EMINENT DOMAIN

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Public Ownership

Large-scale public ownership of basic industries, banks and utilities in the U.S. is no longer a far-fetched idea, but a growing public demand as the only realistic alternative to continued crisis in key sectors of the economy:

∘ **The crisis in basic industries continues despite two and a half years of economic revival.** Employment in the metalworking and machine industries is still 12% below its previous cyclical peak. Employment is down over 50% in the copper industry; 40% in the farm and construction machinery industries; 40% in the basic steel industry; and 10% in the auto, meatpacking, and shipbuilding industries. Bankruptcies and merger activity are at all time highs as capital becomes concentrated in fewer hands.

∘ **The financial structure of the economy is increasingly unstable,** as seen in the recent Continental Illinois crisis, the State Savings & Loans failures, and international debt crises. The nation as a whole is in debt by more than $7 trillion, or more than twice the gross national product. Government debt alone is approaching $2 trillion. The U.S. trade deficit sets new records each year as the dollar climbs to astronomical heights. The U.S., once all-powerful, is now on the verge of becoming the world's largest international debtor. The big banks continue to demand usurious interest rates as they increase their grip on the flow of capital into and out of industry.

∘ **The living conditions of large sections of the population continue to deteriorate.** The decline in real wages that began in 1973 continues unabated. Workers are putting in longer hours than ever before in the post-World War II period, and are working under harsh speed-up conditions. Over 100 million people live below the Bureau of Labor Statistics' "low standard city budget for a family of four," and nearly 40 million live below the official poverty line for a family of four. Unemployment and underemployment hover close to 20 million. Meanwhile, corporate profits are at all time highs. The Commerce Department reports that 1984 profits were nearly 50% higher than their previous cyclical peak in 1979, yet corporate taxes remained at the 1979 level.

Earlier Debates

The issues of public takeover and nationalization have been debated vigorously in the U.S. since the emergence of corporate monopolies in the railroad, steel, banking, and other industries at the turn of the century fully unmasked the destructive impact of the system of private ownership. Since then, the debate has ebbed and flowed with general economic conditions. In the 1920s and 1930s, for example, a wide-ranging discussion about the need for public ownership occurred in response to widespread anti-labor attacks and depression conditions.

In the 1920s, the United Mine Workers campaigned actively but unsuccessfully for the nationalization of the coal mines. At the same time, the railroad brotherhoods, with wide public support, pushed hard for the adoption of the Plumb Plan calling for government ownership of the railroads.

Although public ownership of key industries and banks did not result, the Roosevelt administration was forced to increase the government's role in funding public works projects, and in the creation of publicly-owned industrial authorities (such as the Tennessee Valley Authority), which was critical for providing new electric power needed for economic development. While such programs, along with unemployment insurance and social security,

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Public Ownership

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alleviated the suffering of thousands of workers, they did not eliminate the mass unemployment of the period. This was left to the national mobilization for World War II.

Expanded Government Role

World War II laid the basis for the enormous post-war expansion of the relationship between the federal government and the large corporations. During the war, the government greatly expanded its practice of providing huge public subsidies to private corporate interests.

While the post-war period saw the proportion of government in the overall economy grow from 11.8% of the gross national product in 1947 to over 20% today, the U.S. remains the only major industrial country with no or little public ownership in key industries. In the U.S., the only industries with some public ownership are electricity (25%, and mainly through state and local ownership) and a very small portion of the railroads (Conrail, which faces privatization, and Amtrak, which faces elimination).

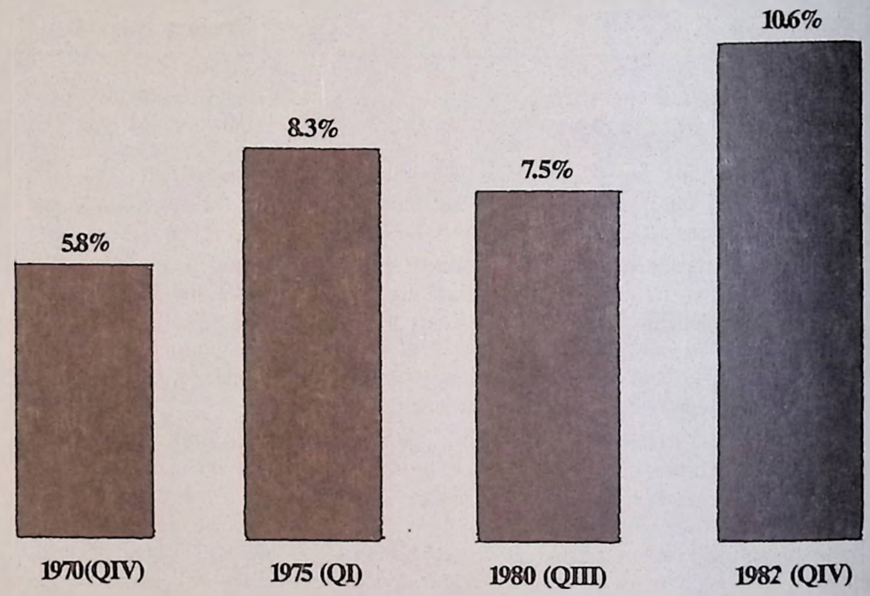
Growing Public Demand

Between 1950 and 1973, U.S. economic growth averaged a healthy 4.2%, and manufacturing employment rose at an average annual rate of almost 2%. Simultaneously, the real wages of workers were rising despite increasing exploitation. But between 1973 and 1983, economic growth averaged an anemic 1.2%, and average manufacturing employment growth came to a virtual halt. Between 1979 and 1984, about 1.5 million jobs were eliminated from the industrial sector, and unemployment rates continue to rise across business cycles (see graph). As a result, there is a growing demand for public ownership of sectors of the economy vital to the general welfare. This is particularly true in industries hard hit by chronic crisis, like steel, machine-tools and others, and in states where the banking system is undergoing severe strains.

Reagan's Privatization

Despite this growing demand for public ownership, the Reagan administration has mounted a major and already partially successful effort to privatize large sections of the public sector. Many state and local governments have followed Reagan's lead. The Administration has launched a major assault on mass transportation. Officials at the Urban Mass Transportation Administration are considering legislation that would require recipients of transit subsidies to turn over at least 20% of their operations to private enterprise. In addition, the Reagan administration has identified 11,000 activities it wants private contractors to take over from the government when "economically feasible," including health services, fire protection, medical laboratories, and geological surveying. The Administration has also turned to profit-making corporations to operate prisons and air traffic control towers.

Unemployment at the Bottom of the Business Cycle, 1970 — 1982



Source: U.S. Department of Labor.

ESOPs

The last several years have seen the largest wave of plant shutdowns of any period since the Great Depression. Workers facing plant closings now have only two options: accept joblessness, or to devise local tactics for preventing the shutdowns. In the late 1970s and early 1980s, a common tactic was the employee stock ownership plan, or ESOP.

While ESOPs are promoted by corporate interests as a form of "worker ownership," ESOPs place workers in a position of bearing responsibility for the financial condition of the firm. In all the major ESOP programs such as Wierton Steel and Rath Packing, the "employee-owned" company has remained in the grip of the same corporate and financial interests which led the company into crisis in the first place.

Workers are then forced to accept more severe concessions and to put their life savings on the line. As experience has demonstrated, ESOPs at obsolete or near-obsolete plants that remain dependent on private capital for financing are ultimately doomed to self-destruction and bankruptcy.

Eminent Domain

As a result of the failure of ESOPs, workers and unions facing shutdowns are experimenting with new tactics. The most significant is the public takeover and ownership of shutdown plants through application of the legal tactic of eminent domain. Eminent domain is the legal basis on which public authorities can seize private property for public

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Public Ownership

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use. Workers in Pennsylvania, Massachusetts, and Minnesota have explored the use of eminent domain in a local context. While the movement for public takeover and ownership under eminent domain is a long way from the nationalization of entire industries, it is an important first step.

Full Public Ownership

The current movement for eminent-domain takeovers is primarily *local* in character and directed towards the takeover of *abandoned* or soon-to-be abandoned facilities. Under even the best conditions, however, the local character of the current eminent-domain takeover movement limits the potential range of government support and the political clout needed to assure adequate markets in the face of national and international competition. At the same time, abandoned facilities often require substantial new capital investment in order to compete effectively with private corporations with easy access to private capital. As long as locally owned facilities are the exception, they will operate in the face of hostile competitors and financiers.

These obstacles indicate the need for such local movements to merge into a nationwide movement for the public ownership of entire industries, including:

Auto	Health Care
Aerospace	Electrical and Machine
Steel and Metals	
Banking and Insurance	Oil, Gas, and Coal
	Utilities
Transportation	

But the key issue for workers in the U.S. is the form that nationalization must take in order to serve the general welfare of working people and the nation:

- Nationalization must not be limited to declining industries or insolvent companies alone. The entire corporate entity in a key sector, and all of its capital, must come under public ownership, not just the declining section of its business. For example, in the nationalization of the steel industry, U.S. Steel as a whole, including its Marathon Oil and other subsidiaries must become public property.
- The public takeover of key industries must include suppliers, distributors, and other manufacturers which are vital to the operation of the industry. Otherwise, private interests will raid the public treasury.
- Compensation to large stockholders and bankers in public takeovers must be limited or non-existent. In many cases, the debts left over from the old company, as well as compensation to previous owners, continue as a mechanism for draining capital out of the publicly-owned firm long after nationalization has occurred.
- Key management posts must be placed in the hands of publicly responsible officials, including workers, and taken out of the hands of management from the previous company or outside financiers or industrialists. Boards of directors of publicly-owned firms and industrial authorities must be composed of a majority of representatives from unions and civic groups, and be representative of the whole population. This is critical for democratic public ownership.
- Nationalized enterprises must operate on the basis of respect for the principles of trade unionism and the right to strike. They also must enforce strict anti-discrimination/affirmative action guidelines in hiring and upgrading. All benefits of new technology and other labor-saving mechanisms must be converted into reduced hours and higher wages. No-layoff guidelines must be the rule. Unions must have a voice in all production and investment decisions.
- Nationalized firms must operate with the criteria of production for the public welfare and not for required rates of return.
- Nationalized enterprises must have a guarantee for adequate financing for long-term investment programs out of their own capital and with liberal government financing and stable markets.

