

DEMOCRATIC LEFT

EDITED BY
MICHAEL HARRINGTON

Jan.-Feb. 1982 Vol. X, No. 1-2 \$1

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DSOC/NAM UNITY CONVENTION
DETROIT, MARCH 19-21

Can the Party Fight Reagan?

By Michael Harrington

THE REAGAN ADMINISTRATION has failed utterly and cruelly to meet the worst economic and social crisis in half a century. Unemployment soars; the government makes the rich richer and the poor poorer; the gains of minorities and women are subverted. All the while

Wall Street awaits the return of a double digit inflation, only temporarily moderated by a vicious attack upon the living standards of working and middle-class people, as well as upon those at the bottom of society.

Reagan is failing; Reagan will fail. But his failure does not automatically guarantee victory for the trade unionists, minorities, women, and social activists who oppose him. Those constituencies that make up the democratic left have to produce *their* alternative to the insanity of Reaganomics. If they do not, Reagan's catastrophe will defeat the left as well as the right.

Since 1975, DEMOCRATIC AGENDA, of which DSOC is a major part, has tried to unite that democratic left behind a program responsive to the current crisis of the American system. We have seen that the old liberalism, a significant, if limited, achievement that was as far left as American politics ever went, no longer responds to structural problems rooted in the economy, dominated by a corporate power aided and abetted by the government. So we have taken the battle for a real "New Beginning" into the Democratic party, that contradictory coalition

REAGAN ON CRIME: •

RETRIBUTION SHOULD BE SWIFT AND SURE FOR THOSE WHO PREY UPON THE INNOCENT, THE ELDERLY, AND THE WEAK!!



REAGAN ON THE BUDGET:

...ADDITIONAL CUTS WILL BE MADE IN THE LEGAL AID, MEDICARE, AND SCHOOL-LUNCH PROGRAMS!!



of some of the worst and most of the best people in the land, which is, for better or worse, where the progressive constituencies are and, therefore, where we are.

DEMOCRATIC AGENDA anticipated the current intolerable situation. In 1976 we struggled at the convention to make the Democratic party conscious that the old remedies were no longer workable. In 1977 we marched to the Democratic National Committee (DNC) headquarters in Washington, D.C. to proclaim that if Carter kept on with his inept version of an obsolete politics he would be defeated in 1980. At the Memphis mid-

term convention in 1978 we organized an impressive floor fight against Carter's policies, and we were an important part of the progressive coalition at the 1980 convention.

Carter was defeated, and some of the best people in Congress went down with him. But the response of the Democratic party to this fiasco has been woefully inadequate. At times in 1980, Congressional Democrats proposed giveaways to the corporate rich that were to the *right* of the Reaganites. The "neoliberals" may reaffirm their support for minorities and women, but they then call for a retreat from economic and social

programs that are crucial, not just for minorities and women, but for most of the rest of the American people as well. And technocrats such as the DNC chair Charles Manatt pretend that the GOP merely outorganized the Democrats in 1980, that the party's problems can be solved by better computers and mailing lists.

At the 1979 DEMOCRATIC AGENDA conference in Washington, D.C. we said that America would either go as far beyond Franklin Roosevelt as Roosevelt went beyond Hoover or else we would be dragged back to Hoover. Well, here we are now halfway back to Hoover and Reagan is dragging hard. Where is the democratic left alternative?

This issue of DEMOCRATIC LEFT is organized around an answer to that question. It focuses on a series of immediate demands for full employment with price stability, progressively financed and designed to overcome racial and sexual discrimination. These demands, listed on pages 5-6, are clear and straightforward. But they rest upon a complex analysis of the current crisis. This article is an attempt to give a brief overview of that analysis.

First we must answer the question: Why has the traditional liberalism failed? *Not* for the reasons that Reagan and the conservatives give. They say that big-spending liberals forced prices up and crowded out private investors who are the main source of jobs, thus causing both inflation and unemployment. But the embarrassing fact is that the American welfare state spends *less* than any other advanced Western society. It takes *less* of a percentage of its Gross National Product (GNP) for social programs, and yet those countries that spend more have lower inflation and unemployment. More to the point, the Reaganites have been forced to learn a lesson DEMOCRATIC AGENDA has been teaching for years: federal budget deficits are not the *cause* but the *consequence* of the crisis. Layoffs are extremely expensive—jobless work-

LETTERS

To the Editor:

One has to be a very careful reader of Patrick Lacefield's cover article (November 1981) to find even a hint of the difference between the NATO decision of 1979 to deploy intermediate-range nuclear missiles in Europe and the deployment of SS-20s, the Soviet equivalent missiles, in Europe. Aside from the fact that the Soviet missiles seem almost benign in Lacefield's exposition, intended only to modernize their weapons and to achieve parity with the U.S., there is just a coy allusion to the big difference: the Soviets have been emplacing their missiles, targeted on Paris, London, Rome, Brussels, Amsterdam and Bonn, for the past three years at the rate of about five to ten a month, while not a single one of the American missiles is in place. Indeed, the first ones are scheduled for emplacement in 1983! One can hardly glean that fact from Lacefield's happy description of Belgium's postponement of "the stationing date from next year's scheduled start."

More than two years ago the Soviet and French Communist parties convened a conference of European Communist parties in Paris to protest the NATO

decision to place intermediate-range nuclear missiles in Europe. The Italian and Spanish Communist parties refused to participate. They knew it could take less than 15 minutes for the Soviet missiles to hit all the major cities of Europe. They proposed instead that the Soviets should remove their missiles and the Americans should not emplace theirs.

The demand for unilateral disarmament is as great an obstacle to peace in the nuclear age as the effort to depict the use of "tactical" nuclear missiles as a feasible strategy. The Italian and Spanish Communists were on target in this matter—get rid of nuclear weapons East and West. Perhaps if Lacefield had been in Sweden when the Soviet nuclear armed submarine made its tortuous way through the fjords to the shore, he might have glimpsed the real menace in Europe.

Joseph Clark
New York, N.Y.

Ed. Note: We have received many letters about the forum on abortion politics that appeared in November. We will not be able to print all of them, but we will devote substantial space to them in an upcoming issue.

DEMOCRATIC LEFT

Formerly the
Newsletter of the
Democratic Left

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DEMOCRATIC LEFT is published ten times a year (monthly except July and August) by the Democratic Socialist Organizing Committee, 853 Broadway, Suite 801, New York, N.Y. 10003. Telephone: (212) 260-3270. Subscriptions: \$15 sustaining and institutional; \$8 regular. Signed articles express the opinions of the authors. ISSN 0164-3207.

Second Class Permit Paid at New York, N.Y.

regions for growth and favored access to capital to meet fairly clear economic development goals: job creation, productivity and real income growth, a strong industrial base. Ronald Reagan and the supply-side mythology, it can be simply noted, are moving this country away from the economic models that work in other industrial economies. Simplistic aggregate monetary policy—like the absence of industrial policy, regional policy, and labor market policy—is just one example of America's increasingly aberrant devotion to long obsolete, exclusively market-based solutions.

Prospects for 1982

This will be a hot year for interest rates and, therefore, for the politics of rates and, therefore, for the politics of ord interest rates in 1981 brought us the second recession in two years—the first time in a century we have had back-to-back recessions. Although rates are lower now, by all indications and most forecasts, the first signs of recovery from this recession will trigger a swift return to record short-term and long-term interest rates. There is every likelihood of another interest rate recession in 1982—the third recession in as many years. With the international transmission of high interest rates and their depressing consequences on jobs and investments to the rest of the world, the prospects of protracted global stagnation are very serious.

The National Council for Low Interest Rates, a recently formed coalition, will push hard to cut off the needless spiral of rising interest rates threatening for mid-1982. It calls for three basic steps that can be taken fairly quickly to bring down interest rates in nonrecessionary times and to prevent a destructive credit crunch that would cut off productive investment and force us back into recession.

1. Holding interest rates overall down to affordable levels through careful use of the technical tools available to the Federal Reserve Board.

2. Targeting available credit toward productive uses (housing, new plants and equipment, autos and trucks, family farming, state and local government, public utility investments). Making credit less easily available for nonproductive uses (commodity speculation, corporate takeovers, condominium conversions) would directly ease up the availability of credit for productive uses.

3. Making the Federal Reserve Board representative of the various sectors of the economy, instead of having Board members be exclusively bankers and academics. Members from labor, manufacturing industries, construction, local government, as well as farmers and consumers would give the Fed a perspective on the full impact of interest rates and credit policies.

