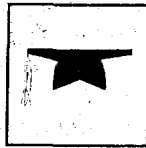


A Productive Way to Spend \$165 Billion



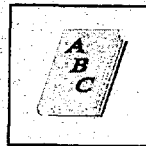
Comprehensive Housing
Program \$30 Billion

Dept. of Education
Extra Spending \$30 Billion



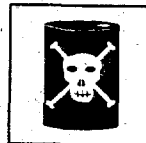
Repair of Roads, Bridges, Water &
Sewer Systems \$26 Billion

Other Education Needs
[Preschool, Facilities] \$23 Billion



Radioactive Waste Cleanup
\$17.5 Billion

Toxic Waste Cleanup
\$16 Billion



Miscellaneous Health Costs
\$12.5 Billion

Electrification of US Rail System
\$10 Billion



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SEYMOUR MELMAN

REBUILDING AMERICA

A New Economic Plan For The 1990s

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Seymour Melman

Rebuilding America

A New Economic Plan for the 1990s

PAMPHLET SERIES FEATURE

Seymour Melman is Professor Emeritus of Industrial Engineering at Columbia University, and chairs the National Commission for Economic Conversion and Disarmament. He has long been involved in developing strategies for conversion from a military to a civilian economy. His latest books are *The Demilitarized Society* (Harvest House, Montreal, 1988), *Profits Without Production* (Univ. of Pennsylvania Press, 1987), and *The Permanent War Economy* (Simon and Schuster, 1985).

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Announced job cuts in 1992 averaged 2,700 each business day—at this rate, almost 700,000 jobs would be cut every year:

- **GENERAL MOTORS—74,000 jobs and the closing of 21 plants from 1992 to 1997;**
- **UNITED TECHNOLOGIES—13,900 in 1992;**
- **NEW YORK STATE—19,000 in 1992;**
- **NEW YORK CITY—30,000 jobs from 1992 to 1996;**
- **INLAND STEEL of CHICAGO—3,500, 25% of its work force, beginning late 1992;**
- **CITIBANK—10,000 by the end of 1992;**
- **FRITO-LAY—1,800 in 1992;**
- **IBM—20,000 in 1993;**
- **COMPAQ COMPUTER—1,400 or 12% of its work force in 1992;**
- **MCDONNELL DOUGLAS—7,000 in 1992 and 1993;**
- **U.S. WEST (Telephone Co.)—6,000 from 1992 to 1995;**
- **XEROX—2,500 or 20% of its white-collar workforce in 1992;**
- **J.I. CASE (Farm Equipment)—4,000 by the end of 1992;**
- **BORDEN INC. (Largest National Dairy Producer)—1,300 in 1992;**
- **PHILLIPS PETROLEUM—1,100 in 1992, 5% of its work force.**

Figures are quoted from the AFL-CIO Research Dept., 1992

A new political / economic agenda for change in America is needed to replace the failed policies and institutions of the center coalition of Republicans/Democrats and the conservative right. Political and economic decay in U.S. industries, infrastructure, community, and standard of living cannot be reversed by minor changes in public policies. The severity of unemployment and the abandonment of production and people by many managements require innovative solutions to hitherto neglected problems. These include: how to multiply jobs for rebuilding the country's damaged infrastructure and industry; how to carry out conversion from military to civilian economy; how to carry out a process of demilitarization; how to enlarge control over productive enterprises by working people to assure workplace democracy and competence in production; how to reverse the selective decay in American society. Changes of this quality are necessary for achieving significant advances with respect to issues such as racism, income distribution, gender discrimination, and elimination of military-political adventurism. No leader, candidate, or party has come forward with solutions to these problems.



1.0) A political/economic crisis of unprecedented quality is now visible in the United States, as the hallmarks of depression are all around us. Every large city has its shanty towns like the "Hoovervilles" of the 1930s. Real unemployment rates probably exceed 15 percent, and millions are left without any income as jobless benefits are used up. Layoffs in the tens of thousands and factory closings in the hundreds are announced by industrial firms, brokers and banks, including the blue chip enterprises. Pervasive racism and sexism mark minorities and women for victimization in employment, housing and health care. Water mains burst in the centers of our cities, bridges and roads decay and become unsafe, libraries are closed and the casualties in underfunded hospitals are a medical scandal. U.S. infant mortality rates, poverty rates, and illiteracy rates alike are among the world's worst for industrialized nations. By February 1992, one in ten Americans were receiving food stamps.