These standards must form the core of the program for any labor-led movement for nationalization. The fight for democratic public ownership, like any other reform movement, goes hand-in-hand with the struggle for developing labor's political independence and a mass, anti-corporate, pro-peace political party in our country that can tip the political balance in favor of working people. The current movements for local eminent-domain takeovers should be given the full support of the labor movement. They represent the first step on the road to full-blown, democratic nationalization, for the benefit of all working people. □

Supreme Court Rules in Favor of Eminent Domain in Hawaii

On May 30, 1984, the U.S. Supreme Court ruled in favor of the State of Hawaii Housing Authority's right to seize private land under eminent domain.

The Hawaii Legislature enacted the Land Reform Act in 1967. It created a land condemnation scheme whereby title is taken from the leaseholders and transferred to the lessees. The Act is intended to reduce the concentration of land ownership in the hands of the traditional land oligopoly connected with the earlier tribal structure.

Under the act, the Hawaiian Housing Authority (HHA) is authorized to hold public hearings to determine whether the State's acquisition of a tract will "effectuate the public purposes" of the Act. If the HHA determines that these purposes will be served, it is authorized to designate some or all of the lots in the tract for acquisition.

It then acquires, at prices set by a condemnation trial or by negotiation between lessors and lessees, the former owners' "right, title, and interest" in the land, and may then sell the land titles to the lessees. This is the process through which "just compensation" is determined, and land ownership is transferred.

After the HHA held a public hearing on the proposed acquisition of land and found that it would serve the "public purpose," it directed the parties to negotiate. When negotiations failed, the HHA ordered the parties to submit to compulsory arbitration. The land owners refused to comply with this order and filed suit in federal District Court asking that the Act be declared unconstitutional.

The Appeals Court held that the Act violated the "public use" requirement of the Fifth Amendment.

The HHA then brought the suit to the Supreme Court, where the 1967 Land Reform Act was upheld under the Fifth Amendment of the U.S. Constitution. The State of Hawaii and appropriate localities were judged to be within the law in their effort to reduce the concentration of land ownership through utilization of the power of eminent domain.

EMINENT DOMAIN

The Law of Eminent Domain

By Roy M. Kaufman

Eminent domain is the power of a nation, or a sovereign state, to take or to authorize the taking of private property for public use, conditioned upon payment of just compensation to the owner.

The power of eminent domain in the case of plant shutdowns is important, according to the Institute for Public Representation, "because communities and workers have few legal rights when a plant closes suddenly. No federal law touches the employer's decision to shut down. At most, the National labor Relations Act requires that corporations bargain with employees about the (effects) (severance pay, pensions, benefits) of the shutdown; however, employees have little leverage with which to bargain and cannot force the plant to remain open."

The power of eminent domain is a right inherent in every sovereign government and vital to the public welfare. This power cannot be impaired or abridged by the legislatures; nor can private property be exempt from appropriation for public use. State constitutions generally hold that although private property is inviolate, it is still subservient to the public welfare.

The federal government, like state governments, is clothed with the power of eminent domain, which is vested in Congress by the federal Constitution. Pursuant to congressional action, the federal government may take property for public use within its sphere of control, such as interstate commerce.

Uses of Eminent Domain

The use of eminent domain has been authorized for park boards, townships, boards of county commissioners, bridge commissions, metropolitan housing authorities, departments of public works, directors of highways, departments of public welfare, divisions of water, conservation agencies, municipal corporations, utilities, and numerous other agencies. This power generally rests upon showing a "necessity," which is determined by the legislatures and subject to political pressures. Generally, private property may be taken whenever such taking is required by the public safety, public health, public interest, or public convenience.

Traditionally, eminent domain has been used to benefit the railroads, utilities, power companies and other private corporations at the expense of individual home owners and whole communities. That which benefits corporate interests has been defined to benefit the "public," and the legislatures and courts have left no stone unturned to serve these interests.

Eminent domain, however, has also been used by governments to create sewer systems, roads and bridges, national and local parks, to protect wildlife, to build public housing, and for other uses beneficial to the people as a whole. Whether the power of eminent domain is used as a vehicle to benefit the public, or to benefit private industry, is determined by the pressures mounted on the legislatures and Congress.

PUBLIC OWNERSHIP TODAY

Public ownership in the U.S. today includes:

- 85,000 elementary schools, high schools, and colleges representing 80% of all educational institutions.
- 800 prisons.
- 335 national park areas, encompassing 75 million acres of land, plus state parks totalling 10 million acres.
- State-owned liquor stores with $3 billion in revenues per year.
- State-owned utilities with $2 billion in revenues per year.
- Public housing financing by state and local governments of nearly $18 billion per year.
- 732 million acres of federally-owned land and over 400,000 federally-owned buildings.
- 30,000 post offices, with $25 billion in revenues, per year, and 680,000 employees.
- 4 million miles of highway.
- 85% of Conrail and Amtrak.
- Scores of airports receiving nearly 15% of all federal transportation funds.
- The TVA, the Federal National Mortgage Association, and the Communications Satellite Corporation.

Pro-Labor Uses

In recent years, eminent domain has gained increasing acceptance as a legal tool in the fight to prevent plant shutdowns. The following are the most widely known and successful examples of unions winning the support of local governments in action to seize production facilities under eminent domain:

- In 1984, United Electrical Workers Local 227 in New Bedford, Mass., was threatened with the liquidation of the Morse Cutting Tools plant by its owner—Gulf & Western. Although area and state business leaders reacted negatively, the Mayor of New Bedford, in conjunction with labor and community support, agreed to seize the plant under eminent domain. Support was also garnered from Congressman Gerry Studds and other local and state officials.

According to a memorandum prepared by the Institute for Public Representation, the takeover would be legal under the Massachusetts state constitution. As a result of the action, potential corporate buyers came forward who were willing to honor the union contract and invest in new machinery to enhance the facility's competitiveness. Finally, last August a Michigan businessman bought the plant, avoiding the need for local public takeover.

- At the present time, steel workers at the closed Duquense mill of U.S. Steel are in a battle to save the "Dorothy 6" blast furnace. In conjunction with the Tri-State Conference on Steel, United Steelworkers of American Local 1256 was able to convince the Allegheny County Commissioner, the international leadership of USWA, and the city of Pittsburgh to fund a feasibility study to determine what is needed to keep the mill open. In the context of the fight around the Duquense mill, support now exists for the establishment of a Steel Valley Authority from eight municipal governments which would have the option of taking over shutdown plants in the Mon Valley under eminent domain. In several statutes, including the Municipal Authorities Act of 1945, the Penn-

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The Law of Eminent Domain

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sylvania State Legislature has delegated the power of eminent domain to "municipal authorities" which can be formed by individual municipalities or by a combination of them.

Other recent cases of eminent domain being considered in the case of plant shutdowns or capital flight include:

- The Minneapolis AFL-CIO commissioned a study which concludes that the city of Minneapolis has the power to acquire the Northrup-King seed packaging plant through eminent domain.

- The state of Maryland recently gave the power to acquire the Baltimore Colts by eminent domain.

- The California Supreme Court recently ruled that the city of Oakland could exercise its eminent domain powers over the Oakland Raiders football team to prevent it from leaving the city.

In cases of public takeover through eminent domain two questions arise: How are "just compensation" and the "public welfare" and "use" to be determined? In each instance, the balance of political forces is critical.

It is given in the notion of eminent domain that "just compensation" must be paid to the previous owner. In Pennsylvania, for example, municipal authorities may raise the necessary funds for the takeover of the assets through loans and through the issuance of tax-exempt bonds. Also, the previous owner may be required to take forms of compensation other than cash.

The amount of compensation is, in all eminent domain cases, determined by a third party. While compensation must be paid, there are no laws setting the amount of payment. This is a potential area for political struggle. In cases where government bonds and other subsidies have helped finance capital expenditures, proponents of public takeover have argued that "just compensation" has already been paid.

Public Ownership

A public takeover through eminent domain does not necessarily imply public ownership. Once a property is taken over, it is then up to the appropriate government authority to determine what to do with it. In the case of the Mon Valley Steel Authority, for example, the Authority would have the option to sell the property to workers through an Employees Stock Ownership Plan (ESOP), to sell it to an outside company, or to own and operate it itself.

Eminent domain is a powerful weapon. In the hands of progressive forces and legislatures, and with strong backing by the public, it can be a useful legal instrument to justify strong measures against corporations and utilities that operate in a way which harms the public interest. □

Sources: Memorandum, Institute for Public Representation, May 18, 1984, "Power of New Bedford, Massachusetts, to Acquire the Morse Cutting Tools Plant Through Eminent Domain;" Memorandum, IPR, February 28, 1985, "Power of Minneapolis, Minnesota to Acquire the Northrup-King Seed Packaging Plant Through Eminent Domain;" Tri-State Conference on Steel, "Steel Valley Authority: A Community Plan to Save Pittsburgh's Steel Industry," 1984.

SOUTH AFRICA

The July issue of *Economic Notes* will focus on South Africa, with special emphasis on U.S. corporate interests in the apartheid system. The issue will include in-depth reports on U.S. union pension fund investments in corporations with South African interests, the divestment campaign, and U.S.- South African corporate connections in the banking, auto, and mining industries, plus a directory of U.S. corporations operating in South Africa.

Place your orders for bulk copies of this issue now — only $15 for each 50 copies — for distribution at membership classes and meetings, forums and conferences.