Extending the Credit Control Act of 1969 before it expires in June 1982 will be necessary to assure that the government has authority for targeting credit and keeping interest rates down for productive activities. Extending and, if possible, improving the now open-ended credit control provisions of the Act will require a substantial political fight.

But the fight for targeted credit policies is just part of the battle. Ultimately, targeting society's scarce resources to meet our economic needs will have to take us beyond credit policy: to industrial policy for rebuilding our industrial base; to regional and urban policies to prevent an unjust and inefficient abandoning of major parts of the country; to active employment and training policies to develop the skills and employment potential of all those who seek work.

We urgently need an effective anti-

inflation policy that aims directly at the causes of inflation rather than at weakening labor and smaller business through layoffs, bankruptcies, and absorption into ever larger corporate giants. A serious anti-inflation policy is necessary to overcome the simple-minded belief, on Wall Street and elsewhere (ample contrary experience abroad notwithstanding), that recessionary budget deficits directly lead to higher inflation and therefore justify high interest rates.

Serious, targeted anti-inflation policies provide a path for returning to economic growth and job creation while making progress against inflation. Lower interest rates and targeted credit policy should be part of that effort. ■

Brian Turner is director of legislation and economic policy of the AFL-CIO Industrial Union Department. The views expressed here are his and should not necessarily be taken to represent those of the AFL-CIO or the Industrial Union Department

For more information about the National Council for Low Interest Rates, write to the Council at 1125 Seventeenth St., N.W., Washington, D.C. 20036.

How Changing Economic Conditions Can Affect the Budget Deficit

Data in billions of dollars; minus signs indicate the deficit will be larger, plus signs that the deficit will be smaller



Effect on deficit if real G.N.P. growth decreases 1 percentage point each year

'82	'83	'84	'85	'86
-\$8	-\$17	-\$33	-\$47	-\$66



Effect on deficit if inflation increases 1 percentage point each year

+\$4	+\$11	+\$19	+\$33	+\$49
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Effect on deficit if the unemployment rate increases by 1 percentage point each year

-\$19	-\$28	-\$30	-\$33	-\$35
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Effect on deficit if interest rates increase 1 percentage point each year

-\$2	-\$4	-\$5	-\$6	-\$7
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Source: Congressional Budget Office

The New York Times / Jan. 28, 1982

Dems Still on the Agenda?

By Ruth Jordan

WHEN THE DEMOCRATIC AGENDA coalition was formed in 1975, it came together in a period of some hope. Active prodding by liberal and left forces had made the Democratic party one of the most open organizations in the history of American political parties. Reform coalitions like the Democratic Conference had won grudging acceptance among party regulars. Reforms had broadened the possibilities of participation by poor people, community activists, rank-and-file trade unionists, minorities, women and grassroots Democrats. The promise of their participation was more progressive politics. Affirmative action encouraged state committees, convention delegations, and national party committees to abide by the 50-50 rule guaranteeing equal representation for women. Minority and youth representation was required on all delegations and most committees. The party seemed to be endlessly exploring internal structures and alternative patterns of political selection with an emphasis on encouraging wide democratic participation among registered Democratic voters.

The liberal-left coalition was feeling its oats. In 1976 the Democratic party passed one of its most progressive platforms, a platform committed to full employment, national health care, and social justice. And although the convention nominated conservative Jimmy Carter, a small town businessman turned politician, the mood of the convention was feisty and progressive. Candidate Carter ran at odds with his platform, lacing his campaign with large doses of anti-Washington rhetoric. But he also talked about full employment, better medical care for the poor, and peace in the world. Once elected, his appointments of blacks and women to significant positions, his policies for peace in the Middle East, his commitment to scrutinizing the defense budget for high cost and ineffective weapons systems such as the B-1 bomber, made his a comparatively liberal presidency.



“... Try not to dwell on the winners' always mistaking your vote as a vote of confidence.”

Policy criticism of Carter came from the right and the left of the party, but one area in which both united in their criticism concerned his total disregard for party building. The only time a political party is likely to build a war chest for future campaigns is when it is in power. Carter was not a Democratic party loyalist. He saw himself as one who ran against the regulars and, therefore, never appreciated the value of a strong national party. As a result, the Democratic party suffered a triple defeat in November 1980: it lost the presidency; it lost the Senate; and it went \$5 million in the hole.

It's not too surprising that when Democratic party leaders at the national level were looking for a scapegoat they began to finger the “activists.” Linking together the internal party turmoil of the sixties and seventies, the Nixon defeats, affirmative action and rules and reform commissions, they coined the term “McGovernite.”

This catchall characterization symbolized the causes of the party's sad state of affairs from the standpoint of the national leaders. It came to mean someone overly concerned with rules, quotas, and debates. These were counterposed to people who knew what a political party was

all about—namely, running and winning elections and raising funds for that purpose. These leaders failed to understand that the essential victory of the party reforms was to put power into the hands of people at the local level. It didn't necessarily take it out of the hands of organized labor, for example. Unions with highly organized grassroots organizations managed consistently to elect large numbers of delegates to national conventions.

But these leaders, including very liberal labor leaders who espoused this position, were supposed to be the people “who knew what a political party was all about.” They shared something else—their age. Their politics, viewpoints, and best ideas had been formed in the forties and fifties; for some, in the thirties. Their analysis of America and, therefore, the solutions they proposed, were tilted back to an age that no longer existed. They were addressing populations who remembered the Depression, FDR and the New Deal, not young voters whose political symbol of the Democratic party was the Vietnam war.

The cities whose machines had maintained Democratic party voters and filled party coffers were no longer viable. They

had become increasingly impoverished shells overloaded with nonvoters and ringed by increasingly stronger suburban communities filled with voters motivated by strong self-interest and decreasing compassion for the poor, racial minorities, and the elderly.

Trying to Rebuild

After the 1980 debacle, the party leaders elected to rebuild the structure and effectiveness of their organization were greatly relieved when the AFL-CIO and other unions joined the battle. Unfortunately, the labor representatives for the most part shared the viewpoint of the national Democratic leadership—that the fight had to be centered on fundraising at the national level and building candidate competency at the local level. Little time was spent on redefining the population that made up the grassroots base of the party beyond saying that the party would reconstruct its liberal-labor-civil right coalition.

The party's need to rebuild the structure and expert knowledge of the local organizations is very real. The party must cancel out its huge debt—a fundraising task it is accomplishing slowly but surely. If it cannot develop a campaign war chest, it cannot mount an effective opposition to Reaganomics; it cannot seek and develop candidates to carry its banner.

For that reason, the party hierarchy concentrated on activities that could be tightly controlled by the Democratic National Committee (DNC) with a minimum of backtalk from local dissenters. Candidate training and identification were to be carried on through DNC regional conferences where consultants would provide instruction and training on direct mail and the latest polling techniques.

Fundraising campaigns were to be essentially direct mail operations with a minimum of emphasis on political program and a maximum emphasis on scary scenarios that conjured up rightwing takeovers and the loss of civil rights and social programs under Reagan and his fundamentalist supporters.

Looking at the big contributions Republicans received from the corporate PACs and enormously wealthy people, they were encouraged to put their second fundraising emphasis on big ticket dinners and events. What they failed to acknowledge is that the right wing had built another financial base rooted in \$5

and \$10 contributions from large numbers of disconnected and malcontented citizens. The Democratic party has not yet concentrated on building a similar group among community activists, minorities, and feminists, despite the fact that they are likely supporters of the Democratic party's essentially liberal political philosophy.

The Democratic party mid-term conference scheduled for June 1982 was scaled down to avoid engaging the party "activists" in debates over policy and program. A somewhat cumbersome system was instituted to bring issues before the mid-term workshops. It sends policy resolutions through several layers of party staff before they reach the delegates. The delegations themselves are reduced in number and overwhelmingly made up of party officials. (who, of course, know what a political party is really for.)

Still on Our Agenda?

If this picture of the Democratic party is correct—somewhat mechanistic, dominated by leaders with less respect for the grassroots than for political professionals and technicians, why in the world should democratic socialists, unemployed workers, minorities, feminists, and liberal academics still be involved in party work?

For one thing, U.S. politics hasn't changed much since 1976. There still is no other political organization in the United States that has politicians in office, political machinery, and a semblance of organization that can oppose the Republicans and the right wing.

Members of the DEMOCRATIC AGENDA coalition, the organizations, unions, and individuals, who demand the fullest level of participation for Democratic voters and the most progressive politics, are still in the Democratic party and are likely to be the best source of new leadership.