We are all degraded by the presence of 5-1/2 million children who know hunger as a normal state. Schools and universities are run-down and unable to properly equip their facilities or hire talented teachers, and are forced to turn away fine students for want of scholarship funds. All of these conditions mark a major product of the American economy: a growing undertrained, castoff population that is ignored and avoided. This crisis condition has two components: conventional features of business capitalist fluctuation; system decay that features a breakdown of competence for production.

1.1) Conventional malfunctions of our economic system include: overexpansion of consumer credit and speculative business investment, especially in commercial real estate; major inflation of security values — with prices that are unrelated to profitability; steadily growing inequality in income and opportunity between the haves and the have-nots. These features of business are accompanied by fluctuation in output and employment and have been present throughout the long history of industrial capitalism. But their presence does not explain the special qualities of the present political/economic crisis.

\$100 Billion for the Trident II submarine & F-18 jet fighter programs

Cleaning up the 3,000 worst hazardous US waste dumps.

For this it is necessary to take into account the particular features of system decay that have become acute.

1.2) During the last 40 years American managers have progressively abdicated the function of organizing work: production has

been either consigned to overseas locations, or shut down entirely by firms. At the same time, major new investment has been made in military industry whose products are useless for consumption or further production. Abandonment of production is especially acute in the basic machinery producing industries of the United States (including: machine tools, construction machinery, electric generating machinery, textile machinery, mining machinery of all classes, etc. See "The Road to Underdevelopment," centerfold.) Dependency on imports for means of production is a hallmark of economic underdevelopment. Failure to invest in housing within reach of the lowest third of income receivers has helped generate homelessness on a large scale. Associated failures of productivity growth, high interest rates induced by massive federal borrowing for military expansion, and reduced government investment in infrastructure and conservation of natural resources have produced sustained economic decay and permanent unemployment. Meanwhile, wages to American industrial workers, until 1975 the highest in the world, now rank 16th among 30 major industrial countries. System decay is also reflected in the

plague of air, water and soil pollution that has been unleashed while federal regulators refuse enforcement of even modest measures to constrain further damage. In a word: the American industrial base is being reduced to a shambles.

1.3) While competence in production was being undermined, a horde of talented men and women invented and operated an expanded "casino economy," featuring innovations like junk bonds and leveraged buyouts. Enormous profits and incomes were taken by lawyers, top managers, bankers and their aides — even as productive organizations and facilities were dismantled for short-term profit. But all this money flow merely reallocated claims on available wealth while adding nothing to the store of consumer goods and services or means of production.

1.4) Since the World War II, the largest identifiable block of capital utilization is accounted for by the military enterprise, which from 1947 to 1991 used up \$8.7 trillion of resources representing fixed and working capital (1982 money values). This compares to the total money value of U.S. industry and infrastructure (again for 1982) of \$7.3 trillion. All this has been financed primarily out of tax revenue, plus federal borrowing that has resulted in a level of indebtedness that endangers the value of the currency. Severely damaged industry, infrastructure and populations are the unavoidable outcome of the permanent war economy. The war economy has also trained and installed a counter-productivity managerial class in 35,000 prime contracting establishments. Its normal functioning degrades the competence of the whole economy.

\$25 Billion for a fleet of C-17 jet cargo planes

Rehabilitation for more than 1 million public housing units.