Delegates Speak Out On Public Ownership in Steel

Several delegates to the Twenty-Second Convention of the United Steelworkers of America last September addressed the issue of public ownership in the steel industry.

Bruce Bostick, Local 1104, District No. 28:

We've seen in our area in Ohio the horrible human loss that takes place when plants close down. The entire Youngstown-Warren area was decimated and the human cost was horrible when the entire area was shut down after those workers considered the possibility. as in Canada, where asbestos mines have been nationalized, where we throw the trump card on the table in negotiations rather than allowing the company always to throw the ace on the table and say, "If you don't accept concessions, then we're closing her down."

I think we have to throw that trump on top of that ace and say, "If you try to close down we'll use existing public domain laws and take it over and run it in behalf of the working people in our country." We need the jobs; our country needs the steel.

I think we have to say that we need public ownership of the mills that they're going to shut down, and use this public ownership to produce railroads, bridges, water and sewer systems and keep our country working.

Joe Kransdorf, Local 7730, District 31:

I agree with the remarks of the Chairman, that we need a national policy on steel. But I think we should clearly state that one of the things in that national policy should be the consideration of public ownership of those mills that are closing down or are being threatened with being closed down so that we insure that there is a basic steel industry in this country.

If the trend continues as it now goes on, there may not be a basic steel industry in five or ten years.

We have had the examples of Amtrak and Conrail, which were taken over by the government, our United States Government, and which have proven to be profitable for the government. There is no reason that we can't use those as examples for us to follow here in the steel industry.

EMINENT DOMAIN

Public Ownership Abroad

Although the U.S. outpaces other industrialized capitalist countries in public subsidies for corporations, it exercises less public control over the firms which receive direct or indirect government funding. In other countries, the use of public funds has been more closely linked to some form of public ownership. Unlike the U.S., in virtually all other industrialized countries the basic services and utilities like telecommunications, electricity, gas, railways, airlines, and shipbuilding are state-owned. In many cases, public ownership extends to large parts of the manufacturing sector which provide vital goods such as steel, chemicals, and automobiles (see chart).

Almost half of Europe's 50 largest industrial companies are wholly or partially state-owned. In France, nationalized industries now account for 32% of industrial sales and 24% of industrial employment. State-owned firms in Great Britain account for 10% of the gross domestic product and 15% of total investment. The largest 13 state-owned British industries employ 7% of the country's workforce.

The West German government owns all or part of 950 firms, including VIAG, which produces most of West Germany's aluminum and much of its chemical and energy supplies, DIAG, a large machine tool producer, and Prakla-Seismos, the world's largest geological service company. State-owned Volkswagen alone employs almost 250,000 workers. In Japan, the government controls over 100 public corporations; the largest three employ over one million workers.

Private Interests Prevail

In some cases, nationalization in Europe has occurred in response to public needs and trade union demands. But it has more often been used to bail out troubled industries, finance investment in industries that require radical technological change, restructure old production lines, or consolidate already-existing ties between private interests represented in government and private interests in the marketplace.

In this sense, nationalized firms— financed with public funds and operating under the guise of the public welfare—have been used to advance private interests. In virtually all cases, the nationalized firms have operated under governments which are not fully committed to nationalization in the public interest. Continued private interests in and control over publicly-owned companies has systematically undermined the public purposes of nationalization.

For this reason, nationalization has been declared a failure by many who attempt to judge it by the public-service criteria. At the same time, it has been declared a failure by those in the business community who insist on private-enterprise criteria — profit-making capacity — as the correct method for judging any enterprise. Consequently, nationalization is now under attack from different sectors.

Continued private control over and interests in publicly-owned firms is a consequence of the way in which nationalization was instituted. The problems which now confront state-owned companies in Europe can generally be traced to the following factors:

• **Nationalization has been largely limited to industries with declining markets, such as coal, steel, and shipbuilding, or to companies which are already crippled by debt or lack of investment.** Several of the six French companies nationalized in the early days of the Mitterrand government, for example, were verging on bankruptcy and begging for government bail-outs. Shareholders happily accepted state compensation for companies that were already going under. The socialist government assumed responsibility for firms suffering from mismanagement, outdated facilities, and ill-concieved mergers.

• **Nationalization has occurred piecemeal, retaining traditional and often irrational divisions between industries, rather than along vertical lines with nationalization of whole sectors of related and inter-dependent industries.** In England, for example, the railroads and the coal industry were nationalized long before the steel industry despite their obvious inter-dependency. Moreover, although the British coal fields were brought under public ownership, the mining equipment industry was left in private hands, opening the door to private exploitation and corruption.

• **Compensation paid to previous owners, plus interest on capital borrowed for compensation payments and modernization, formed an ongoing and often fatal liability for nationalized companies.** Continued payments to owners who had already recovered their investments many times over turned profits into losses in the coal industry in Great Britain. High interest rates have stunted public sector investments in France. Publicly-owned firms across Europe are used to borrow funds on the international lending markets, and then attacked for adding to government deficits.

• **Control over retail distribution has often remained in private hands, so that private costs and profits are added to the wholesale costs,** and the crucial question of adequate markets is left to private determination. Consequently, markets are not fully developed, or the sale price at retail level does not reflect public ownership of the means of production. The logical connection between production costs and final price is broken, and potential markets are lost as as result. This has plagued the nationalized coal and gas industries across Europe, and undermined public support. Nationalized industries have also been used to prop up small suppliers which remain under private control. In France, publicly-owned firms remain tied to suppliers who boost prices to artificial levels.

• **Private companies have intervened in the management of publicly-owned companies at different levels.** In Germany and France, for example, management personnel from the previous private owners have been held over despite the fact that they lack a commitment to nationalization. Constraints have been placed on recruiting managers from other sources. In France, company bosses in nationalized industries now complain about "state interference." In West Germany, publicly-owned companies are run on private enterprise lines, with key positions held by businessmen and virtually no state or public control.

• **Nationalized sectors have been used to solve economic problems originating in the private sector.** State-owned companies have been used to restrain inflation by cutting their prices and expanding their losses. In France, the Mitterrand government has attempted to maintain employment at state-owned firms rather than institute an economy-wide full employment program. Small-scale nationalization has been used to address large-scale unemployment, with predictable failure. Across Europe, state-owned firms in need of investment go begging which private companies receive government credits and subsidies.

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Public Ownership Abroad

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◦ **Nationalized industries have been forced to perform like private industry, with required rates of return measured in revenues and profits rather than public service.** Moreover, accounting methods have been used to produce "losses" which are then used to manipulate public opinion and trade union demands. Labour Research Department in London estimates that the largest 13 nationalized industries in Great Britain reduced their reported profits or increased their reported losses by almost $4 billion 1983 through the use of unusual accounting methods.

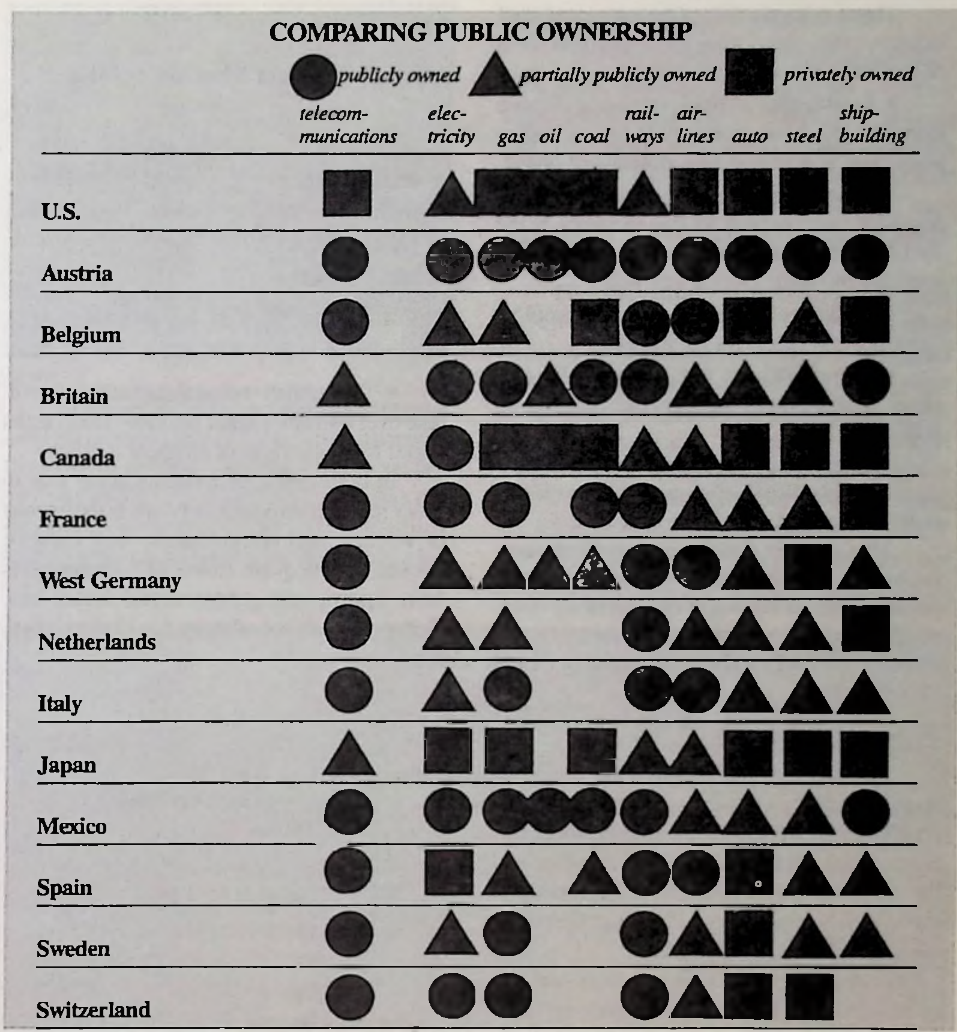
In the case of British Steel, large reported losses calculated through extraordinary accounting methods have been used to pressure workers to accept widespread layoffs. In the gas industry, public opposition to increased gas prices would have been greater if the company had reported the full extent of its profitability. British Telecom reduced its reported profits through added depreciation deductions and was then marked for private sale at prices below its real value, to the benefit of private investors.

