Opposition mounts to Volcker's austerity

by Marcia Merry Pepper and Bonnie Mesaros

On Oct. 6, 1979 Federal Reserve Chairman Paul Volcker announced his so-called anti-inflation, tight-credit policy whose implementation has since made good on his statement to the congressional Joint Economic Committee that "the standard of living of the average American has to decline."

As the result of repeated Federal Reserve interest rate rises and related administration policies, every sector of the U.S. economy is now in rapid collapse. The construction trades are virtually all out of work. By conservative estimate, housing starts are dropping from over 2.1 million in 1979 to less than a million in 1980. Auto dealers are daily going out of business, and the 68,000 auto workers "indefinitely" laid off April 3, on top of 270,000 already unemployed epitomize the situation, across the board, in heavy manufacturing. Real farm income is expected to drop by fully one-third nationally this year; farmers are operating at below production costs.

The Volcker depression is here.

During the six months since the onset of this collapse, the national scope and impact of Volcker's policy has scarcely been reported, with the exception of *EIR* and a handful of other periodicals. Even more thoroughly blacked out of the nation's press is the national picture of resistance to these policies.

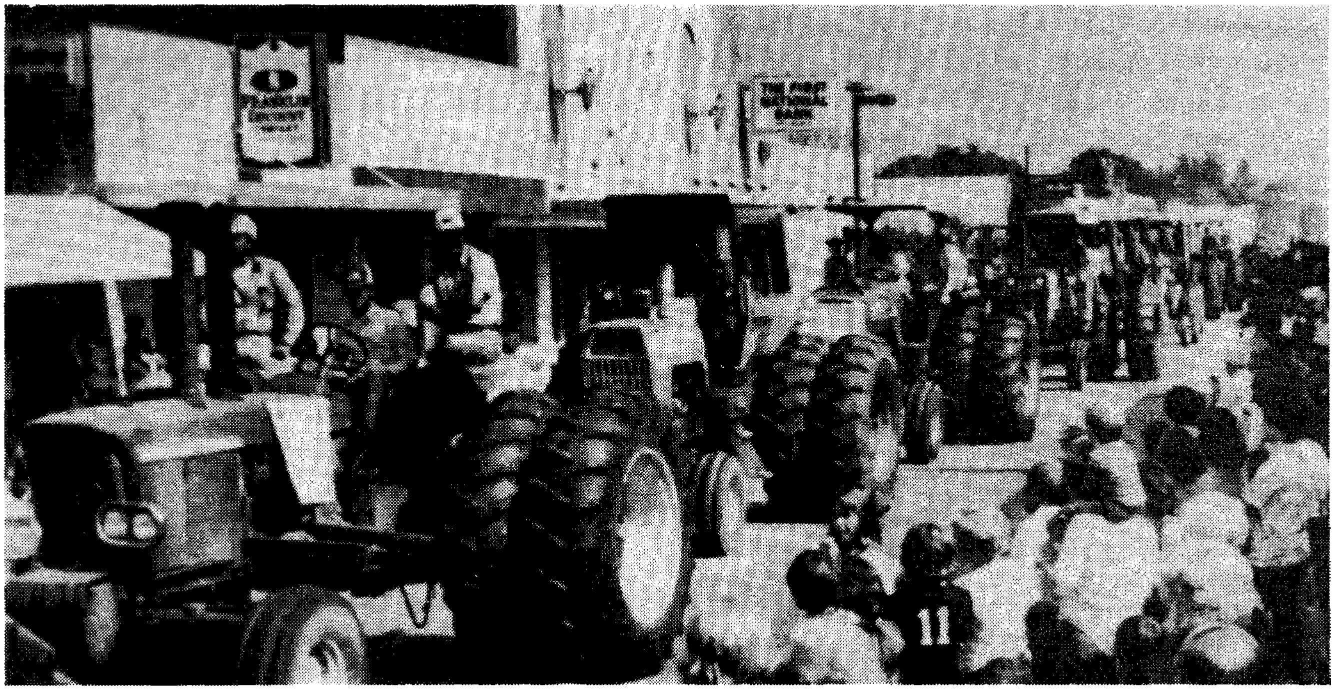
Numbers of institutions and individuals are taking public action against Volcker and the administration's depression. On April 8, a special resolution was passed in the Pennsylvania House of Representatives calling for a reevaluation of the tight-money policy. Albert L. ("Dapper") O'Neill, the chairman of the Boston City Council, is expected to introduce a similar measure.

