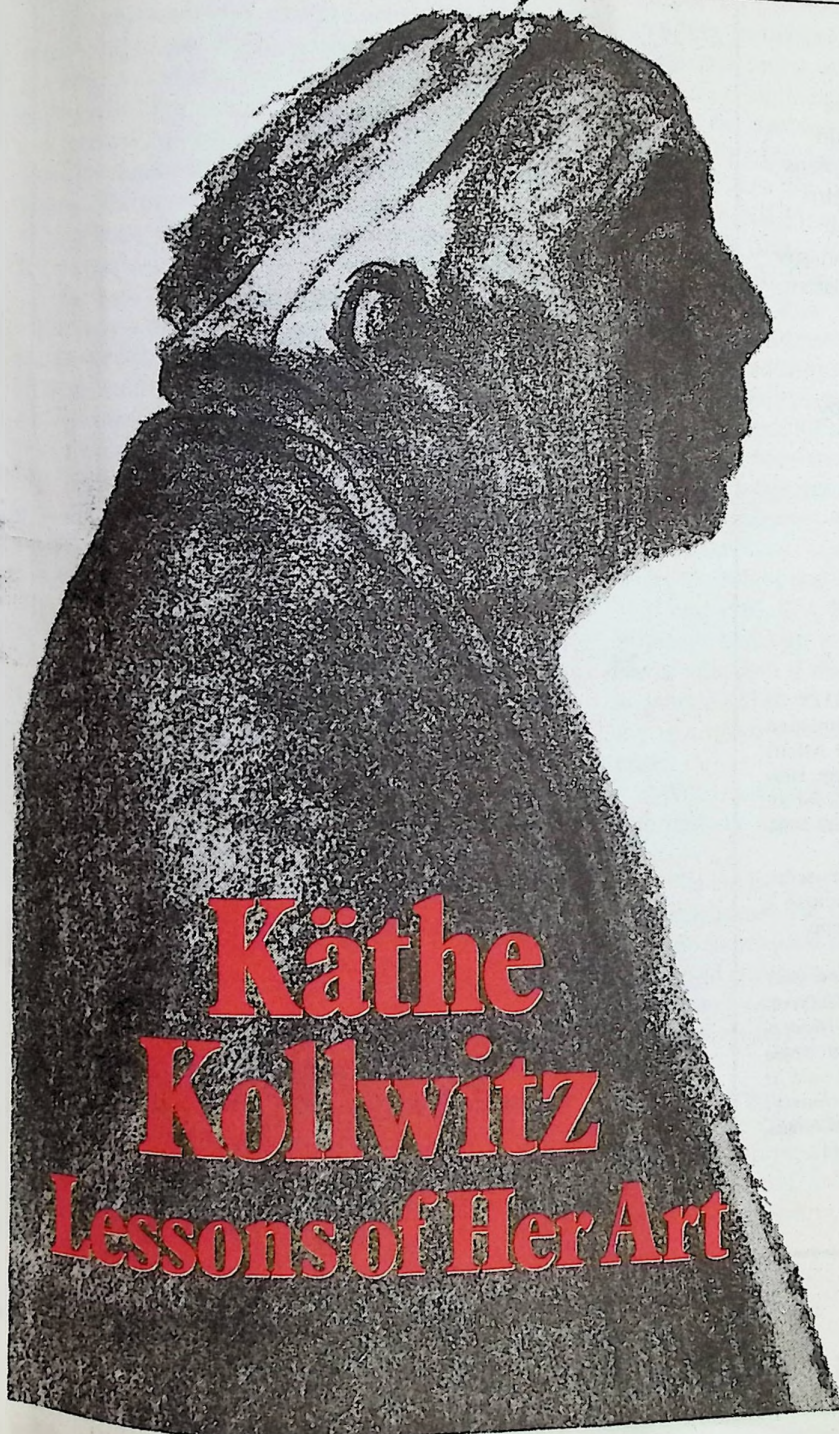


Political Affairs

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Käthe Kollwitz Lessons of Her Art

ECONOMIC CONVERSION IN CONNECTICUT

Joelle Fishman

THE ART OF KAETHE KOLLWITZ DRAWING THE RIGHT LESSONS

Norman Goldberg

THE DEBT CRISIS AND INTERNATIONAL ECONOMIC ISSUES Economic Commission, CPUSA

A MALIGNANT GROWTH
Ben Riskin

Political Affairs

**Theoretical Journal of
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July 1990 Vol. LXIX No. 7

- Joelle Fishman
**1 Economic Conversion
in Connecticut**
- Norman Goldberg
**10 The Art of Kaethe Kollwitz:
Drawing the Right Lessons**
- Economic Commission, CPUSA
**16 The Debt Crisis and
International Economic Issues**
- Ben Riskin
**24 A Malignant Growth
In a Healthy Body**
- Norman Markowitz
**28 The Biography of
Rose Pastor Stokes
A Book Review**
- Victor Perlo
**29 Vladimir Posner's Story
A Book Review**

Economic Conversion in Connecticut

JOELLE FISHMAN

History has placed on the agenda of our time the challenge to turn away from war and intervention, to dismantle nuclear weaponry and move toward peace and economic development, toward housing, health care, economic justice and equality for all people.

The unprecedented nuclear weapons buildup by the Reagan and Bush administrations brought the world to the brink of nuclear destruction and impoverished the nation. The militarization of the U.S. economy has not served our country well. As world developments push the disarmament process forward, the time has come to retrieve the wealth and resources out of the military for investment in human needs.

The goals of the buildup, to secure military superiority over the Soviet Union and fill the coffers of the giant military monopolies, are still on the agenda of the military-industrial-financial complex. But the cold-war "Soviet threat" argument for funding new weapons systems has lost effectiveness. The Soviet Union's continuous disarmament initiatives, events in Eastern Europe, the high world prestige for the African National Congress, and growing opposition to U.S. imperialist intervention in Central America and the Middle East have changed the relationship of forces.

When Mikhail Gorbachev came to the United States during the recent Summit, he was greeted enthusiastically all over the country as the world's leading peacemaker. Within a few short weeks of his departure, the U.S. Conference of Mayors cried out, "Peace Dividend, Now!" In a blatant effort to demobilize and lower expectations, the reply came that the peace dividend money had been spent to bail out the savings-and-loan banks, there would be no oney for the cities.

At the center of the struggle to realize disarmament and release the peace dividend for human needs is the struggle for economic conversion. How long will wasteful military contracts continue to be funded? As military contracts are cut back, what will happen to the production facilities? What will

happen to the workers, their families and communities? Will the factories be retooled, workers retrained and new jobs created to rebuild the nation's infrastructure, develop energy systems and environmental protection? Will racist economic inequities be redressed in hiring, education, and spending priorities? Or, will capital pull up its stakes and invest elsewhere, leaving an economic disaster for workers and their communities?

For the past forty years, the theory of economic growth through military spending has predominated in the U.S. By 1984, Japan and West Germany were spending three or four times more for education, health care and housing than for the military, while in the United States social spending was 14 percent lower than military spending. Today, the U.S. military-industrial complex ranks as the 10th to 13th largest economy in the world. It has two million armed forces personnel, one million civilian employees, and 3.2 million production workers employed by prime contractors and subcontractors.¹

Military spending has produced unemployment. Calculations by the Employment Research Associates show "a net loss of over 6,000 jobs for every \$1 billion that went for the military. Between 1981 and 1985, \$190 billion was spent on the largest military build-up in history, generating "1,146,000 fewer jobs than if the money had gone for normal economic activity."² The militarization of the economy is a major contributing factor to the structural crisis.

William Winpisinger, former president of the International Association of Machinists, concludes :

The link between the arms race and America's deindustrialization and economic decline is clear. A dollar spent on dead-end military production simply cannot be spent anywhere else. That simply means that those huge sums are not available to refurbish, rehabilitate, and rejuvenate our civilian industry.³

U. S. capital is losing out to Germany and Japan. In the USA, \$46 out of every \$100 available for domestic capital formation goes to the military, compared to \$14 in West Germany and \$3.70 in Japan. "No wonder, then," says Winpisinger, "the

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United States now trails those two nations in the international trade sweepstakes.

While the country has suffered, military corporations have benefitted from high profits. In the last two decades, profit rates for military production were between 50 percent and 150 percent more than returns on civilian investment. The bulk of the wealth has been concentrated in a few hands. A third of the Department of Defense contracts go to ten firms.⁴

The profitability of military production goes beyond the contract price. When military contracts are discontinued, the corporation is eligible for indemnity payments from the government, further guaranteeing their profits. In addition, these corporations pay little, if any, taxes.

Economist Victor Perlo calculates that between 1975-84, the median rate of profit for the 500 largest corporations was 18.5 percent, compared to a median rate of profit of 26.76 percent for the 17 aerospace firms in that group, whose contracts are largely military. The big financial institutions, which control the majority of stock in the aerospace giants, are major beneficiaries of these profits.⁵

Military spending has also had a devastating effect on the socialist economies, but because there are no private profits from military production they are able to reconvert more easily. It is consistent that the call to put an end to economies based on production for war and destruction, and to normalize trade relations has come from the Soviet Union. In his address to the United Nations last year, Mikhail Gorbachev placed a challenge to every country, especially the military powers, to bring their plans for conversion to the United Nations. In his recent speech at Stanford University following the Summit, Gorbachev indicated that the USSR is already converting 100 plants, with 300 more soon to begin.

In the capitalist United States, military corporations respond with layoffs and cutbacks. They take place on top of the huge layoffs and plant closings in the auto and steel industries, and the absence of federal funds to the cities in the past decade. The prospects of crisis are enormous. Yet, no national plan has been adopted. Congress continues to fund weapons production to the detriment of the nation's welfare.

The struggle against the military-industrial complex is a struggle for both peace and democracy. To protect its position, the military-industrial com-

plex has trampled on democratic rights and principles. It has gained control of elective offices through financial backing and the revolving door of personnel between the arms industry, its lobbying firms and government. It has practiced and promoted racism at home and abroad. It has used its power to keep unions weak or to leave unionized areas for low wage states or other nations. It has controlled the media and polluted the environment with toxic wastes.

As Gus Hall observed after the June Summit, it is now up to the peoples movements in the United States to organize for complete dismantling of all cold war policies and structures.

A comprehensive national plan is urgently needed that encompasses conversion of military production facilities with worker involvement and protection, including affirmative action with quotas; reordering of spending priorities to meet the needs of the cities and rebuild the nations' infrastructure; and ending trade barriers with the socialist countries to create jobs for U.S. workers

The National Peace and Solidarity Commission of the Communist Party adopted a motion at its February 1989 conference to "facilitate development of a national coordinated approach to conversion so the Communist Party can play an initiating, guiding and public role in development of a mass campaign." At the Communist Party National Committee meeting in January, 1990 the campaign for economic conversion was singled out as one of the key issues around which to organize.

Nationally there is a massive literature, and a growing number of local experiences around economic conversion. Today, each workplace and community directly affected by contract cuts faces an immediate and practical challenge. The ability to shift the balance of forces and win solutions which favor the majority will depend on the organization of broad labor and community coalitions and movements, grass-roots pressure on Congress, and election of peoples candidates needed to compel government action to convert military production and the entire economy.

CONNECTICUT'S SITUATION ■ An examination of the unfolding experience with economic conversion in Connecticut can be useful in projecting the challenge faced by the entire country in this period. The specific features of the state's economy

show that this small geographic area with its multi-racial workforce, has been held hostage by the military-industrial complex for decades. Connecticut is second only to Virginia in per capita spending on military production, equalling \$1,531 per person per year. One in three workers in Connecticut is directly or indirectly dependent on military contracts for employment. The military contracts are concentrated in the hands of five prime contractors who receive 90 percent of the defense money.

United Technologies Corp (UTC)	\$2,282,830,000
General Dynamic	1,491,197,000
Textron	452,962,000
Kaman	119,714,000
Analysis & Tech	49,434,000

There are 800 smaller prime contractors, and thousands of subcontractors. There are between 2,000 and 4,000 small shops that are 100 percent dependent on Pratt & Whitney, the largest division of UTC, producer of jet engines.

While military production is a smaller part of the gross state product today than eight years ago, there are more people employed in military production today than eight years ago. This reflects a rapid growth in other parts of the economy, not a conversion from military to alternative production.

The smaller shops are generally affected first by layoffs, as the prime contractors strategically restructure in anticipation of cuts. The five prime contractors are already being affected now.