Denationalization

The "losses" incurred by nationalized companies, measured in terms of profitability rather than public service, are now cited as evidence in the call for denationalization by conservative parties across Europe. The denationalization movement is spearheaded by the Thatcher government in Great Britain, which has sold large parts of the publicly-owned oil, telecommunications, auto, and aerospace industries into private hands.

The state-owned companies have been sold at issue prices which are set too low. Consequently, assets purchased with public funds have been transferred into private hands at less than their market value, with windfall gains for corporate investors. The denationalized firms were profitable operations under state ownership.

In prepartation for privatization, state-owned companies have cut their workforces to the bone. At British Airways, which is slated for sale this year, the workforce has been cut from 56,000 in 1979 to 36,000. At British Telecom, employment fell by 17,500 workers before the sale; another 2,600 jobs will be lost in the first six months of privatization. In addition to reduced employment levels, workers at privatized firms face union recognition battles, pension problems and increased work hours.



Other privatization moves include:

• Lufthansa, the West German state-owned airlines, and Volkswagen, which is now 20% owned by the government, are slated for private sale. Most of the large profitable state-owned manufacturing firms are now under consideration for privatization.

• Canada's new conservative Prime Minister Brian Mulroney has moved quickly to sell state-owned businesses worth $6 billion, including the telecommunications firms, the National Railways Hotels, and aircraft manufacturers.

• Japan's giant state-owned Nippon Telegraph and Telephone company became a private corporation on April 1st of this year. NTT has provided dependable, affordable telephone services throughout Japan, and has consistently returned profit to the government. The 290,000-member union representing NTT workers opposed privatization.

The current wave of denationalization represents the latest in a long series of denationalizations that occur when conservatives come to power. Nationalized industries in Europe have long suffered from a lack of planning and long-term stability in the face of changing governments and varying levels of commitment to continued nationalization on a meaningful scale, with full public control.

The European experience indicates that public ownership serves the general welfare and trade union needs only when private interests are removed from all aspects of the industry: supply, production, distribution, and finance. Otherwise, public ownership becomes yet another form of taxpayer subsidization of private profit. □

EMINENT DOMAIN

Public Ownership in Steel

The structural crisis of the integrated steel industry continues despite more than two years of cyclical economic recovery:

- Steel output in 1984 continued at more than one-third below the 1979 pre-recession peak, and is now in a new downward phase.
- Raw steel production has already passed its cyclical peak for this recovery. In the first two weeks of April, it was 13% below the level for the same period last year.
- Basic steel production-worker employment is 50% below its 1979 peak.
- The combined foreign and mini-mill share of the overall steel market is close to 50%.
- The iron and steel industry is now producing at only 68.6% of capacity, below the low point of the 1974-75 recession of 69.2%.

This crisis is destroying scores of communities, disrupting thousands of lives, eroding local tax bases and vital social services, and prompting an unprecedented wave of home foreclosures and small business and personal bankruptcies.

Public Takeover

The duration and depth of the crisis has spurred the labor movement to examine new responses to plant shutdowns. The most far-reaching response, which has recently received the attention of the international leadership of the United Steelworkers (USWA), is the public takeover of shutdown facilities.

As the structural crisis has deepened, the movement for the takeover of shutdown mills has matured. The movement began with Employee Stock Ownership Plans (ESOPs) and other forms of "worker ownership." But the failure of the Weirton Steel ESOP and other ESOPs has forced the concept of public ownership to the top of the agenda for those fighting to re-open plants or prevent shutdowns in Chicago, Pittsburgh, Youngstown, and other steel centers.

Two Avenues

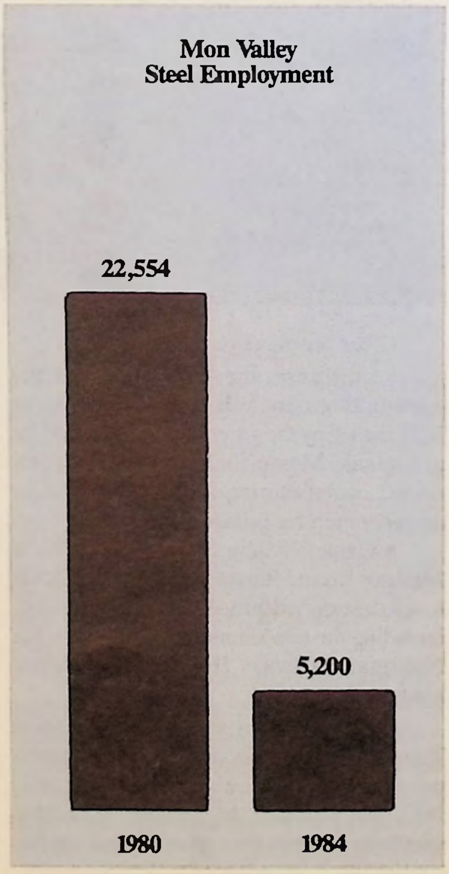
The idea of public steel authorities as vehicles for administering public ownership has emerged through two closely related proposals:

- To establish a *national* steel industrial authority under public control to take over and administer abandoned steel facilities, and ultimately the *entire* steel industry (and the corporate entities which own and control it).

Employment at Mon Valley Mills

	1980	1985
Homestead	6,448	1,071
Edgar Thompson	2,025	1,013
Irvin Works	3,000	1,257
National Works	4,000	249
Clairton Works	4,345	1,543

Source: Steel Labor, 2/85



- To establish *regional* steel authorities to take over and administer shutdown steel mills under the legal right of eminent domain.

In both cases, proponents argue that in order for such authorities to work in the interest of workers and communities, they must be backed by adequate financial commitments from appropriate governmental authorities. Both proposals are advanced as alternatives to ESOPs and other "solutions" which typically leave workers heavily indebted to the very bankers who were instrumental in producing the original crisis.

The two proposals move in the same direction of limiting private ownership in the steel industry, but differ in magnitude.

Eminent Domain

The use of eminent domain for the public takeover of shutdown factories and mills has been proposed in many places and for different industries. In the Duquense, Pa. area, Local 1256 has joined with a broad array of community forces to save the "Dorothy Six" blast furnace of U.S. Steel's Duquense Works.

In March 1980, there were 22, 554 USWA members working in a dozen locals located at eight different U.S. Steel Plants in the Monongahela Valley. Today there are 5,200. As a result, eight municipalities in both the Mon and Turtle Creek Valleys have taken steps to form a municipally-controlled Steel Valley Authority. According to the Tri-State Conference on Steel, "under the Steel Valley Authority, local municipalities can take over abandoned mills with the power of eminent domain. Once acquired, the plants or mills could be brokered to a third party, operated by the Authority with federal funding, or owned and operated by workers under an 'ESOP' plan." While the authority would be free to pursue any of these options, the dominant trend among trade unionists in the area is against the ESOPs and for government financial intervention and public ownership.

According to the Tri-State Conference, "the boroughs are acting under Pennsylvania's Municipal Authorities Act of 1945 as their legal authority for establishing an independent corporate municipal agency. Under this Act, the local government has the right and power to defend its interests, to borrow money, and to make and issue notes and bonds." The objective is to establish a single Valley Authority for all municipalities in the area. While the initial focus and impetus for the Authority is steel production, it would have the power to encourage other forms of economic development.

Financing

Financing is a crucial issue in local or regional public takeovers of mills and factories under eminent domain. Financing is necessary

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Public Ownership in Steel

(continued from page 8)

for the payment of "just compensation" to the previous owners and for refurbishing and operating the facility. Advocates of such takeovers point to the federal, state, and local governments as the source of funds in the form of low interest loans, bonds, and guaranteed purchase agreements for steel to be used in rebuilding the infrastructure of the region and the nation.

The issue of financing leads to broader questions concerning the feasibility of public ownership on a *local* scale in an industry like steel where there is international competition for markets. In order for an abandoned mill to be refurbished and able to survive competition from steel corporations around the capitalist world, a long-term commitment to adequate financing and long-term purchase agreements are critical.

Markets

In the context of overcapacity in the steel industry of the capitalist world, the question of new market outlets for steel arises, either in the case of a nationalized steel industry or locally-owned facilities. As many trade unionists have noted, the best available untapped market for steel is the national infrastructure of roads, bridges, dams, rails, sewers, and locks, along with the tremendous unmet need for public housing, new schools, and recreational facilities.

In 1983, the Associated General Contractors conservatively estimated that the refurbishment and maintenance of the infrastructure alone would cost at least $3 trillion and would require 9.2 million tons of steel per year over a period of 20-25 years, resulting in 33,220 more steel jobs. If the needed public housing, schools, and recreational facilities were included, the figure would easily approach 20 million tons, or nearly 70,000 new steel jobs.

Another major untapped market is that of the socialist countries. The USSR and other socialist countries are a potential outlet for U.S. steel and steel-based products, despite the fact that the USSR now produces twice as much steel as the U.S. The continual economic growth in these nations has created enormous steel demand. At the present time, for example, West Germany supplies significant quantities of pipe for the Soviet gas pipeline project.

As with financing, the question of markets for steel is related to a reorientation of the spending and political priorities of the federal government, and to the sources and extent of revenues at all levels of government.

Local Problems

The local public ownership of abandoned steel facilities may confront some of the same financing and market problems that have plagued ESOPs. The key difference, however, is that facilities taken over through the use of eminent domain and run by state or local authorities have the backing of local and/or state governments, and do not produce for profit.

