale price of corporate bonds has increased, high yield city bonds issued in July 1974 at $1000 were selling in January 1975 at $850.

Why were interest rates rising for New York City at a time when interest rates in general are declining? There are essentially three reasons: an enormous over-supply of city bonds; a crisis of confidence caused by the near collapse of the New York State Urban Development Corporation; and a severe credit crunch created by the massive borrowing needs of the U.S. Treasury.

While New York City has always used the credit market to finance capital expenditures, one of the lesser known innovations of the Lindsay administration was its reliance on the credit market to finance operating expenditures. Short term Revenue Anticipation Notes and Tax Anticipation Notes, for example, have surged from less than $1 billion to $5 billion in the past five years. As the local economy sagged and revenues fell far short of projections, the trend toward ever greater municipal borrowing accelerated. As a result, New York bonds began flooding the municipal bond market. Normal investor demand could no longer keep pace and the laws of supply and demand took their toll.

In addition, the New York State Urban Development Corporation's default on $105 million in notes jolted the entire tax exempt market. While the causes of the near collapse of UDC and the lesson to be drawn from it are worthy of a separate article, its impact can be briefly summarized here.

Unlike the "full faith and credit" bonds of New York City which have first lien on government revenues, UDC bonds were backed by the "moral" but not legal commitment of New York State. Nevertheless, some fear that if the state could renege on its "moral" commitment, New York City could renege on its legal commitments. As Fitch Investors Service (a small but powerful bond rating service) observed, "there is another school of thought, commonly referred to as 'police power,' which believes that health and safety has an equal, if not superior, lien [rather than debt service] on city revenues."

This rationale is used to justify the call for a "debt moratorium," i.e., the postponement of payment on city bonds and notes. Although the mayor and comptroller have vociferously disavowed this approach, it is, on the surface, attractive. By postponing repayment of the city's debt, present revenues might be sufficient to finance current government expenses without either a tax hike or a cutback of services. Creditors could be repaid when the city's financial position improves or at least refinanced when interest rates drop. In the process, however, New York City's credit rating would be destroyed. Unless one believes that a revolution is imminent, a debt moratorium would be disastrous.

If these factors didn't complicate matters enough, city bonds face competition from two formidable sources in the credit market: the federal government and top quality corporations. The U.S. Treasury is after massive sums to finance the $80 billion federal deficit projected for 1975. And the corporations, worried about inflation and increasing long-term interest rates, are refunding bank loans into capital market securities. The corporations are also concerned that massive federal borrowing may force them out of the credit market. So, corporate bond offerings, which reached a record $11.9 billion in the first quarter of 1975, probably will not decline soon. The banks can concentrate all their available assets into high quality issues and still obtain high income and liquidity. Thus, New York has been left out in the financial cold. Several proposals have been made to deal with this.

The business community demands that the city limit its expenditures by cutting municipal payrolls and services. This view is shared by some of the "liberal" community who see the current fiscal crisis as an opportunity to correct the alleged inefficiency of public service employees and to bring them back into line with the "superior" standards of private industry. Reality is somewhat different. According to Mayor Beame's recent proposals, "trimming government waste" will entail reduced crime and fire protection, increased school class size and the closing of hospitals and other health facilities.

Increasing revenue from commuter and progressive city income taxes is vital. But this may accelerate the exodus of the middle class from the city, shrinking an already limited tax base. Therefore, this policy can only be instituted on a relatively small scale and cannot exclusively resolve the problem.

Recently, Bronx Borough President Robert Abrams proposed that the denomination of city notes, currently $1000, be reduced to $50 and sold at Off Track Betting Corporation offices. Working men and women could then participate in the high tax-exempt yields currently available. This proposal would broaden the market for municipal securities, but it too has its drawbacks. Aside from the truly mind boggling paperwork involved, municipal bonds would then be in direct competition with savings banks, a major source of mortgage capital. Further they would be subject to wide swings in sales and redemptions, depending on prevailing interest rates, and would be a highly unstable supply of capital.

