

RESOLUTION 5

An Economic Agenda for Working Families: Building Union Power, Reclaiming the American Dream

Submitted by the AFL-CIO Executive Council

The Wall Street Agenda

Fighting the Wall Street Agenda: What We Must Do

America's Economic Agenda

The AFL-CIO and an American Economic Agenda for Working Families

THE LIVING STANDARDS of America's workers and the growth and power of their unions are under attack. Workers are finding it more and more difficult to make a living for their families and to realize the American dream. It is also becoming more difficult to form unions and bargain for our share of American income and wealth. The economic policies that shape the environment in which unions organize and bargain with their employers are key factors in our ability to grow and better defend the living standards of our members and all America's workers.

In the past 25 years, an increasingly aggressive corporate lobby has pushed for a new set of economic policies—the Wall Street Agenda—in the United States and many other countries. In the United States, these policies, championed by business and financial interests and neo-liberal ideologues, have produced a weak and unbalanced economy and a generation-long stagnation of workers' wages and living standards.

America's workers are the most productive workers in the world. We work harder and longer than workers in any other developed country, and yet the current generation of America's workers may be the first in our history to fail to achieve substantial

improvements in our living standards. Today, the United States has the most unequal distribution of income and wealth of any developed country, and economic inequality is greater in the United States today than it has been at any time since the 1920s. The Wall Street Agenda has also powerfully inhibited labor movement growth and undermined union bargaining strength. Weakening the power of unions is one of its goals: By shifting the balance of power to employers, the Wall Street Agenda seeks to improve profitability at the expense of workers and their families.

We are hampered in our ability to fight the Wall Street Agenda because, besieged on many fronts, we too often miss the forest for the trees. Manufacturing workers know the hazards of free trade, but they are less likely to understand the dangers of a depleted tax base or deregulation. And while government workers understand the challenge of privatization and regressive tax cuts, they are less likely to understand the hazards of free trade. Union members may well understand the lack of effective rights to organize, but Federal Reserve policy seems remote from their concerns. And the challenge of deregulation is felt primarily by workers in the particular sectors immediately affected.

We will enhance our capacity to counter the Wall Street Agenda and set a new economic course for America's workers if we, as a united movement, respond collectively to the agenda as a whole, as well as its individual parts. Free trade is as much a challenge to public-sector workers as privatization. Privatization is as much a challenge to manufacturing workers as free trade.

The AFL-CIO will lead a coordinated labor movement effort to directly challenge the Wall Street Agenda for economic policy and advocate an alternative America's Economic Agenda to strengthen the economy, defend the living standards of all America's workers, help our movement grow and restore the American Dream for our children and future generations.

The Wall Street Agenda

The Wall Street Agenda is composed of seven inter-related policy themes, each of which is pressing in on working family living standards and unions' ability to grow. Each policy has a positive sounding name. However, each also carries a darker underside with serious implications for employment, wages and economic security. And together, the Wall Street Agenda powerfully inhibits the growth of unions and shifts the bargaining power of workers to employers. Corporations and the wealthy benefit handsomely from the Wall Street Agenda, but working families are left behind.

1. Tax Cuts and Balanced Budgets: The first plank of the Wall Street Agenda seeks to marginalize tax and spending policy as an instrument of macro-economic policy and establish a program of fiscal austerity. Some proponents of the Wall Street Agenda maintain that tax cuts alone will produce economic growth but also call for balanced budgets as a way to reduce the role of government in the economy. Others maintain that balancing the federal budget, by itself, will stimulate economic growth by pleasing the bond market and lowering interest rates. However, fiscal austerity compounds the effect of unbalanced monetary policy in slowing economic growth and aggravating unemployment.

2. Imbalanced Monetary Policy: The second theme of the Wall Street Agenda is a monetary policy conducted by a "politically independent" Federal Reserve Bank focusing solely on "price stability." The congressionally mandated objective of full employment is subordinated to fighting inflation. Price stability is a good thing, of course, but the immediate effect of this imbalanced policy is to slow economic growth and produce an unnecessarily high, and socially undesirable, level of unemployment.

3. Globalization: A third theme is the opening of the U.S. economy to international competition. Backers of the Wall Street Agenda maintain that the elimination of trade barriers will, in the long run at least, raise the level of economic growth and income. However, free trade forces America's workers into direct competition with some of the most impoverished and oppressed workers in the world. The result of free trade has been the loss of millions of jobs, many of them union jobs, particularly in manufacturing.