The Republican party is another reason to be there. It may be the Republican party's historic role to sound the death knell for conservative theory every fifty years or so. If that's the case, political liberals, socialists, and progressives need the Democratic party because they need a specifically political vehicle to articulate an alternative.

What political role can we play if we cannot be effective at the national level of party politics? DEMOCRATIC AGENDA can provide a voice and a mech-

anism for members of the coalition to speak, articulate policy, and participate as a defined group within the Democratic party. Beginning with the local and state level party organizations, DEMOCRATIC AGENDA activists must concentrate on organizing forums for local leaders to dramatize the essential defects of Reaganomics. Under DEMOCRATIC AGENDA's banner and in state Democratic party organizations, farmers can talk about foreclosure, unemployed workers can tell what it's like to lose unemployment benefits and be forced on welfare. Women must talk about job discrimination. Young college graduates must talk about how their skills have been devalued and their opportunities lost. Poor and minority youth must tell about the agony and frustration of searching for jobs with no other help but the "want ads."

The poor must be given a forum where they can talk about what it's like to stand in a line for surplus cheese. Teachers with ten years seniority must tell the community what has been lost when they are laid off. We must show that the years spent in training professionals to serve in hospitals, libraries, nursing homes, social work agencies, roads and highways are a public investment, publicly financed. The loss of these individuals represents a social loss. Cuts in public services undermine our "commonwealth."

Then we must learn from these experiences and put forth a program that builds on the traditional values of the Democratic party—still the party of the New Deal and the War on Poverty. It must offer a program to restore the value of our "commonwealth," explain how big a part of the American way of life it represents and why Reagan and his administration are a threat to that way of life. The only place we have to argue that position and to define our policies in a way that has some chance of being turned into program is through the Democratic party.

For those on the left, DEMOCRATIC AGENDA remains an outstanding project for work in the Democratic party, and our best challenge to those who would say that party politics belongs to the "regulars." ■

Ruth Jordan has been a DEMOCRATIC AGENDA organizer. She is a member of the National Executive Committee of DSOC.

ON THE LEFT

By Harry Fleischman

“IF YOU CAN'T LICK 'EM, JOIN 'EM.” That old political proverb has not usually been a Soviet favorite, but it seems to be the USSR's reaction to the Finnish presidential election. When 81-year-old President Urho Kekkonen was forced to resign because of illness, the Soviet Union made it clear that it favored the agrarian Center Party leader Ahti Karjalainen to take his place. But now that Finnish voters overwhelmingly voted for Social Democrat Mauno Koivisto for President, a Soviet broadcast described the election as a setback for “capitalist parties.” With the country sharing a 788-mile border with the Soviet Union, Finland is expected to continue its official foreign policy—neutrality and friendship with all nations, particularly the USSR.

POTLUCK WITH PENNY WAS THE WAY THE SACRAMENTO Valley DSOC in Davis, Calif., described its dinner meeting with Penny Schantz, DSOC national youth and field organizer. She also spoke to the University of California at Davis. During her four-week Western trip, she held successful meetings in Seattle and Olympia, Washington; Portland, Corvallis and Eugene, Oregon; and San Francisco, Los Angeles, Santa Barbara, Sacramento, and Santa Cruz, California. . . . *Northern California DSOC* members participated in a mass march January 23 in San Francisco to protest American involvement against the people of El Salvador. . . . Stanley Sheinbaum, a close friend of Greek Socialist President Andreas Papandreu, spoke to the *Los Angeles DSOC* local on what the Greek Socialist victory means for that nation. . . . *Yale/New Haven DSOC* members have been picketing in support of the Machinists' strike against the Newcon Wire Company. . . . They co-sponsored a “Speakout Forum” on the Polish crisis with Yale sociologist Jan Gross and labor historian Jeremy Brecher as speakers.

THE DC/MARYLAND LOCAL HOUSING COMMITTEE CHAIR Rick Rybeck is on the interim committee to form a citywide tenants organization approved by a meeting of 300 tenants. The group will be called the D.C. Tenants Solidarity Union. . . . Victor Reuther predicted a revival of the labor movement in the 1980s at an overflow meeting of the DSOC labor committee last month. In an expression of solidarity, the meeting contributed over \$100 in strike relief for local PATCO families. . . . In Chicago, the DSOC 1982 Thomas-Debs award will be presented to UAW international representative Carl Shier. Honorary co-chairs for the dinner include UAW president Douglas Fraser; DSOC chair Mike Harrington; Joyce Miller, president of the Coalition of Labor Union Women; William Winpisinger, Machinists president; and James Wright, director Region IV, UAW. . . . Kurt Vonnegut, Jr., author of *Jailbird*, received the 1981 Debs Award of the Debs Foundation in Terre Haute, Indiana. Warning that the “star system” in America made people parody the words of Eugene V. Debs to say: “While there is a lower class, I can scorn it; while there is a criminal element, I can make war on it; while

there is a soul in prison, I can imagine that I am free,” he urged Americans to realize that, unlike a novel, in life and in war there are no minor characters, and that “stars” like Hitler and Caligula are bad news. . . . The Iowa City, Iowa Citizens/Labor Energy Coalition held a forum on energy policies last month. Sponsors included the Iowa City Federation of Labor, Iowa Planners Network, *Johnson County DSOC*, Iowa Mobilization for Survival, Socialist and Citizens parties.

The Harvard Crimson reports that over 400 attended the DSOC rally in support of Polish Solidarity. The rally was endorsed by both the Democratic Club and the Harvard/Radcliffe Peace Alliance. . . . A teach-in on Reaganomics, sponsored by the magazine *Working Papers* and Harvard-Radcliffe DSOC, filled the Kennedy School Forum with a capacity crowd of more than 600. It featured a debate between Representative Barney Frank and William A. Niskanen of the President's Council of Economic Advisers.

THE ST. LOUIS MO. LABOR COUNCIL, with the help of DSOC, held *A Night of Bread and Roses* benefit January 16 for the PATCO Family Assistance Program. DSOC member James Peyton Hopkins has just issued an album, “They've Moved My Job to Georgia—Or Was It Tennessee?” Proceeds from sale of the album go to the PATCO Family Assistance Program. Available from Labor's Call, 4161 Cleveland, St. Louis, Mo. 63110 for \$7.75. . . . *Harvard County, Md. DSOC* has grown since its chartering last May from 15 to 32 members. A Solidarity Day task force it created sent seven bus loads to Washington. . . . *Detroit DSOC's* Debs-Thomas dinner will honor Ray Majerus, secretary-treasurer of the United Auto Workers, on March 19 at the West Side UAW Local 174 Hall. Victor Reuther will be a featured speaker.

DESPITE 32-BELOW ZERO WEATHER IN Minneapolis-St. Paul, some 1,000 delegates attended a conference on “Democracy in America” last month. The conference was sponsored by the Citizen Heritage Center, whose director is Harry Boyte, a DSOC national board member. The purpose of the conference was to explore and reconnect with radical democratic traditions in America such as community activism and labor organizing.

One conference highlight was a rousing five-hour concert with 1,200 in attendance. Organized by singer-activist Peter Yarrow, performers included Odetta, Bernice Reagan, Sy Kahn, Guy Carawan, Claudia Schmidt and Larry Long.

The conference featured a number of DSOC speakers including Ruth Jordan, Debbie Meier, Penny Schantz, Joe Holland, and Frank Reissman. Conference director Jim Scheibel is now running for city council in St. Paul, endorsed by the Democratic-Farmer-Labor Party and the AFL-CIO.