Legislation to create a New York State Bank was recently introduced. This proposal was inspired by the Bank of North Dakota. Founded in 1917, it provides housing loans and financing to farmers and students. It is currently the largest bank in North Dakota and last year made $9.2 million in profits on capital of only $6 million. While such an institution would obviously be financially viable, it would also serve as a yardstick to measure the overall performance of commercial banks much as the Tennese Valley Authorities serves to monitor private utilities. Clearly then, a state bank must have a high priority in any democratic Left program to meet the current fiscal crisis.

A state bank is necessary but not sufficient. The capital needed to finance small businesses, city and state governments and low-income housing far exceeds the assets potentially available to a public bank.

Expanding the money supply through the Federal Reserve could create enough money fast enough to insure sufficient funds for capital investment (although we might find such a policy contributing to an outflow to foreign markets). But printing money on that scale would buy us a new round of inflation so destructive that it would make recent experience seem benign.

Increasing the investment tax credit is another variant on the idea of expanding money available for capital investment. Business obviously favors an approach where they can write off an increasing percentage of their taxable income used in capital investment. Admittedly, the consequences of this approach are not as dangerous as a too rapid increase in the money supply. But our previous and current experience with the investment tax credit device reveals disproportionate benefits to business without the intended job-creating effects.

The most promising approach on the democratic Left is a system of credit allocation. Capitalist rules of finance decree credit to the highest bidders. So luxury ski resorts are better-funded than moderate income housing. But in fact, our society already recognizes that "free market" forces aren't enough. Federal law mandates commercial savings banks must pay lower rates of interest than savings banks on the dubious assumption that the savings banks invest more heavily in housing construction. Varying depreciation schedules, investment tax credits and mineral depletion allowances are examples of public credit allocation.

As the single most important factor in determining general credit conditions, the Federal Reserve Board is the key to any equitable system of credit allocation. In legislation introduced in January, Rep. Henry Reuss, who now chairs the House Banking Committee, recognized the role that the Fed could play in allocating credit for social, rather than for market ends. His bill would have mandated the Fed to set specific credit policies to stimulate investment in housing construction and other socially useful areas. The approach met steady and vociferous opposition from Arthur Burns and representatives of the business community, and unfortunately Reuss has recently withdrawn the bill in favor of an inadequate compromise with Burns (which would require the banks to disclose categories of loans but not set any Fed credit policy). The original legislation still has the support of Wright Patman and some other members of Congress. Moving the issue of credit allocation from the obscure margins of Congressional hearings into the center of national political debate offers the Left the best hope of responding to the fiscal crisis. Without that response, we're in danger of getting stuck on fantasies about the villanous machinations by the gnomes of Wall Street. And of thus missing the real point. □

Railroads . . .

(Continued from page 1)

"The UAW urges the development of a transportation system which is not too heavily reliant on the private automobile. We believe that the auto industry will continue to be of major importance, because the auto will continue to have a significant role and because the industry is an obvious source of production of alternative forms of transportation equipment. Here again, while financing requirements will be an important aspect, it is essential to develop an overall approach. We would almost literally be putting the 'cart before the horse' if attempts were made to develop the auto industry's productive facilities before more basic decisions are made about the transportation system itself. For example, the continued requirements for public financing to keep the nation's 'private' railroad system operating should be brought to a halt. The railroads should be nationalized."

The critical point is that the very first step must be the establishment of an integrated, long-range transportation plan. The Systems Plan of the USRRA gives a verbal nod in this direction and then calmly proceeds to put the cart before the horse. This approach amounts to "cannibalizing the rail systems," as Governor Milton Shapp of Pennsylvania put it. This patchwork strategy seeks to keep the "viable" companies in business by giving their losses to a public system, cutting back on service to the Northeast, and so on.

This is how the USRRA put its outrageous proposal: "A large federal role is unavoidable in repairing the collapse of rail service by the Region's bankrupts, but it must be sharply defined and held to a minimum. Public policy should insist upon private responsibility for rail services which can carry their own weight in the marketplace and the provision of public financial support for money-losing services which private carriers are required to conduct for public purposes."

In the case of ConRail, the new publicly supported but profit-oriented company urged by the USRRA, it is estimated that the government would have to chip in $3 billion between now and 1985. Fishwick of Norfolk and Western argues that this is an extremely low estimate and that the federal contribution "would be more than twice that suggested in the Preliminary System Plan . . ." On the very best of assumptions, he said, ConRail would need $6.2 billion in public monies by 1985.