In the last nine months: Textron Lycoming in Stratford which produces the M-1 tank has cut 1350, a third of its workforce in that plant; Sikorsky Aircraft (UTC) in Stratford which produces helicopters for the army has laid off 650 white collar and 250 production workers; and United Nuclear Corporation (UNC) Naval Products division in Montville which makes atomic reactors for the Navy's Seahawk submarine has announced that all 950 jobs will be phased out this year.

The Connecticut economy incorporates in a small geographic area, the richest and some of the poorest municipalities in the entire country. Racism is very sharp. The majority of the African American, Puerto Rican and other racially and nationally oppressed peoples live in the cities. Hartford, New Haven and Bridgeport are the 4th, 7th and 20th poorest in the entire country with the highest infant

mortality rates, lack of affordable housing and segregated education. In the past decade, 100,000 industrial jobs have left the state, with plant closings and relocations to non-union areas in this country and abroad.

For the workers and the communities where these factories are located, the goals are basic. They want to maintain the ability to survive in dignity with equality, to have jobs that are productive to society, and to build a better life for the coming generation. Most trade unions and peace organizations are committed to create stable jobs through planned "conversion" from military production to peacetime production which can meet the country's needs.

There is a great discussion and debate about how to solve the state's economic situation. The proceedings at two recent conferences, one organized by business and the other by peace and labor organizations, clarify the issues.

On March 23, the Greater New Haven Chamber of Commerce hosted a conference entitled "Swords Into Plowshares."

United Technologies Corporation's representative tried to isolate advocates of conversion on the basis that they are hostile to defense spending. He argued that a large defense budget has only a small impact on the national economy and is essential for a safe world. He stood on the sacred capitalist platform that government must not interfere with the corporation's market or business decisions. In other words, UTC will decide if its Sikorsky division should expand production of civilian helicopters or begin production of light rail cars. In fact, UTC has dramatically reduced its dependency on military contracts, from 75 percent to 20 percent in the past 12 years, primarily by expanding its commercial market.

The key issue for UTC is "global competitiveness," the codeword for exploitation, carried out by export of capital to non-union, low-wage areas, and through quality circles and other programs aimed at speeding up workers in Connecticut plants. It is with the goal of "global competitiveness" in mind that UTC is shifting emphasis into the new commercial markets of Eastern Europe and the Soviet Union.

Textron's representative at the Chamber of Commerce conference had essentially the same message: "Don't let the peace dividend become an epitaph for the U.S. defense industry." Therefore,

the corporation is actively lobbying to convince the Pentagon to restore the M-1 tank production, which was cut from 600 to 0 this year.

Despite their awareness of the waste of military spending, UAW Local 1010 sent 1,000 letters in support of the company's effort. Searching for alternatives to save their jobs, the union also calls for longterm planning to retool.

Diversification is the capitalist line to keep military spending and profits up, and to get more government tax dollars for what would be sound business decisions in any case. On the one hand, the corporations say "no government interference." On the other hand, after grabbing public monies for overpriced contracts for decades, they are demanding even more handouts now in the form of tax write-offs and incentives to diversify.

The military corporations lead the opposition to legislative or negotiated measures that mandate in-plant, worker-community-business planning committees and corporate financial contributions for worker benefits in the event of layoff. A planned economic conversion approach is aimed at retooling military production factories. It requires alternative use planning with the involvement of labor and community. It includes the protection of production workers benefits and livelihood.

U.S. Senator Christopher Dodd basically took the business line at the Chamber of Commerce conference. He argued that the United States should not disarm "too fast or too soon." He called on business and government to work together for diversification and competitiveness and to expand the large export economy the state already has.

Congressman Bruce Morrison was the main advocate of the conversion approach. He countered the view that defense programs are jobs programs, arguing that the country cannot afford misdirected investment in things that do not contribute to its longterm needs. He adopted the popularized idea that defense workers should be viewed and treated as veterans of the Cold War, eligible for full benefits as other veterans are. The challenge was given to develop and maintain the state's industrial base, while managing a transition.

One week later, on March 31 a conference was held at the United Auto Workers center in Farmington sponsored by labor and peace organizations around the theme, "Connecticut's Economy After the Cold War: A Workshop on Economic Conver-

sion and Diversification." Dick Greenwood, assistant to George Kourpias, president of the International Association of Machinists (IAM), gave the keynote address and defined two top priorities: Number one to get the tax money from the cold war and put it toward the peace dividend. And two, to make communities that are dependent on military production economically viable and whole.

Every \$1 billion cut from military spending displaces 22,000 workers directly and 4,000 to 8,000 workers indirectly, totalling 26,000 to 30,000 workers. If the cut is reinvested in education, mass transit, housing, community development, public health and social services the loss becomes a net gain in jobs.⁶ The National Commission for Economic Conversion and Disarmament estimates that a 20-year project to repair and expand the nation's infrastructure would absorb between 2.7 and 3.5 million jobs a year.

Reinvestment in the manufacturing base will also create new jobs. Reindustrialization is of particular importance to the African American and other racially oppressed people, whose jobs and communities have been devastated by industrial flight and the military buildup of the 1980s. Such organizations as the Rainbow Coalition and the Urban League have called for investment of the "peace principle" funds from the military budget into the urban area for education, jobs and training, health care and housing programs to help close the economic gap between Black and white Americans.

The military-industrial complex is at the center of racist practices in employment and in foreign and domestic policy issues. A successful challenge to the military-industrial complex cannot be made without a challenge to its institutionalized racist policies.

"The end of the Cold War must mean the start of a renewed drive to bring America into the 21st century by investing in its people and its economy," states Urban League president John E. Jacob.

WHAT HAS BEEN DONE? ■ Much public attention is focused on the impending economic crisis for Connecticut as military production falls off. While some corporations have diversified into new product lines, proposals about conversion have not turned into action. Unlike in the Soviet Union, where tank factories are now producing refrigerators and baby carriages, there is no example of a major plant being retooled and workers being re-

trained for peacetime production.

In Connecticut, the state government has been geared toward diversification. The Legislative Task Force on Manufacturing, formed in 1987 as a result of legislative initiatives from peace activists, includes State legislators, representatives of business and industry, and minimal labor and peace representation in the diversification subcommittee. While the existence of the Taskforce provides a governmental structure to address the crisis of military production, the dominance of corporate interests has prevented the Taskforce from developing a comprehensive plan.

The Taskforce has helped develop a quasi-public corporation, Connecticut Innovations, Inc., which offers grants to industries that want to diversify. For example, one such company which had been 100 percent dependent on military contracts, developed de-icing equipment for commercial aircraft.

A similar program, the Machine Action Project, in Massachusetts, where many small shops rely on Connecticut prime military contractors for work, involves workers on the shop floor in delineating problems and solutions. They have concluded that not only is it necessary for labor to be at the table, but that the project's greatest success has been in unionized shops.

STATE LEGISLATION ■ This year's session of the State Legislature considered bills that serve the interests of business, as well as some bills with a conversion focus. The Connecticut Business and Industry Association, of which UTC is the dominant member, lobbies for tax credits, incentives and cut-backs in workers compensation. Using the same arguments as when they threaten plant closings, their program is to cut taxes and bust unions in the context of diversification.

A mild conversion-oriented bill, the Economic Development Act of 1990, was passed by the legislature in May. It provides funds for feasibility/conversion studies at the plant level. After October, firms seeking equipment to develop new product lines will be eligible for 100 percent local property tax credits, which will be offset by the state.

The Act establishes an administrative task force, the Connecticut Commission on Business Opportunity, Defense Diversification and Industrial Policy, to advise the General Assembly on conversion of

defense related industry. Members are the Commissioners of Economic Development, Education, Higher Education and Labor, the presidents of the CBIA and AFL-CIO, and representatives of prime and subcontractors in the manufacturing and service industries. While the Economic Development Act is a small step in the right direction, it does not create planning mechanisms to avert impending losses, includes only token labor representation, and does not involve workers at the plant level and the community in the process.

There are many state boards, task forces and legislative initiatives in other states including Massachusetts, Minnesota, Pennsylvania Ohio, and California.

NATIONAL LEGISLATION ■ Representing the interests of big business, Connecticut Congresswoman, Nancy Johnson (R-6th CD), has introduced legislation which she is parading as a diversification bill. It provides tax breaks for retooling and capital improvements. According to the statement of purpose, this bill would "give industry an incentive to use profits to retool to meet future defense needs."

The strongest conversion bill, HR 101, introduced by Ted Weiss (D-NY), which was authored in the IAM national union hall, and shaped with the involvement of conversion specialist Seymour Melman, would establish "alternative use committees" in every military production plant. These committees would include labor, community and the company and would develop plans for retooling to useful production. The bill also includes advance notice to production workers, continuation of benefits, retraining, and education. The corporations would pay 1.25 percent of their gross revenues from contracts, and government would put in 10 percent of savings from military production

Connecticut Congressman Sam Gjedensen (D-2nd) is among those who has introduced weaker bills than HR101. A compromise of these is currently being developed which would provide some funds for retraining and aid to affected communities. There is a danger that the compromise will be used to block HR101 without providing either substantial security for workers, mandatory planning, or corporate responsibility.

There are many additional initiatives, including the Congressional Black Caucus alternative budget, which proposes cuts in the military budget and in-

cludes \$5 billion for economic conversion. 7 There are proposals by virtually every congressional candidate, for example, Rosa DeLauro in the 3rd CD, centered in New Haven, wants 10 percent of the peace dividend for local conversion-planning committees.

Despite all the initiatives, the eight-member Connecticut congressional delegation, which includes three Republicans, announced at the end of June that it is banding together to keep military contracts coming into Connecticut. Their response to what they recognize as a "new world" is to hold on to the old ways, and protect jobs by protecting the contractors. Even the best in Connecticut feel trapped by the assessment that the strength to make a decisive national turn toward conversion is still lacking.

THE POTENTIAL FOR ACTION ■

Economic conversion is pivotal for the economy. Retooling for civilian production and rebuilding the infrastructure of the cities and the country, closing the racist economic gap and addressing the environmental crisis and energy crisis should be number one government priorities.

An extensive literature is emerging on the technical aspects of retooling and retraining. This includes both retooling specific factories and also creating new jobs that address the needs of society. The issue is not so much what to produce, as how to confront the military-industrial-financial complex and force a political solution with planning based on what is good for the workers and the greater community.

As long as the corporations are free of any controls on how they run their businesses or invest their money, it is difficult to break through to reach the solutions for conversion planning. Anticipating the loss of a contract, a prime contractor may choose to cut losses at one division, and extract profits elsewhere. For a small subcontractor, those choices do not exist, given the nature of the U.S. economy today.

Advance planning is required on a comprehensive national scale, including measures for job creation and public ownership of production facilities if corporations will not retool. Linking conversion to a national plan for rebuilding and renovating housing and mass transit systems, roads and bridges, lays the basis for bringing together labor

and community around a common program.

A TEST CASE ■ United Nuclear Corporation's Na-val Products division closing is emerging as the test case for conversion in Connecticut. The workers at UNC do not have a union. In fact, the IAM recently lost an election for union recognition there: Federal laws and industry practice which make it extremely difficult for workers to win union representation, make it extremely difficult for workers to demand and win participation in the decision-making process about the future of the corporation for whom they have produced.

In response to the announced plans to shut-down the plant, some workers and supervisory personnel at UNC formed a committee which is appealing for help to the public and elected officials. The group, called Save Our State, has held rallies, collected petitions, and drawn statewide media attention.

The program of SOS reflects the workers' developing anger and awareness. They question the validity of U.S. democracy when workers are not involved in the decisions about their workplace and their lives. Watching the Navy pull their contract to consolidate all production in Virginia, has also caused the group to oppose monopolization. In the quest to save their jobs and community they are simultaneously demanding that the Seahawk contract be returned to UNC, yet they also ask what else can be produced at the factory for a stable and healthy future.

UNC is a rich and powerful company. It has ten divisions in a dozen states, and has been in the process of "downsizing" to increase profits. The corporation has called on the federal government to give it \$40 million rebate on development costs—\$4 to \$7 million for decommissioning the Montville plant, and for workers' severance benefits. Closing the plant could net the corporation a financial windfall. The workers and their families would lose \$34 million of income in southeastern Connecticut in local taxes, devastated subcontractors and a ripple effect throughout the local economy.

Reflecting the sentiment of the community, The Most Rev. Daniel P. Reilly, Bishop of the Catholic Diocese of Norwich and signer of the U.S. Catholic Bishops' Pastoral Letter for nuclear disarmament, supports government intervention to convert the military production industry. In a local press inter-

view, Reilly said "People have a right to a living, a job. If we can put a person on the moon, why can't we deal with these problems here?"