A MARCH AND RALLY was held last month in Amsterdam, N.Y. by the Capital District Labor/Religion Coalition to protest the planned Spring closing of the Mohasco carpet mill. Partly owned by Gulf & Western, it still earns profits at its Amsterdam mill, but the firm decided that profits would be greater in the low wage, nonunion South. DSOCer Larry Wittner led the rally in union songs. TV and radio exposure

was excellent. . . . Seymour Posner, former chair of the New York State Assembly Labor Committee, and currently Commissioner of the NYS Workers' Compensation Board, spoke to an enthusiastic audience on how socialists can affect the New York State legislative process at a January meeting of Albany DSOC, which has grown from 5 to 81 members in one year. . . . "The Assaults on Women" was the subject of Barbara Ehrenreich's talk at Local Nassau in January. The local will host a series on the history, problems and experiences of Eurosocialism during four Sundays in March. Katherine Smith, the oldest DSOC member on Long Island, will be given the local's first Debs-Thomas award on April 3, her 90th birthday, when Peacesmith House will hold a dinner in her honor to be addressed by James Farmer, the founder of the Congress of Racial Equality. . . . The Graduate School of CUNY will host a *Symposium on Radical Perspectives* on the weekend of March 26-27, sponsored by the Political Science Department at Hunter and the Ph.D. programs in sociology and political science. . . . Ithaca DSOC helped elect two progressive members to the city council. . . . A weekend retreat attended by 25 crystallized a plan for work and education priorities. . . . The Long Island Progressive Coalition, in cooperation with unions, minority, citizens and feminist groups, will hold an all-day conference on "Long Islanders in Solidarity: Survival in the 80's" on May 8. . . . Westchester DSOC is involved in POWER (People Outraged With Energy Rates), which aims to create a county public power authority

which could purchase power from the Public Power Authority of the State of New York. A referendum to accomplish this will be on the ballot March 30, 1982. . . .

THE OREGON AFL-CIO SET UP A PROGRAM for coalition work to push for full employment in Oregon, socially responsible investment and balanced growth. NAM activist Bob Baugh was elected state secretary-treasurer. . . . Several DSOC members are serving as organizers in the AFL-CIO Organizing Taskforce in Houston, the largest effort of its kind since the thirties.

MORE THAN TWO DOZEN DSOC MEMBERS in Tennessee are forming a state local, with Nashville and Memphis branches. Debbie Meier spoke at a Nashville Pot Luck on January 23. . . . A special meeting to mark the 48th anniversary of the founding of the Southern Tenant Farmers Union will be held April 16-17 in the Baptist Church on Beale Street, Memphis. . . . A new issue of *Behind the Cotton Curtain*, newsletter of Southern Democratic Socialists, has just come out. For a sample copy, write to *Cotton Curtain*, P.O. Box 5479-Kreole, Moss Point, Miss. 39563. . . . Northern Virginia DSOC plans to work to unseat the two Republican incumbent Congressmen from Northern Virginia. . . . The annual spaghetti dinner this year will be addressed by Machinists' president William Winpisinger. . . . Seattle, Washington DSOC/NAM members sponsored a visit by San Francisco Supervisor and DSOC vice-chair Harry Britt which drew over 200 people. ■

CLASSIFIED

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REGIONAL COORDINATOR / ADMINISTRATOR/ORGANIZER for Chicago DSOC/NAM office. Start July 1. Experience with working with both local and youth chapters. Must be DSOC member, available to travel. Salary: \$15,000. Send resume to: DSOC, 853 Broadway, Suite 801, N.Y., N.Y. 10003.

THE FAIR BUDGET ACTION CAMPAIGN, composed of over 70 national organizations, has just published an organizer's manual with information on the Reagan 1983 budget cuts and ways to organize against them. Copies are \$5 each from FBAC, P.O. Box 2735, Washington, D.C. 20013.

"THE BLACK CHURCH AND MARXISM" *What Do They Have to Say to Each Other?"* by James H. Cone of Union Theological Seminary, with comments by Michael Harrington, is a provocative introduction to a continuing dialogue between the black church and socialists. Copies are available at \$1 each from the Institute for Democratic Socialism, 853 Broadway, Suite 801, New York, N.Y. 10003.

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Members of the Democratic Socialist Organizing Committee (DSOC) work in every day-to-day struggle for social justice. We bring a strategy for building alliances among all the movements for social change. And we bring a vision of a society that can satisfy all the demands for dignity and justice—a socialist society.

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JIMMY HIGGINS REPORTS



WHAT SHAPE FOR A FIRING SQUAD?

. . . In a little noticed action in January, the Democratic National Committee's Executive Committee set rules for issue discussion at this year's Midterm Convention that continue the restrictions on grassroots participation. Back in June the DNC voted to scale down the Midterm by eliminating all locally elected delegates. This left a Midterm that will be made up of the members of the DNC and members of the state committees. The most recent DNC action constructed an "issues discussion" procedure that will not involve any voting. This peculiar mechanism will allow the members of issue workshop committees to put on the floor a majority report and up to two minority reports, all of which will be included in the official proceedings of the weekend. Notice that there will be no official position on issues. One DNC leader told *The New York Times* that it was true this procedure would reduce conflict on issues, but ". . . it was time that Democrats realized that the proper shape of a firing squad is a straight line, not a circle." The assumption is that we all agree Reagan is bad. Issues, therefore, only mask our real political purpose for the year—defeating Republicans. Humbug. By avoiding hard discussions of issues, once again the Democratic party is just aiming to shoot itself in the foot.

MAYBE IF THEY DISCUSSED ISSUES, THEY wouldn't have this problem. . . . DNC Chair Charles Manatt promised us that the Democratic party's direct mail would be directed not just toward raising money, but would also raise issues. He got himself in some hot water, however, when people received envelopes marked "Important Social Security Notice Enclosed." It turned out to be a fundraising mailing for the DNC's campaign committee, and Republicans, independents, and others charged the Democrats with false advertising. Ironically, neither party has come up with great ideas about

protecting social security—Manatt in his letter linked a solution to the problem to beating back Republican challenges to Democratic candidates. Maybe . . . but only if the party and those candidates opened themselves to a real discussion of social security and other issues.

HERE'S AN OLD-FASHIONED ISSUE. . . . In a television pitch for the Wall Street firm of Smith Barney, actor-producer John Houseman intones in his patrician best: "At Smith Barney we earn money the old-fashioned way. . . ." Well, they certainly do. Right now the lucrative firm is proposing a renovation on Manhattan's West 34th St. that will cost \$25 million. It only wants a \$2 million tax abatement. True to its promises, the firm researched one of the best methods around for padding profits—state and local tax abatements. In New York City and state, the bill for abatements runs into the hundreds of millions, almost exclusively for large landlords and corporations who couldn't need them less. Perhaps Charles Manatt could come to New York and join with those progressive legislators and Democrats such as City Council member Ruth Messinger and State Senator Franz Leichter who are bringing this issue to light. The 34th St. warehouse isn't even too far from the train station.

THE PARTY HAS AN IMPORTANT OPPORTUNITY. . . . The DNC has recently announced the formation of its Commission on Party Accountability, which has in its charge the discussion of how we can make issue discussions more relevant to the life of the party. This could be a way for the party to start to take on a collective identity. Under the leadership of thoughtful progressives such as ex-Representative Yvonne Burke and National Education Association Director Terry Herndon, the party has a good chance, but only if we, its progressive wing, come together under umbrellas like **DEMOCRATIC AGENDA.**

DEMOCRATIC LEFT

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ers don't pay income or Social Security taxes but, even in these mean-spirited times, they do get some unemployment benefits; they are forced onto welfare and food stamps. That is why the conservative Reagan is about to preside over the biggest deficit in American history.

That is why we demand the immediate restoration of all social budget cuts. Reagan has been cutting off healthy organs and ignoring the disease.

But what is the disease? And why can't the old liberalism cure it? From Roosevelt to Carter, that liberalism assumed that unemployment and inflation could be "traded off" against one another. You could fight a recession with a little spending and inflation with a little unemployment. It never worked that well—but it worked. Now, however, corporate power has become so concentrated that, whenever possible, giant companies raise prices when the market contracts in order to maintain profits at a lower volume rather than, as that liberal theory assumed, lowering prices to increase volume in the face of declining demand. Secondly, the investment policies of those same corporations helped to destroy the industrial base of the Northeast and Midwest. Penn Central did much to destroy the railroads; the Big Three in auto refused the United Auto Workers' advice to build a small, efficient car, preferring to make bigger profits on gas guzzlers and thereby surrendering 25 percent of the U.S. market to foreign cars; and big steel put its money first into chemicals and, now, oil, rather than in modernizing obsolete plants.

Corporate pricing and investment policies are major causes of our present plight. So are the structural peculiarities of American society analyzed in Brian Turner's article on page 8: an expensive and unjust health system; a housing industry that is used constantly as a scapegoat by the Federal Reserve; agricultural policies that subsidize corporations and higher prices in the supermarket; and energy priorities that have included the destruction of mass transit.