Similarly, a number of proposals now in Congress take the piecemeal—and effectively pro-corporate—approach. A bill introduced by Senators Hartke, Weicker and Hathaway and by Representative Aspin would create a nationalized entity to acquire, maintain and rehabilitate the tracks and roadbeds. Representative Heinz, a Pennsylvania Republican, and Senator Buckley, the Conservative-Republican from New York, have urged a federal job program for developing the rail right of way. The Heinz-Buckley measure is backed by the United Transportation Union, the Maintenance of Way Employees, and other unions.

In testimony before a Senate commitee last March, Leonard Woodcock addressed himself to a similar idea and noted that under this aegis "it would be perfectly possible for the public treasury to assume all the costs of physical rehabilitation and not get even a *share* of the equity it creates. Rather than implement this program, it would almost make more sense to allow the railroad corporations to go bankrupt one by one and have the public treasury buy them up cheap, as would any competent businessman."

Obviously—as the UAW itself asserted in its own energy program a year ago—the rehabilitation of the American rail system would provide hundreds of thousands of extremely useful, "socially profitable" jobs. On this count, one is in complete agreement with the UTU and the other unions. But it makes an enormous difference as to whether the program becomes a charity for private companies or whether it occurs within the context of a national transportation plan.

Most Americans, including most trade unionists, do not realize that railroad labor organizations long ago proposed the nationalization of the system. During World War I, Washington took over the running of the trains as part of the economic mobilization. Then in 1919, the Railroad Brotherhoods fought for the Plumb Plan, developed by Glen E. Plumb, a Chicago attorney. The newspaper, *Labor*, was founded by the rail unionists to push their program.

Under government management, Edward Keating, the first editor of *Labor* wrote, the railroads were well managed, union leaders were consulted, workers were more adequately paid and safety improved. Keating concluded that "the railroads were in better condition when they were returned to their owners than they were when the government took command." Under the Plumb Plan, the railroads would have been operated by a "national operating commission" with the votes divided between the managers, the workers and the public representatives. But the Plumb Plan was defeated and Congress decided to give generous "damages" to the railroads and to pay them an extra $480 million in "rent" for six months.

The first point to be made about nationalization is that it must continue the Plumb Plan's excellent proposal to provide for employee and public interest representation on the controlling board. Secondly, nationalization must encompass the entire system, the profitable elements as well as the unprofitable. This is not simply because it is outrageous for the public to shoulder all of the expenses and get none of the gains. That is a fundamental matter of social justice which cannot be ignored. But there is another aspect to this demand that weighs heavily on the form in which nationalization takes place.

One model of public ownership is the Post Office (even though it is now technically independent of the government). It is run by a political process and it must get its appropriations from Congress. In return, it is required to do whatever Congress tells it, i.e. to deliver tons of junk mail, to subsidize periodicals, etc. Then, having been required to operate under these impossible conditions, the Post Office helplessly watches while United Parcel, and other private outfits, cannibalize the profitable parts of the business. All of this allows the corporate editorialists to conclude that public enterprise is inherently inferior to private enterprise. That is nonsense, as riders of Europe's efficient, publicly owned railroads know first hand.

An alternative model is the Tennesse Valley Authority. In this case, the public enterprise generates much of its own financing from retained earnings, just as private corporations do. It is under the broad control of Congress, but it is, precisely because of its retained earnings, not subject to the appropriations process and thus vulnerable to various kinds of political blackmail.

But the public rail system should not be run in all respects like a private corporation. The USRRA scheme refers to passenger service as a "distraction for management" and proposes to drastically cut back service in the Northeast. Clearly, as the Northeast Governors have insisted, a transportation system must take social needs into account. But it can only do this if it has control of the profitable properties, which provide one source of internal subsidies for the unprofitable. And when a needed service is too costly to finance in this way, then Congress should legislate an appropriate subsidy that is clearly labeled as such.

