

Sweeney tells Davos Forum to reject post-industrial 'U.S. model'

by Marianna Wertz

AFL-CIO President John J. Sweeney was one of a handful of speakers, at the Davos, Switzerland World Economic Forum, who dared to speak the truth about the state of the world economy, and particularly about the "U.S. model." While many of the banking elite who spoke lied their way through glowing reports about the "American economic recovery," Sweeney, who addressed the forum both on Jan. 31 and Feb. 1, starkly warned developing nations and Europe not to follow the United States in its embrace of "neo-liberal," i.e., free trade, policies, describing the destruction that such post-industrial policies as "flexible markets" and "downsizing" have wreaked on this nation.

Sweeney's remarks added an important sense of reality, particularly when taken in tandem with the discussions of an imminent international financial collapse among top financial and economic circles, which occurred in the corridors of the forum, as we discuss in both the lead article to this section, and in the Editorial.

The additional significance of Sweeney's having spoken out boldly at the Davos forum, is the increased leverage it will give him as a leader in the United States, where the AFL-CIO has announced its intention to launch an offensive against the neo-liberal agenda at its annual Executive Council meeting, scheduled for Feb. 17-21 in Los Angeles.

In his Jan. 31 speech, "Social Cohesion in a Competitive World," Sweeney addressed the fallacy that, "in the global economy, competition requires cutting back on worker rights and social provision." It is untrue, he said, "that the measures that make working families secure—good wages and safe working conditions, health care, clean air and water, secure pensions, and, yes, strong unions—are not benefits, but burdens to competition.

"This assumption may be the fastest growing export of what is called the U.S. model. But I am here to warn you. With all due respect, it is a highly costly, very toxic export, dangerous to the health and welfare of working people and national economies across the world.

"You need not take my word for it. Simply look at the turmoil in South Korea, the newest member of the Organization for Economic Cooperation and Development (OECD). Consider the popular support given the resistance of public

workers in France, cornerstone of the European community. Remember the virtual general strike in Argentina, celebrated as a success story of South America. Across the globe, the attempt to compete by cutting back on basic rights and guarantees is meeting a growing resistance.

"The U.S. experience—looked at in its entirety—suggests that competitiveness and social cohesion can and must work hand in hand. That they are seen as contradictory today reflects not any law of economics, but a failure of human imagination and public policy."

The postwar social compact

As he has often done since his election in October 1995 to head the AFL-CIO, Sweeney spoke of what the United States was like before it was taken over by post-industrial policies. "For a quarter-century or more after the end of World War II, there was widespread social solidarity in the U.S. and in most other advanced industrial societies. Most people lived by and benefitted from a set of common values, of shared understandings—a social compact, if you will. Business, labor, and government assumed that working people were entitled to a fair share of the wealth they produced. Unions and business grew strong together. Rich and poor alike benefitted from economic growth. Living standards rose.

"In the last quarter-century, that world has been transformed," he said. Now, though the stock market is soaring and executive salaries are skyrocketing, Sweeney said, "most people are working longer and harder just to make ends meet." This is the result, he said, "of corporate choices, not economic laws. Too many companies rewarded by government incentives have taken the low road in international competition. They are cutting their workforces, their wages, and benefits. They are fighting against working people and their unions. They scour the globe in search of places where working people have low wages and no rights.

"This road has been paved by conservative administrations that cut back on the protections afforded working people, consumers, and the environment. They joined the assault on unions and labor rights. They passed trade agreements designed to protect the rights of those who invest their money, while ignoring the concerns of those who invest

their time and labor.” This cannot be sustained, Sweeney said, pledging that the AFL-CIO is “responding with a new emphasis on organizing in the new economy, greater political mobilization, and a renewed international commitment, supporting the struggles of workers and for worker rights across the world.”