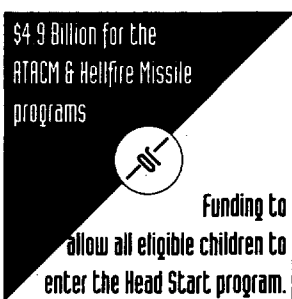
1.5) The U.S. war economy has produced extraordinary effects in the use of capital. A modern military budget is a capital fund; put to use it sets in motion the resources which in the ordinary industrial enterprise are termed fixed- and working capital. In 1988 (last U.N. data), for every \$100 of new civilian assets put in place in the U.S. the military separately was allotted \$50. Hence about one out of every three dollars of U.S. capital resources were used on the military. Compare this U.S. military-civilian ratio of 50:100 with that of Germany, 19:100, and Japan, 4:100. Civilian priority in these countries has yielded industrial modernity and rapid productivity growth.

1.6) This combination of conventional business crises and system decay has checkmated the ability of the feder-

al government to conduct a strategy of military Keynesianism: using federal spending via the permanent war economy to regulate employment, income, and profitability. It is impossible, after 45 years of Cold War, to operate a national economy that can deliver both guns and butter — as during the brief four-year model of World War II.

2.0) The long period of Cold War has transformed the mechanisms of government. The executive branch is dominated by the management of the military economy. The Congress has been functionally redefined, as a result of the activity of many members as virtual marketing managers on behalf of military contracts for industry, bases, and laboratories.

2.1) The end of the Cold War has created a grave crisis for this government. The coalition of Republican and Democratic party officials in both the executive and legislative branches now confronts a professional crisis. The main political skills of many as intermediaries for bringing Pentagon money and jobs to local facilities, vital for the Cold War period, have been rendered partially obsolete.



The new reality leaves the center coalition of Democrats and Republicans unable to operate a traditional guns-and-butter policy. A sustained heavy demand for resources to operate the military economy checkmates the ability of lawmakers to make income or major public works concessions on behalf of the working people left stranded by the system decay.

Three policy responses to these problems are visible at this writing: the coalition center; the conservative right; and a new political/economic agenda.

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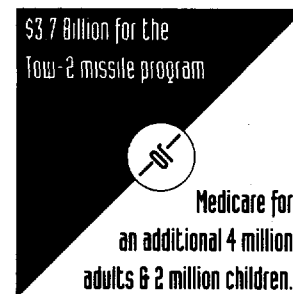
The Center Coalition of Republicans and Democrats

3.0) The center coalition represents, at its core, the top directorates of government, industry, business and professional firms and institutions. It has proposed modest "peace dividends" and a gradual reduction of the military budget, in honor of the end of the Cold War. Pentagon cutbacks are proposed in the range of \$5-15 billion a year, and are associated with varying degrees of alternative use — emphasizing reduction of federal deficits and indebtedness. But these proposals from the Democratic-Republican center coalition hardly begin to meet the requirements for major repair of American industry and infrastructure — considering only the facilities and services that are generally acknowledged as government responsibility. A full response is on the order of \$165 bil-

lion per year, so clearly the proposals from the coalition that dominated during the Cold War fall far short. (See back cover, "A Productive Way to Spend \$165 Billion.")

3.1) Considerations of a peace dividend are irrelevant to the managers of America's military state capitalism. The government and corporate managers of this economy are locked in — by occupational self-interest, by long professional habituation and by ideology — to an industrial policy that accords priority to the armed forces as a primary instrument of both foreign and domestic policy. The same industrial policy selectively rejects investment in civilian R&D and new technologies, which would enable working people to be paid well while producing quality goods and services at low cost per unit. (German industry, paying 1-1/2 times U.S. wages, is pre-eminent as a world supplier of machinery). A continuation of the center coalition's policies guarantees further economic, political and human deterioration. (See "Don't Apply Here!" facing page one.)

3.2) As both corporate and government managers abandon the organization of work, the consequences extend far beyond the realm of particular factories, unions, and communities. The whole economy is dragged down since the reduced creation of productive wealth translates into unemployment, poverty, homelessness, decaying facilities and services of every sort. These conditions have led to two major political/economic groups in crisis.