At this point, it seems to me that the proposals for socializing the losses and privatizing the profits are so scandalous, and the opportunities for positive action are so great, that now is the time to build a national coalition in favor of a comprehensive American transportation plan designed to maximize the common, rather than the corporate, good, and including a call for the public and democratic ownership of the railroads. □

The cities' agony: an unheeded cry

by MARJORIE GELLERMANN

"Urban Crisis of the 1960's Is Over, Ford Aides Say"
—New York *Times*, March 23, 1975

"Ford Asks $972 Million in Aid for Saigon"
—New York *Times*, April 11, 1975

Gerald Ford was willing to abandon the cities of America before he'd give up Saigon. He wanted to send nearly a billion dollars, most of it as weapons, to fulfill our "moral obligation" to a country halfway around the world. Yet his budget for next year actually reduces federal assistance to our cities and to the millions of poor people there to whom this country has never fulfilled its "moral obligation."

A week after we were told the urban crisis had ended, a special issue of *U.S. News and World Report*, entitled "Cities in Peril," reported that inflation and recession had joined with all the more familiar urban problems to "accelerate the downward slide of America's cities. It cited the largest increase in violent crime in the last 45 years (26 percent in Miami, 17 percent average), the growing number of welfare recipients (23 percent of the population in San Francisco, 33 percent in Newark), rising unemployment (over 20 percent in Detroit), declining real income, the eroding tax base, and rising costs (25 percent overall in San Diego, 75 percent for fuel).

Ford aides, however, are explicit about their reason for concluding that the cities are no longer in crisis. It is quite simply the absence of the widespread uprisings in black neighborhoods that marked the last half of the 1960's. Apparently, the suffering of millions of human beings can safely be overlooked if they can be made to endure their misery in silence.

In a down-turning economy, the poor and near-poor lost their marginal jobs first and the welfare rolls grew, straining city resources. Since the poor are concentrated in the cities, what is a recession elsewhere has become a depression there. As unemployment and its secondary effects spread, real income fell and the city's tax base shrank still further, while demands for supplementary assistance, such as Medicaid, increased. Other Ford Administration policies have driven up the cost of the money the city must borrow to meet its growing deficit. Layoffs of city employees have pushed the cities' social welfare expenses even higher. In the name of fighting the inflation that still persists, Ford has moved to cut back on welfare, increase the price of food stamps, and curtail funds for the last vestiges of the anti-poverty programs.

The human consequences of this approach are ignored. Violent crime is soaring (Detroit had 801 murders last year) and New York's Mayor Beame attributes the increase directly to worsening economic conditions. Unemployment among minority youth is officially calculated to exceed 40 percent and is actually far higher, while traditional entry-level jobs are being eliminated by corporate priorities which dictate the increasing use of automation and the shifting of jobs to the suburbs or abroad. Median income in the cities continues to fall relative to suburban incomes.

Are the cities really beyond help? The 1968 Housing Act estimated that we needed 26 million housing units within the next decade. Building these new homes would provide 52 million worker-years of employment. Employment in related fields, such as maintenance, management and rehabilitation would also increase. And according to surveys of the poor themselves, they need good housing and decent jobs most.

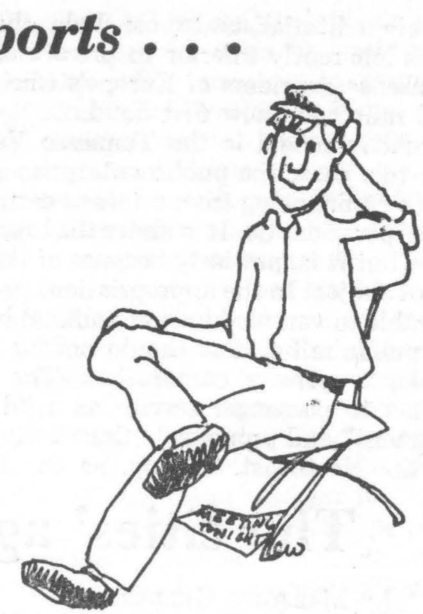
The cost is well within our means. Chester Hartman has calculated that an adequate program to meet the housing needs of lower income Americans would require $25 billion a year. That is a substantial sum. But so is the $91 billion in tax loopholes we hand over to special interests every year, the $105.2 billion presently allocated for the development and procurement of new weapons systems, and the $150 billion we poured into Vietnam. In the housing field alone, we spend less than $1 billion a year in direct housing assistance for those with incomes below $10,000, but we forego almost $6 billion in tax revenues by allowing homeowners to deduct mortgage interest, property taxes and depreciation. With a modest reallocation of our resources and the redirection of our housing subsidy policy to serve those who need it most, we could finance a major drive against the slums of America. Over 10 years, we could restore our cities and create productive jobs for millions of Americans. We could really solve the urban crisis, not just ignore it. □

Jimmy Higgins reports . . .