SOS reflects within its organization a wide range of views and goals. Some are most concerned with supporting the corporation, others with saving and creating stable, productive jobs. The call by SOS for help has attracted supporters who also represent a wide range of views and goals, from peace activists to right-wing politicians.

The UNC crisis has opened the door to working relations between peace organizations and military production workers in southeastern Connecticut for the first time. This area is dominated by the General Dynamics shipyard where the Trident nuclear submarine is produced. Trident launchings have been the scene of civil disobedience by pacifist groups who, until recently, held both corporation and workers equally responsible for the deadly weapon.

The right-wing Republican candidate for Governor, Congressman John Rowland (R-5th CD), has also stepped into the situation. He is the only Connecticut Representative to sit on the House Armed Services Committee. Rowland's overall record is one of support for the Reagan/Bush program, including the military buildup and anti-labor legislation. He has met with SOS members, and demagogically claims he will solve their problem.

The struggle between diversification in favor of corporate profits and conversion in favor of the longterm interests of the workers and community has come to a head at UNC.

Both short term and long term tactics are necessary. The immediate question is what happens to the 950 workers, their families and the community as layoffs are proceeding. What can the facility produce for the marketplace? What economic aid and retraining to the workers? The longer range objective is building a strong enough coalition in the state and nation to win political representation and worker/community control of major production industries.

LABOR AND PEACE ■ Labor's struggle for conversion is centered on the military production workers who have union representation, mostly the UAW and IAM. In a period of high military contracts, and an anti-labor offensive, organizing support for conversion on the shop-floor level has been limited. That situation is now changing as it be-

comes clear that military contracts will continue to decline.

This year, the IAM has held several conferences for staff and elected officers on conversion. A popular video has been prepared and sent to all locals for stewards training and membership meetings. In Hartford, center of UTC's Pratt & Whitney Aircraft Division which is organized by the IAM, the Central Labor Council, AFL-CIO hosted the May 2 National Town Meeting for conversion with over 100 union members attending.

The AFL-CIO has taken some steps. A resolution at the Connecticut state convention two years ago was the springboard for all the organizing which has followed. The national Industrial Union Department passed a resolution calling for passage of conversion legislation in Congress this year with a program similar to that of HR 101.

Peace organizations have long advocated economic conversion, but only now is the necessary working relationship with organized labor and unorganized military production workers growing.

In a paper on the topic, Kevin Bean, co-chair of the Connecticut legislative Manufacturing Task Force and peace expert on conversion, addressed the problems. Looking back at the work of the Economic Conversion Task Force (ECTF), which he chairs and which was organized by the Connecticut Freeze Campaign in 1982, he says the ECTF... "was emphasizing a peace advocacy couched in economic terms, without having real concern for the job security of military-dependent workers nor for the need to sustain and broaden the wider manufacturing base and create job opportunities for minorities, women, and others not included in the full-employment statistics of Connecticut."

On the basis of experience and analysis of the military corporations' role, peace organizations have been developing new organizing strategies.

Bean assesses that:

Advocates now see economic conversion not just as an insurance policy for workers in the event of contract losses due to decisions to reduce military spending, but as a catalyst that can help move us toward arms reductions. Economic conversion is part of a broader strategy of social change aimed at economic revitalization and stability, full employment, workplace democracy, and peace.¹³

The inter-relation of issues is not yet grasped in many peace organizations. African American and Puerto Rican activists are often not included in program development or planning of strategy and tactics, resulting in an inability of the organizations to fully reflect the needs and thinking of that section of the working class which has consistently been in the forefront of the demand to reorder economic priorities.

The need for both a reversal of national spending priorities and economic conversion was endorsed overwhelmingly by the voters of New Haven last November. A ballot referendum question initiated by the City Peace Commission calling for cuts in the military budget to fund peoples needs and for "the government to guarantee conversion from military to civilian production without loss of jobs or income" passed by 83 percent.

The response to the referendum shows the potential for organizing the majority who support disarmament when the connection to the economic issues and the peace dividend is made. It confirms the significance of establishing government structures like New Haven's Peace Commission. The commission is now working with the labor movement and independent electoral coalitions to raise the issue of economic conversion in the 1990 election campaigns.

THE COMMUNIST ROLE ■ The Connecticut Communist Party has actively participated in the development of strategy, program and demands to release the state from being held hostage to military production. The concentration on developing multi-racial, multi-national, male-female, working-class leadership represents the analysis and decisions of the Party organization over a number of years.

The program adopted by the 1987 Connecticut convention includes a call for:

... basic solutions required to change priorities from the military monopoly complex to the needs of the majority....To release the stranglehold that the military monopolies and the Pentagon have on the Connecticut working class requires conversion to peace time production, which will create at least 3,000 more jobs, and stable jobs."

The convention report developed the relation-

ship of conversion to the problems of plant closings, impoverishment of funds for basic human needs, unemployment, poverty, police repression and civil rights violations.

The work of the Party organization has focused on education and active support around concrete measures needed to push forward the conversion process. Singled out as the most important tactical questions were: developing and responding to leadership from the workers directly affected and from the labor movement as a whole; and legislative and political action at the local, state and federal levels that involve workers and communities in decision-making and require financial contributions from the military corporations. In addition, the relationship of conversion to the disarmament process and to other economic issues, such as plant closings, health care, housing, education and affirmative action, were singled out. In the coming months, the Connecticut Communist Party will examine more deeply the connection between the fight for conversion and the fight for full equality; the situation of African Americans who have jobs with defense contractors; the effect of the military economy in the African American and Puerto Rican communities; and, the implications of scaling back the armed forces where the Army serves as one of the major job-training facilities for Black youth.

GUIDELINES ■ For its reconversion work in this period, the Connecticut Communist Party has developed the following nine programmatic objectives:

1 • Economic conversion is an area of class struggle as well as peace struggle. It welds together the movements and issues for peace, democracy and workers rights. The military-industrial-financial complex seeks to profit from it both by concessions from the workers and by tax credits from the state.

2 • Conversion legislation should incorporate: 1) requirements and funding for labor/man-agement/community alternative use committees at every military production facility to plan for alternative production; 2) grants to communities and unions for education, training and job placement, income maintenance, health benefits, and pension plan transfer rights; 3) one year's advance notice before layoffs.

3 • To defend against demands for concessions from workers, there should be labor leadership in

the fight for economic conversion at all levels. Laws which weaken labor and obstruct the organization of the unorganized should be repealed, and labor's rights should be strengthened by new legislation.

4 • Conversion legislation and union contracts should include specific provisions for affirmative action with quotas. This would defend against racist hiring and promotion practices which divide and weaken labor's strength, give racist super-profits to capitalist employers, and devastate African American and Latino families and communities. Affirmative action should also be legislated for women

5 • Tax credits should be given for economic conversion to companies only within the context of a general tax reform so that the burden of conversion does not fall unfairly on working people under the present regressive tax system. In Connecticut that would mean reducing the regressive sales and property taxes, closing corporate tax loopholes and instituting a tax on incomes over \$100,000.

6 • If a corporation threatens to close a plant rather than convert from military to civilian production, there should be provision for public takeover of the facility with full union involvement.

7 • There should be a national plan to provide millions of new jobs by rebuilding the nation's crumbling infrastructure and industrial base; and cleaning up the polluted environment. Thousands of jobs should be created by removing barriers to trade with socialist countries.

8 • These principles should be emphasized in election campaigns at all levels. Candidates should be pressured to adopt them in their platforms and to sponsor and support legislation putting them into force.

9 • Our Party should play a role in education on these principles, within the Party, in publications

and discussions within the conversion movement, and in the broad community.

The struggle for conversion is a complex one that challenges the very structures of the capitalist system. Therefore, it will not be won easily. It is one that workers in every military production plant confront. But it cannot be waged in any one plant alone. It is a struggle that has the leverage to propel the disarmament process forward and win restructuring of priorities in the country. It is a struggle that links the main economic and social issues and brings together strategic sections of the working class and peoples movements.

The ability to develop broad tactics for the immediate crisis will open the door for future support of public ownership and for democratic structures in the government and the workplace.

Notes

1. National Commission for Economic Conversion and Disarmament, Briefing Paper 7, David Alexander, December 1989.
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3. Reclaiming Our Future: An Agenda for American Labor, William Winpisinger, 1989, 121.
4. Op. cit., 1
5. Super Profits and Crises, Victor Perlo, International Publishers, New York, 1988, 312-14.
6. Congressional testimony of Richard Greenwood, Special Assistant to the International President, IA-MAW. Based on U.S. Conference of Mayors study, A Shift in Military Spending to America's Cities: What it Means to Four Cities, prepared by Employment Research Association, Lansing, Mich. 1988.
7. Congressional Black Caucus, Quality of Life Budget, FY 1991.
8. Norwich Bulletin, Wednesday March 14, 1990.
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The Art of Kaethe Kollwitz

Drawing the Right Lessons

NORMAN GOLDBERG

*The work of Kaethe Kollwitz
which reflects the ordeal and the pain
of the humble and simple,
is the grandest German poem of the age.
This woman of virile heart
has looked on them, has taken them into
her motherly arms,
with a solemn and tender compassion.
She is the voice of the silence of the sacrificed.*

These words, penned by Romain Rolland in 1927, perceptively capture the essence of an extraordinary human being. Kaethe Kollwitz is among the greatest of all women artists, and one of the most formidable humanists and social realists in art history.

She was born in 1867, in Koenigsberg, East Prussia, the daughter of Karl Schmidt, a left Social Democrat. Her mother, Kaetherine Schmidt, was the daughter of a radical Lutheran pastor who was expelled from the church, and who founded the first Free Congregation in the tradition of the early Christian communities, independent of doctrinaire scripture and practice.

This background created a liberal home atmosphere for young Kaethe's well-being and growth. She showed an early interest in art, and was sent to a woman's art school in Munich. Color did not interest her, and she turned away from painting to study black-and-white drawing. At school, she drew a scene from *Germinale*, Emile Zola's novel about coal miners, that won her critical acclaim. Her preference for drawing was strengthened after reading a pamphlet by a contemporary, Max Klinger, who contended that drawing and graphics best express the darker aspects of life, and that this medium is equal to, but autonomous from painting, a doctrine proven much earlier by Albrecht Duerer in his engravings and woodcuts.

In 1891, she married Dr. Karl Kollwitz, and they moved to an apartment in Berlin, which remained her residence until it was destroyed in World War II. In 1898, there was an exhibit in

Berlin of Kaethe Kollwitz's great etching cycle, *The Weavers*, based on Gerhart Hauptmann's play. It was enthusiastically received by the public, but an award to the artist was suppressed by Kaiser Wilhelm II, who called it "gutter art."

Her next cycle, *Peasant War*, was inspired by the great social revolutions in Southern Germany during the early years of the Reformation. This was followed by a series of drawings, *Pictures of Misery*, depicting the sufferings of the poor. During this period, Kollwitz began to move away from detailed execution to a more simplified form of drawing, but with tenderness, delicacy and strength. Her husband was practicing medicine in the poor districts of Berlin and Kaethe identified herself with the working people. So deep was this identification, that she reflected her own form and features in most of the women she drew.

In 1914, her son Peter was killed in battle during the first World War. This affected her intensely, turning her openly against the war. In October, 1918, the poet Richard Dehmel made a stirring appeal to the German nation for a last-ditch resistance to save the fatherland. An outraged Kaethe Kollwitz wrote a reply in the newspaper, *Vorwaerts*, which ended: "There has been enough of dying! Let not another man fall! Opposing Richard Dehmel, I ask that the words of an even greater poet (Goethe) be remembered: 'Seed for the planting must not be ground.'"

Kollwitz later produced lithographs and woodcuts memorializing Karl Liebknecht, and a cycle of anti-war etchings, lithographs and posters. In 1927, she accepted an invitation to visit the Soviet Union for the celebration of the tenth anniversary of the October Revolution. For the next five years, she continued working, turning to the medium of sculpture. After Hitler came to power, her art was slowly but systematically outlawed.

Kaethe Kollwitz was never a member of any political party, and because of her age, and the fact that her early work was firmly rooted in the hearts of the German people, the nazi regime never arrested her. She continued to work in isolation, completing her last lithographic cycle

Norman Goldberg is an artist and a Marxist art critic.

on the theme of death. During the Second World War, after her grandson was killed on the Eastern front, an aging Kaethe Kollwitz summoned up enough strength to draw her last anti-war lithograph, *Seed for the Planting Must Not be Ground*.