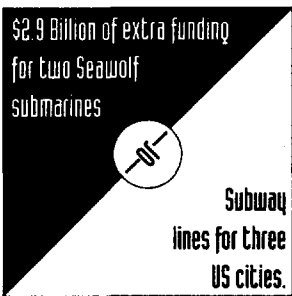


One is an embittered, deeply resentful and hence politically dangerous population of formerly well-paid, blue- and white collar workers comprising an economically castoff "middle class." In the absence of constructive resolution for their plight these people are susceptible to demagogic, extremist appeals (as the neo-fascists, skinheads, KKK, and the more "respectable" types like Pat Buchanan). A second development is the explosive growth of underemployed and undereducated populations located in the inner cities. Being mainly people of color, they are scapegoated by the extremist right. America's economically depressed "middle class" and inner city "third world" comprise a grouping hitherto unknown in this country, a *lumpenproletariat* (as in Germany in the 1930s): "dispossessed and uprooted individuals cut off from the social class with which they might normally be identified" (Webster's).

3.3) Corporate and government managers, preoccupied with short-term profitmaking and maintenance of military economy, have had little to offer to either section

of the American *lumpenproletariat*. These managerial goals obstruct the major investments required for creating millions of jobs that would transform the present and prospective *lumpenproletariat* into parts of productive communities.

3.4) A partnership of corporate and government managers operated the U.S. political economy during the Cold War, and the conservative wing of that partnership has managed the White House since 1981. They have set in motion a class war against American working people by severely restricting their decision-making power and holding down their incomes. Corporate managers create stranded workers and communities by moving factories abroad to take short-term advantage of lower wages. Factories and stores are closed when profits are not high enough, destroying jobs and laying waste to entire communities. Top management has consistently opposed economic conversion planning and reinvestment of vast military resources in job-creating production of real wealth. This produces regional surpluses of once well-paid people made desperate for any new jobs, hence open to recruitment as "replacement workers." The ability of



working people to organize and bargain through unions is abridged by legalizing the rights of employers to install "replacement workers" in place of strikers. President Reagan showed the way, as soon as he took office, by breaking the strike of the air traffic controllers and replacing them with military

personnel.

Top managers of the military-industrial complex have extended their policy of class war abroad. By 1990 the United States had become the world's largest exporter of arms (\$18.5 billion), and military and police training. The military budgets of third world countries (minus the oil-rich states) totaled \$149 billion in 1988, three times the economic development aid received from the rich North. Military and police training sponsored by the U.S. government — notably in Latin America — has encouraged counter-trade union policies of repressive military dictatorships. In all this, the top government managers have been joined by their counterparts in the transnational corporations. The combination of economic collapse with strong-arm policies toward working people has produced desperate waves of immigration from third world countries.

3.5) Racism, overt and covert, has been a principal instrument for disorienting, dividing and weakening working people in their relation to management.

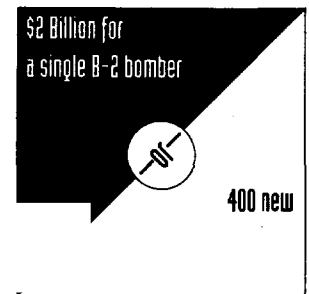
3.6) The center coalition of Republicans/Democrats conceals all this with shallow chatter about "values," family, and individual opportunity in the market.

The Conservative Right

4.0) The response of the American extremist right — wearing a mask that they label "conservative" — affirms the character of economy and policy that has been practiced during the Cold War and accordingly affirms a continuation of military state capitalism. At the same time, the rightist response features a rallying of nationalist sentiment in the United States — blaming Japan (and other foreigners) for diverse troubles of the American economy.

4.1) The rightist address to the well-being of the population also features overt and covert racist demagoguery (anti-black, anti-Jewish, with links to classic propaganda on "international bankers" and "welfare queens"). By such means the American right has been mimicking the fascist "national" political pattern of other countries.

4.2) The right has been quick to respond to spreading disquiet and growing resentment engendered by massive job loss among white- and blue-collar workers. In the United States, as elsewhere, talented demagogues of the right have learned to play upon and amplify the deeply felt alienation of working people who are frightened by economic helplessness, their unexplained economic troubles, and their inability to improve their condition. This is a "socialist" aspect of the radical right appeal.