A summary of these actions is presented here. What stands out, even in this limited survey, is the unprecedented degree of active opposition. The question remains whether this fragmented activity will coalesce into effective political action which can reverse the collapse-policies. On the answer to that question rests the future of the United States of America and much of the world.

State government

Legislatures demand more credit at lower rates

State legislators are now enacting legislation calling on the U.S. Congress to reverse—or at least reexamine—current tight-money credit policies. To date two state legislatures, Illinois and Pennsylvania have passed resolutions critical of Federal Reserve chief Volcker's interest rate hikes. The resolutions point up the threat of urban disintegration and economic chaos if these interest policies stand. Similar resolutions are pending in other states and more are expected to be introduced as minority, trade union and constituency political groups put pressure on their state legislators.



Farmers ride through a town in Georgia, protesting the farm policy of Jimmy Carter and Paul Volcker.

In **ILLINOIS,** the first anti-Volcker resolution, passed by both houses of the Illinois State Assembly Nov. 1, 1979, was endorsed unanimously as the result of bipartisan action by Democratic and Republican party leaderships. Introduced by Chicago's black Democratic State Representative Larry Bullock and 35 cosponsors, the measure reads in part:

"Be it resolved that the Illinois congressional delegation requests that Fed Chairman Volcker immediately lower interest rate levels and loosen tight credit money policies... or that President Carter accept Mr. Volcker's resignation."

Among the cosponsors of the resolution were representatives of business, labor, farm, and minority constituencies, as well as supporters of Republican presidential aspirant Ronald Reagan and Democratic contenders Edward Kennedy and Lyndon H. LaRouche. In November, LaRouche, the only presidential candidate who had called for Volcker's impeachment, issued a telegram of congratulations to the 177 members of the Illinois House:

"Today's actions by combined Republican and Democratic forces of the Illinois state legislature may prove to be the spark which leads our nation from the brink of a threatened deep recession."

The **PENNSYLVANIA** House of Representatives, following the Illinois example, passed a special resolution on April 8, 1980 calling for a "reevaluation" of the Federal Reserve's credit measures. The resolution was passed by a margin of 135 to 38, despite extraordinary measures to kill the initiative coordinated by Pennsylvania's Republican Governor Dick Thornburgh. State Representative Joseph Zeller (D-Lehigh), who introduced the original version of the bill Nov. 14 just after the Illinois resolution was passed, led a strong fight for its adoption.

Zeller is active both as a legislator and as a member of the IBEW (International Brotherhood of Electrical Workers) in promoting industrial growth in his home state. Zeller also helped form a commission to investigate environmental sabotage at the Three Mile Island nuclear plant in Harrisburg last spring.

The Pennsylvania bill, House Resolution #154, states that the "economic and social well-being of Pennsylvania is dependent upon the availability of a plentiful supply of low-interest credit which allows for the continuous growth of businesses, agricultural and manufacturing concerns that are located in this Commonwealth." It cited especially the disastrous effects which high interest rates would have on the homebuilding industry in terms of jobs lost in the building trades and related sectors.

The bill had languished in the legislature's Federal-State Relations Committee for several months, where it was watered down by a faction led by committee chairman Jeff Piccola (R-Dauphin). The resolution was finally scheduled for a vote when Zeller, with the support of 25 Republican and Democratic legislators, initiated an extraordinary "discharge" procedure to speed its passage.

When the bill easily passed on the first vote by 170 to 3, Governor Thornburgh's colleagues insisted that the tally was not trustworthy because electronic tabulation machinery had malfunctioned! During the "retally," attempts were made to armtwist legislators into voting against the bill, but with little effect.

In **NEW JERSEY,** the "Illinois resolution" was adopted by the State Assembly in December 1979. Sponsored by Assemblyman Robert Burns (D-Bergen County), the bill had the support of trade unionists including the county laborers, Steelworkers Local #2399and Steamfitters #475.