Kaethe Kollwitz died on April 22, 1945, a few weeks before Nazi Germany's defeat. Her last words were, "My greetings to all."

The aesthetic power of socially-conscious art has a long world history, and it has re-emerged in the USA, after many years, as a growing current. This art, in keeping with the times, has taken a diversity of forms, but it has not been adequately analyzed. To help unravel certain deficiencies immanent in this contemporary socially-directed art, the work of Kaethe Kollwitz can be effectively used as a paradigm.

This does not mean that Kollwitz's art is offered as a prototype to be emulated schematically. It would certainly be inhibiting to offer the technicalities of her art or its execution as a gauge for today. She is a paradigm for a more intrinsic reason; namely, her ability to produce pictorial social drama wherein the artistic elements are formed into a dynamic whole greater than the sum of its parts. It is an holistic art, a dialectical unity of content and form.

Her etching, *The Prisoners*, is an exceptional example of this holism. Within the self-imposed limitations of a horizontal rectangular contour, Kollwitz creates a mass of standing, shackled figures. A rope, holding in the prisoners, runs across, parallel to the horizontal contour.

It is a leitmotif that subtly repeats the oppressive flatness of the rectangle. Two vertical stakes to which the rope is tied are concurrent to the standing prisoners, and they are totems of detention. In contradiction to this restricted overall composition of horizontals and verticals, the propulsive motion of each figure in stance, facial expression, and juxtaposition, animates the action. In terms of graphic design, dynamic inner form is in conflict with static outer form. In terms of narrative, living subjects are in conflict with the dead weight of subjugation. Each figure is impassioned and singular, but no one figure is complete by itself. The figurative elements are woven into an integrated whole, signifying the ultimate power of each individual as mass power.

The aesthetic effect of this etching is one that transcends defeat and despair. Despite the individual expressions of pain, sorrow and exhaustion, the solidity of the incarcerated human mass, in its rock-like anatomical strength, is a declaration that the individual may be vanquished, but never the people. It is a lesson of class struggle, successfully executed as art.

Kaethe Kollwitz represents the classical tradition of discipline and painstaking study of all the modules of social drama. Her art flows from the anti-war etchings of Francisco Goya, the derisive lithographs of Honore Daumier, and the working-class humanism of artists like Robert Koehler, Jules Adler, Emma Herland and Ernst Barlach. To simply reduce this tradition to the level of historical documentary, period-piece art or style, and technical rendering is to approach it formalistically and, thus, close off its lessons for art today.

Kollwitz's work is often praised in the mainstream art media, but usually in a detached manner, and with undertones that allude to its touching but dated character, thereby distancing it from the present. These urbane observations disclose more about the "chivalry" of the largely male critical establishment than they do of the art.

A more pathetic and less forgivable outlook comes from some avant-garde art circles who dismiss Kollwitz as an artist of sentimentality, saccharine pathos and contrived heroics. Then follows the coup-de-grace—the final judgment—that she is a propagandist, not an artist. The harm worked by this view should not be underestimated. Too many present-day, socially committed artists have fallen under the sway of this disaffected and cynical outlook. Too many have shunned the rigors of full art training and social study, seeking the easy road in the ephemeral delights of novelty and sophistry.

This has resulted in two persistent contradictions that appear in the art of progressive-minded individuals. The first contradiction is displayed by the artist with a left and even Marxist orientation, but whose art is purely personal and devoid of the artist's social philosophy. The second contradiction shows an art of political commitment, but with an imagery affected by modishness and the fetishes of intangibility.

In her time, Kaethe Kollwitz understood that millions of toilers had awakened to conscious social effort. She also was awakened as an artist. Her route to her subject matter was direct and unfettered. Her prints and drawings were not static, momentary descriptions. They were portrayals, suggesting a before, a present and a hereafter. She was in complete command of her genre, shaping it lucidly in concurrence with the highest levels of mass comprehension.

In our time, many more millions have awakened to conscious social effort, and the demands of art have become more urgent and complex. What has delayed a revival of mature artistic expression in the spirit, if not in the style of a Kollwitz, has been the long term relative stability of capitalism nourished in a cold-war reactionary political and cultural climate. Our own tradition of socially aware art was long ago eviscerated by hostile politicians, ideologues and esthetes. Our progressive tradition was surfaced over with a facade of modernist trendiness, with each trend feeding another, until gradually incorporated into an industry of high finance, speculation and conspicuous consumption. The generation of politically sensitive artists growing

up in the 1970's couldn't help but become attracted to the abundance of novel forms, and they were used as means for social commentary.

High abstraction is chosen by many contemporary artists to make grand social statements, but the very matrix of this art negates itself by its remoteness and incomprehensibility. Modifications of high abstraction, its use with photography and typography is often more successful because it resembles poster art where the printed word is the key to unlocking the message.

There has been a re-discovery of the art of the German Expressionists of the 1920's, as represented by George Grosz, Otto Dix, Max Beckmann, Louis Corinth, Oskar Kokoshka and others. Their harsh, biting lines, distortion of form, and conscious violation of draughtsmanship was their way of expressing disengagement from German bourgeois life. Contemporary artists use forms of this art to expose the social injustices of our day.

Interest has also been found in Primitivist art, with its child-like simplification of figures and objects. This type of "folk art" has a long history, starting in Colonial times, and re-emerging as a



The Prisoners, etching.

form of painting made popular by Grandma Moses. Some politically-minded artists have returned to classical realism, but with overtones of mysticism, pessimism and arcane symbolism.

The proliferation of experimental forms and styles of "new art" is evidenced by political sculpture and multi-media installations, sometimes in emulation of early 20th-century Russian Constructivism. Recent art exhibits on social themes have been typified by an eclectic assemblage of discordant paraphernalia, fixtures, utensils, electronics, neon signs, and with bizarre musical and sound accompaniment. These contrived efforts are almost always failures, as the message is obscured in a goulash of gimmickry and fad.

The physiognomy of political art for mass publication has also been adversely affected. Illustrations for newspaper and magazine editorials and articles often take on a cold and insular cast. There is a slavish use of symbols and metaphors. Animation of subject matter is avoided and replaced by flat, sterile form. The human figure is abstracted and radically simplified into a decorative image, a declassed entity, and the pictorial impact is that of a still-life. Decorative design has its purposes, but in the current vogue, it is an unsatisfying form of political art. It is unfortunate that this type of illustration often appears in the liberal and left alternative publications, since it all too often blunts the thrust of the written material.

What can our progressive artists learn from Kaethe Kollwitz's prints and drawings? As cautioned earlier, mere mechanical imitation would freeze art to the technical and compositional levels of the past, and would result in an image unsynchronized with time and place. This approach would be rejected by most artists and rightly so.

The definitive lesson implicit in the art of Kaethe Kollwitz is the primacy of subject over art. It is the subject, the social question at issue, that governs, directs and inspires the artistic conception. The artistic production process that follows, materializes the conception. The chain of command, from subject to conception to production, must be held in control, and not sacrificed to the temptations of exaggerated

innovation, mindless questing for uniqueness or trite stylistic refinements. This is the core principle of full-fledged political art, a principle epitomized by Kollwitz. In her art, it is the event that is addressed first, with conception, depiction and execution all integrated toward its realization, without unnecessary flourish or adornment.

To be sure, application of this principle today presents the artist with factors that Kollwitz did not have to face. Greater and more sophisticated degrees of mass consciousness, together with advanced forms of technology, have made the demands on creativity more complex. The dangers of pitfalls have already been mentioned. The sheer force of new technology as a means of expression, its capacity to overwhelm, intrigue and seduce creativity have resulted in a condition whereby the core principle of cogent political art has been reversed. Technology has become the means of production that governs conception, coercing conception to devitalize the subject. The tail is wagging the dog. In such a scheme, social truth and its lucid transmission are sacrificed on the altar of sensationalism and formalist aestheticism.

To overcome the condition wherein the medium becomes the message requires a disciplined mastery over the medium by fully grasping both its capacities and limitations as a tool for artistic production. The medium is not conceptual. Only the artist is, and the conceptional source is the subject. There are no subjective limits to socially conscious artistic expression other than those imposed upon the artist by the level of mass cognition.

The relationship of art to society is never a problem in a Kollwitz work. It exists in every piece. Her quest for truth comes directly from working-class and peasant life, and is deeply rooted in social reality. The power of her narrative in prints and drawings is truly monumental art on a minimal scale. It is heroically human, yet unpretentious, an art of pre-eminent social realism, and with lessons for today.

A recent exhibition at the Galerie St. Etienne in New York City displayed prints and drawings by Kaethe Kollwitz together with the work of two of her contemporaries, Max Klinger and Alfred

Kubin, in a study of comparative influences. Both Klinger and Kubin were drawn to themes of the sub-conscious – dreams, fantasies, mythology, and the macabre. They typified the despairing character of Central European art and literature of the early 20th century, the deteriorating cultural aftermath of the unsuccessful bourgeois revolutions in Germany of the earlier century.

But Klinger also addressed social questions in his art, and this was an important influence on Kollwitz. Klinger's belief in the superiority of black-and-white over color in polemical art was adopted by Kollwitz in most of her work. The power of black-and-white as the mode of expression best suited for political art has been

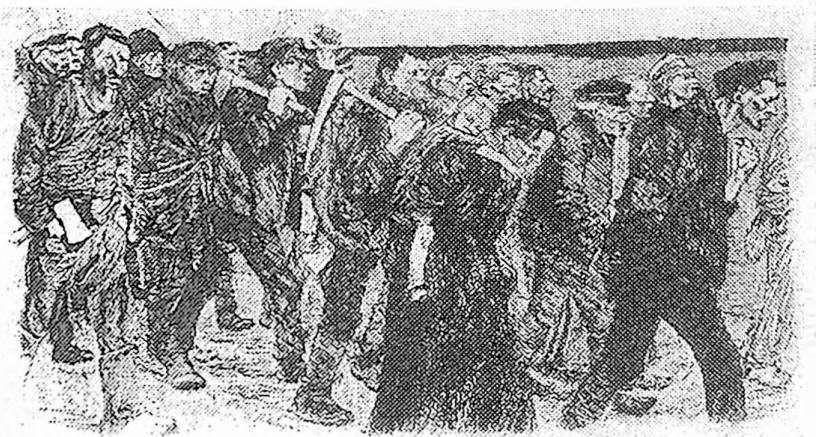
advocated by a number of contemporary artists, some of whom claim it to be the only valid medium. They hold the view that, under capitalism, color corrupts. It is an extreme notion that provides a platform for overheated left aesthetics.