4.3) First David Duke and then Pat Buchanan have spearheaded an American campaign to marshal economically afflicted, unemployed and otherwise disaffected workers around nationalist and/or racist slogans that are proclaimed as ways of addressing economic ills. They give voice to many of the readily perceived economic/political defects, failures and inequities of American economy and government. American industrial decay is described as resulting from unfair Japanese competition, Japanese ultra-nationalist restrictions on U.S. imports, and the all-around activity of the Japanese government and business combines — giving subsidies and support to Japanese firms, making them unassailable. American conservatives typically discover scapegoats for U.S. industrial decline, rather than defining the actual causes of poor productivity or management-ordered plant closings in many U.S. industries.

4.4) Any post-1992 president and Congress will con-

THE ROAD TO UNDERDEVELOPMENT

front increasingly severe economic, political and social crises at home and abroad. At their core will be the limited capability of government and corporate top managers to organize work for the creation of acceptable jobs and living standards. They will be pressed to make specially forceful use of their powers, and without major institutional change a powerful totalitarian thrust is therefore unavoidable. The federal government is now dominated by the normally authoritarian military and secret war-making institutions of the Pentagon and CIA. (Note that \$30-40 billion of recent Pentagon budgets have been "black" — secret from Congress and the public; the budgets of the CIA are not published at all.) *An intensification of authoritarian methods is reversible if, and only if, an administration is committed to major institutional change that diminishes the centralization of power.* This change will require a process of economic conversion in order to dismantle the centralized war economy, and significant measures of decentralization and local democracy. These prospects define the urgency of a new political/economic agenda for America.

A New Political/Economic Agenda

5.0) The alternative to both a failing center and a radical right political campaign in the United States is a program of new political/economic reform that addresses the severe short- and long-term problems of American blue- and white-collar working people.

5.1) Economic conversion from a civilian to a military economy is a necessary key for enabling access to the vast resources allotted to the Pentagon: working people (especially skilled), the Pentagon's military machines whose value is about 50 percent of the worth of U.S. industry, and an annual budget that exceeds the sum of all U.S. industrial profits. The military now spends \$49 billion annually for R&D; a transfer of \$30 billion of that, for a start, to civilian R&D would be an important conversion element.

Production Worker Employment in Selected Machinery-Producing Industries of the U.S., from 1977 to 1987. The following industries in SIC group 35 showed the number of production workers employed (in thousands).

Industry _____	1977	1987	%Change
Machine Tools (Cutting)	37.2	18.6	-50.0
Machine Tools (forming)	16.1	8.9	-45.0
Machine Tool Accessories	39.9	34.5	-14.0
Power-driven Handtools	20.0	11.6	-42.0
Rolling Mill Machinery	5.4	2.2	-60.0
Carburetors, Pistons, Rings, Valves	26.0	17.3	-34.0
Turbines & Turbine Generator Sets	24.8	11.8	-43.0
Internal Combustion Engines	65.3	44.7	-32.0
Farm Machinery & Equipment	96.2	39.0	-60
Transformers (Except Electronic)	32.8	24.3	-26.0
Motors & Generators	74.1	56.4	-24.0
Electrical Industrial Apparatus, n.e.c.	12.2	9.1	-26
Calculators and Accounting Equipment	10.4	5.8	-45
Office Machines, n.e.c.	22.9	13.6	-41
Ball & Roller Bearings	41.3	29.3	-30
Air & Gas Compressors	19.1	12.3	-36
Blowers & Fans	18.6	15.9	-15
Speed Changers, Drives & Gears	17.6	11.7	-35
Construction Machinery	111.2	53.8	-42
Mining Machinery	20.3	8.2	-60
Oil & Gas Field Machinery	39.8	12.9	-68
Textile Machinery	18.3	10.5	-43

Source: U.S. Commerce Department, *Census of Manufactures, 1987*.

Notes: Numbers for these industries are for two years of complete, not sampled, census data. Next complete census in*1992. Drop in production workers is paralleled by drop in number of factories in each industry and by an increase in imports. For machine tools, imports supply 50% of U.S. sales. These data show U.S. move to Underdevelopment, the inability to produce the means of production and the dependency on imports for basic industrial equipments.

