

U.S. labor federation issues a call for 'Global New Deal'

by Marianna Wertz

The Executive Council of the AFL-CIO, representing 13 million trade union members in the United States, issued a resolution at its Oct. 13-14 meeting in Monterey, California, calling for a "global New Deal." The resolution, titled "U.S. Workers Addressing the Global Crisis," represents an important policy intervention, setting forth concrete proposals to deal with the global financial crisis from the standpoint of the interests of working people internationally.

Thea Lee, Assistant Director of Public Policy for the AFL-CIO, told this reporter on Oct. 27 that the resolution had several authors, including members of the International Affairs Committee, which is chaired by Jay Mazur, president of UNITE! (representing needletrades, industrial and textile employees), and the Economic Policy Committee, chaired by George Becker, president of the United Steelworkers of America. UNITE! and the Steelworkers have been at the forefront of the AFL-CIO's fight against free-trade policies.

In general, Lee said, "all of us felt that things are so serious, the kind of deterioration we see in the global economy, that we should put forth our concern and sympathy about it, but also a policy direction."

Rebuild the economy 'from its foundations'

The resolution calls for measures similar to what Lyndon LaRouche has been advocating: capital controls, global debt relief, regulation of speculators, an end to bailouts of creditors, emergency international efforts to avoid famine in Russia and Indonesia, and the rebuilding of the global economy "from its foundations." Asked if she were familiar with LaRouche, who has called for a New Bretton Woods policy, she said she was, and that the AFL-CIO would probably support such a policy, although "there are a lot of different meanings" to a new Bretton Woods, she said.

In addition, Lee said, the AFL-CIO is interested in "recapturing the original mission of the International Monetary Fund, which was to provide liquidity in the international financial system in times of crisis, as opposed to imposing an ideology on developing countries and their domestic policy."

There are aspects of the resolution which are simply wrong, such as the opening statement, which declares this to be the worst global crisis since the Great Depression, when in fact it is the worst crisis in 500 years or more; or the call

for lowering interest rates as a cure for the economy's ills. Nevertheless, its general thrust is very important, as is the fact that the organization representing the interests of American workers has so boldly come out fighting at this time.

A second resolution, "Multilateral Agreement on Investment" (MAI), passed at the same Executive Council meeting, addresses the problems with globalization as well, from the standpoint of opposing the MAI, a treaty which is under negotiation by the Organization for Economic Cooperation and Development. The MAI's underlying objective is the abandonment of national sovereignty with respect to economic policymaking.

We publish here the full text of the AFL-CIO resolution, "U.S. Workers Addressing the Global Crisis," and excerpts of the resolution, "Multilateral Agreement on Investment."

Documentation

U.S. Workers Addressing the Global Crisis

Today, the world faces the worst economic crisis since the Great Depression. Economies across the globe are in trouble, and nations generating 40% of the world's output are in recession. Japan's decade-long slump threatens to turn into full-scale collapse, the Asian tigers are decimated, the Russian economy has imploded, and the contagion threatens to spread even further. Our economy is not immune and is already paying the price of global turmoil.

The loss of manufacturing jobs has accelerated—over 150,000 since January—our trade deficit has soared, and turmoil in financial markets reflects sharply reduced consumer confidence. The prospects of a crushing recession loom.

The United States must lead the effort to get the global economy growing again. The global crisis has been too casually described as a financial panic. It is far more serious. The real economy is tottering at home and abroad, yielding massive unemployment, crushed aspirations, and the prospect of widespread political unrest.

Emergency steps must be taken now to keep the crisis from leading to a global depression.

Interest rates in the United States and Europe must be reduced, and Japan must encourage growth by repairing its banking system and spurring domestic growth.

The global community must organize emergency international efforts to feed the families of workers who have lost their jobs through no fault of their own. In Russia and Indonesia, international aid is vital to avoid famine.

While crucial in the short run, steps to restore growth are not enough. We need a global New Deal that establishes new rules to temper the excesses of the market; promote sustainable, egalitarian growth; and assure that the rights of working people everywhere are respected.