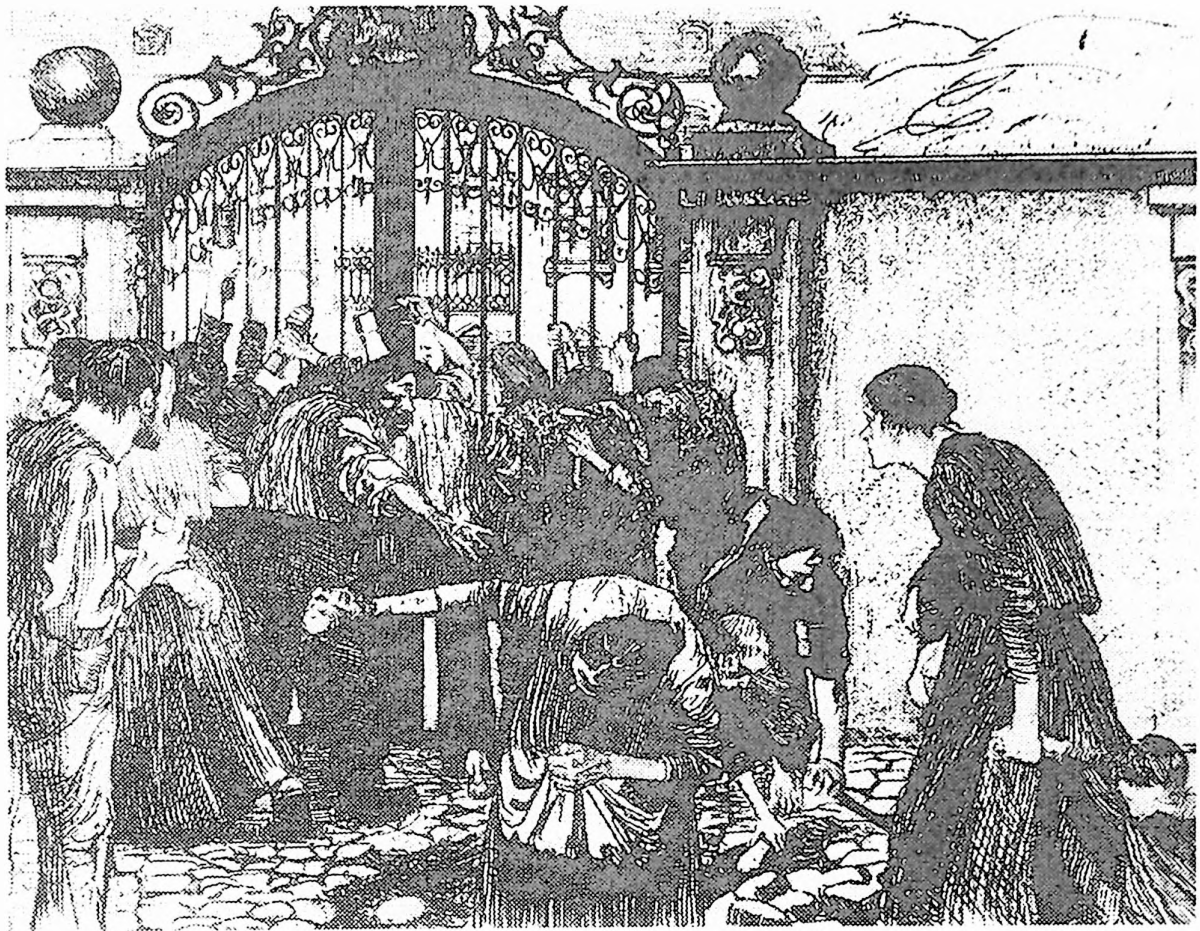
Kaethe Kollwitz's steadfast attachment to a class approach insulated her from the disorientating effects of bourgeois cultural pessimism, and it kept her on a steady course of true artistic growth. The Klinger, Kollwitz, Kubin exhibition was an instructive sampling of the dialectical evolution of narrative art, a presentation for which the Galerie St. Etienne is to be commended. □



In Memoriam,
Karl Liebnicht,
woodcut

*March of
the Weavers,*
etching





Storming the Gate, etching



The Widow woodcut



The Mothers, woodcut

The Debt Crisis and International Economic Issues

Congress, the Administration and Big Business focus on two deficits: the balance of payments deficit and the budget deficit. There is much moaning but little action about the balance of payments deficit. Commerce Secretary Mosbacher and Trade Representative Carla Hills visit Tokyo to warn, plead, cajole. They are extravagantly entertained, in the Japanese fashion, and urged to return home and try new Japanese "Infiniti's" which are supposedly better and cheaper than the German BMWs.

During the 1980s, the United States has been importing more than it has been exporting, and at an accelerating rate. In the past several years, the average trade deficit, which is the major part of the balance of payments deficit, has been enormous by historical standards – \$150 billion a year.

Because of its previous favorable trade balance, the United States had built up a large surplus, which materialized in investments in foreign plants owned by U.S. corporations and in the financial indebtedness of foreign corporations and governments to U.S. banks and the U.S. government. In other words, there was the export of hundreds of billions of dollars of U.S. capital on which mounting returns were received.

However, the recent deficits in the balance of payments were so large that they rapidly wiped out the accumulated surplus. By 1981, the net U.S. international investment position, built up over many decades, peaked at \$141 billion. That was completely wiped out in less than four years, and by the end of 1988 the United States had a net negative balance of \$533 billion, up from \$378 billion in 1987.¹ By the end of 1989, the deficit in the investment-balance exceeded \$600 billion, and could soon reach a trillion dollars.

There is much wailing that the United States has become the world's largest debtor, larger than all Latin America combined. And there is much gloating on the part of the Japanese that they

ECONOMIC COMMISSION, CPUSA

have become the largest creditor.

Undoubtedly, continuation of the huge U.S. trade deficit will ultimately cause serious economic problems. But, as yet, the real U.S. international debt is much smaller than statistics indicate. The main reason is that U.S. corporations' direct investments abroad are assessed at a fraction of their real value, while that is not the case for corresponding foreign investments in the United States. In addition, U.S. gold holdings are artificially valued at about one-ninth of their real value.

The fact is that U.S. foreign investments still yield more total profits than foreign investments in the United States. Any realistic appraisal would take that into account. So long as the paper indebtedness of the United States does not lead to a net outflow of property income, it is misleading to regard the United States as a big debtor nation.

Income and outflow of foreign investments are accounted for in several ways in official U.S. statistics. The most common measurement is the difference between "factor income" – income and outgo defined as what the U.S. gets, on balance, in profits, from the rest of the world. This "rest of the world" income has been steady at between \$30 and \$40 billion a year for the last four and a half years.² Other measurements, however, show the foreign income to be quite small. But, however it is measured, the United States is not paying a net tribute to foreign capitalists over and above what U.S. capitalists receive from abroad.

Moreover, except in countries where payments on foreign debt are huge in relation to total production, no reduction in average living standards is needed to service that debt, since it can be more than compensated by increases in productivity.

Hence, propaganda to the effect that the United States must undergo austerity, that workers must suffer reduction in real wages in order to restore the balance of payments is dishonest. It is the self-serving campaign of big capitalists to seek profit from cutting wages and working conditions.

This is an excerpt from a report prepared for the National Board of the Communist Party, USA.

An extreme expression of that propaganda is by Pat Choate, director of policy analysis at TRW, Inc., who says that, on account of the foreign debt, "...to bring consumption back into balance with revenue will require a 4 percent to 5 percent cut in consumption and an increase in our saving's rate of two to four percentage points. Together this means a reduction in consumption by each American of as much as 10 percent per year for decades to come."

According to this idiotic formula, in 20 years per capita consumption would be slashed to 12 percent of its current level! In fact, the whole idea is to reduce workers' wages, not capitalists' profits. During the whole period that the U.S. has been a "net debtor," there has been an exceptional increase in the profits of capitalists.

The rapid decline in the net foreign balance of the United States began in 1984. Over the five years 1983-1988, personal property income of American property owners went up from \$710 billion to \$1 trillion \$16 billion, an increase of more than \$300 billion, or 43 percent, as against a 19 percent rise in the consumer price index. And the number and fortunes of the super-rich, as boastfully presented by Fortune and Forbes, rose even more rapidly.

This analysis does not signify that the United States is guaranteed against becoming, in every realistic sense, a net debtor. The rapid gains of Japanese capital at the expense of U.S. capital, and the built-in deficits resulting from the huge global spread of production by U.S.-owned transnationals, replacing former export markets, may well lead to such a situation. But all the losses, in that eventuality, would appropriately be absorbed by capital, which would bring about the situation in the first place.

BUDGET DEFICIT ■ The budget deficit of the United States is a legitimate cause for concern. When the Reagan-Bush gang won the election in 1980, one of the big issues was its pledge to reduce the federal deficit from the \$74 billion recorded in the fiscal year (FY) which had just ended (FY 1980). Instead, the Reagan Administration, by raising military spending and amputating taxes on the rich, succeeded in tripling the budget deficit in a few years.

Congress passed the farcical Gramm-Rudman Act, which supposedly compels "across-the-board" reductions in spending when the deficit was not eliminated within a few years. However, using both the legislative tricks built into the Bill and those invented for the occasion, Congress, with White House approval, has consistently evaded the mandate.

The deficit, as officially reported, fell from a peak of \$221 billion in FY 1986 to \$162 billion anticipated for FY 1989. However, this "reduction" was achieved by a manipulative ploy, the inclusion in the calculation of accounts that are not part of the federal budget, especially the social security trust fund. This reserve was piling up surpluses as a result of the higher tax deductions from workers' wages and salaries. The estimated on-budget deficit for FY 1989 was \$218 billion, and subtraction of the additional surplus in the social security trust fund and similar items was used to bring the publicized figure down to \$162 billion.³

As a result, the gross federal debt increased from \$900 billion in FY 1980 to an estimated \$2.9 trillion (\$2,900,000,000,000) in FY 1989 (more than one-fifth is held by various government agencies). Even using the unbelievably low official government deficit projection, the gross debt is scheduled to rise another trillion dollars in the following five years.⁴

But that's not all. Not taken into account are the mushrooming activities of the complex organizations that constitute state-monopoly-capitalism: loans guaranteed by the federal government; loans made by corporations and agencies guaranteed by the federal government; and loans made by privately-owned companies sponsored by and given subsidies by the federal government.

The largest of the government-sponsored companies are the Federal Home Mortgage Association (Fannie Mae) and a corresponding student loan organization (Sallie Mae). The activities of previously established agencies have been expanded and new ones set up. The borderline between companies whose debts are explicitly guaranteed by Washington and those whose debts are only implicitly guaranteed is quite hazy.

In FY 1989 the federal government was prepared to loan \$17 billion directly, to guarantee loans of \$113 billion; and to implicitly guarantee

new loans of \$391 billion, a total of more than a half trillion to be financed by borrowing and sale of stock to "the public."⁵

In 1988 the federal government's total new outstanding direct loans and guaranteed loans came to nearly \$800 billion and had outstanding contingent liabilities of \$3.8 trillion.⁶ With the continuing increase, the combination can safely be estimated at \$5 trillion as of the end of FY 1989. Adding these loans to the official gross deficit of \$2.9 trillion, that means the federal government has an actual and contingent liability of nearly \$8 trillion or, if some double counting and debts held by other government agencies are deducted, \$7 trillion.

A real example of these "contingent liabilities" was the savings and loan bailout, which runs into hundreds of billions of dollars and has led to the establishment of a new state-monopoly corporation, Resolution Trust Corporation, to handle the mess.

The consequence of the rising direct federal debt is the increasing absolute and relative share of interest payments in federal outlays. The huge quantity of these loans, guarantees and subsidies, adds to the overall rise in indebtedness, with consequent high interest rates, paid from our taxes, and financial instability. Interest payments are second only to military spending in the U.S. budget, and may catch up.

However, using the size of the government debt as an excuse to cut social programs is hypocritical considering the small weight of new social spending in the total spending and lending activities of the federal government.

A positive resolution of this complex lies not in liquidating agencies of state-monopoly capitalism, but in converting them into full nationalized, democratically controlled agencies that serve the needs of the majority of the people and are financed at the expense of the capitalist class. For a longer-term perspective, the burgeoning role of the state, necessary for the functioning of modern capitalism in one area after another, speaks loudly for socialism as the system that is consistent with the modern economy, without the profiteering and instability engendered by the network of arrangements.

POTENTIAL DEBT CRISIS ■ Indebtedness of the U.S. economy has zoomed in the past two or three years. The total outstanding debt has reached a record high in relation to the gross national product, and by a wide margin. The most unstable aspects of this debt of foreign borrowers to U.S. banks are discussed above, as has the increase in the federal government debt, actual, guaranteed and contingent.

The virtual collapse of the Texas banking industry and of large sections of the savings and loan institutions, their inability to pay their debts mainly to their depositors without government bailout, has been another serious factor that is far from concluded. In addition, various regional banking structures face difficulties as a result of the decline in the speculative residential and commercial real estate boom.

Perhaps the most unstable factor has been the increase in corporate indebtedness. In U.S. financial circles, the battle for control has taken primacy: groups of the super-rich organize consortiums of banks, pension funds and other institutions willing to provide billions of dollars in loans to finance buying out stockholders of large conglomerates. In return, the enterprise becomes a private company of the control group.

Since the bonds issued to finance the takeovers do not have adequate security, they offer extra-high rates of interest. They are junk bonds, which yield 13 to 20 percent interest, and are not held by small speculators: they are accumulated by respectable banks, insurance companies and other institutions.

How can that be justified, to pay 15 percent for borrowed funds that amount to 90 percent of the total capital of a corporation? The sponsors calculate on a gross profit rate considerably higher than 15 percent, and on taking off the top a much higher proportion of the gross profits than would be possible with a public company.

Suppose the rate of gross profit on total capital is only 35 percent far below that which applies for the most powerful corporations; and suppose that 90 percent of the capital is in bonds paying 15 percent, and that the new control group puts up 10 percent of the capital. Then we have the following situation:

	<u>Gross Capital</u>	<u>Rate of Profit</u>	<u>Return</u>
Total	100%	25 %	25%
Control Group's Equity	10	11.5	115
Bondholders' Investment	90	13.5	15

NOTE: Gross profit is figured net of outlays via taxes, sections of corporate bureaucracy, advertising, bribery, etc.