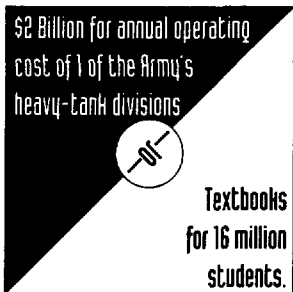
5.2) A vigorous nationwide effort for demilitarization and economic conversion would entail a reduction in military-based work but a net increase in civilian jobs. Consider "A Productive Way to Spend \$165 Billion," back cover. If \$165 billion were transferred from the military to education, infrastructure, environment, housing, health care, civilian R&D, etc., 3.95 million (direct and indirect) military-based jobs would disappear but 5.11 million new civilian-based jobs would be created — *for a net gain of 750,000 new U.S. jobs.* (This increase would be net of "normal" economic growth.) If the peace dividend reconstruction was funded by an additional annual \$80 billion from restoring 1980 tax levels on the super rich, the further new employment creation would be about *2.5 million jobs.* Since the military labor force includes an unusually high density of engineers and scientists, their conversion to civilian work would cause a further economic multiplier effect.

5.3) Conversion planning requires three essential preparations. It must be ordered by law, it must be done in advance, and must be done locally in each defense factory, laboratory and military base. The cornerstone of the comprehensive conversion law proposed in the Congress by Ted Weiss (D-NY) is this provision: "There shall be established at every defense facility employing at least 100 persons an Alternative Use Committee composed of not less than eight members with equal representation of the facility's management and labor." The composition of such committees insures that the members are committed and knowledgeable. This composition gives weight to people whose self-interest is tied to long-term production competence, as against short-term financial maneuvers that yield quick profit but degrade the production competence of an industry.

5.4) The professional judgment that planning must be done in advance is confirmed by ordinary experience. In industry this involves selecting new products, estimating their market, retraining employees, altering the orga-

nization of production and redesigning plant facilities. Bases are convertible to industrial parks, schools, hospitals, airports, recreational facilities, etc. In military laboratories, the scientific staffs must match their knowledge with society's technological needs like renewable energy resources and preventing pollution. The firsthand knowledge possessed by defense establishment employees is essential for conversion. Thus, conversion must be done locally; no remote central office can possess the necessary knowledge of people, facilities and surroundings.

5.5) What can converted factories produce? Advanced designs of every sort of means of production and consumer goods: machine tools, electric locomotives, farm machinery, oil field equipment and consumer electronics, etc. Modernizing infrastructure will require construction machinery and capital goods of many kinds. Electrification of U.S. railroads has been proposed as one of the particularly desirable peace dividend projects (see back cover). This task, costing over \$100 billion, will require construction of entirely new industries for producing and maintaining equipment (from electric locomotives and rail cars to control equipment) that are not currently being designed, developed or produced in the United States.



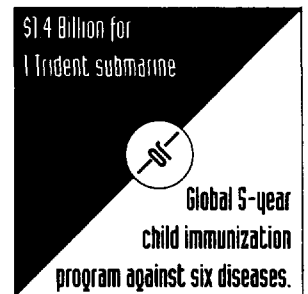
5.6) The Weiss conversion bill includes a proposal that the Federal Council (cabinet level) named to oversee conversion shall . . . "encourage the preparation of concrete plans for non-

defense-related public projects addressing vital areas of national concern (such as transportation, housing, education, health care, environmental protection, and renewable energy resources) by the various civilian agencies of the government, as well as by state and local governments." Thereby a highly decentralized, nationwide process could be set in motion for the realistic planning of needed work, and for job and money requirements for cities, counties, and states. All this entails a marked change in the federal government's industrial policy — from favoring the war economy to favoring productive, life-serving investments of every sort. To *acquire the courage to break with their economic dependency on the Pentagon, employees, their communities and Congressional representatives need blueprint-ready conversion plans that define an economic future for their factories, bases and laboratories.* Conversion studies for factories, laboratories, and allied worker retraining are proper enterprises costs. Federal funding is needed for regional development planning for military base conversion; for converting the 90-odd major factories that are government-owned/company-operated; for a 1990s G.I.

