Editorial

Building Trades Must Lead Fight Against Volcker

The Building Trades Department legislative conference in March will be the first meeting of any AFL-CIO grouping since the Executive Council meeting in Bal Harbour.

The Executive Council of the AFL-CIO has gone on record blaming high interest rates for choking the economy, causing inflation, unemployment and budget deficits. It has stated that its first priority is to bring interest rates down.

The Building Trades would certainly concur with this assessment. We are now entering the Spring building period, with interest rates remaining at 18% and Volcker pushing a tighter money policy to "squeeze inflation out of the economy".

If the Fed's current policy is not turned around, we are headed for a collapse of the world economy which will be worse than the 1930s.

Budget-Cutting No Cure for Inflation

Leading economists have put the budget-cutting binge of David Stockman in the right perspective by stating that there may be areas of the budget that should be cut; however, **if interest rates are lowered, unemployment would be lowered, federal transfer payments to the unemployed would be eliminated and the budget would be balanced.**

The single biggest cause of the budget deficit is the increase in debt service caused by high interest rates.

Before Bal Harbour, Kirkland announced a series of regional meetings to hear from the grass roots. Yet, when a unified fight against Volcker and the Federal Reserve's policies are more than in order, Lane Kirkland is using the budget cut issue to organize a movement which will lead to another sure defeat for labor.

Kirkland's "anti-budget cut" posture is dictated by the Socialist International meeting in Washington, D.C. which made plans for "class confrontation" in the U.S. so that a Socialist Party with a labor base can be formed. The Socialist International's "small-is-beautiful" economic policies run counter to everything labor stands for.

Labor Wants Growth Policy

The rank-and-file of labor spoke loud and clear in the last election. They rejected the policies promoted by the McGoverns, the socialists and their ilk. They sent a message to the AFL-CIO to get back to the traditional advocacies of economic growth, technological advances, policies which increase employment, skill levels and living standards.

President Reagan, by following the advice of David Stockman and Jack Kemp, and compromising his campaign promises to gain support from Paul Volcker, is turning his back on the mandate which put him in office.

Cutting necessary government programs like Davis-Bacon will destroy the standards of living and skills of American working people. The tax cut policy of a Kemp, which would encourage investment not in upgrading plant and equipment in heavy industry but only in Hong Kong-style "free enterprise" zone sweatshops, are targets along with Volcker's interest rates which the AFL-CIO should rally the nation to fight.

President Reagan's mandate was based on the notion that he could get the economy producing again. At present, Reagan is turning his back on that mandate. He is making rotten compromises with the budget-cutters who are attacking the very programs which are essential to increase production. His package of cuts are nothing more than Carter's, but with a new label. **If labor can win the battle on interest rates and budget cuts which thwart production, then necessary social programs can be saved.**

Table 1
ANNUAL RATE OF PRODUCTIVITY INCREASE
1965-1978

United States	1.9%
Canada	4.1%
Japan	8.1%
France	5.7%
West Germany	5.4%
Italy	5.7%
United Kingdom	2.9%

Source: U.S. Department of Labor, Bureau of Labor Statistics.

U.S. productivity, the key parameter for economic health, has increased at a much slower rate than in the rest of the industrial nations.

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goods and services." The statement went on to say that "**high interest rates choke the economy and prevent expansion and is the major contributor to a high budget deficit.**"

The labor federation's Executive Council implied that the Federal Reserve's interest rate policies favored speculation and short-term borrowing. The Council proposed policy procedures which would allow use of existing procedures and the development of new tools to restrict credit going into speculation and make credit available for productive uses.

The statement on the national economy addressed the question of productivity by calling for modernizing outdated plant and equipment through the use of credit controls which would allow low-interest credits to be channeled into investment in these areas.

The Council demanded reduced mortgage rates to revive the flattened housing and construction industry.

"Hong Kong" Model for Cities Rejected

Urban Free Enterprise Zones, a favorite program of the Heritage Foundation supporters in the new administration, was roundly criticized. In the same light, any attempt to introduce a sub-minimum wage will meet stiff opposition.

Instead of urban enterprise zones, the Council called for a general improvement of urban infrastructure.

An upgraded transportation system was another Council recommendation.

How to reach the desired goals of the AFL-CIO is not as clear as the goals themselves. It was anticipated by observers that AFL-CIO President Lane Kirkland would succeed in getting his Executive Board to agree to endorse candidates in the primaries. Instead, a coalition of what is termed "moderate" union leaders, primarily from the building trades, blocked the proposal and tabled it for further study.