In the **MARYLAND** State Senate, a resolution similar to the Illinois Bullock resolution is now pending, Senate Joint Resolution #58, introduced by Baltimore legislator Clarence Mitchell III, chairman of the National Conference of Black Legislators, calls for Volcker's firing if interest rates are not lowered. In an unusual move, black community leaders from Washington, D.C. have become involved in the Maryland fight to get the Mitchell resolution passed. Jonas Milton, former chairman of the Washington, D.C. Steering Committee of PUSH (People United to Save Humanity), Ralph Greene, Secretary of the Federal Printers Union, and Rev. John Shaw, Grand Master of the International Masons Washington, D.C. chapter, have forwarded a special statement to Mitchell and to Harry McGuirk, chairman of the House Economic Affairs Committee, urging passage of the bill.

In **CALIFORNIA,** 125 out of 500 members of the California Democratic Council signed a resolution last month urging the repeal of the Volcker's high interest measures. In its March meeting, the influential CDC voted to table the resolution for further study. The resolution is now circulating among state legislators.

In **MICHIGAN** in early April, Mary Sutter, president of Democrats for Progress in the city of Melvindale, and Michael Brow, a former Democratic delegate candidate from the 78th election precinct in Taylor, endorsed a strong anti-Volcker resolution which is being circulated among city and state political layers. The text notes that the Volcker credit squeeze is triggering the collapse of Detroit's auto and homebuilding industries, along with Michigan agriculture:

"We as Democrats call on our presidential candidates to assume leadership in demanding an immediate rollback of the Volcker high interest rates to the 7 percent level. The economist Milton Friedman is wrong: we do not need wage and service cuts to industry in order to control inflation. If anything, these are the very policies tht have caused a 20 percent inflation rate..."

The resolution calls on the Democratic Party to select a "presidential candidate committed to industrial expansion through cheap credits as the means to expanding productive employment. This is the old American way of ending inflation and creating jobs."

City government

Budget-cutters face strikes and protests

Volcker's depression is hitting American cities hard. Cuts in municipal services, transportation, police and fire protection, and public education are leading to dangerous depopulation of once great urban areas. The escape of productive industries to suburban locations, or their collapse, has decimated the tax base upon which cities depended for revenues.

All this is leading to opposition to the most visible cause of the economic collapse: the spiraling interest rates mandated by Paul Volcker's Federal Reserve.

The most graphic example is New York City. Here, the Transport Workers Union (TWU) returned to work April 12 after an 11 day strike—the first in 14 years and only the second in its history. The union was up against not only a city administration led by Mayor Ed Koch, who was promoting the transformation of the city into a replica of Maoist Peking (from which Koch recently returned), but also the Metropolitan Transit Authority, which is carrying millions of dollars in ancient debt service. This week members of the TWU will be voting on their contract while the Koch administration prepares for the next round of negotiations with police and firefighters. Unlike the mayor's office, most political observers realize that the budget slashers face serious opposition to any further degree of austerity.

A number of U.S. cities have had, or are about to have, anti-Volcker-interest-rate resolutions introduced.

In **NEWARK,** N.J., the Newark City Council unanimously passed a motion Nov. 7 similar to the Illinois State General Assembly resolution introduced by Democratic State Representative Larry Bullock Nov. 1. The Newark bill was introduced by Democrat Henry Martinez and seconded by Donald Tucker.

In **MILWAUKEE,** Wisc., a resolution was passed Nov. 15 in the City Council based upon the Illinois mandate. On April 11, the Milwaukee County Homebuilders held a 3,000-person rally at the Fair Grounds. Participating along with the Homebuilders were the Milwaukee County Building Trades and Realtors. Citing the fact that five years ago there were 15,000 housing starts in Milwaukee County and today, at current start-up rates, this will drop to *less than 500* for 1980, James Elliott, president of the Building Trades Council, demanded:

"We must reverse the high-interest-rate policy. ... these people (Volcker and the administration—ed.) are out to destroy the American dream. ... We're going to hell in a handbasket. ... We need to fight for decent wages, decent profits, and let them know in Washington that their policies are killing the American dream!"