Bill of Rights; for retraining ex-Pentagon, CIA, NSA staffs; and for defense worker income support during actual conversion (as in the Weiss Bill). An annual levy of about 2 percent on Pentagon purchases can accumulate necessary federal conversion funding.

5.7) Economic conversion also prepares the way for negotiating international demilitarization — a course of policy for improving security that is anathema not only to the chiefs of the military industrial complex, but also to many of their working people who have known no sources of livelihood other than the manufacture of militarism. This extends from managers, engineers and production workers to the shopkeepers and others whose cash flow has had its origin in the Pentagon and myriad intelligence, research, trade, propaganda and university branches of the war-making institutions.

5.8) Managers in both private and state capitalism give top priority to maintaining and enlarging their decision power. Accordingly, government managers of military industry in the White House and the Pentagon as well as the top managers in the private firms can only be expected to resist economic conversion by all available means. For economic conversion necessarily entails a loss of their decision power. No civilian industry can deliver the same power and privilege as the military economy: profits are assured; goods are paid for before delivery; larger Pentagon contractors are virtually guaranteed against business failure; firms often receive what amounts to a "blank check" from the government that covers escalating costs. Managerially-driven opposition to conversion planning also comes from the president of the United States and his secretary of defense who are, functionally, the chief executive officer and president of the military industry empire, operating through the Pentagon's central administrative office. With a staff of 500,000 controlling "acquisition," it is the largest such entity in the world.



This analysis was confirmed by Stanley C. Pace, as chairman and chief executive officer of the General Dynamics Corporation — one of the largest defense contractors. In testimony before the U.S. Senate Armed Services Committee on May 4, 1990, Pace identified the distinctions between military and civilian firms:

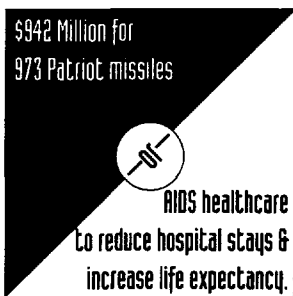
(1) The culture of doing business in a defense plant is significantly different from the culture of doing business in a commercial plant... They are different because they are responding to different requirements and stimuli... In defense equipment there is an absolute necessity for superior combat

effectiveness. A less costly and less effective weapon system will provide defeat...

(2) A defense industry plant has a very difficult time doing commercial work mixed with defense work. History is replete with examples of problems and failures.

(3) Defense engineers and managers can successfully transfer from one culture to another, but it takes time and the individual has to leave his historic culture and move as *an individual* to the new culture... [emphasis in original]

Mr. Pace, like his senior colleagues at General Dynamics, has opposed any effort to convert to civilian work. They favor the Pentagon's policy called "adjustment." This means financial reorientation for the firm by new investments elsewhere — anywhere — and leaves responsibility for new jobs and skills to each individual through the mechanisms of the "free market." Like the managers of many civilian industrial firms, military enterprise top managers may be expected to abandon the function of organizing work and instead elect personal futures funded by ample "golden parachutes" and retirement benefits.



6.0) Job creation on a large scale requires particular institutional changes. Working people of all grades, including many "middle managers," must participate in competent production for the livelihood of themselves and their families. Top manage-

rial abandonment of work organization has left many workers with no options besides jobs at a fraction of former pay or public welfare. That is why an increasing number of working people have sought out a new, extraordinary option — joint efforts by working people, unions and communities to buy out and operate enterprises under their own control. Worker buyouts range from steel factories to supermarkets.

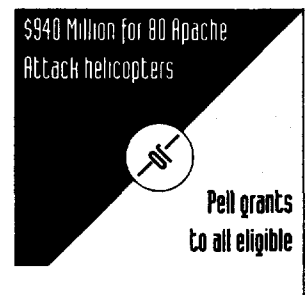
6.1) Worker buyouts can be an option for economic conversion, especially in the factories that are government owned and company operated. The land and facilities of military bases are typically turned over to local community ownership after they are declared "surplus" by the military. Why can't control of government owned military-industrial facilities also be transferred to their working people and community to the benefit of all concerned?