This analysis points to the answer of the second question: Why is Reagan failing? The Reagan strategy cuts programs for the poor, minorities, and women, who are *not* the cause of the crisis. Through a reactionary tax program that redistributes money from working and middle-class people to the rich, it provides billions to the corporations that did

so much to cause the crisis. We are told to trust in big auto and big steel after they have deindustrialized a good part of America! We must not only trust them, but give them tens of billions of dollars in tax subsidies. The effective tax on corporations, the conservative London *Economist* reports, is being cut from a 40 percent to a 17 percent rate! Corporations are now allowed to "sell" tax benefits they can't use to other corporations. This one tax gimmick may, *The New Republic* tells us, cost the federal treasury \$60 billion over five years, i.e., a sum that would reduce the projected 1982 deficit by more than half!



rwdsu record

"Then. Robbing Reagan Hood snatched the bag of pennies from the evil woodcutter and his family, mounted his great white charger and rode away to give this money to the struggling money lenders and arrowmakers, so they could hire more workers. . . ."

Will those billions be invested in jobs and productivity? The *Economist* is "dubious"; so is *Business Week*, another procorporate publication. They will use it as the rich used their money in the seventies—in inflation "hedges" such as playing the money market, buying rare wines and violins, building Las Vegas casinos, and the like.

Our critique of an exhausted, but once progressive, old liberalism and a reactionary, totally unworkable, conservatism points to the necessity for basic new departures. What kind? What is the democratic left alternative?

One way to define the basic concept of that alternative is to contrast it to an underlying assumption of the New Deal. The New Deal was the most effective left mass movement of its time. It

brought the welfare state—both full employment policies and social programs for those not in the labor force—about a third of a century after it had been introduced in Europe. It took the economic cataclysm of the Great Depression as well as determined, and sometimes bloody, struggles on the part of the American workers to achieve this minimum of social decency. But precisely because the New Deal encountered such fierce corporate resistance, it seemed at times to be more radical than it was. The millionaires thought Roosevelt was a Communist—when instead he was saving capitalism.

The New Deal assumed that the basic corporate infrastructure of the economy was sound and that the best decisions about investment, technology, price, and the like were therefore made in the boardroom. Government was to manipulate the fiscal (budget deficits and surplus) and monetary (control of the money supply) levers so as to help the corporations to do their work. It was a combination of John Maynard Keynes and Adam Smith. That assumption is now in shambles. If one engages in Reaganite "Keynesianism," showering billions upon the corporations and the rich on the assumption that they will invest it wisely, full employment and price stability will never be achieved. The rich will use that money to take care of themselves, not the economy.

Therefore—and this is the crux of the democratic left program—there must be democratic inputs and controls over the critical investment decisions that will make, or break, an anti-inflationary full employment economy. In the UAW's bitter and difficult negotiations with General Motors over "givebacks," the union has set forth a new principle: the workers' rights to see the corporate books and to help determine pricing policy (specifically, to ensure that union concessions will be passed on to consumers in lower prices). That collective bargaining strategy has to be made political and national. Such decisions are too important to be left to corporate profit maximizers who have done so much to wreck the American economy.

Full Employment

Our full employment program has two separate, but related, thrusts. First, where the private sector has already declared bankruptcy, or refuses to invest,

the government sector has to be enlarged to help create new industries and new jobs. For example, late last year the Joint Economic Committee identified twenty regions in the U.S. that could apply the high speed train technology that has already been introduced successfully into Britain, Japan, and France. That hardware must be made by a new *American* industry with plants located in areas of high joblessness.

The second element in the full employment program involves mobilizing the corporations within *our* (democratically determined) plan rather than, as with Reagan, putting the U.S. government to work within their corporate plan (or nonplan as is more often the case). Not one cent of subsidy should go to a corporation that leaves an area of economic and social needs—no depreciation deal, investment tax credits, or even corporate tax deductions for the cost of moving. Significant subsidy should go to corporations that create useful jobs in areas of need. We assume, then, a mixed economy solution, a much more radical, investment-oriented liberalism. It is still liberalism, not socialism (even though democratic socialists are an important group in DEMOCRATIC AGENDA). This is, we think, the left wing of the possible in the America of the eighties.

Need for Controls

Many investments—such as those in cheap, renewable energy and in mass transportation—would strike at the sources of inflation. Moreover, a full employment economy would actually reduce the federal deficit *and* provide more funds for social programs and/or tax cuts! But specific *anti-inflation* measures are also required. Clearly, controls are part of the answer—not any controls, but our controls. We favor price, executive compensation, interest, rent, and wage controls, when and where necessary, legislated in the form of standby powers and providing for democratic administration of the system (with labor and consumer participation). We don't want Nixon's corporate-oriented controls. We need controls that, at a minimum, exact a sacrifice from groups in proportion to their wealth and income and work to increase the money for those at the bottom while holding down the fortunes of those at the top.

But how could we fight inflation and *finance* a full employment program

at the same time? The Congressional Black Caucus gave an excellent answer in 1981 with its "Constructive Alternative Budget." The Black Caucus proposal came in with a deficit \$1.8 billion less than the one projected by Reagan—and about half that actually created. It did so by taking the rich off welfare—canceling the \$2.9 billion in oil depletion allowances and the \$1.1 billion that the capital gains treatment of ordinary income entails; it restored the social cuts made by Reagan (Medicaid, student loans); and it made modest cuts in na-

“If the Democratic party thinks it can return in 1984 to a liberalism that did not work in 1976-1980, it will be rejected.”

tional defense spending while Reagan was proposing to fulfill every fantasy the Pentagon had ever entertained.

Links to Social Issues

Finally, these economic measures are clearly related to social issues, above all to the inferior position of women and minorities in the society. Blacks and women suffer the most from unemployment and social program cuts; they would benefit the most from the programs outlined here. But beyond that, this program presents an alternative to the social meanness of Jesse Helms and the "Moral Majority," who are closet racists and open foes of equal rights for women. They talk about the Family Protection Act, a reactionary proposal that would not only bring government into the bedroom—and even dictate uses of the bodies of American women—but would also legally establish one narrow view of sexual morality, effectively making illegal the intimate personal decisions of gay people and others declared to be beyond the pale. This act protects the prerogatives of well-off white males who do not want to deal with a workforce outraged at the disparity in male and female income, or with concepts that challenge their sexual dominance.

It is not enough, however, to simply wait for the workings of a full employment economy to help minorities and women and to dispel the atmosphere of social meanness. There have to be positive programs—affirmative action and comparable pay for jobs of comparable

worth—as well as a defense of the rights women and minorities have achieved during the past two decades.

Let us be frank. DEMOCRATIC AGENDA seeks to unite varied groups that do not always agree and are even sometimes diverted from the basic battle against corporate domination of the society into fighting with one another. It has always looked for that common denominator of economic interest that brings us together: without full employment, there will be no gains for unions, for minorities, women, environmentalists, people concerned with the third world, disarmament, and so on. If we fight one another we will all lose. As democratic socialists we also believe that social issues are not merely social; that they are deeply implicated in basic economic questions. That is obviously the case with regard to issues of minority and women's rights.

So we want to push to expand the consensus, the common denominator, on as many social questions as possible. Our program, in short, aims at providing an alternative for the *society*, not just for the economy.

As I noted earlier, at the 1979 DEMOCRATIC AGENDA that brought 2,500 activists to Washington, we said that if the democratic left didn't help the country go as far beyond Roosevelt as Roosevelt went beyond Hoover, then America would be dragged back toward Hoover. We wish we had been wrong. But we were completely right. The Democratic party rejected our alternative in 1979 and 1980, with the results we see now. In the 1980 election, Ronald Reagan presented himself as the man of new ideas, the man who recognized the crisis and was prepared to take chances doing something about it. And President Reagan has hewed to his reactionary, unworkable program more than any other Chief Executive in recent memory.

If the Democratic party thinks it can return in 1984 to a liberalism that did not work in 1976-1980, it will be rejected. If it becomes the party of moderate Reaganism, it will be rejected. If it obtains the best computer printouts possible and uses them to develop a mindless politics, it will be rejected. But if the Democratic party takes up the program outlined here, it will not simply be faithful to its best heritage of social idealism. It will win and it will begin to turn the country around. ■

Democratic Agenda Program

Program Statement Excerpts
December 1981

This is the time of the takeaway.

The program of the Reagan administration strikes at some of the most fundamental guarantees upon which the American people have come to count. The right to a secure retirement, to loans for college, to the vote in the South, to a job in the North—these and other rights that the American people won ten and twenty and fifty years ago are threatened by the current administration.