4. Privatization and Deregulation: A fourth theme is privatization of public services and the relaxation of regulations in many industries, including finance, transportation, utilities and telecommunications. The Wall Street Agenda claims these policies, by reducing the role of government in the economy and enhancing competition in domestic industries, will increase efficiency and lower prices to consumers. These benefits rarely materialize. Instead, the effect of privatization and deregulation is to deprive citizens of needed services, reduce unionized employment and heighten the pressure on workers' wages and benefits.

5. Labor Market Flexibility: A fifth theme is labor market flexibility, policies that allow employers to discharge employees at will, undermine workers' rights to organize and bargain collectively and erode minimum wage and labor standards. Those pushing the Wall Street Agenda maintain that such policies allow employers to adapt quickly to changing market conditions and result in faster economic growth and increased employment. However, the real effects of this flexibility have been falling wages and labor standards, declining union membership and a loss of democracy in the workplace.

6. Personal Responsibility: Finally, in place of a social insurance system to provide health care and retirement security, the Wall Street Agenda attempts to shift all the responsibility for the security and welfare of working families onto the families themselves. Employers are pulling back from their commitment to provide comprehensive health care and defined-benefit pensions to their employees, and the Bush administration is trying to undermine Social Security. Less than half of unemployed workers receive unemployment benefits, and welfare support for impoverished families has been virtually abolished. The result of the policies is enormous unnecessary suffering and chronic insecurity.

7. Shareholder Value: Finally, under the demands of newly empowered institutional shareholders, the core purpose of American corporations was narrowly focused on increasing value for shareholders. CEOs and other privileged corporate insiders are enriched through the abuse of stock options but often at the expense of employees and other stakeholders. In the case of companies such as Enron, this narrow focus and associated abuses of corporate power destroyed the companies themselves.

The Challenge of the Wall Street Agenda

Each of the policies in the Wall Street Agenda destroys jobs and serves to increase workers' anxiety about their economic security. Just as important, each of these policies bolsters the power of employers, inhibits union growth and weakens workers and their families.

When economic growth is slow and unemployment high, the bargaining position of labor is weakened by the competition from unemployed workers. The lowering of labor standards and inability of workers to form unions has the same effect. As American corporations internationalize their production, they use the threat of job loss to undermine workers' bargaining power. Public-sector employers use the threat of privatization in the same way.

If the effect of each of these policies is to reduce union membership and bargaining power, their combination in the Wall Street Agenda poses a formidable obstacle to the growth and power of the

labor movement. As long as these policies prevail, union organizing efforts must overcome fear of job loss among workers and the loss of existing union member jobs, before they yield net union membership growth. And as long as these policies prevail, unions will be bargaining in an environment of unbalanced employer power.

The Wall Street Economy

The American middle class was built in the 25 years following the Great Depression and World War II. With economic policies forged during the New Deal and giving priority to full employment and worker rights, the economy grew rapidly and productivity growth was strong. Unions grew throughout this period, and our bargaining strength assured real wages grew along with productivity. Real family incomes saw their most rapid increase in our history. American prosperity was broadly shared as both income inequality and poverty were reduced. And though union density peaked in 1955, union membership grew steadily throughout this period.

This pattern of broadly shared prosperity began to break down in the 1970s, however. The last quarter of the 20th century exhibited a very different pattern. Economic growth slowed sharply. Productivity growth also slowed, but real wages actually began to fall. Falling real wages forced America's workers to work more hours and hold more jobs to sustain their families' living standards. As a result, whereas real family incomes doubled in the earlier period, they increased only 22 percent since 1973. As working families struggled, wealthy families prospered and inequality grew. The wealthiest 10 percent of families saw their incomes double in this period, and the incomes of the top 0.1 percent of families tripled their incomes. Unions found it increasingly difficult to grow in this period and our bargaining power weakened.

Economic growth did accelerate in the mid-1990s spurred by a sharp increase in investment, particularly in telecommunications and information services. The unemployment rate fell and real wages rose for five years. The sharp rise in incomes swelled government coffers, and the federal budget deficit was transformed into a surplus. There was even

speculation that we were experiencing a “New Economy” in America that was powered by the Internet and would provide unending productivity improvements and a steady rise in living standards. These hopes were dashed by the rise in the dollar, increasing chronic trade deficits, falling profit rates and the bursting of the Internet bubble.