In **BOSTON,** Mass. during late April City Council Chairman Albert "Dapper" O'Neill will introduce a resolution to the Council based on the Bullock bill. This version stated that the nationl consequence of current interest rates will include the loss of 800,000 construction jobs and deadly cuts in police and fire protection as states and cities are driven from money markets. Massachusetts has already withdrawn from the bond market as the 20 percent prime rate has made it impossible for the public sector to compete. This, in turn, has led to the shutdown of 13 public schools in the city of Boston alone. Boston Mayor Kevin White recently announced 500-600 municipal layoffs among nonuniformed city workers, including health and hospital employees.

In **WASHINGTON,** D.C. one of the most severe urban austerity drives has been initiated under Mayor Marion Barry. Twenty-two schools have been closed and 1,000 teachers laid off under budget cuts of $50 million. Political insiders are predicting race riots in the prisons for the summer, when 100 guards will be laid off simultaneous with greatly increased inmate population.

In this context Calvin Lockridge, president of the D.C. City Council, will introduce later this month a resolution calling for immediate reversal of high interest rates. Supporting Lockridge is the Coalition of Citizens to Save Washington, D.C., which sponsored a 50-person rally against budget cuts in the City Council Chambers April 10.

Labor movement

Unions lead the way against Volcker

Action against Volcker's policy, particularly in key states like Pennsylvania and Illinois where the state legislatures are on record opposing tight money, have received most of their impetus from organized labor.

For six months, the building trades, immediately sensitive to the impact of a credit squeeze on the construction industry, have been especially outspoken. Now, with the cumulative effect of Volcker's policies being felt in widespread auto and other heavy-industry unemployment, union backing for the extended unemployment benefits has become a generalized part of labor's anti-Volcker efforts.

- Nine hundred United Auto Workers members rallied the second week in April at Cobo Hall in Detroit to show support for Senator Riegle's new bill mandating unemployment benefit extensions from the current 26 weeks to 39 weeks. Along with Sen. Riegle, Detroit-based Congressman Carl Levin, a cosponsor of the bill, and Detroit Mayor Coleman Young, like Riegle both Democrats, used the rally as the occasion to attack administration economic policies.

- In March in Detroit, several hundred Teamsters, members of IBT local #299, demonstrated against a campaign appearance by Ted Kennedy and particularly against Kennedy's program for deregulation of the trucking industry which was identified with the economic destruction implied by the administration's overall domestic policies.

- On "Save Our Housing Day," April 8, Building Trades members in a number of Michigan cities formed the backbone of anti-high-interest-rate rallies.

- At the beginning of April, the Wisconsin State Laborers Council met to discuss a resolution demanding Volcker's resignation and launching a statewide labor rally in Madison to back this demand. The resolution was introduced by local union President Roy Cronin, who endorsed the LaRouche presidential campaign in the state's April 1 primary. Cronin also led the discussion, which ended with a temporary tabling of the resolution.

  Wisconsin Building Trades executive board members have individually endorsed the resolution, including: Darrell Lee, president, Laborers local #140; Don Brandt, president, IBEW local #195; Elmer Kuepel, vice president, IBEW #195; and Roy Cronin.

- On April 8, the Milwaukee "Save Our Housing Day" demonstration drew 3,000 participants. Wisconsin Building Trades President James Elliot addressed the rally with a harsh attack on high interest rates as the destruction of laborer and contractor alike.

- In early April Robert Gibson, newly elected president of the Illinois state AFL-CIO, predicted "woes ahead for the labor movement" unless the Volcker measures are reversed. In his first public address as AFL state president, Gibson pinpointed the destruction of homebuilding and purchasing, and union-busting, as immediate results of the administration's stance.

- In mid-April, Buffalo, N.Y. Teamsters local #375 President Charles David and Binghamton IBT #693 business agent John Tarr endorsed a resolution modeled on the Wisconsin State Laborers Council formula denouncing Volcker and endorsing the Riegle bill.