Nor is this all. For the takeaways of Reaganomics also deepen a number of longstanding problems. Money is taken from school districts that are already firing teachers and charging children for summer school. Funds are taken from transit districts that are doubling and redoubling their fares so that trains can continue to lurch precipitously down vintage 1918 track. Interest rates are hiked and employment lowered even as veteran auto workers face their third year without work, even as families in record numbers are unable to meet their mortgage payments and default on their homes. The American standard of living, long the envy of the world, continues its decade-long slide beneath that of Japan and much of Western Europe.

Not just the entitlements of the New Deal, but some of the most basic elements of the American dream—home, education, opportunity—lie bewilderingly out of reach.

The administration's response to America's troubles is not merely to take from the many. It is also—indeed, this is the justification for the takeaway—to give to the few, in the fanciful hope that this will revive the American economy. That is the thrust of the Reagan tax policy. It accounts for the administration's sympathetic response to the spectacle of giant corporations spending billions of dollars not on new production but on swallowing each other up. In the world of Reaganomics, wealth can do no wrong.

Neither can the Pentagon, at which the administration is determined to throw a trillion dollars over the next half decade. . . .

But where in all this are the Democrats? Some, to be sure, have gone over entirely to Reagan. A like number, among them the Congressional Black Caucus, have distinguished themselves by energetic and thoughtful opposition to the Reagan agenda. In the center of the party, though, there is confusion, silence. Most Congressional Democrats quarrel more with the fine print than with the broad outlines of the Reagan budget. . . .

The problem is, most Democrats no longer know what to believe. In particular, they are not yet ready to attack the corporate sources of stagflation, the stranglehold wedlock of inflation and unemployment that has dogged the American economy over the past ten years.

For the consequences of the Democrats' inability to grapple with the corporate sources of stagflation are

felt most directly by the Democrats' own constituencies. In the stagflation seventies, the real income of working people fell. The wages of women and blacks and Hispanics and the young fell as a percentage of the white male wage. Persistent unemployment has undermined

“The Democratic Agenda believes that the American economy can work again, that the needs of the American people can be met, their hopes fulfilled—but only when they win substantial control over the major economic institutions of this nation.”

social security, undercut the efforts of the disabled to achieve self-sufficiency. Conversion to a peace economy has been made more difficult without the assurance of employment; conversion to a cleaner environment made more difficult by the counterposing of land and air and water to jobs. The hungry of the third world have suffered penury from an American people themselves facing needed joblessness.

The DEMOCRATIC AGENDA believes that the American economy can work again, that the needs of the American people can be met, their hopes fulfilled—but only when they win substantial control over the major economic institutions of this nation.

Within this perspective, the DEMOCRATIC AGENDA offers the following program for achieving full employment with price stability by means of more social justice, not less.

Full employment is the key. We propose to achieve it in the radically new—stagflation—environment of the eighties by going beyond the traditional liberal wisdom and

- democratically planning new industries — the high speed train system recently urged by the Joint Economic Committee, which could operate in twenty different regions of the country; a renewable source energy industry with a technology on a human scale which can be used by neighborhoods here and in the third world—in order to create jobs in the United States. . . .

- enrolling private corporations in the democratic plan by making all tax deductions for them and their owners conditional upon investments which actually create jobs in areas and industrial sectors which promote full employment and price stability;

- establishing union and worker participation in the control of pension funds which are now invested by corporations in their name, sometimes abroad, some-

times in anti-union companies, sometimes to "hedge" inflation rather than to fight it; and putting pension funds to work putting Americans to work;

- requiring up to two years advance notice of all major corporate plant closings, with companies required to pay for the social costs of their move and deprived of all tax deductions for a closing found to injure the community.

But with such an ambitious full employment program, how to fight inflation? In addition to putting people to work fighting the sources of high prices, like expensive transportation, we also propose:

- standby price, executive compensation, unearned income, rent and wage controls to be triggered by specified economic conditions and administered with democratic inputs from every sector of the society;

- a national health program with cost controls and other policies monitored by community representatives which will "cap" runaway prices by improving the quality and democratic character of health care;

- affordable food. Rather than supporting farm prices, a policy which means greater subsidies for the largest farmers, the government should develop an agricultural program designed to support family farm income and to stabilize prices at a level that encourages abundant production.

- cutting the federal deficit by full employment policies which will reduce the intolerable costs of joblessness, costs which, in a matter of months, shattered all of the Reagan budget projections;

- pursuing a lean, responsible defense policy which rejects destabilizing and/or excessively sophisticated weapons systems and cuts \$50 billion from the Pentagon while increasing our national security.

How to finance these projects without setting off another round of inflation?

- by cutting the almost \$1.8 trillion in tax deductions projected between 1982 and 1986, and in particular all those deductions to corporations and the rich which do not generate jobs;

- democratizing the control of the Federal Reserve, a critically important public economic institution now completely controlled by bankers, and providing credit for consumer needs whose satisfaction would put Americans back to work—houses and cars for people of low and moderate incomes—while pricing speculative credit for corporate take-overs and "investments" in rare violins prohibitively high;

- by using the system of credit allocation to aid small business and family farmers rather than multinationals and agribusiness.

Finally, these measures will allow us to increase the fairness of American society as part of our economic program rather than taking away the modest gains that have already been made. Specifically:

- affirmative action and full, equal rights for women, for minorities and for youth will open up new sources of productivity in the future as in the past; we call for immediate ratification of the Equal Rights Amendment. We support efforts to insure equality of income for women and minorities.

- a commitment to quality public education—and a rejection of tax credits to the most comfortable Americans to subsidize *de facto* segregated private schools—will, in addition to its intrinsic value, also promote productivity.

- guaranteeing every aging American retirement benefits, paid for by a full employment surplus and keeping pace with any cost increases, will also motivate workers still looking forward to retirement.

- strengthening protection of our environment, both at home and at work, by maintaining and expanding important legislation such as the Clean Air and Water Act and the Occupational Safety and Health Act.

- insuring safety and stability for the community and the individual by involving our neighborhoods and communities in efforts to promote personal safety. We reaffirm our strong commitment to handgun control. . . .

- We propose, in short, the basic idea which Martin Luther King, Jr. championed at the time of his death: not only civil rights but an economic and social bill of rights for every American of every race, creed, sex or age.

We favor this program for two main reasons.

First, as Democrats, we believe that only a program which responds to the most serious economic and social crisis in half a century will transform and revitalize our party and make it, once again, the progressive force in this country. We reject the passive notion that all Democrats have to do is wait for Reagan to fail. When he does fail—and that day is inevitable—Americans who can remember our failures during the Carter administration are going to ask: What do we have to propose that is better than both that Carter administration and the disastrous Reagan administration? If we have an answer, we will win and deserve to win; if we do not, no party will really win and this entire magnificent country will be the loser.

PUT DEMOCRATIC AGENDA ON YOUR AGENDA

- Enclosed is \$1. Send me a copy of the full **Democratic Agenda** statement.
- Please send me more information about the: _____ West Coast Conference (Los Angeles, April 16-18);
_____ East Coast Conference (Newark, N.J., May 1).

NAME _____

ADDRESS _____

UNION/SCHOOL/ORGANIZATION _____ PHONE _____

Mail to: DEMOCRATIC AGENDA, Suite 801, 853 Broadway, New York, N.Y. 10003.

Sending a Message

By Ben Tafoya

IN OREGON IT'S THE PROGRESSIVE Agenda, in Connecticut the Legislative Electoral Action Program, in New Jersey the Public Interest Political Action Campaign, in Rhode Island the Citizen/Labor Organizing Committee. A new breed of state level political coalitions, these are efforts to bridge the gap between national and local political issues. For years DEMOCRATIC AGENDA (DA) has preached a politics of coalition. Stretching back since its founding in 1975, DA has led efforts to bring together the diverse elements of the democratic left. Today it is focusing on helping groups bring that politics of coalition to the states.

To do this DEMOCRATIC AGENDA is breaking out of its traditional mold. In the past it has sponsored national conferences in Washington; this year it plans to reach a broad array of communities through regional conferences that can help bring the DEMOCRATIC AGENDA program to activists interested in state, local, and national politics. West Coast DA Coordinator Harold Meyerson reports that "DEMOCRATIC AGENDA will be brought to life in Los Angeles on April 16 through 18, with the support of our state Machinists, Teachers and Service Employees affiliates. And we will also be endorsed by the Greater LA Labor/Community coalition, the group that put on our own local Solidarity Day." DA organizing in California is directed toward developing a diverse group of political activists. Appropriately enough, the effort carries the name the California Democratic Agenda.