Moreover, the process of public takeover involves a broad array of community interests. Under local public ownership, conditions are more favorable for public financing and necessary market outlets than under an ESOP, which is dependent on private financial interests for capital.

Nationalization

The need for adequate financing and markets leads, however, to the need for complete nationalization of the steel industry. If local publicly-owned mills are to remain solvent in the face of international competition and hostility from corporate interests, the steel industry as a whole must come under public ownership.

The structural crisis of the U.S. steel industry is part of a capitalist world-wide process of restructuring, with the integrated basic steel production shift to the low-wage developing countries and production in the U.S. increasingly limited to mini-mill production. To fully address the problem this profit-driven process creates for workers and the economy as a whole, it is necessary to take ownership and control of the entire industry out of the hands of the banks and corporations. □

"Just Compensation" in Steel?

In discussions of the seizure of abandoned steel mills through the use of eminent domain, the question of "just compensation" always arises. In the case of a public takeover, the compensation would come from the taxpayers.

Many of the mills that are partially or completely shutdown and under consideration for public takeover have *already* been paid for by the taxpayers throught direct and indirect subsidies to the steel corporations. This is especially true for those facilities constructed during World War II:

- According to steel expert William Hogan of Fordham University, 11 of the 22 blast furnaces built during World War II were built with funds from the government's Defense Plant Corporation. Of the $2.65 billion in capital expenditures in the steel industry during World War II, $1.32 billion, or nearly half, was paid by the federal government.
- Between 1940 and 1945, nine electric furnaces were installed for semi-integrated steel companies by the Defense Plant Corporation. And 17 out of the 35 electric furnaces built by the large integrated producers were financed by the DPC.

The Defense Production Act of 1940 amended the IRS code and permitted a five-year depreciation of steel facilities. So while nearly 50% of all capital expenditures were paid for outright by the government, the other 50% were treated favorably with accelerated amortization which allowed them to be written off in five years. Moreover, a large portion of these expenditures was financed by funds borrowed at favorable interest rates from government agencies.

Over 50% of U.S. Steel's new facilities were directly paid for by the government between 1940 and 1945, as well as more than 90% of Republic Steel's.

It could be argued that these subsidies, as well as those that have continued to the present time—like industrial development bond financing, tax abatements, incentives, and write-offs, accelerated depreciation provisions, and worker concessions—already represent "just compensation" for the steel corporations. **The privately-owned steel industry has been publicly subsidized all along.**

Source: W. T. Hogan, *Economic History of the Iron and Steel Industry in the United States*, Vol. 3: Parts IV and V, Lexington Books. This book provides details on the percentage of government subsidization of investment for U.S. Steel, Bethlehem, Republic, National, Inland, Jones and Laughlin, Armco, and others.

CORPORATE STRATEGIES

Mini-Mills

The U.S. Steel industry has less productive capacity now than it did in 1974. Meanwhile, however, the capacity of steel "mini-mills" has been increasing continuously to the point where mini-mills now account for more than 20% of the total U.S. steel market, up from 2% less than two decades ago.

Mini-Mills use electric furnace technology, instead of blast furnaces, and produce finished steel from scrap. Costs for producing wire rods in mini-mills, for example, are about 30% cheaper than in integrated mills because iron ore, coal, or coke are not required. Also, energy and labor costs per unit of output are cheaper due to higher productivity and lower wages. According to one analyst, the rate of return on equity was more than three times higher in mini-mills than integrated facilities from 1977 to 1981. As a result, capital flowed into the mini-mills primarily from outside the steel industry and from outside the U.S.

Foreign capital is involved in some of the more successful mini-mills. Georgetown, Raritan, Bayou, and York-Hanover are 100% foreign-owned, and Chapparal is 50% foreign-owned. U.S. mills are cost-competitive with foreign integrated and mini-mill producers and, at this stage, are virtually unaffected by imports.

While mini-mills are presently involved primarily in producing steel rods and bar products, according to some experts there is "little doubt about the ability of the more successful mini-mill producers to move gradually into markets that are still dominated by integrated firms, especially higher quality bar and rod products, heavier structural shapes, and some flat-rolled products. Mini-mill firms have already penetrated all of these markets but the last." (Barnett and Schorsh)

Mini-Mill Capacity

Mini-mills are based on electric furnace technology and use scrap metal as the main input. The annual capacity of mini-mills in the 1960s ranged from 40,000 to 300,000 tons. Today, many mini-mills have a capacity of over 500,000 tons. At Florida Steel and Nucor, the companies operate several mills, with a company-wide capacity of over 2 million tons each. The Korf mills at Georgetown, S.C., and Beaumont, Tex., can each produce more than 600,000 tons of raw steel. The Bayou mill in Louisiana and the Raritan mill in New Jersey have similar capacities.

According to steel expert William Hogan, "Some of these mills are close to the capacity of Laclede Steel, and electric furnace operation near St. Louis, Mo., which was never considered a mini-mill. Thus, it seems more appropriate to speak of semi-integrated, electric furnace plants rather than mini-mills." Hogan estimates that the total capacity of mini-mills is about 20 million tons, or about half of the electric furnace capacity in the country.

Phelps Dodge

The Phelps Dodge Corporate Campaign Task Force, which operates out of USWA headquarters, released its first issue of the "Phelps Dodge Investment Update" in March. The purpose of the "Update" is to inform investors about the financial condition of Phelps Dodge and persuade them to sell their holdings as a means of pressuring the union-buster. This is one aspect of the corporate campaign against Phelps Dodge.

As the "Update" states, PD is swimming is a "sea of red ink," and its "long-term prognosis remains highly uncertain. Continued investment in this financially troubled company warrants careful scrutiny by institutional investors or fund managers."

The USWA estimates that by "continuing production during the recent copper recession, PD has generated losses of $34 million more than if the mines had been shut down during this period."

"So why didn't PD choose the more cost-effective route in 1984? the answer is simple. If PD shut down during the strike, it would interfere with the company's chances of decertifying the unions." *(Phelps Dodge Corporate Campaign Update, USWA.)*

Organizing Unorganized

The United States Steelworkers of America estimates that there are now about 60 mini-mills operating in the U.S. with 27,200 workers, about half of which are USWA members. The Association of Iron and Steel Engineers estimates that there are about 75 mini-mills. Using this figure, and the average number of steelworkers in the mini-mills claimed by the USWA, there are close to 33,750 mini-mill steel workers, with nearly 20,000 unorganized. This is a substantial pool of unorganized workers to bring into the USWA. In Canada, where 12 mini-mills with 5,780 workers are in operation, all but one are USWA plants.

The task of organizing the unorganized steelworkers in the mini-mills will not be an easy one. The mini-mills are spread across overwhelmingly non-union states. For example, the two states with the largest numbers of mini-mills are Florida with eight mills and Texas, with seven mills. The 75 mini-mills are scattered in 28 states, mostly in the South and Southwest. Nevertheless, this growing sector of the steel industry will continue to play an increasingly prominent role in the U.S. steel industry, and for the sake of all steel workers — union and non-union— obstacles must be overcome and it must be organized. ☐

Sources: D.F. Barnett and L. Schorsh, *Steel: Upheaval in a Basic Industry*, 1983; W. Hogan, *World Steel in the 1980s: A Case of Survival*, 1983; USWA, *Steel Labor*, 2/85; Association of Iron and Steel Engineers, *Directory of Iron and Steel Plants*, 1984.

Fortune 500
25 Largest Industrial Companies

Company	*Sales (billions)*
Exxon	$90.9
General Motors	83.9
Mobil	56.0
Ford Motor	52.4
Texaco	47.3
IBM	45.9
DuPont	35.9
AT&T	33.2
General Electric	27.9
Standard Oil	26.9
Chevron	26.8
Atlantic Richfield	24.7
Shell Oil	20.7
Chrysler	19.6
U.S. Steel	18.3
United Technologies	16.3
Phillips	15.5
Occidental	15.4
Tenneco	14.8
Sun	14.5
ITT	14.0
Proctor & Gamble	12.9
R.J. Reynolds	11.9
Standard Oil	11.7
Dow Chemical	11.4

ECONOMIC TRENDS

The National Debt

By Joe Kahn

Recent economic news about U.S. government finance has dealt almost exclusively with the current annual budget deficit. Very little concern has been expressed about the effect of piling deficit upon deficit, year after year, that is ,about the constant increase in the size of the *national debt.*

Debtor Nation

The debt has reached such proportions that in November 1984, Paul Volcker, Chairman of the Federal Reserve Board, remarked that the situation was "unsustainable" and that the U.S. would become a hostage to its foreign creditors. At the same time, James Tobin, Yale Professor of Economics and 1981 Nobel Prize winner, was quoted as saying, "Over the long term our growing national debt means instability." In January, *New York Times* columnist James Reston warned President Reagon about his policy of "borrow, borrow, spend and spend" and indicated that by 1986, the U.S. will become the world's largest debtor nation.

Debt History

The table indicates the growth of the national debt over the last 100 years. As can be seen, the debt doubled from World War II to the end of the Vietnam War. Most striking, however, is the phenomenal increase during President Reagan's Administration, when the debt doubled again in a period of four years, to $1.8 trillion.

To provide a mental grasp on the stupendous sum involved, the *New York Times* reported that when President Reagan took office, the debt was so large that it would match a stack of $1,000 bills 67 miles high. By the end of the third year of his Administration, Reagan added another 40 miles to the stack.

The enormity of the debt is revealed by the fact that if we could reduce the 1984 debt by $1 billion a year, it would take more than 1,800 years to be debt free, assuming a balanced budget for those 1,800 years. According to the Congressional Budget Office, the federal debt will reach approximately $3 trillion by 1989—or more than half the gross national product. This compares with a total debt of $715 billion in 1980—which was only 28% of the GNP.