While this is the "long-range" perspective, the immediate payoff is the big factor: the takeover gang generally cleans up no matter what happens to the privatized corporation. For example: the group headed by UAL Chairman Stephen M. Wolf planned to put up only \$15 million of its own money to control the multi-billion dollar company in the takeover. But he and Jon C. Pope, the chief financial officer, would have cleared \$100 million at the start as payment for the stock options they had voted for themselves at the inflated price of \$300 per share.

Even in the "soundest" of these deals, the bottom line net increase isn't considered necessary. Deficits are reported after allowing for interest payments and for many large charges not requiring cash outlay. The bankers and sponsors figure there would be enough "cash flow" to cover the interest and the take of the control group for a long time to come, regardless of whether the privatized company would ever make a net profit by the conventional definition. That was the case, for example, with the RJR Nabisco takeover by the KKR (Kravis) group.

But even a narrow margin or error in projection can lead to a financial crisis in any of these highly leveraged deals. Some of them have already gone into bankruptcy, the giant department store empire created by the Campeau interests in Canada, for example. And a recession could plunge much of the \$200 billion junk-bond market into bankruptcy, with widespread consequences among banks, mutual funds, etc.

Workers are inevitably the victims of these deals. Sponsors use any tactic to cut down on labor costs in order to increase gross profits. The new corporate form opens the way to maneuver with wage agreements, pension funds, etc. A characteristic strategy is the sale of major parts of a conglomerate so as to raise cash for payments to the bankers.

In the case of the proposed UAL takeover, the UAW pilots union became part of the deal, with

dubious benefits for their members. But even these benefits would be at the expense of other UAL workers. Thus the UAW machinists union correctly fought the deal and helped, at least for the present, to sink it.

Taxpayers are also victims of these deals. Since the bond interest, as received by the banks, is not directly taxable, taxes are lost on what would otherwise be net income. In addition, the deals can be structured to reduce tax liability.

Instability in the stock, commodity and currency exchanges is an inevitable consequence of the speculative, highly leveraged, increased use of debt in the U.S. economy. Crises in this sphere, originating within the United States or abroad, are likely to be the triggering mechanism for the next recession.

With the accelerating internationalization of economic life, economic issues become more and more important. Three problems stand out, in order of urgency: the debt crisis of Latin American countries, primarily, but other nations as well; the changed balance of economic power and the intense rivalry among the major capitalist centers; and the growing pressure to demolish the barriers to trade with socialist countries.

LATIN AMERICAN DEBT ■ The bottom line of the Latin American and African debt crisis is that the developing countries, as a group, paid out to the major industrialist countries \$50 billion more than they received in 1988, taking all kinds of transactions into account. And this World Bank estimate is a rough underestimation of monopoly capital's plunder of these impoverished lands, with their burden of a trillion dollar debt. This burden dooms millions of people to deeper suffering, hunger, and, in many areas, death through malnutrition.

The crisis cannot be resolved by applying more of the International Monetary Fund's "austerity" dictates to squeeze out additional payments of interest: it requires cancellation of much of the debts. And this, in turn, calls for a political solution, which will be forthcoming only when genuine anti-imperialist governments reach power in major debtor countries.

Actually, there have been some moves toward non-payment, but those steps have not

eased the long-term problems of the debtor countries. The deterioration of their mass living standards continues unabated as the U.S. and other capitalists and governments keep laundering their resources.

For the most part, interest is still being paid, but with much fanfare, some countries, from time to time, have stopped payments. However, under pressure from creditor bankers, their governments and international agencies, they have resumed payments with back interest. That happened with Brazil and, apparently, Peru. The major exception now is Argentina, which hasn't paid interest in over a year. In that case, the U.S. government recognizes that losses are inevitable and has ordered U.S. banks to write off 20 percent of their Argentinean loans. But the new Argentine government is preparing to capitulate.

The critical situation is magnified as, at each crisis stage, capitalists of Brazil, Mexico, etc., take their money out of their own countries and put it in real estate and investments in other capitalist countries largely, the United States. These funds then become a lever in the hands of the creditor banks. Should any debtor government cancel its debt, without authorization Washington can declare a financial boycott and freeze the capital. This has been done in the past with revolutionary governments. As a result, to this day the USSR, for example, keeps only minimal funds on deposit in this country for essential trading transactions.

This year, Treasury Secretary Brady outlined a formula for Mexico: lender banks can offer the country either a 35 percent markdown on its debt, a 35 percent reduction in interest rates, or new loans to be used to pay interest and principal on the old debt, with U.S. government guarantee implied. The decision is on hold: the banks are stalling on a choice; Mexico wants a better deal. Involved would be the turnover of more Mexican productive property to U.S. owners, and lengthened IMF gut-squeezing austerity programs.

But, despite the fact that this procedure would still further impoverish and weaken the economy of Mexico, it is a step toward recognition that sooner or later the debts must be totally or largely canceled.

And within the United States, the money-center banks are again setting up reserves against

losses. In 1987, banks set aside reserves to cover only 25 percent of debts. Now some are providing up to 50 percent and the most financially powerful J.P. Morgan, has set aside \$2 billion to cover its entire debt, so that any fund collected will be added to future profits.

It is likely that eventually there will be a proposal for a huge taxpayer bailout, not to close the banks as in the case of many in the S & L bailouts but to salvage them. In fact, this is discussed as a certainty in the financial papers.

In the final analysis, U.S. imperialism relies on gangster methods to collect for its banks. That is the clear message delivered by the Rambo invasion and occupation of Panama, attended by the murder of hundreds of Panamanian civilians and the destruction of thousands of dwellings.

But these methods are beginning to isolate the United States, just as Hitler fascism ultimately was isolated and defeated. The American people have a major responsibility to demand an end to the Brady plan; IMF austerity programs, CIA, and other special operations, interventions, as well as of U.S. military invasions of other countries.

U.S. military power has been the ultimate arbiter in all Latin America as well as in the Philippines and other areas of the U.S. colonial and neo-colonial empire. Readiness to intervene, or to organize local fascist forces, center on the U.S. "Southern Command" in Panama. And Guatemala, the Dominican Republic and Chile are meant to be examples, a warning to forces that makeserious attempts at independence. Even little Grenada was given the treatment. But Cuba and Vietnam, showed that U.S. might doesn't always win, and the decline in its influence is demonstrated by its frustration in Nicaragua, and the prolonged stalemates in El Salvador and Afghanistan. Most significant is the growing unity of the American republics against U.S. military aggression.

The Reagan-Bush forces selected Panama as a special target because the military leader, General Noriega, followed an independent line and held the United States to its treaty obligation to vacate the Panama Canal Zone and turn over complete control to Panama in 1999. Various coup attempts organized by the CIA and its agents in Panama failed. All-out economic warfare including appropriating Panama's share of Canal toll receipts,

sealing (freezing) Panamanian funds in the United States, and stopping all normal commerce were unable to remove Noriega and permit installation of a U.S. puppet. Until finally, in December 1989, Bush sent 24,000 troops to invade Panama. Expectation of an immediate triumph was thwarted by the resistance of Panamanian military and civilians, and the invasion was immediately denounced by the Organization of American States, Cuba, the Soviet Union, and even some U.S. European allies.

World public opinion against Bush's "gun-boat diplomacy" deals a strong blow to U.S. and world imperialism, bringing closer the political prerequisite for the equitable economic relations set forth in the United Nations' New World Economic Order.

INTERCAPITALIST RIVALRY ■ The rivalry among American, Japanese and West European monopolies in international trade and investment is becoming more acute. In this complex situation, the outstanding feature is the escalation of Japanese capital at the expense of U.S. capital. This is illustrated centrally by the relative decline in the position of U.S. banks. The top 10 banks, in terms of assets at the end of 1988, were Japanese, with a French bank in eleventh place. Citicorp, the leading U.S. bank, ranked twelfth. This understates the true importance of Citicorp, however, which remains very close to the top in capital and still exceeds all others in profits. But other U.S. banks rank much further down.

The Japanese banks have an advantage in that they lack restrictive government regulations; they operate on a very narrow equity capital base; and they have low overhead, so that they amass profits while charging lower interest rates than their competitors.

In addition, Japanese finance capital is tightly organized, centered around the giant banks, and closely interlocks with the Japanese government in the expansionist drive. Japanese banks multiplied their international assets fourfold in five years, reaching \$129 billion at the end of 1988, while the international assets of U.S. banks declined somewhat to \$102 billion.

U.S. banks' 3 percent share in the Japanese market has dropped to 1 percent and is now a paltry fraction of Japanese banks' business in the

United States estimated at 25 percent of the total banking business in California alone.

Japanese strategy after World War II went through the following stages:

- The rebuilding and rapid development of industry, to the point where Japan, with half the population of the United States, has equaled or surpassed U.S. production in many important industrial lines, including steel, automobiles, and consumer electronics.

- All-out expansion of export trade, so that today Japanese exports of manufactures exceed those of the United States and are second only to those of West Germany. Moreover, Japan has become the pivot around which a number of countries in Southeast Asia rotate; it has, in effect, succeeded in creating the "Greater Southeast Asia Co-Prosperity Sphere" for which goal it launched its part of World War II.

- Emphasis on the export of capital, moving first into nearby rapidly developing countries and, most recently, China. For some years the shift has even been to industrialized countries, with emphasis on the United States. Alone among the countries occupied by the U.S. military after World War II, it has succeeded in blocking substantial American investment in Japan. Its investments in the United States by now considerably exceed U.S. holdings in Japan, a relationship unique compared with the U.S.-West European situation.

In 1988 Japanese purchases of U.S. companies came to \$20 billion, headed by the purchase of Firestone Tire and Rubber, and Intercontinental Hotels. In 1989, Sony's takeover of Columbia Pictures for \$3.4 billion, and a takeover of more than \$1 billion majority interest in Rockefeller Group, Inc., topped the action, although the dollar total was down from the previous year.

U.S. investment bankers are thronging to Tokyo to seek buyers for companies they represent. Japanese monopolies, accustomed to accepting a lower rate of profit are willing to pay top dollar for gaining control of major transnational corporations, as well as of trading companies, real estate, etc., and the Hilton Hotels are being offered at \$4.5 billion. The rumor in financial circles is that Japanese capitalists didn't bid for Sears Tower in Chicago for fear of political backlash because it is the tallest building in the world.

Akio Morita, the chief executive of SONY, lectures American capitalists on their alleged short-term outlook and advises them to learn to make their own capital goods instead of importing them from Japan! While Edward L. Hennessey, Jr., CEO of Allied Signal, complains that the Japanese market is closed "drum tight" (to U.S. goods and U.S. investment).⁷ A recent *Business Week*/Harris Poll, quoted in *The New York Times*, showed that, by a 2 to 1 margin, respondents felt that Japan's economic challenge poses a greater threat to America's future than the Soviet military.⁸

Japan's economic rise vis-a-vis the United States has been in two stages: first, Japanese imports gained as much as 25 percent of the U.S. car market and then, while maintaining much of the import position, they have become a major factor in car manufacturing in the United States.

U.S. officials threaten reprisals against Japan for alleged unfair trade practices, but they do nothing significant to carry out their threats.

For U.S. capitalists the trade-off is military/political. Japan acquiesces to indefinite U.S. military occupation. It cooperates even more than West European countries in the grand anti-Soviet alliance and knuckles under to COCOM trading restrictions. It builds up its military forces while other U.S. allies are trying to cut back.

The reactionary top leaders of the United States do not go along with the businessmen polled by *Business Week*. Despite publicized lip-service to the contrary, anti-Sovietism is still the prime objective, and economic conflicts with military allies are subordinated to it. It remains to be seen how long that priority can govern in view of the continuing losses of U.S. capital in rivalry with the Japanese.

An important feature of uneven development is the forthcoming partial economic unification of the countries of the European Community. This will consolidate the economic domination of West Germany in that area and, in anticipation of that step, the downward slide in the economic and financial position of Great Britain is already gaining momentum.

EAST-WEST TRADE ■ Trade between capitalist and socialist countries expanded at a substantial rate in 1989, including in some directions that

could scarcely have been imagined a few years ago.

- Trade between the USSR and Turkey expanded from \$340 million in 1987 to \$1 billion in 1989 and, according to the Turkish Ambassador in the USSR, will soon reach \$2 billion and go on up from there."

- A recent issue of a Soviet weekly.¹⁰ has an 8-page advertising section of South Korean companies.