The recession we experienced in 2001 was short and shallow overall, but it was devastating for manufacturing. Since manufacturing employment peaked in 1998, more than 3.3 million jobs have been lost. Almost all the jobs lost in the recession and the jobless recovery that followed were in manufacturing and telecommunications. These losses disproportionately fell on unionized workers. The damage to America’s industrial base means we do not now have the capacity to produce sufficient exports to balance our country’s external account. Manufacturing workers have suffered enormously, and America has been seriously weakened in its ability to compete in the global economy.

The Federal Reserve responded to the recession by lowering interest rates to historic lows, which stimulated debt-driven consumer spending. The Bush administration passed a series of massive tax cuts, primarily benefiting the wealthy, and increased federal spending. These steps failed to produce a strong and sustained recovery. Not until May 2005 did the level of private-sector employment reach pre-recession levels, a full 50 months since the recession ended. Moreover, the regressive Bush tax cuts have left the nation with massive and irresponsible federal budget deficits that can only be financed by borrowing from foreign central banks.

The current recovery is the weakest and least balanced recovery since the end of World War II. Even in the fourth year of recovery, real wages are still falling. There are not enough jobs for those seeking work, and the quality of jobs continues to deteriorate. The trade deficit has continued to grow and will likely set a new record this year at more than \$780 billion, 17 percent above the record mark set last year. As a nation, we must now borrow an unsustainable \$2 billion a day to pay for the things

we consume but do not produce, mostly from central banks in China and Japan.

Workers suffered most from the recent recession and have shared not at all in the jobless recovery. And the continuing serious imbalances in the U.S. trade and fiscal deficits only aggravate the insecurity so many of America’s workers continue to feel. In addition, these mistaken policies and the imbalances to which they lead undermine the strength of the economy and threaten the future of our nation.

Declining Union Membership

Our unions represented one out of every three American workers in the 1950s, but union density has declined steadily ever since. However, even as union density declined, union membership continued to grow in absolute terms throughout the early post-World War II period. But from 1980 to the present, union membership has declined along with density. From 1946 to 1980, union membership grew an average of 0.7 percent a year when the economy was expanding and decreased an average of 0.6 percent when the economy was in recession. Our unions grew with the economy throughout this period.

The economy has been growing away from our unions under the Wall Street Agenda. Since 1980, union membership declined an average of 1.7 percent a year when the economy was in recession. And even when the economy expanded, union membership declined by an average of 1.3 percent a year. Since 1980, as a result of the economic policies that make up the Wall Street Agenda, union membership has declined by more than 5 million members.

Fighting the Wall Street Agenda: What We Must Do

America’s workers and their unions have struggled to defend their living standards against the policies of the Wall Street Agenda. However, the struggle usually has been focused on specific policies and not the Wall Street Agenda as a whole.

We must continue to organize new members, of course. We must also fight together to elect politicians to change the law to make it easier for workers to join unions. But we must also directly challenge the Wall Street Agenda—not just in its parts but also as a whole. In that way, we can better organize around the common interest all workers and unions have in countering the Wall Street Agenda and bring to bear the power of the entire labor movement in fighting for an alternative set of policies under which we can more effectively grow our unions and defend the living standards of all working families.

America's Economic Agenda

Our movement and the workers we represent believe the economy should work for the American people: The American people do not work for the economy. We need an economy strong enough to provide the goods and services necessary for national security and to meet the needs of the American people. We need an economy that provides economic security for working families. And we need an economy that is democratically accountable to the American people and not controlled by corporate and financial interests.

The AFL-CIO will lead a coordinated labor movement effort to meet the challenge of the Wall Street Agenda. We will advocate an alternative America's Economic Agenda that serves the interests of working families and helps build the power of workers and their unions. America's Economic Agenda involves eight inter-related policy themes:

1. A Strong American Economy and Full Employment: America needs a growing economy capable of producing the value equivalent of what we consume in an increasingly global economy and providing enough good jobs to employ all who are willing and able to work. We need a macroeconomic policy that balances price stability with full employment, that uses fiscal as well as monetary policy and that is more accountable to the American people.