This means that by 1989 the per capita debt, which is now $7,600, will rise to about $10,000 per person. This burden will be equivalent to a $40,000 mortgage borne by every family of four, carrying an annual interest charge of more than $4,000 per year. It will be approximately three times greater than when Reagan first took office.

Joe Kahn is a Certified Public Accountant.

U.S. Debt Ignored

Only occasionally is the subject of the debt brought up in the media directly despite its size and importance. Once a month the U.S. Treasury statement, in which the national debt takes only one line, appears obscurely in the *New York Times*. Several times during the Reagan administration the debt limit had to be increased by an Act of Congress. However, this important legislation, an absolute legality for the financing of deficit spending, received very little media coverage.

Interest Costs

As the debt increases, the annual interest cost rises inexorably. Interest on the debt has caused as much concern among economists as the debt itself:

- From 1974 to 1984, interest on the debt as a percentage of the gross national product doubled from 1.5% to 3%.
- From 1981 to 1985, the percentage of federal expenditures for interest increased by 50%.
- In 1984, interest on the debt cost taxpayers $256 million per day.
- In 1989, about 80% of all government borrowing will go to pay for interest on money previously borrowed.
- By 1989, interest costs will be greater than the entire federal expenditures for all departmental needs in 1972.
- By 1989, on an estimated debt of $3 trillion, the interest cost will be closed to $1 billion per day and will consume 32 cents of every tax dollar.

Many have argued that this is not a problem since the money is owed to ourselves. This is not accurate, however. The debt is evidenced by treasury bills, notes and bonds of various denominations and maturities, from 3 months to 20 years. They are held by investors all over the globe—all seeking the highest yields commensurate with reasonable safety. The largest amount of U.S. securities are owned by banks, trust companies, insurance companies, transnational corporations, and wealthy individuals in the U.S. and abroad.

Only a small part is owned by small investors who have part of their life's savings in what they hope are safe securities. The largest part of the hundreds of billions of dollars of interest paid annually goes to the wealthy and not to the average working person.

Structural Debt

Serious thought on the structural nature of the debt has only recently begun to surface in the media. Walter Heller, former Chairman of the Council of Economic Advisers, wrote in a recent *Wall Street Journal* editorial that the "exponential growth of interest on the soaring federal debt raises the specter of the Treasury's interest bill rising faster than our political capacity to meet it by budget cuts and tax increases." He warned that "the financial community is uncertain, uneasy and in fear of a new outbreak of inflation."

Chairman D. C. Platten of the Committee on Economic Development wrote in November, "A substantial portion of future deficits is structural—in other words, mandated spending will outspace revenues in the years ahead. Structural deficits cannot be cured by

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Federal National Debt

Year		*Amount (billions)*	*Per Capita*
1865	End of Civil War	$ 2.27	$ 75
1900	Pre-World War I	1.26	17
1920	After World War I	24.30	228
1930	Start of Depression	16.19	138
1945	Height of World War II	258.00	1,849
1975	End of Vietnam War	553.00	2,496
1980	Start of Reagan Administration	900.00	3,969
1984	End of Reagans 1st Term	1,800.00	7,000
1989	C.B.O. Projection	3,100.00	10,000

International Labor

By Fay Hansen

The AFL-CIO and the Endowment for Democracy

Lane Kirkland, President of the AFL-CIO, and Senator Orrin Hatch, conservative spokesman for the most rabid anti-labor forces in Congress, now meet regularly as members of the Board of Directors for the National Endowment for Democracy (NED). NED was inspired by President Reagan's June 1982 speech to the British Parliament, where he called for new mechanisms to combat communism in developing countries. Through NED, Kirkland and the AFL-CIO's International Department have forged a link to the most reactionary U.S. foreign policies despite widespread opposition to those policies throughout the labor movement.

Reagan's Inspiration

NED was established in November of 1983 as a private nonprofit corporation, with the stated purpose of building "democratic" institutions abroad. Congress voted to fund NED through the U.S. Information Agency. The original appropriation authorized $31.3 million for fiscal year 1984, and the same amount for 1985. NED actually received over $18 million for each of the two years. The AFL-CIO's International Department is now lobbying for $31.3 million for NED in 1986.

The original legislation stipulates that not less than $13.8 million, or 77%, of the total NED annual budget should be set aside for direct NED grants to the AFL-CIO's Free Trade Union Institute. Eleven million was granted in 1984, and $11.6 million has been granted for the first half of 1985 to fund FTUI programs in Central America, Poland, the Philippines, and South Africa — all hot spots in Reagan's foreign policy initiatives. The Institute in turn channels NED funds into the three regional bodies of the AFL-CIO's international department: the American Institute for Free Labour Development, which operates in Latin America; the Asian-American Free Labor Institute; and the African-American Labor Center.

In addition to the AFL-CIO, Congress also stipulated small NED grants for an institute established for NED purposes by the U.S. Chamber of Commerce. The international divisions of the Democratic and Republican parties were also stipulated as NED recipients, but these two groups were prohibited from receiving NED funds in later legislation. For all practical purposes, the main task of NED is to funnel government money into the AFL-CIO's International Department.

Fay Hansen is Associate Director of LRA.

NED and the AFL-CIO

The AFL-CIO was involved in NED from the outset. The Democracy Program — the year-long feasibility study that preceded NED — received financial and staff support from the AFL-CIO. Government funds channelled through NED to the Free Trade Union Institute — the key international arm of the AFL-CIO — supplement other government funds that flow to the AFL-CIO to finance long-standing foreign activities. As stated in a March 1985 memorandum on NED from the U.S. Comptroller General, "the AFL-CIO had been carrying out such activities for three decades."

NED is merely a more covert form of additional government funding for AFL-CIO foreign programs. Government funds for the Free Trade Union Institute and for the AFL-CIO's three regional programs have traditionally been provided by the State Department's Agency for International Development (AID) and the Department of Labor. Current estimates indicate that over $20 million a year is funnelled to the FTUI from these government sources. NED funds now swell the AFL-CIO's foreign activities budget, without the standard oversight and accountability requirements that apply to other agency funds.

NED BOARD OF DIRECTORS

Polly Baca, Vice Chairman, Democratic National Committee

William E. Brock III, former U.S. Trade Representative; now Secretary of Labor

LeGree Daniels, Vice Chairman, Republican National Committee

Frank J. Fahrenkopf, Jr. (NED Vice Chairman), Chairman, Republican National Committee

Dante B. Fascell, U.S. House of Representatives

Orrin G. Hatch, U.S. Senate

Lane Kirkland, President, AFL-CIO

Henry A. Kissinger, Kissinger Associates

Charles T. Manatt, former Chairman, Democratic National Committee

Louis Martin (NED Secretary), Howard University, Special Assistant to President Carter, 1978-1981

John Richardson (NED Chairman), President, Youth for Understanding, and former Assistant Secretary of State, 1969-1977

Olin Robison, former Chairman, U.S. Advisory Commission on Public Diplomacy

Albert Shanker, President, American Federation of Teachers and Vice President, AFL-CIO

Sally Shelton-Colby, Vice President, Bankers Trust Company, and former U.S. Ambassador to Barbados, Grenada and eight other Caribbean nations

Charles H. Smith Jr., Chairman of the Board, SIFCO Industries, Inc., and former Vice President, U.S. Chamber of Commerce

Jay Van Andel, Chairman of the Board, Amway Corporation

NED and SDUSA

In the speech to Parliament that inspired NED, Reagan commended a West German program which is modeled on Socialist International policies directed towards uniting social democratic parties around the world. The Social Democrats USA (SDUSA) participates in the Socialist International, and represents the anti-communist far right-wing of U.S. "socialists." SDUSA supports the Reagan Administration's foreign policy on most points.

AFL-CIO involvement in NED increases the already considerable hold that SDUSA has on AFL-CIO foreign policy. Carl Gershman, now the $75,000-a-year President of NED, once served as an aide to Reagan's first-term mouthpiece in the U.N. — Jeane Kirkpatrick. He is also former Executive Director of SDUSA, and has co-authored SDUSA pamphlets with Bayard Rustin, Chairman of the AFL-CIO's Philip Randolph Institute and National Chairman of SDUSA. Gershman also served as Research Director for the Institute. The NED Board also includes Albert Shanker, President of the American Federation of Teachers and the leading SDUSA force on the AFL-CIO Executive Council.

Other NED Board members include

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International Labor

(continued from page 12)

Reagan's newly appointed Secretary of Labor, William Brock; National Republican Committee Chairman Frank Fahrenkopf; and Congressman Dante Fascell, Chairman of the powerful House Foreign Affairs Committee. The latest addition to the Board is Henry Kissinger, Kirkland's colleague from Reagan's Commission on Central America. Gershman was a lead consultant to the Commission.

"Private" Group

One of NED's primary purposes is to provide funding for Reagan Administration foreign policy objectives that cannot be pursued through legislatively controlled channels. According to Congressman Hank Brown (R-Co.), NED operates "under a cloak of secrecy." As a private organization, NED is exempt from the Freedom of Information Act, which allows public access to government documents. Major NED decisions are made in closed meetings which, Brown notes, "even congressional staff are not allowed to attend and for which minutes are not kept."

As a private organization, NED is also exempt from legislative controls on government agencies that preclude them from engaging in the internal political affairs of other countries. According to a State Department official, NED is a mechanism to fund activities outside the legislative mandates of such agencies as the AID, the U.S. Information Agency, and the Department of State.

Panama

Through the AFL-CIO's American Institute for Free Labor Development in Latin America, NED funds were used to back Nicholas Barletta, a candidate in Panama's 1984 presidential elections. Barletta defeated the incumbent by only 1,700 votes out of 700,000 votes cast in an election riddled with violence and charges of fraud. The U.S. Ambassador to Panama wired the state Department that this interference contradicted the official U.S. "hands off" policy in the Panama election and threatened to embarrass the U.S. The Ambassador demanded that the "harebrained project" be stopped before "it hits the fan."