On the East Coast, DA will sponsor an all-day conference on Saturday, May 1 to sound the call for "Building a Democratic Agenda in the Age of Reagan." The Newark, N.J. conference will concentrate on the efforts of progressive activists in the upcoming 1982 elections. Most of the states in the region have one or more contested races for Democratic nominations, including for the U.S.

Senate in New Jersey and the governorship in New York. The AGENDA conference will attempt to bring together labor-left-liberal-feminist Democratic party activists, and other progressives to show solidarity on issues, if not on all candidates. This DA effort will involve the existing statewide groups in the region.

In the December issue of DEMOCRATIC LEFT we examined the success of one such coalition, the New Jersey Public Interest Political Action Campaign. Other efforts of this type include the Oregon Progressive Agenda, the Long Island Progressive Coalition and the Rhode Island Citizen/Labor Organ-

“We must show that our constituencies and our program cannot be taken for granted.”

izing Committee (CLOC). Each effort has common goals and tactics, though some of the activities and the origins of the efforts are different.

In Rhode Island the CLOC started as an outgrowth of organizing against a legislative attack on unemployment compensation benefits for strikers. Subsequently it coordinated Rhode Island efforts on energy and utility issues sparked by the national Citizen/Labor Energy Coalition. It became clear that a permanent coalition of labor, community, and political groups was necessary to carry on this and other work. Currently, CLOC is involved in state legislative races—running three challengers against incumbents in the September primary. It is aided in this effort by the recent development of a political action committee, the Progressive Rhode Island Political Action Committee.

Oregon's Progressive Agenda grew out of an effort by local leaders of the Democratic Socialist Organizing Committee and other progressive activists to bring together an ongoing coalition in the state. Recently, OPA has sponsored

a series of conferences to explore alternative policies on the state level. OPA has just started Oregon PRO-PAC to help support progressive candidates in this year's elections. Supporters of PRO-PAC include leaders of the state AFL-CIO, members of the state legislature and senate as well as individual unions and political groups. PRO-PAC has sent out 20,000 pieces of direct mail to begin major fundraising.

We have an opportunity to make 1982 an important year for the democratic left in the Democratic party. We must show that our constituencies and our program cannot be taken for granted as the party campaigns against Reagan. We can do this by supporting the conferences this year, and by supporting those organizations that will be developed to carry on this work from day-to-day in the states and localities. We should not let them take our party away. ■

JOIN WITH THE DEMOCRATIC AGENDA AND LEADERS LIKE...

Mike Harrington
Gloria Steinem
Joyce Miller
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William Winpisinger
Ron Dellums
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and others

at two conferences to discuss:

*A Democratic Agenda for the
Age of Reagan*

WEST COAST: APRIL 16-18, 1982
Los Angeles, California
Downtown Hilton

EAST COAST: MAY 1, 1982
Newark, New Jersey
Robert Treat Hotel

A SPECIAL REPORT

Target Credit; Cut Rates

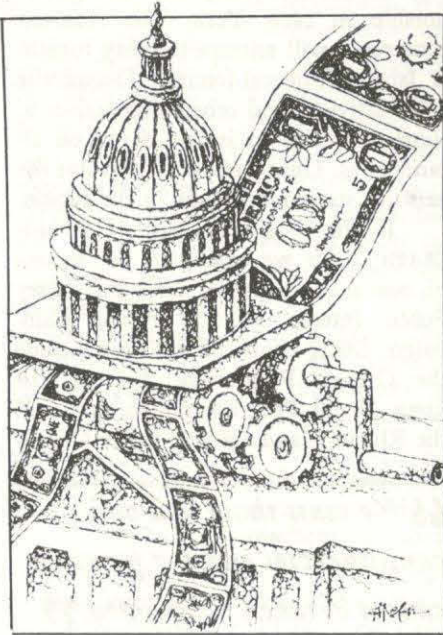
By Brian Turner

BRINGING DOWN HIGH INTEREST rates to strengthen the economy and reduce inflation will be one of the most important tasks facing us in 1982. Monetary policy is far too important to be left to the experts, who have gotten us into the present mess without benefit of adequate public involvement. Nineteen eighty-one produced record real interest rates (the average prime rate minus the average Consumer Price Index). As the inflation rate fell to 6.9 percent in mid-1981, the prime interest rate (the minimum rate for most-favored corporate borrowers) rose above 18 percent, peaking at 21.5.* This produced interest rates of 11 percent and more, which far exceeded the "normal" 3 percent premium over inflation (See Table 1). They are the product of the drastic tight money policies of the Federal Reserve Board, whose seven members are all bankers and academic economists.

Interest Rate Recessions

For a time many thought that high interest rates would not cause a recession since they would squeeze only the housing and auto industries directly. These observers forgot that the myriad of industries tied to auto and construction—from timber, steel, and heavy equipment to carpets, appliances, and auto parts and auto dealers—constitute nearly the bulk of our domestic economy and are disproportionately damaged by tight credit. As high interest rates are passed through in higher prices for all goods and services, sales and employment fall throughout the economy. When small businesses of all kinds are forced into bankruptcies, and family farmers driven to the edge by debt service costs, we inevitably face what

*The 6.9 percent rate was the March-June CPI average. The prime interest rate is a short-term floating rate with no element of future inflation built in.



“Nineteen eighty-one produced record real interest rates. . . . As high interest rates are passed through in higher prices for all goods and services, sales and employment fall throughout the economy.”

the *New York Times* economic writers have called “an interest rate recession.”

With nearly 10 million unemployed in this “interest rate recession,” we must ask: Why have such high interest rates been necessary? Or, more to the point: Why did so many policy makers *consider them necessary*?

Even today politicians of various stripes argue that a restrictive monetary policy is necessary to offset what they perceive to be a wildly, irresponsibly expansionary fiscal policy—one that may bring us a \$100 billion federal deficit in 1982. If the fiscal gas pedal is pushed to the

floor, we are told, then the monetary brakes must be applied to keep us at a safe, anti-inflationary economic speed.

Only recently has the press reported the fact that our present fiscal posture was actually restrictive through 1981. This becomes apparent when we recognize that the current large federal budget deficit is not a true reflection of whether our fiscal policy is stimulative or restrictive. It actually results from the very deep recession, rather than from any expansionary fiscal policy. As unemployment rises, the deficit inevitably grows as tax revenues fall, and government spending (for unemployment compensation, welfare, food stamps, etc.) increases. According to the Joint Economic Committee, each percentage point of unemployment drains the federal budget of about twenty-seven and a half billion dollars. If our 9 percent unemployment rate were reduced, say, to 5 percent, the budget would not be \$100 billion in deficit, but about \$10 billion in surplus.

Thus, at 4 percent unemployment, the present federal budget — mandated program expenditures minus taxes — would be running a \$37.5 billion surplus. This means that that fiscal policy right now is actually slowing the economy down from its full employment potential. In other words, factoring the recessionary impact out of the budget, and measuring the deficit against what is called the “full employment” budget, reveals a restrictive, absolutely noninflationary fiscal policy. Fiscal policy will probably remain restrictive until July of this year (especially if budgets are cut more deeply or new taxes levied), when the second installment of the Kemp-Roth-Reagan tax cuts come due.

Fallout from the Fed

As with most things economic, the consequences of the tight-money school of fighting inflation impose different burdens, or benefits, on different classes of people. The devastated condition of

the housing industry (and would-be homeowners), the auto industry, public utilities, family farmers, and the other credit-using, interest-rate sensitive sectors of our economy contrasts sharply with the relative health of such industries as oil and gas, microelectronics, chemicals, and others in a strong cash flow position. They can *lend* capital rather than *borrow* it. Record real rates of interest look quite a bit greener on the other side of the credit window.

With strong cash flow and healthy cash reserves, the larger firms in the sectors favored by the Fed's monotonous credit policies are in the fabled catbird's seat. Corporate concentration accelerates as weakened firms fall by the wayside, leaving their products, technology, and customers for the taking. More moderately damaged companies become vulnerable to the sweep of corporate takeovers, typically and paradoxically financed by multibillion dollar prime rate loans. The corporate victims of high interest rates thus become fuel to fire even higher interest rates as the Mobils, DuPonts, and U.S. Steels bid against one another for nonproductive uses of scarce loan capital.

The continuing shift of corporate power toward the largest companies is matched by a shift in the balance of power between management and labor, in such highly organized areas as the automobile and related industries: auto assembly, auto parts, rubber tires. Pressured by high interest rates, and now dragged further down by the second interest-rate recession in two years, these unions and their workers are engaged in a grim battle for survival. The precarious condition of their industries has pressed the United Auto Workers, Electrical Workers (IUE), United Rubber Workers, the Allied Industrial Workers, and many others against the wall.