The roots of this crisis are clear. De-regulated capital markets and floating currencies create tidal waves of short-term financial flows that level real economies. President Clinton is right, “new financial architecture” is needed, but cosmetic reform is not enough. The global economy must be rebuilt from its foundations. Basic building blocks must include:

- New controls on short-term capital flows at a national and international level, including sensible regulation of banks and speculators. The IMF must stop requiring that countries in crisis dismantle controls on short-term speculation and must radically alter its standard prescription of domestic austerity and export-led growth. The Multilateral Agreement on Investment, the ultimate expression of the old order, should be abandoned immediately.

- A transformed IMF and World Bank that focusses on financing growth and broad-based prosperity. Both the “moral hazard” of bailing out creditors who help cause the crisis, and the “immoral hazard” of enforcing austerity on the workers who are its victims must be ended.

- Global debt relief to ensure that nations are not forced to become export platforms to repay foreign creditors, trapped on a treadmill of competitive devaluations and competitive trampling of worker and environmental rights to attract foreign investment.

- Trade, investment, and other multilateral economic agreements must be written to assure that the promise of global growth does not become an ugly race to the bottom as investors seek the most exploitable worker or the most degradable environment. . . .

The lessons of this crisis are clear. De-regulated global markets, whether for capital and currencies, or for labor and goods, are not sustainable. They produce speculative, hot-money explosions and a relentless search for lower costs that devastate people, overturn national economies, and threaten the global economy itself.

We do not face a choice between growth and equity: Without equity, there can be no sustained growth. We do not face a choice between growth and sensible rules: Without sensible rules around the market, there can be no sustainable growth. We do not face a choice between empowering workers and trade: If workers are not empowered, trade can only become a race to the bottom.

We must build the structure, write the rules, and put in place the policies that ensure that the welfare of working people everywhere, not the profits of speculators, is the measure of economic success.

Multilateral Agreement on Investment

Since 1995, the U.S. government has been leading an effort by 29 of the world’s richest nations to negotiate a Multilateral Agreement on Investment. Negotiated under the auspices of the Organization for Economic Cooperation and Development, the MAI was scheduled to be completed in April of 1998. Growing popular opposition forced a temporary suspension of negotiations, which are scheduled to resume in October 1998. [In fact, the negotiations broke down in late October, under opposition from France and the United States—ed.]

The principal objective of the MAI is to strengthen and expand international rules that elevate the mobility of capital and the rights of investors above all other considerations. In this system, worker rights, environmental protection, and necessary government regulation of the economy take a back seat to the interests of private capital. The AFL-CIO rejects this model as irredeemably flawed, harming workers across the globe while enriching the financial sector. At a time when the current system is increasingly being questioned, it is folly to lock in rules that only serve to perpetuate this system.

Unpredictable and uncontrollable capital flows have created turmoil in the global economy. The sudden outflow of investment funds has undone years of growth in a matter of moments, leading to economic meltdowns in Mexico in 1994-95, in Thailand, South Korea, Indonesia, and Malaysia in 1997-98, and in Russia this year. The conventional wisdom that countries should respond to such crisis with austerity and export-led growth exacerbates the problem of weak global demand. The U.S. economy suffers the impact of the international crisis in import-competing markets like steel, auto, apparel, and electronics; in the loss of export markets; and in all the industries and activities that support these sectors.

We are at an important historic turning point. The expert wisdom of a few years ago—that a deregulated world market would create prosperity for all—is now discredited. We have an opportunity to rethink and reshape the rules of the global economy. We should ensure that the global economy of the future is one built on a solid foundation of democratic, sustainable, and egalitarian growth, no unlimited profit for a few corporate giants.

The model of globalization promoted by the MAI underlies many of the problems in the world economy. The AFL-CIO rejects the MAI as flawed in both model and design. We will oppose this and any similar set of rules in the OECD, the World Trade Organization, the International Monetary Fund, or any other forum. . . .