Eugenia Kemble, Executive Director of the AFL-CIO's Free Trade Union Institute and a member of SDUSA, acknowledged that the AFL-CIO channelled money into the Barletta campaign, and claimed that the use of the funds was consistent with NED's goals. The expenditure of NED funds in the election, according to Kemble, was merely "one private group relating to another private group."

"It would be embarrassing to the United States if the labor institute's use of endowment funds to support one side in Panama's elections became public knowledge."

James Briggs, U.S. Ambassador to Panama

After the Panama incident, the House voted to eliminate all 1985 funding for NED. After heavy lobbying by the FTUI, the funding was restored in a compromise with the Senate, but a prohibition was placed on NED grants to the Democratic and Republican parties.

In keeping with the Reagan Administrations's attempt to undermine the government of Nicaragua, NED recently gave $100,000 to *La Prensa*, the anti-government newspaper. Through NED, taxpayer money has been shipped off to Afghanistan, Guatemala, and several African countries. NED funds were also used to influence the elections in Grenada. The Free Trade Union Institute now uses NED funds to continue its work in building dual unions in countries such as Portugal, Nicaragua, Chad, and the South Pacific Island nations, where the unions do not meet the approval of the AFL-CIO's International Department. According to Kemble, those dual union projects allow the FTUI to "compete effectively" with the influence of the World Federation of Trade Unions.

NED and the CIA

In addition to its ability to circumvent congressional and public control, NED serves the purpose of thwarting accusations concerning links between AFL-CIO foreign operations and the CIA. Although denied by the AFL-CIO, the AFL-CIO's Free Trade Union Institute and its three regional bodies have been pegged to CIA operations by a number of domestic and foreign sources. Government funds fed to the AFL-CIO through NED avoid the questions raised by direct government funding of AFL-CIO foreign activities.

"When Congress considered the creation of the National Endowment for Democracy, the prospect of a CIA presence so worried Senator William Proxmire that he persuaded the Senate to bar from NED anyone who had worked for the CIA for the last 20 years."

New York Times

The prospect of CIA involvement in NED provoked prolonged debate in the Senate, and ultimately resulted in Senator William Proxmire's (D-Wi.) insistence on prohibitions against the use of CIA personnel in NED staff positions. Congressman Dan Mica (D-Fla.) depicted NED as a peaceful substitute for the CIA.

According to a report from the U.S. General Accounting Office, the AFL-CIO representative at NED has voiced concerns about direct links between NED and the State Department, and "believes that the [Free Trade Union] Institute's activities might be compromised if it becomes too closely associated with the government."

Abuse of Funds

NED has also been charged with a general lack of accountability and misuse of public funds. In testimony before the House Subcommittee on International Operations in March of this year, Congressman Brown detailed NED's interference in the internal affairs of other countries and its misuse of public funds, including:

- the use of NED funds to build an international alliance of conservative political parties;
- "backdoor funding" of the Democratic and Republican parties in direct violation of the congressional prohibition;
- the conflict of interest indicated by the fact that 90% of all NED funds go to groups represented on the NED Board; and
- NED's refusal to accept recommendations from the General Accounting Office concerning accountability.

According to Senator Warren Rudman (R-N.H.), NED is "a slush fund for political hacks who like to travel to warm climates in cold weather."

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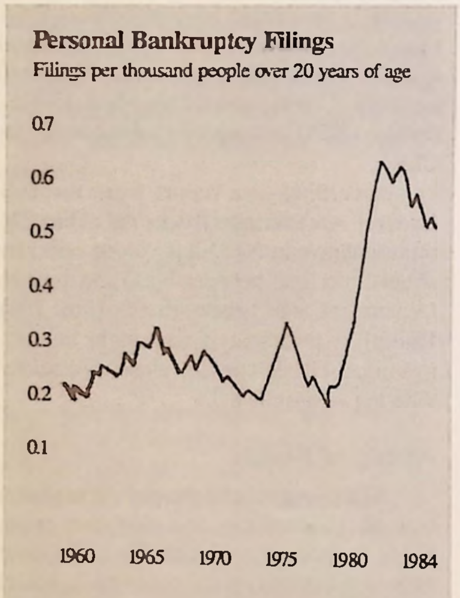
Economic Clips • Economic Clips • Economic Clips

Personal Bankruptcies Up

Since the late 1970s, personal bankruptcies have increased dramatically and remain at high rates despite the current economic upturn. Personal bankruptcies in the third quarter of 1984—about 60 per 100,000 persons aged 20 years and above—were nearly 60% higher than those in the third quarter of 1979—about 38 per 100,000 persons aged 20 years and over. This tremendous rise is the result of the combination of economic crisis and high interest rates.



Source: Federal Reserve Bank of Cleveland, 2/1985.

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Bargaining Update

Major collective bargaining settlements reached in the private sector in the first quarter of 1985 covered 173,000 workers. Nearly all of the workers under expired contracts continued to work according to the terms of their prior agreement; only 3% were involved in work stoppages.

Wage gains averaged 2.8% in the first contract year and 3.0% over the life of the contract. The last time the same parties bargained — 2 to 3 years ago — average wage gains were 5.8% in the first contract year and 5.1% over the life of the contract.

The low work-stoppage figure reflects the general trend towards declining strike activity. There were fewer work stoppages, involving fewer workers, during 1984 than any year since 1947, according to the Bureau of Labor Statistics. The BLS maintains that there has been a continuing decline in strikes since 1980.

This trend is related to the intensity of the employer offensive and the lack of protection offered by the National Labor Relations Board, rather than a decline in militancy of workers as some have suggested. In many cases in the present period, strikes have been provoked by managment in order to decertify or weaken the union.

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Japanese Investment

Japanese manufacturers are increasing their investments in the U.S. at a rapid rate. According to the *Wall Street Journal*, "Between 1980 and 1983, the latest year for which figures are available, Japanese investment in U.S. manufacturing facilities rose 63%. And the 1983 total could easily double in the next few years, judging from the dozens of additional projects announced since then."

According to Japan's Ministry of International Trade and Industry, Japanese companies employ 130,000 American workers at 450 U.S. plants. About 30% of Japan's $10 billion investment in foreign manufacturing operations is in the U.S., according to *Business Week*.

In April, six U.S. labor leaders—Lynn Williams (USWA), Sol Chaiken (ILGWU), Donald Ephlin (UAW), Jacob Sheinkman (ACTWU), Donald Tucker (URWU), and Howard Samuel (AFL-CIO/IUD)—visited Japan to "praise the virtues of union-management cooperation in meetings with top officials of Japanese corporations," according to *Business Week*. The invitation came from the Federation of Economic Organizations of Japan, the equivalent of the U.S. National Association of Manufacturers. Lynn Williams reported that the U.S. trade union delegation "welcomed their enterprises coming to America and hoped they would accept unionism."

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Who Gets Capital?

Unpublished figures compiled by the First National Bank of Boston for 1982 have been made available to the Labor Research Association. These figures show that corporate access to capital is dependent on the firm's size, age, and location.

Thirteen percent of firms with under 50 employees were unable to obtain short-term credit. But only 2% of firms with over 100 employees were unable to obtain such credit. For intermediate, unsecured credit, the respective figures are 25.4% and 11.8%. For long-term, secured credit, they are 20.2% and 14.7%.

New firms were less able to obtain all types of credit than older firms. Firms in the Midwest, Mid-Atlantic, and Southeastern states were less able to obtain credit than those in New England and the Pacific area.

The figures show that the large monopoly corporations have an easier time getting bank loans than the newer and smaller companies. Moreover, they also reflect the fact that the banks are redirecting capital away from investment in the smokestack firms of the industrial centers like the Midwest and Mid-Atlantic states to the states with more rapid rates of growth and expanding service, financial, and high-technology sectors.

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"Youth Wage" Failure

While the Reagan Administration is still promoting its subminimum wage for young workers under the guise of the "Youth Employment Opportunity Wage Act" (S. 797, H. R., 1811), a similar program has already failed to increase job opportunities for young people in Britain.

The Thatcher government instituted a program that pays subsidies to employers for hiring young workers. According to economist Rodney Stares, speaking at a meeting of the National Council on Employment Policy in Washington, D.C., the program has not resulted in any significant improvement in youth employment.

The plan, which gives subsidies ranging from 30 to 37% of the minimum wage, has been popular with employers. But studies of the program show that "only 10 to 25% of the participants were net additions — that they wouldn't have been hired anyway."

Economic Clips

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Spies on the Payroll

A recent article in *Industry Week* (5/13) reports that there has been a large increase in the number of undercover agents hired by companies to spy on workers. A survey by Security Letter, an executive newsletter dedicated to corporate surveillance, found that "54% of the responding companies have employed, or are currently employing, professional undercover operatives. In contrast, only 19% admitted to using the service in a similar survey conducted ten years earlier."

An interesting twist on the use of company spies is found in the March 1985 AFL-CIO *Rub Sheet*:

> For 3½ years Scott Karr led two lives. By day, he worked as a warehouse worker at Roundy's in Wisconsin, where he joined the union, earning between $10 and $13 an hour. At the end of each workday, he wrote reports detailing his surveillance findings about employees, for which he was paid $1 an hour by the Strong Dective Agency which was under contract with Roundy's. Karr sued Strong on the grounds that he was not receiving miminum wage plus overtime. The Court rejected his claim, saying that Roundy's and Strong were operating as a joint employer, so the total wages were sufficient.

Service Sector Growth

According to the Commerce Department's Census Bureau, service industry receipts grew 89% and employment 29% in the five years from 1977 to 1982. During the same period, retail sales increased 48% and employment 12%.

The Bureau's statistics also indicate that the value of manufacturing shipments rose by 44%, while manufacturing employment dropped by 2%. This reflects a tremendous increase in the productivity of manufacturing workers.