- Signature in December of a bilateral trade and economic cooperation agreement between the USSR and the European Economic Community (EEC). It grants each side most favored nation treatment on the basis of the General Agreement on Tariffs and Trade (GATT) The agreement provides for the highest possible degree of trade liberalization, with the elimination by 1995 of quantitative restrictions on import quotas for Soviet goods entering the EEC. The USSR, in return, will provide improved conditions for EEC business representatives working within its borders, and a suitable climate for investment. Cooperation in many sectors is provided, with creation of a joint EEC-USSR commission to oversee implementation.

Prospects are that the booming East-West trade will expand further. Already there is the multi-billion dollar trade between China and capitalist countries, headed by Japan and the United States, and extensive trade between East and West Germany.

At the same time, there is a difference in reactions between the capitalist countries and those countries whose present governments are striving to overthrow socialism and restore capitalism in Poland and Hungary. There, the recipe, determined by the transnational corporations and the International Monetary Fund (IMF), is (as they say) "bitter pills" and "drastic slashes" in living conditions for the workers in order to turn the countries into super-profitable areas for neo-capitalist exploitation.

Indeed, in the case of Poland some Western politicians and economists are cautioning against moving too far too fast lest the Polish workers, long bamboozled by the "Solidarnoc" agents, strengthen their trade unions and the Communist Party and conduct a successful struggle to save socialism.

Major U.S. corporations are participating, to the extent possible, in the development of trade, joint ventures, and other forms of cooperation with the USSR. It is the largest single untapped market for U.S. business. But they are still hampered by the policy of economic warfare that has been carried out relentlessly by the United States ever since the October Revolution in 1917.

Currently this economic warfare includes embargoes on the export of all advanced goods, equipment and technology to the USSR; limitation on credits; and imposition of gross discriminatory tariffs against Soviet goods, which make the import of most of them impossible.

Moreover, the United States has involved its military allies, NATO and other capitalist countries in COCOM, a covert "Coordinating Committee" which meets in Paris and maintains the embargo lists. In general, the procedure assures that nothing can be exported to the USSR that isn't two generations, technologically out of date; nothing can be exported to "favored" socialist countries that isn't one generation, technologically, out of date; and whole major categories of goods are absolutely prohibited. Many West European countries are straining at these restrictions, and to some extent have bypassed them, but as yet not decisively.

Simultaneously, the United States maintains total economic warfare against Third World countries, socialist as well as any others that defy rule by U.S. puppets: Cuba, Nicaragua, North Korea, Vietnam are among the victims. Vicious actions include outright appropriation of the countries' properties that the U.S. government can lay its hands on, and the constant threat of military destruction. The years of all-out economic warfare,

climaxed by the invasion and colonial occupation of Panama, was a case in point.

Trade and financial relations, without discrimination or limitations, with all socialist and anti-imperialist countries, would be of tremendous benefit to the people of the United States. In fiscal terms, this would certainly be associated with disarmament agreements and rapid reduction in military spending, which in turn would provide vast opportunities for positive budget revision. Such a course would, without doubt, have to be fought for against reactionary forces. Industrially, this program would stimulate the greatest surge in production and exports this country has seen in decades. For consumers it would mean a broader variety of goods and services available, impeding monopoly and restraining inflated living costs.

Overall, even considering the internal contradictions of capitalism, a decisive turn in this direction would open the way for an important period of economic wellbeing. And for working people, African Americans, Native Americans and Hispanics, it would provide a better arena in which to carry on the struggles for their share of the nation's bounty and for equality in all areas of life. □

Notes

1. SCB, June 1989, Table 2, p. 43.
2. SCB, July 1989, Table 1.7, 42.
3. Budget of the U.S. Government, FY 1990,
4. Ibid, Table 17, 10-38.5. Ibid, Table 23, 10-44.
5. Ibid, Table 23, 10-44.
6. Ibid, Table 21, 10-42
7. Business Week, Oct. 23, 1989, 78.
8. Oct. 1, 1989, Business Section.
9. *Izvestia*, Sept. 20, 1989.
10. *Economic Gazette*.

A Malignant Growth In a Healthy Body

BEN RISKIN

In a report to the National Committee of the CPUSA, in January 1990, Gus Hall listed an important factor exacerbating and sabotaging the efforts of various Socialist nations to transform their societies and to correct many of their previous policies and practices. When, momentarily, imperialism does not feel it is ready for a military confrontation in some area, this does not end the danger of imperialist moves. In fact, that is exactly when it places greatest emphasis on the softening up process. In such areas it multiplies its efforts in subversion, infiltration, provocation, and sabotage.

U.S. and world imperialism have trained personnel on the spot, ready to move – openly or covertly – whenever the softening up process reaches the point where there is enough confusion to move. Such forces are ready and in action for every Third World and socialist country in the world,

Confirmation of Hall's analysis is to be found in the *AFL-CIO Officer's Report* to the 1989 Convention. Section 13 of that report, "Labor and the World," provides 34 pages of specifics about their role in the international labor and political developments: (250-284)

"The AFL-CIO's proud of its record of steadfast assistance to unions to build free unions and democratic societies," is how the introductory section puts it. "Carrying out this work are American trade unionists who are working in over 40 countries, often under difficult and dangerous conditions."

Here in the United States – a country which has never ratified the basic ILO conventions guaranteeing the basic rights of labor; where, during the Reagan/Bush Administrations, labor and civil rights have been undermined; where the state's police power and courts are used against striking workers; where scabs have been given legal job rights, displacing strikers fighting to improve

their wages and conditions; where the anti-labor Taft-Hartley and other repressive laws operate full force; where 50 million live below the poverty level, millions without homes, food or health care; where the death toll and injuries to worker on the job is on the level of military battle casualties – the AFL-CIO top leaders work to bring our nation's historic concern for human rights and democracy" to our foreign brothers and sisters.

"Peace, social justice, human rights, worker rights and democracy are the underpinning of U.S. labor's foreign policy," the report proclaims. (252), and then goes on to document the AFL-CIO's activities in this campaign in every part of the world

This seems to be quite a fine objective. Why should anyone object to such a program?

The answer lies in the difference between words and ugly deeds over a period of years.

Let's take a brief look at the record – a brief look since volumes have been published over the years, exposing how the U.S. used sections of the labor movement in its program to sabotage and undermine sovereign nations whose policies fail to conform with U.S. objectives.

Former CIO Director Alan Dulles set forth the role of the CIA against legitimate governments on three continents, without mincing words:

We would be foolish if we did not cooperate with our friends abroad to help them do everything they can to ... counter the Communist subversive movement." (*Intervention and Revolution* by Richard J. Barnet, Meridian, 1980, 264)

In Chapter 10, entitled "The Subversion of Undesirable Governments," Barnet noted that:

Any deviations from the standards which the United States has set for judging whether a foreign government is a responsible member of the Free World has been sufficient to convince the State Department that the government in question is 'subverted' and that it is fair game for the "countersubversive" operations from

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our side.

Under this policy, to this day, sections of the labor movement have been used by the CIA and the Administration for these "counter-subversive" operations.

In 1966, Victor Reuther, then UAW International Affairs Director, charged that the International Affairs Department "have permitted themselves to be used by the CIA as a cover for clandestine operations abroad." (*Detroit Free Press*, May 23, 1966.)

Reuther, brother of UAW's president, Walter Reuther, who was also vice-president of the AFL-CIO, was part of the IAD from its beginning and spoke from first-hand knowledge.

In 1967, Reuther himself was directly involved in a CIA operation. The CIA's director of "cultural relations," Thomas Braden, reported financing Irving Brown, then head of the AFL-CIO's IAD, and also giving Victor Reuther \$50,000 [In 1946 dollars!-BR] in \$50 bills for his work to split the German labor movement, after Hitler's defeat, by building anti-Communist unions there, thus continuing Hitler's work. (*The Saturday Evening Post*, May 20, 1967)

This tie between the CIA and the AFL-CIO continued over the years. In 1975, Philip Agee published his important *Inside the Company: CIA Diary*, describing his 12 years of CIA operations in three different companies. He named the AFL-CIO's American Institute for Free Labor Development as a "CIA-controlled labor center, financed through AID," the American Newspaper Guild as being used as a cover for financing the Inter-American Federation of Newspapermen; Joseph Beirne, then president of the Communications Workers of America and Director of AIFLD, as "an important collaborator in CIA labor operations." (603)

Irving Brown was identified by Agee as European representative of the American Federation of Labor and principal CIA agent for control of the International Confederation of Free Trade Unions." (604)

In 1976, former CIA director, George Bush and CIO Director William Casey formed their own CIA study group which developed "[as] central themes...terrorism/counter terrorism and democratization." (Nick Southall, *Guardian*,

Australia, Mar. 28, 1990).

In 1983, Reagan, with Bush now his vice-president, issued his National Security Directive #77, a classified order which gave the green light to the National Security Council to coordinate Project Democracy in its "political action strategies" to counter "the Soviet Union or Soviet surrogates." (Ibid)

In February, 1989, the AFL-CIO set up a subcommittee of executive board members on perestroika. It was chaired by Albert Shanker, president of the American Federation of Teachers. Shanker, a self-proclaimed "war-hawk," chastized Ronald Reagan for not having been ant-Soviet enough in his policies. In his keynote speech to the ultra-right Social Democrats USA convention, in 1982, Shanker made his position crystal clear.

Once one focuses on what is at stake in the conflict between Communist totalitarianism and the free world, all other issues become secondary. There's no doubt about that. Whether it's how fair the tax structure is, or what kinds of social programs we have, you name it - nothing else matters with the Soviet Union. (*New America*, January/February 1983, 3)

This is the chairman of the AFL-CIO subcommittee on perestroika.

IN THE WESTERN HEMISPHERE • The American Institute for Free Labor Development (AIFLD), founded 26 years ago by the AFL-CIO as its operating arm for this section of the world, has "trained" 5,000 labor leaders from Central and South America. Another 600,000 trade-unionists were "trained" in programs conducted in almost every country of this hemisphere.

While professing "free trade unionism" - free, that is, from any government intervention - funding for this program comes from the Agency of International Development (AID) and the National Endowment for Democracy (NED) Both are channels for U.S. government money. (*AFL-CIO Report*, 264)

Agee explains:

The main purpose of AIFLD will be to organize anti-communist labor unions in Latin America. However, the ostensible purpose, since union organizing is rather sensitive for AID to finance even indirectly, will be

"adult education" and social projects...First priority is to establish, in all Latin American countries, training institutes which will take over and expand the courses already given in many countries by AID. Although these training institutes will nominally and administratively be controlled by AIFLD in Washington, it is planned that as many as possible will be headed by salaried CIA agents. (244-45)

In 1987, more than 42,000 in 20 countries received special "labor training." In 1988, more than 44,000 unionists and 381 labor leaders were selected to receive advanced training in "labor techniques, political theory and action."

Special pamphlets in French, Arabic and English have been widely distributed to trade unions in Europe and Africa. A new press service - Interco Press - sends weekly articles to several hundred newspapers in Latin America, Asia, Africa, and Europe, in Spanish, Hindi, Portuguese, Urdu, Turkish, and Singhalese. These articles are carried by 188 papers - 51 in Latin America, 127 in Asia, 4 in Africa, and 6 in Europe.

IN ASIA • The Asian-American Free Labor Institute (another arm of the International Affairs Department of the AFL-CIO) operates in some 30 countries in Asia, the Pacific and the Near East. In 1988 alone, this institute held more than 1,450 "training programs" with more than 56,000 participants. While "the primary purpose...is to help unions better service existing members and organizing new ones, just as important is the 'informal advice and structural training'...to union leaders and activists on the role they can play in strengthening their fledgling democratic political systems." (AFL-CIO Report, 26)

IN AFRICA • The African American Labor Committee (another arm) operates in 31 African countries. In the last two years, working through the education departments of 25 labor federations, this agency "trained" some 200,000 African trade unionists. (AFL-CIO Report, 261) This trade union "training" involved providing vehicles, office equipment, communications and information machinery, printing presses, etc. - Lech Walesa can provide even greater details. The reaction of the South African Congress of Trade Unions (SACTU) to this activity is to be

found in its official organ, *Workers' Unity*, (No. 74-1989):

The 1983-formed National Endowment for Democracy (NED) which is aiming at "planning, coordinating and implementing international political activities in support of U.S. policies and interests...has spent around a half-million dollars over three years, training Black South African trade and community leaders in Israel. This has been revealed in annual reports of the NED. The Israel trade union federation, Histadrut, received NED grants to finance the courses, which have involved dozens of unspecified South African community figures.