The labor leader called for a change in the attitudes of both business and unions. “At the AFL-CIO, we realize that we can no longer focus on the short-term interests of existing members. We will devote more of our energies to the longer-term interests of all working people. No longer can we take the position that quality, productivity, and profits are not our business. They are our business; indeed they are our very livelihoods. We see it as our responsibility to help forge new, more productive workplaces, to help American business compete in the world, to create more wealth for their shareholders—and for their workers.

“At a policy level, new rules are needed to make the global marketplace work for working people—so companies compete by their ability to produce products of value, not by their willingness to impoverish their workers or despoil the environment. We need new boundaries on financial markets that favor long-term investment over short-term speculation. We need an end to incentives that favor companies that slash and burn over those that build and grow. Basic social guarantees—health care and social security, the right to join and form unions, the right to due process on the job—must be strengthened. Greater investment in and commitment to education and training is vital.”

Sweeney concluded this first speech by challenging the attendees to “take as their mission the creation of a vibrant global economy that will lift up working people throughout the world, rather than drive them down. That is essential to any sound economic policy. It is also a basic moral measure of who we are, and what we create.”

Neo-liberalism is a failure

In his Feb. 1 address, Sweeney spoke on the question “Economic Growth: Should the U.S. Model Be Emulated?” Here, Sweeney made what he called two simple points: “First, much of what is fundamental to America’s economic growth simply cannot be exported or emulated. Second, what is offered for export offers neither a magical key to growth nor a sensible answer to the challenges we face.”

He outlined what he called the “basic building blocks” of America’s real economy—not the post-industrial mess it is today—and said these are “difficult to copy”:

- a unified, open market of over 250 million people, anchored by a large middle class, spread over a continent with abundant natural resources;
- a currency with a unique global role, including the fact that oil prices are set in dollars;
- a well-educated and highly skilled workforce, one in four having graduated from college, replenished each genera-

tion with new waves of hard-working immigrants.

Sweeney then tore apart the lies about the “neo-liberal version of the American model,” which was held out for example by most of the Davos speakers. This model, he said, “offers no answer to the fundamental economic challenge of our day.”

“One proof of this is its failure in the countries that have tried it. Many less-developed debtor nations have imported—often against their will—the constricted definition of the U.S. model: export-led growth, tight money, tax breaks for the affluent and cutbacks for the poor, deregulation of corporations, flexible labor markets, weakened unions. Often this package is the price imposed by the International Monetary Fund, the international development banks, and private markets for access to loans and investment.”

‘Consider the underside’

Sweeney warned European nations who are being seduced with this “U.S. model” not to believe it. “Consider the seldom-mentioned underside of the American experience,” he said. “Only 11% of the private workforce is represented by a union. One in five workers goes without health insurance. Millions more are underinsured. Corporations are cutting back on pensions and benefits, increasing hours and decreasing vacations. One in four children is born into poverty. Working people get little help for daycare, no child payment. No paid family leave. Middle-class families go into debt to finance the education of their children. Inequality is at a level not seen since before the Great Depression and growing worse each year. The desperation of our inner cities is a moral disgrace.”

To imitate these labor practices in Europe, Sweeney warned, “would trigger massive worker resistance. . . . Far from being a cure-all, the attempt of any advanced European social democracy to imbibe the neo-liberal version of the U.S. model would create massive social upheaval, with far greater economic costs than benefits.”

Sweeney concluded his intervention with a call to “challenge the limits of this debate.” This new global economy must be made to work for working people, he said. “I suggest to you that the growth of the global marketplace and the deregulation of financial markets has unleashed capital from the social regulation needed to protect it from itself. In these conditions, corporations don’t need more freedom; they need more accountability. Financial markets need more, not less, regulation. Workers need to be empowered, not weakened. The problem is not that governments are too strong, but that they are too weak. . . .

“Different countries face different problems and will seek different solutions. But one thing should be clear. The constricted U.S. model now offered for export has no answer to the fundamental challenge we face. For Europe, it offers, not a way out, but a very rocky road to what is fundamentally a dead end.”