2. A National Investment Strategy: We need to invest in the education and lifelong learning of

America's workers. We need to invest in our national research and development infrastructure to strengthen our technological capabilities. We need to invest in our communications infrastructure to make it possible to build successful and innovative businesses in the United States. We need to invest in our transportation network—aviation, highways, longshore and maritime, rail and transit—to create and sustain jobs and serve as an economic engine for other industries dependent on the efficient movement of goods and jobs.

3. A National Industrial Strategy: We need a national industrial strategy to respond to the crisis in manufacturing and rebuild our country's industrial base. We need more balanced currency exchange rates. We need effective enforcement of our trade agreements and adequate safeguards to protect against import surges. We need tax policies to encourage, rather than discourage, manufacturing operations in the United States. We need national health care reform to reduce the competitive disadvantage of U.S.-based manufacturers. We need state and local manufacturing policies and a robust manufacturing extension system to assist small and medium-sized manufactures to modernize.

4. Fair Globalization: We need coordinated efforts with Europe and Japan to increase growth in the global economy and create exports for the United States. We need to replace "free trade" agreements with fair trade agreements that protect fundamental workers' rights. We need immigration laws and policies that protect the rights of immigrant workers in the United States. We need increased levels of official assistance to developing countries, including debt relief for the most indebted nations, to help these countries build domestic markets and integrate into the global economy without undermining the standards of workers in the developed countries.

5. Good Government and Fair Taxes: We need strong governments at all levels to provide the investment and regulation for a strong economy that markets cannot provide themselves and to provide the public goods and services our nation needs. We need progressive taxes that raise adequate

revenue to meet the nation's needs. We need effective government involvement in particular industries characterized by natural monopolies, public goods and/or externalities. We need effective regulation of the financial services, airline, trucking, utilities and telecommunications industries.

6. Workers' Rights and Labor Standards:

We need effective workers' rights to allow workers to freely associate, organize unions and bargain collectively. We need dignity at work and a democratic voice in the workplace. We need a higher minimum wage indexed to keep pace with increases in average earnings.

7. Social Protection: America's workers need unemployment insurance when they cannot find work. We need a national health care system that provides quality care to everyone and reduces the cost of health care. We need retirement security, including sound defined-benefit pension plans and strengthened Social Security.

8. Corporate Accountability: The proper public purpose of corporations is to produce the wealth our society needs to meet its needs. Corporations do not exist merely to enrich shareholders and CEOs. As Enron Corp. and other corporate scandals demonstrate, we need fundamental reform in the way corporations are organized, regulated and governed to ensure corporations serve their core economic purpose of creating wealth. We need to give workers' capital—the deferred wages of workers that provide pension and health care benefits to America's workers and their families—a powerful voice in the companies they own. We need to hold CEOs and corporate boards accountable and restore integrity to our capital markets.

Each component of America's Economic Agenda supports the others. Each component is therefore the concern of all workers and unions. Realizing the goals of America's Economic Agenda will require the efforts of a united labor movement coordinated by a strong AFL-CIO. It will also require the broadest

outreach to all Americans concerned about the strength of the American economy and the well-being of America's working families.

The AFL-CIO and an American Economic Agenda for Working Families

The AFL-CIO and our unions are already engaged on a number of economic policy fronts to meet the challenge of the Wall Street Agenda. Our Voice@Work program is fighting to change the climate for organizing and ultimately change the law to protect workers' right to organize. Our global economic program is fighting unfair trade agreements and attempting to establish workers' rights as an essential component of future agreements. Our international solidarity program is helping build strong unions in other countries. Our capital strategies program is fighting for corporate accountability and capital market integrity. We support the efforts of individual unions in their efforts to resist privatization of important government programs or strip government workers of their effective rights to organize and bargain collectively.

However, to more effectively meet the challenge of the Wall Street Agenda, we need to integrate these various policies into a more comprehensive and compelling alternative economic program of our own: America's Economic Agenda. Advancing our economic agenda will require a unified labor movement, a strong AFL-CIO and the support of our social allies, both in the United States and abroad.

The AFL-CIO is committed to growing and confronting the challenge to the living standards of our members and all workers. We will fight for economic policies that strengthen the American economy and foster rapid growth. We will do all we can to ensure work is rewarding and fulfilling; workers are treated with respect, dignity and fairness; and working families fully share in the benefits of a prosperous economy.