- During the Transit Workers Union strike in New York

City, which ended April 12 pending further negotiations, citizens groups intervened effectively against the austerity package being promoted by Mayor Ed Koch, Governor Hugh Carey, and the White House. A mass leaflet comparing Volcker and Koch's austerity program to the genocidal depopulation of Cambodia by Pol Pot appeared throughout the city. TWU leaders publicly identified the Koch-Metropolitan Transit Authority posture as one of "planned shrinkage," and other unionists, including State AFL-CIO head Ray Corbett, floated general strike threats. The 100,000 or more citizens group leaflets which flooded the city are thought by many to have hastened the end of a strike which Koch originally announced would be prolonged for months.

• Three Central Labor Councils in New Jersey—Bergen, Passaic, and Camden counties—have endorsed a similar anti-Volcker, pro-Riegle-bill resolution, as has the Bergen County Building Trades Council. The president of the Cumberland County Labor Council, Henry Hill, has also endorsed the measure, and resolutions are under discussion before all the councils to establish statewide hearings on the economic crisis. Hudson County Carpenters executive August Ebel and Bernard Johnson of the Bergen Carpenters are backing the resolution.

• On April 10, LaRouche campaign representative Lawrence Freeman addressed an anti-austerity rally in the nation's capital which drew representatives of government employees, police and teachers.

On the farm

Farm organizations demand probe of Fed

The American farm sector is in acute crisis due to Volcker's high interest policy and related administration measures such as the Soviet grain embargo. George Stone, president of the National Farmers Union, described the situation simply in an April 14 *Chicago Tribune* article:

"...Farmers are operating at below production costs... many are threatened with bankruptcy. The most immediate problem facing farmers, is the cost of operating loans that are as high as 22 percent...."

Dozens of farm associations are in motion against the Volcker-Carter austerity and credit control policies that are provoking bankruptcies and production cutbacks.

• On April 10, a group of 10 leaders of major farm organizations confronted Paul Volcker in his Washington offices, demanding that the Fed chairman authorize a liberalization of seasonal borrowing privileges for the rural banks to funnel urgently needed cash into the farm sector. "Agriculture is at the lowest ebb ever," Merlyn Carlson, president of the National Cattlemen's Association, told the press, "and that message came across loud and clear to the Federal Reserve." A spokesman for the American Agriculture Movement condemned the Carter-Volcker policies, saying they were "like pouring gas on a fire; they're making it worse."

• Also in April, Rocky Mountain Farmers Union President John Stencl called for a congressional investigation of the Federal Reserve. Citing the "tremendous economic pressure" crushing farm families in Colorado and Wyoming, the area Stencl represents, Stencl stated:

"Now, with record high energy rates creating an unbearable burden for agriculture farmers and ranchers are beginning to question their very survival.

"The Federal Reserve Board keeps telling us that high interest will slow the use of credit. But for the past 30 years, the economic policies of this government have made agriculture dependent on credit. If farmers and ranchers cannot obtain the credit they need at a price they can afford, they have no choice but to go out of business or cut back production. I think it's about time we find out who the Federal Reserve is serving."

• On March 28, the American Farm Bureau Federation formally withdrew its support for the Carter administration's embargo of more than 17 million tons of wheat and feed grain shipments to the Soviet Union. In repudiating the embargo, the Farm Bureau —representing more than three million farm families—charged that the grain trade cut-off was "ineffective and damaging both to American agriculture and to the nation's economy."

Bureau President Robert Delano pointed to the fact that Agriculture Secretary Bergland had promised farmers that they would not incur losses as a result of the embargo. "We have waited for three months," Delano said. "It is past the best time to act in keeping this promise." On April 14, the Commodity Credit Corporation—the federal agency chiefly responsible for intervening in the grain markets to buy and finance sizable amounts of grain for export—announced that the latest administration policy would be to cease attempts to mitigate the loss. Immediately, wheat prices fell between 10½ and 13½ cents a bushel on the Chicago Board of Trade.

• On April 4, the Farm Bureau leadership of several Illinois farm counties held press conferences demanding appropriate emergency action by the federal government for the farm sector. Illinois Farm Bureau President Harold Steel called for President Carter to agree to an "emergency discussion" by phone or in person.