The fastest growing industries were computer and data processing services, with a 192% increase in receipts; engineering, architectural, and surveying services, with an increase of 144%; and management, consulting, and public relations, with a 140% increase.

International Labor

(continued from page 13)

NED is much more than that. There is no reason to believe that any organization conceived by Reagan, funded through the U.S. Information Agency, and directed by men like Kissinger, Hatch, Gershman, and Fahrenkopf, will build independent trade unions anywhere. During the 1983 Senate proceedings on NED, Senator Hatch, who has spearheaded virtually every legislative attempt to destroy trade unions in the U.S. cited his "particular commitment to support the superb work done on behalf of free trade unionism abroad by the AFL-CIO programs," and then pushed for NED grants to the AFL-CIO. It is clear from his work in the Senate that Hatch's idea of "free trade unionism" is trade unionism chained to corporate interests.

> **"Hatch, a nemesis of organized labor in the United States, 'did considerable soul-searching before he decided to deal with the devil' of organized labor, his aide said."**
>
> ***Washington Post***

NED Connection Must End

The AFL-CIO targeted Hatch for political defeat in the 1982 elections. It campaigned against Reagan in the 1984 elections. The Executive Council has passed resolutions which stand in direct opposition to Reagan's domestic and foreign policies. And yet Kirkland and the AFL-CIO's International Department and Free Trade Union Institute are deeply involved in NED — a tool for Reagan's foreign policy. The AFL-CIO's relationship to NED has never been subject to the scrutiny of the membership.

NED funds, channelled through the AFL-CIO, have been used to finance anti-labor and anti-democratic forces. The AFL-CIO's involvement in NED undermines the interests of workers in the U.S. and abroad. The real interests of American workers are expressed in labor's overwhelming support for peace initiatives, for the Nuclear Freeze and Jobs With Peace campaigns, for the New York-based Labor Committee Against Apartheid, and for the National Labor Committee in Support of Democracy and Human Rights in El Salvador.

AFL-CIO affiliates representing more than half of the membership of the Federation openly oppose the basic foreign policy positions of the Reagan Administration. In order to fulfill its role as a labor federation and build international trade union unity, the AFL-CIO must sever all connections with the National Endowment for Democracy. □

Sources: U.S. Gneral Accounting Office, *Events Leading to the Establishment of The National Endowment for Democracy*, 7/6/84; *Statement of Eugenia Kemble before the Subcommittee on International Operations, U.S. House of Representatives*, 3/12/85; National Endowment for Democracy, *Statement of Principles and Objectives*, and 1984, 1985 *Grants Awarded; Statement of Congressman Hank Brown of Colorado Before the Subcommittee on International Operations, U.S. House of Representatives*, 3/12/85; *AFL-CIO News*, 6/23/85; *New York Times*, 3/26/85, 5/29/84; *Washington Post*, 11/19/83, 6/13/84, 8/5/84, 3/23/85.

National Debt

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economic growth alone."

As the debt soars, and the Treasury has to compete for available funds, the rate of interest will rise, creating a further inflationary spiral. Rather than investing in business enterprises, corporations will be placing their swollen funds in high-yielding U.S. securities. Investment banker Felix Rohatyn has observed that the private sector is "turning the financial markets into a huge casino."

Economic Growth No Solution

According to the Federal Reserve Bank of New York, the balooning debt is a major factor in intensifying the structural budget deficit—the part of the debt that would remain even if the economy were operating at full capacity. The structural deficit is estimated to rise from about 3.5% of GNP in 1984 to 5% in 1990.

On February 8, Federal Reserve Chairman Volcker warned Congress that the U.S. economy may be headed for the kind of fall that the Latin-American countries have suffered. He also asserted that the interest cost on the national debt is growing faster than the economy, meaning that growth alone can not balance the books. He hoped that we have a fair period of time to repair the economic distortion, and then added, "But I just don't know."

Meanwhile, a growing number of people recognize that the problem *can* be solved, but only with cuts in the most out-of-control segment of the U.S. budget—*military spending*. □

Facts and Figures

	Consumer Price Index (1967=100)[1]	% Change from Year Ago	Average Hourly Wages[2]	Real Hourly Wages (in 1977 $)[3]	Wage Index[4] (in 1977 = 100)	Official Unemployed[5] (in millions)	Official Unemployment Rate[6]	LRA Underemployed[7] (in millions)	LRA Underemployment Rate[8]	Avg. Weekly Hours in Manufacturing[9]	Avg. Overtime Hours in Manufacturing[10]	Industrial Production (1967=100)[11]
1982[a]	288.6	6.0%	$7.68	$4.82	93.2	10.68	9.7%	23.52	19.9%	38.9	2.3	138.6
1983[a]	297.4	3.0	8.02	4.87	94.6	10.72	9.6	23.41	19.5	40.1	3.0	147.6
1984[a]	307.6	3.4	8.33[e]	4.92[e]	94.6[e]	8.54	7.5	20.4	17.0	40.7[e]	3.4[e]	163.5
May	305.4	3.1	8.29	4.93	94.8	8.15	7.5	19.46	16.3	40.6	3.3	162.8
Jun	306.2	3.0	8.33	4.95	95.1	8.58	7.1	21.05	17.3	40.6	3.3	164.4
Jul	307.5	3.1	8.35	4.94	94.1	8.71	7.5	21.24	17.4	40.5	3.3	165.9
Aug	310.3	3.6	8.34	4.89	94.1	8.38	7.5	20.41	16.6	40.5	3.3	166.0
Sep	312.1	3.8	8.40	4.90	94.2	8.37	7.4	19.75	16.5	40.6	3.3	165.0
Oct	312.2	3.6	8.38	4.88	94.0	8.37	7.3	19.69	16.4	40.5	3.3	164.3
Nov	311.9	3.5	8.43	4.90	94.4	8.14	7.1	19.55	16.3	40.7	3.4	165.2
Dec	312.2	3.5	8.48	4.92	94.7	8.19	7.2	19.77	16.4	41.2	3.4	165.9
Jan 1985	312.6	3.3	8.49	4.90	94.4	8.48	7.4	20.05	16.6	40.3	3.3	166.6
Feb	313.9	3.5	8.50[e]	4.91[e]	94.6[e]	8.40	7.3	19.52	16.1	39.7[e]	3.3[e]	166.7
Mar	315.3	4.0	8.53[e]	4.91[e]	94.5[e]	8.40	7.3	19.75	16.3	40.3[e]	3.3[e]	165.8
Apr	316.7	4.1	—	—	—	8.43	7.3	—	—	—	—	165.4

	Union Wage Changes[12]	Work Stoppages[13] Days Idled (in millions)	Work Stoppages[13] Number of Stoppages
1982[a]	3.6%	9.06	96
1983[a]	2.8	17.46	81
1984[a]	2.3	8.49	62
1985 (I)	3.0		

	Corporate Before Tax Profits[14] (annual rate, $ billions)
1983 Quarter	
I	$179.1
II	216.7
III	245.0
IV	260.0
1984 Quarter	
I	277.4
II	291.1
III	282.8
IV	292.6[e]

1. The Consumer Price Index is for Urban Wage and Clerical Work· (CPI-W), published monthly by the Bureau of Labor Statistics (BLS), U.S. Department of Labor, commonly used in determining COLA formulas for union contracts.
2. The average hourly wage figure is for earnings of production or nonsupervisory workers on private nonagricultural payrolls, seasonally adjusted, published monthly by the BLS.
3. The real hourly wage figure is equivalent to the average hourly wage in column 3 deflated by the CPI-W of column 1. It is published monthly by the BLS, seasonally adjusted.
4. The wage index is the index of real hourly wages from column 4 with the 1977 real hourly wage as the base year. The figures show that the real wage is significantly below the 1977 level — 5.7% below in September 1984. The wage index data are published monthly by the BLS.
5. The official number of unemployed is published monthly by the BLS and designates the number of people *actively seeking work.*
6. The official unemployment rate is computed by dividing the official number of unemployed by the size of the civilian labor force.
7. The LRA underemployment figure is computed by adding to the official unemployment figure those who are (1) working part-time involuntarily for "economic reasons," i.e., because they cannot find full-time work; and (2) those who are listed as "wanting a job now" but are not actively seeking work because of school attendance, ill health or disability, home responsibilities, or because they do not think they can find a job. About 10% of the adult population not counted in the labor force are included in this category. This category does not, of course, include all those who are in school, disabled, ill, or with home responsibilities, but only those who are in these situations but who "want a job now" and are able to work. The "want a job now" figure is computed on a quarterly basis by the BLS. LRA's monthly computations are based on the average quarterly "want a job now" figure and the monthly official unemployment and part-time employment figures.
8. The LRA underemployment rate is computed by dividing the number of unemployed in column 8 by the sum of the total official labor force and those "who want a job now" but are not counted in the official labor force.
9. The figure for average weekly hours in manufacturing is published monthly by the BLS, and includes all workers on payrolls, including part-time workers. As a result, it understates the length of the workweek for full-time employees. Consequently, we provide in the next column the figure for the average overtime hours of manufacturing workers.
10. Average manufacturing overtime is published monthly by the BLS. Overtime is considered all time worked in excess of 40 hours per week.
11. The Industrial Production Index is published monthly by the Federal Reserve Board.
12. Union wage changes designate the average annual percent wage increase over the life of contracts negotiated in that year for workers in bargaining units of 1,000 workers or more. The figures are published quarterly by the BLS.
13. Total work stoppages and the number of days lost due to work stoppages are published monthly by the BLS and include only those stoppages occurring in bargaining units of 1,000 workers or more.
14. Before-tax corporate profits, including capital consumption adjustments (CCA) and inventory valuation adjustments (IVA), are published quarterly by the Bureau of Economic Analysis. This figure shows the general trend in profits but is a conservative estimate of total cash flow.