The apparent rationale for Kirkland's opposition was that they didn't want to be railroaded into supporting McGovern/Carter-type candidates and instead

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News Analysis

Institutional Investors-Socialists Eye Pension Funds

An estimated $500 billion is currently sitting in union pension funds across the country. Every major institutional investor from Prudential Insurance Company to Chase Manhattan Bank is scheming to control these funds. On the other side, every socialist idealogue and radical is pushing to grab the funds for their political purposes. Meanwhile, both sides agree that the U.S. economy is entering a "post-industrial" phase in which overall economic activity must inevitably decline. It is a no win debate for the working person.

Policy Behind the Debate

The economic policy behind the debate is spelled out by spokesmen from both sides. Stanley Kerson, the director of the Clearinghouse on Corporate Social Responsibility, the political arm of the American Council on Life Insurance, stated recently, "the major debate among top insurance company executives is how to divest of dying industry and put more capital into the information industry . . . to assure their profits, (they) are going to vote with their feet for the post industrial economy."

George Needham of the First Boston Corporation underlined the implications of this: "*The major institutional investors, led by insurance, are engaged in a tremendous reallocation of resources away from the smokestack industries . . . the 25 year steel and auto bonds bought by an insurance company ten years ago for 6% interest are today worth 60 cents on the dollar and their value can only fall. So the institutions are getting out.*" Insurance companies and bank trust departments are the major institutional controllers of union pension fund investments.

The Socialist Argument

In *The North Will Rise Again*, Jeremy Rifkin and Randy Barber write the blueprint for using pension funds to create socialism in the United States.

Under the guise of investment criteria which emphasize "social responsibility" and "non-economic" factors, the Rifkin-Barber socialists want to move union pension money into the economic vacuum created by the capital flight into the sunbelt. Their concern is not profitability or investing to expand total economic production.These decisions are out of their hands. They want to promote Swedish-style socialism plain and simple. This means moving worker pension funds into broken down industries like in Youngstown, at low rates of return.

In this vein, Barber stated recently, "What's wrong with investing in heavily discounted stocks and bonds? . . . I think Firestone, after what happened might be a good investment."

The compensation for the low return will be the "socially responsible" control over the broken down industries by the few workers left employed there. In other words, let the union pension funds finance continued operation of outdated plants in exchange for wage and benefit concessions like at Firestone and Chrysler. "If we can get more U.S. union leaders with the European Socialists it will be easier to sell the idea," says Barber.

The Phony Debate

For the last ten years, under the management of the First National Bank of Boston, the transportation workers employed by the Massachusetts Bay Transportation Authority (MBTA) saw the return on their pension fund investment sink from a high of 34% profit to a current rate of 2%. This has cost tax and dues paying members, and others, millions of dollars.

A closer look at the reason for the MBTA losses would show that the problems with the Fund have more to do with the overall economic policies like high interest rates and the phony energy crisis, which prevailed over the last decade. The Rifkin-Barber formulas for pension fund investment cannot deal with these problems. At most, they will redistribute the wealth.

The real question is: will union pension funds be used to create a socialist-corporatist order that merely polices the ranks of the labor movement for some larger political force. Future *Beacon* exposes and analysis will continue to explore this entire question.

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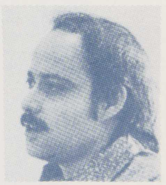
wanted primary candidates to tailor programs to win their support.

The moderates' fear of "railroading" may have been justified. The recent meeting of the Democratic National Committee appointed six labor representatives to its Executive Board. Five of those appointed come from the left-liberal, socialist-leaning wing of labor — William Winpisinger of the IAM, Jerry Wurf of AFSCME, Glen Watts of the CWA, and Ray Majerus and Marc Stepp from the UAW. The only representative from what would be termed traditional "bread and butter" labor was J.C. Turner of the Operating Engineers.

WHO IS JEREMY RIFKIN?

Radical economist Jeremy Rifkin has received notoriety lately as co-author with Randy Barber of *The North Will Rise Again* and as the author of *Entropy* — a small-is-beautiful tract proposing the end of industrial society.



Jeremy Rifkin

Product of Anti-Labor Think Tank

Rifkin is a product of the anti-labor think tank, the Wharton School — the same gaggle of union-busters which has given us Right-to-Work, repeal of Davis-Bacon, trucking deregulation, and union-busting management consulting.

More than a writer, Rifkin is a longstanding organizer of numerous left-wing groups operating in the U.S. He is a fellow at the Washington-based Institute for Policy Studies, an agency which promotes the environmentalist movement and violent terrorist groups such as the SDS Weathermen bombers and the Puerto Rican FALN.

Rifkin himself was investigated by law enforcement agencies when he was chairman of the People's Bicentennial Commission. The PBC was planning disruptions of the Bicentennial July 4th celebrations in 1976.