THE $20 BILLION SWINDLE—Since 1968 there has been a massive redistribution of income in the United States—towards the top. AFL-CIO economist Arnold Cantor, writing in the March *Federationist*, describes the trend. After almost a decade of modest improvement in income distribution, "the trend toward greater equality came to an abrupt end in 1968." Since then, the richest 40 percent of Americans have increased their share of the wealth at the expense of the 60 percent who earn $14,000 a year or less. "A total of $20 billion was transferred from the bottom three-fifths to the upper two-fifths." Cantor's analysis is based on Census surveys, and, as he points out, "large chunks of the income of the wealthy aren't recorded in the Census statistics [stocks, bonds, inheritances] . . . also many people at the lower end of the ladder are missed by the Census takers. That means that the distribution is even more lop-sided and has probably worsened over time."

A SQUEEZE PLAY FOR THE POOCH—Mayor Daley's machine has submitted a redistricting plan for Illinois' Congressional seats to the state legislature. And the plan has at least one thing in common with the last redistricting plan passed by the state: it carved up liberal Congressman Ab Mikva's district. In 1972, Mikva was forced to move north because his South Side district was lost in the Census redistricting shuffle. He lost a close race in the northern suburbs that year, but came back to win in '74. Now he finds himself without a district again and thrown into fellow liberal Sidney Yates' CD. The purpose of the whole redistricting plan was to create a winnable district for machine pol, Roman Pucinski. A side feature of the plan: it "puts a lid" on black Congressional representation in Illinois and may result in one less black Congressional seat. Ironically, the plan was introduced by Daley lieutenant and State Senate President Cecil Partee, who is black. Governor Dan Walker has threatened to veto the plan if it passes the legislature, but independent Democrats in Illinois are keeping the pressure on both the Governor and their legislators just to be sure.

DAMN THE CONSTITUTION, FULL SPYING AHEAD—The American Civil Liberties Union filed suit on behalf of DSOC National Chairman Michael Harrington last month. It seems that the Office of



Naval Information had circulated material from its dossiers on Harrington's radical activities through a network of retired naval officers. The purpose: to discredit attacks on the military budget in Harrington's then syndicated column. The information came to light when a Navy Lieutenant Commander, who retired his commission to protest the Vietnam war, wrote a letter to (Sen. Frank) Church's committee investigating illegal intelligence operations. The ACLU suit charges interference with Harrington's constitutional rights, and government attempts to subvert freedom of the press and to punish Harrington economically for his political viewpoint. Harrington is demanding that the government turn the file over to him and pay half a million in damages.

ETHNIC POWER—Michael Novak, who wrote the *Rise of the Unmeltable Ethnic* a few years back, is now trying to organize the ethnics. The organization he recently founded is called the Ethnic Millions Political Action Committee (EMPAC) and it publishes a newsletter, *A New America*. Two issues of the newsletter have come out so far, and firm judgments are premature. Novak and other writers emphasize that ethnics are politically progressive but engage in a tiresome amount of elitist-baiting against liberals generally and Democratic reformers in particular (an especially curious reference praised Barbara Mikulski for her role at the Democratic charter conference at the same time that it damned the "so-called reformers"). There is a real tone of militancy in the newsletter, but sometimes it's unclear where the politics are ending up. Some interesting people, including Mikulski, Steve Adubato, Joe Joe Duffey and Robert Coles, have lent their names to EMPAC's advisory board. More information about EMPAC is available from Box 48, Bayville, N.Y. 11790.

THE SECOND INTERNATIONAL CONFERENCE on self-management next month in Ithaca will bring together some interesting people with varied perspectives. Trade unionists from the UAW and Mineworkers will be there, as will sociologists and economists. Perspectives on workers' control in other countries will be examined. More information on the conference is available from: Conference on Self-management, c/o Program on Participation and Labor managed Systems, 490 Uris Hall, Cornell University, Ithaca, N.Y.

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