Relentless company demands for wage concessions and contract takeaways already characterize negotiations for these workers. And the situation is scarcely different for construction workers, likewise decimated by high interest rates and housing starts at their lowest levels since the 1950s. There is a method in this madness of cutting inflation by cutting jobs, then wages. It is the *laissez-faire* "method" of nineteenth-century capitalism, applied with the up-to-the-minute zeal of Ronald Reagan's supply siders and monetarists. But, to paraphrase Mark Green, "*Laissez ain't necessarily fair.*"

Interest Rates and Inflation

The reflexive conservative prescription of resorting to recession—it can only be good for you if it hurts—ignores the nature of America's inflation and the sectoral impact of the squeeze of high interest rates. Applying the monetary and fiscal brakes to halt inflation might make sense in an overheated economy, where many product and labor markets were pushing up against their capacity limits and prices were therefore being bid upwards. But we have not had anything like an overheated economy since 1969.

Our inflation is heavily concentrated

toral causes of our inflation, or will succeed only by accident and at great and unnecessary cost to the economy and the people. For this kind of inflation, *recession is not the solution*. Indeed, recession only exacerbates the problem.

An appropriate anti-inflationary policy for a primarily sectoral inflation should address causes of inflation in the four sectors that have accounted for well over half of U.S. inflation since 1974:

- **Energy:** encouraging energy conservation of all kinds, residential, industrial, commercial, transportation, etc., and the need to promote the develop-

"Real" Interest Rates
September 1980 - December 1981

Month	CPI (annual rates)	Average CPI	Average Prime Rate	"Real"* short-term interest rates
Sept. 1980	14.4			
Oct.	13.1	14.0	14.0	0.0
Nov.	14.6			
Dec. 1980	12.8			
Jan. 1981	9.6	11.3	20.0	8.7
Feb.	11.6			
March	7.0			
April	4.6	6.9	18.7	11.8
May	7.9			
June	8.4			
July	15.7			
August	9.6	13.2	20.4	6.9
Sept.	14.4			
Oct.	5.3			
Nov.	6.2	5.4	17.0	11.6
Dec.	4.8			

*Average prime rate minus average Consumer Price Index (CPI)

Source: Bureau of Labor Statistics/ Federal Reserve Board

in sectors of the economy that will not respond—or will respond perversely—to monetary brakes. Neither OPEC, nor international grain markets, nor badly organized health care systems will moderate their price escalation because of unemployment in the United States. And housing markets in the long run are only tightened further as new supply is cut to Depression levels while new household formation continues to accelerate at record levels; the need is not to cut housing supply, but rather to expand housing supply and cut housing costs.

Targeted anti-inflation policy. Inflation is a priority problem in our economy that must be addressed by a comprehensive, coherent anti-inflation policy. The traditional conservative anti-inflation policies of excessive monetary and fiscal restraint cannot succeed against the sec-

ment of new domestic supplies, particularly those of a renewable nature;

- **Housing:** Actively expanding—not restricting—new supply and developing technologies for reducing costs in the construction of new housing;
- **Food:** Using periods of high production and low price to build grain reserves domestically and internationally, and developing a grain export board, as used in the other two leading grain exporting countries, Canada and Australia, to manage export sales to large foreign buyers;
- **Health Care:** Encouraging further preventive health care through health maintenance organizations (HMOs) and moving toward a system of national health insurance that will reduce rates of illness and disease and

contain the costs of treating them.

An anti-inflationary monetary policy. The first and most important step is to avoid inducing recessions, which are the most important factor in eroding productivity and raising production costs. Recession undermines the economy's potential for inflation-free growth of real incomes in the long term, and in the short run fuels inflation by reducing capacity utilization and increasing unit costs of production. Furthermore, monetary policy should specifically avoid high, inflationary interest rates that discourage investment in new plant and equipment.

In periods of high inflation, monetary policy can be pressed into action as an anti-inflationary weapon, but only if it is targeted to avoid a credit squeeze for productive investment (e.g., new capital equipment or construction of new housing or plants) and to avoid strangling credit sensitive economic sectors that are not inflationary (e.g., automobiles). It should aim to restrain such nonproductive and inflationary uses of credit as corporate takeovers, commodity (or real estate or "collectibles") speculation, and condominium conversions. These credit uses do not add one whit to the productive capacity of the country, but do drain many billions of dollars of capital away from productive activities. Such a targeted monetary policy would establish a framework within which the market could operate efficiently in achieving priority national goals.

International Repercussions

In the interdependent economy the consequences of meat-axe monetary policies do not remain within our own borders. In an era of (supposedly) floating exchange rates patched together with the collapse of the Bretton Woods fixed-rate system in 1971, high U.S. interest rates stimulate banks and international companies to shift their liquid funds into dollar accounts to take advantage of their higher earnings. The fairly immediate result is what we call a "strong dollar," which means (to us) that imports are cheaper (since foreign currencies are cheaper) and our exports are more expensive to their prospective buyers. It takes no international economic genius to realize that more imports and fewer exports translate into more recession. That's the "first round" effect experienced here.

In other countries, this "strong dol-

lar" means a weak Deutsche mark, franc, schilling, pound, or kroner, which stimulates these countries' exports to the U.S. and other dollar-based areas of the world. Unfortunately it also means, percent for percent, an increase in the prices these countries have to pay for oil and other dollar-denominated commodities, including many developing country products. This "imported inflation" is the first round effect experienced by our industrial trading partners.

In the second round, other industrial countries raise their interest rates to "protect" the exchange-rate value of their currencies and to stem the tide of imported inflation. Soon all the major countries have high interest rates, and the shifting of exchange rates slackens.

With high interest rates, the econo-

Market Metaphysics

The pervasive fallacy of Ronald Reagan's monetary policy—and indeed his economic policy—is his single-minded devotion to (what we might call) "market metaphysics."

This market metaphysics holds that only the "free" operation of presumed "markets" can produce "optimal" or even satisfactory results for our economy. The competitive environment underlying these arcane beliefs was already beginning to disappear in Britain when Adam Smith published *The Wealth of Nations* in 1776. Ronald Reagan and Paul Volcker, to name just two, seem to believe similar conditions exist today.

All their slogans boil down to tiresome gruel: Get government off our backs! Cut taxes! Eliminate "burden-

“Not one of the advanced industrial countries with a more successful economic track record uses policies that even vaguely resemble this archaic devotion to market solutions.”

mies of the other industrial countries begin to descend their own path toward recession and stagnation. Unemployment in Europe is at its highest level since the Great Depression, as it is in this country. It is indeed sobering to contemplate even a possibility of the 1980s bringing us a grim repeat performance of the global stagnation of the 1930s, but with OPEC and monetarism we might just see it. Historians may look on this period as the beginning of the "Interest Rate Depression."

Developing countries—like the poor, minorities, and women here in the United States—are the nearly invisible, scarcely noticed victims of high interest rates. The ocean of hundreds of billions of dollars in debt owed by third world countries swells precipitously as the U.S.—and then world—interest rates ratchet upward. Each one percent in our interest rate means another two billion dollars in interest payments from Jamaica, Brazil, Zaire, India, Turkey, Peru and the other debtor less developed countries. And the social consequences for these developing countries is little different in kind from what the advanced countries are going through, with the added element of massive pre-existing unemployment and the external coercion of the International Monetary Fund in enforcing regressive social policies.

some" (for whom?) government regulation! Cut government programs! Why? To let the "market" determine the "optimal" allocation of resources to competing demands. Or, in the recent unguarded words of a preeminent corporate leader, to "unshackle capitalism"

The rest of the industrial world (with the notable exception of Margaret Thatcher's Britain) displays a singular lack of enthusiasm for Capitalism Unchained. For good reason. After all, much of our history since the Great Depression has been aimed toward guiding the often unruly energies of a profit-based economy into socially useful channels and away from the destructive orgies of recession and depression that reached what we had hoped was their not so grand finale in the 1930s.

Markets can accomplish many things efficiently, but there is much they cannot do. Operating alone, they cannot prevent recessions, layoffs, and the weakening of our industrial base. Without regulation they cannot produce clean air, safe water, or healthy work places, nor can they end poverty or the results of centuries of discrimination and oppression.

Not one of the advanced industrial countries with a more successful economic track record uses policies that even vaguely resemble this archaic devotion to market solutions. They target industries and