The Free Trade Union Institute, still another of the AFL-CIO operations, provides the pipeline for channeling the flood of government dollars. To avoid the formal appearance of intervention in the affairs of independent and sovereign nations, the U.S. gives millions of dollars to the AFL-CIO, the Chamber of Commerce, the Democratic and Republican parties, the National Endowment for Democracy, so that they can turn in finance groups and organizations promoting "democratic" ideas and institutions. This is supposed to enable the U.S. government to protest that it most certainly does not interfere with the sovereignty of foreign governments.

IN EASTERN EUROPE • Thus, in Poland, using U.S. money piped through NED, the FTUI "provided financing and material assistance to Solidarnosc, sponsoring "progressive policies" that promote democratic change and assist Polish unions." (AFL-CIO Report, 268)

In Hungary, the USSR, etc., the FTUI operated similarly. Specifically, "It provided aid to worker activists in various republics of the Soviet Union." (Ibid) This may account for the fact that signs in English are somehow always in front of the television cameras at demonstrations throughout the world.

These then are only some of the anti-democratic, subversive activities carried on throughout the world by U.S. agents in the name of the American labor movement.

The other non-labor instrumentalities - the CIA, Radio Free Europe, Radio Liberty, Radio Marti, etc.-are perhaps better known and more

exposed. Generously, the AFL-CIO Report credits Radio Liberty as an "important voice for revolutionary change" in the USSR. "Similarly, it hails the work of Radio Free Europe in its East Europe operations.

In the Spring, 1990 *Policy Review* – organ of the ultra-right Heritage Foundation which annually sets forth reaction's program for the -Bush administration (and Reagan's earlier) – the AFL-CIO is credited with "giving Solidarity the support it needed when the going was toughest."

This was expressed by its editor, Adam Myerson, in his lead article which made no bones about the fact that every conservative government leader – Reagan, Thatcher, Krohl, etc,"adopted at crucial times, two policies usually associated with liberals – a crusade for international human rights and democracy, and negotiations with the Soviets to reduce tensions."

The punch line followed:

Without Western military and economic strength, promoted principally by conservatives, however, the rhetoric of democracy and tension-reducing negotiations would have been ineffectual. [Rhetoric! – BR].

There are an increasing number of American trade unionists and important top leaders of their unions who are critical about this role of the AFL-CIO. The heavy attacks by corporate America and its compliant government machinery on striking workers, the racist and anti-labor rulings of the courts, the NLRB, OSHA, the urgent domestic needs of the American people have all created a growing ground-swell of anger, frustration and calls for fightback.

This explains some of the convention struggles of recent years which led to adopting resolutions for cutting the military budget; for affirmative action; for ignoring AFL-CIO top leadership opposition to solidarity committees for El Salvador and Nicaragua; for visits by leaders and members to the Soviet Union; and the growing demands for Soviet trade unionists to be allowed into our country in behalf of nuclear disarmament.

The militant strikes in coal, telephone, aircraft transport, teachers; the growing solidarity within the trade union movement; the increasing number of union election victories in organizing drives on textiles, electrical manufacturing, auto, steel, hospitals, government, and universities – all are indications of the new trends developing in the labor movement.

To this add the political action machinery built during recent years in many union centers and at local and community levels, which were significant factors in the elections of Mayor David Dinkins in New York City, Governor Kenneth Wilder in Maryland and Jackie Stump in West Virginia, among other s.

The need is to remove the ugly malignancy of anti-communism in the international activities of the AFL-CIO that goes counter to these progressive trends.

The need is to develop true and untrammelled trade union unity in the common struggle against the global internationals.

The need is to put an end to the tragic usurpation of labor's good name to perform U.S. imperialism's dirty work. □

The Biography of Rose Pastor Stokes

Arthur Zipser and Pearl Zipser, *Fire and Grace: The Life of Rose Pastor Stokes*, Athens, GA, University of Georgia Press, 1989, 347 pp.

It is fair to say that, except for a relatively small number of longtime political activists and scholars, specializing in the history of the American Left, few students of U.S. history and politics have heard of Rose Pastor Stokes. Whereas, for decades in U.S. history college courses, anarchist Emma Goldman was treated with affection as a sort of political comedienne and the achievements of women reform movement leaders like Jane Addams and Florence Kelley were noted respectfully, Rose Pastor Stokes was an invisible woman, like her sister-in-struggle, Elizabeth Gurley Flynn and others whose political development, led them to the Communist Party USA. Even though she was a figure of great popular interest in her own time and her story, like those of John Reed and Louise Bryant, was the stuff on which American dreams and great movie melodramas have long been built, there was never, either in academic or popular writing, any free market in the lives of people whose stories could not provide object lessons of the evil or failure of Communism.

Arthur and Pearl Zipser, two lifelong activists for the socialism that Rose Pastor Stokes represented, have, in *Fire and Grace*, written a richly detailed, exciting, first rate biography of this remarkable revolutionary socialist and pioneer Communist Party activist. As a Polish-Jewish immigrant who grew to womanhood as a sweatshop worker in a Cleveland cigar factory at the turn of the century, Rose developed socialist sympathies and became a writer for a New York Yiddish newspaper, *The Jewish Daily News*. Subsequently, she met and married James Graham Phelps Stokes, a wealthy radical from one of New York's Four Hundred Families, and together they became active in the Socialist Party of Eugene Debs, Morris Hillquit, and Victor Berger.

With both sympathy and compassion for her political and social worlds, the Zipsers tell the story of Rose Pastor Stokes as a revolutionary socialist and a working-class Jewish woman, integrating and respecting the personal and the political. By under-

standing both the complicated class and ethnocultural conflicts that her marriage represented, one can fully appreciate her profound dedication to working-class struggles and to women's suffrage and birth control campaigns in the years before U.S. entry into World War I.

Her class background and activist experiences, as the Zipsers show, also make her gravitation to the anti-war, anti-imperialist Socialist leftwing understandable, as were her bourgeois radical husband's abandonment of the SP and his endorsement of Woodrow Wilson's war program when the anti-war activities of his wife and other prominent socialists led to their arrests and trials.

Her subsequent commitment to the Communist Party and to the new international Communist movement, in spite of the collapse of her marriage and the deterioration of her health, also makes sense, because, as the manuscript implies, in a non-sectarian way, the Communist Party was the most realistic way to continue to fight for socialism after World War I.

Rose Pastor Stokes died of cancer in a German hospital in June, 1933, a few months after the Reichstag Fire and Nazi terror crushed the German Communist and Social Democratic Parties and the workers movement and ushered in the monopoly-capitalist supported Hitler dictatorship. In the United States she was fondly remembered by her fellow Communists, who in the formation of the CIO and their fierce opposition to racism and anti-semitism, their dedication to a peoples democratic culture, were about to lend enormous impetus to the movements to which she was long dedicated.

Many others – writers, artists, trade unionists, feminists – whose paths she had crossed in so many campaigns, remembered her with affection and respect.

In *Fire and Grace*, Arthur and Pearl Zipser have recovered Rose Pastor Stokes. Unlike much of old and new scholarship, they have done it honestly, without sectarian rancor or commercial embellishment. The result is a book that is of real value to everyone interested in the still largely hidden history of the American Left.

Norman Markowitz

Vladimir Pozner's Story

Vladimir Posner, *Parting with Illusions*, New York, The Atlantic Monthly Press, \$19.90.

This is a hard-to-put-down book, a personal and political autobiography laced with well-told anecdotes and over-dramatized soul-searching. Readers will recall Pozner as Phil Donahue's opposite number in the Seattle-Leningrad "Space Bridge" broadcast and as a long-time Soviet radio commentator who frequently appears on U.S. television.

Pozner's amanuensis for this book, Brian Kahn, son of the late American progressive writer Albert E. Kahn, writes in his introduction:

Yet Vladimir, a humorous and friendly person, was often cool and distant. Never once during my visits to his Moscow apartment did he offer me a cup of tea or even a glass of water.

We met Pozner in the early 1960s, when we visited him at the suggestion of Jessica Smith, the late editor of *Soviet Russia Today* and its successor, *New World Review*. I had read his articles in *Soviet Life*, and was impressed with his optimistic outlook. Of this period, Pozner, in his book, writes:

There was a tremendous feeling of enthusiasm, which was justified by what the people saw. The standard of living was improving by leaps and bounds, labor productivity spiraled. [There were] the mind-boggling achievements of Soviet science and technology...Sputnik...There was magic in the air...an uplifting optimism, even a certainty, that things were growing to be absolutely wonderful. (59)

That is what Pozner was reflecting in his articles at the time we met him. But face-to-face it was different, there was a negativeness I couldn't understand. This book now accounts for my dilemma – for 30 years Pozner had serious questions about many aspects of Soviet life even though he was an able and effective propagandist.

His situation was unique. His early years were split between two homes. Born in France, he grew up in the USA. He was a rich boy in New York, attending the exclusive Town and Country School and, later, the prestigious Stuyvesant High School. At the age of 15, after World War II, he moved with his parents to the USSR, his father's homeland. His mother was French.

Vladimir loved New York City. He refers, several times, to the United States as his "real home." But he

was basically pro-socialist and, hence, pro-Soviet. Nevertheless, his criticism of the regime and of economic and political shortcomings in the pre-Gorbachev USSR is sharp, although moderated by accounts of the achievements of various Soviet individuals. At the same time, he is unsparing in his criticism of U.S. capitalism, with its contrasts of extreme wealth and poverty, its racism.

Conforming to the trend in the Gorbachev administration, he tends to assign equal blame to the USA and the USSR for the arms race, the cold war, etc. The Soviet peace policy has been real, consistent, and effective. So, too, was its anti-imperialism and its support for national liberation struggles. Gorbachev continues these policies, very skillfully. There is likewise some easing of tensions, although U.S. leaders continue the cold war in practice and are reluctant to take decisive steps toward disarmament. They carry out a broad offensive against socialism with new intensity while gloating over the destruction of Communism.

Pozner, a man of two social systems in life and in ideology, writes:

Franklin Delano Roosevelt saved capitalism by injecting a healthy dose of socialistic programs to correct the excesses of "free market" capitalism. ...To this day many of America's high and mighty hate Roosevelt [for this].

In a way, Mikhail Gorbachev is our Roosevelt.. He is in the process of saving socialism in this country...by injecting some of the things developed in capitalist countries: parliamentary and institutional pluralism, law-based society ... an economic marketplace, a degree of private enterprise and private ownership. ...[For this] there are many who hate him.

In the end, when push comes to shove, Pozner persists on the side of socialism, but "without illusions":

I am confident that humankind will create a human world. I have no illusions about being there to enjoy it. I no longer harbor illusions about any one society's having a lock on the truth, having all the answers.

Living all his life in the nuclear age, Posner mentions neither Hiroshima nor atom bombs, except for a passing mention that his hero, Andrei Sakharov, had a hand in making them. One would anticipate that Pozner, whatever his diffidence, will continue to use his talent to guarantee a "human world," assured of peace and justice.

Victor Perlo

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Either way, it's the capital of Armenia, the USSR's smallest republic.

KHABAROVSK Almost but not quite as far east as you can get in the Soviet Union (try Vladivostok, or Nakhodka, the main Pacific coast entry port for Japanese travelers). A main junction of the Trans-Siberian Railroad, which it is never called by the Soviets (to them it's the "Great Siberian"). On the Amur River, which forms the border with China for over 1000 miles.

This is the capital of the **NALCHIK** North Caucasian autonomous Republic of Kabardin-Balkar, in the Russian Federation. The perfect spot if you want a great view of the towering Caucasian range, not far from Europe's highest peak, 18,481-foot Mt. Elbrus. Be the first one on your block to go there!

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preserved in the Don Cossack History Museum, 25 miles from Rostov-on-Don, the gateway to the Volga Don Canal.

You don't **ORDZHONIKIDZE** have to pronounce it to enjoy the marvelous vistas of this capital of the autonomous republic of North Ossetia, on the northern slopes of the Greater Caucasian Range. It's the northern entrance to the spectacular Georgian Military Highway. The southern terminus is Tbilisi, capital of the Soviet Republic of Georgia.

PALEKH This is the place northeast of Moscow where superbly skilled artisans make those marvelous little black lacquered boxes, decorated with fanciful fairy tale paintings. It's just down the road from Ivanovo, 30 miles east, hang a sharp left at the traffic light.

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