6.2) The creation of new institutions to facilitate worker ownership and control over production enterprises is a short-term response to the departure of corporate and

government managers. But it is also a long-term investment — creating economic and allied institutions that carry the promise of workplace democracy and productive job creation as goals of enterprise.

6.3) These new institutions have the potential for replacing conventional characteristics of capitalism: occupational separation of decision-making from producing; hierarchy in decision-making; and the relentless pursuit of more decision-power as a cardinal goal of management. While it is probably impossible to chart in advance the many-faceted development of workplace democracy, it is possible to define near-term effects. These include: joining decision-making with producing; deflating administrative hierarchy; productive job creation as a goal in place of profit/power maximizing.

6.4) Financing institutions are needed — a decentralized network, state by state and region by region — that serve both as sources of capital and as innovative designers and monitors of new and rebuilt enterprises. These can be banks, credit unions, loan guarantee agencies, coalitions of pension funds, with staffs that are competent to oversee both the planning of an enterprise and the monitoring of its continuous functioning. The same institutions can help to educate working people in the "mysteries" of enterprise administration, a further contribution toward workplace democracy.



6.5) In order to deploy public funds to jump-start and propel new productive investment, it is essential to confront the problem of public debt. The present \$4 trillion federal debt, growing at \$400 billion yearly, has been a primary result of military expansion combined with revenue reduction from a tax abatement for the super rich. But even with military budget cuts and a tax restoration for the super rich there will still be an annual deficit for some years. How should this deficit be understood? Debt in individual enterprise is justified if it finances new investment which generates at least enough income (return) to pay off that debt. Similarly, as federal funds are shifted to civilian/productive tasks, those expenditures can be seen as investments since new wealth is created: houses, hospitals, railroads, schools, clean water, factories, clean and renewable energy technologies, etc. All such goods are investments whose use enriches the community, making its people more productive and thereby yielding a rich return to the investing government in the form of tax revenues. But there are few such results from military products, which exit from the marketplace immediately upon being produced, consuming resources

without giving consumption or further production use value. Thus, deficits to pay for productive investment are both bearable and desirable, while deficits on behalf of the military only weaken the economy.

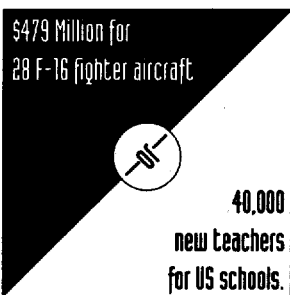
A Lesson for Americans: Weimar II ?

7.0) The Weimar Republic of Germany was the site of a prolonged depression from the close of World War I until 1933, when the Nazis (National Socialist German Workers Party) took power by nomination from President Hindenburg. The Nazis lost no time in declaring the previous constitution and laws null and void and proceeded to install a totalitarian military form of state capitalism. The ascendancy of Hitler's party followed the unwillingness/inability of the governing Social Democratic party to make strong use of government to spur economy, employment and income, and to form an alternative left-of-center grouping and policy. This failure of the Social Democrats opened the way for political mobilization from the right.

7.1) The Nazis appealed to the disaffected blue- and white-collar workers with a combination of "national" and "socialist" appeals. The nationalist appeal was based on ascribing a large part of Germany's economic troubles to the defeat in World War I and the penalties in territory and wealth applied by the Treaty of Versailles. The "socialist" part of the appeal included condemnation of the exploitation of

German workers and emphasis on "Jewish international bankers" as a prime source of Germany's woes. Anti-Semitism was organized and pursued by violent methods as a way of fulfilling both the "national" and "socialist" aspects of Hitler's appeal.

7.2) But there was another side to the success of the Nazis in capturing popular attention. The vigorous campaign from the right in response to Germany's long and deep economic depression, strongly supported by German industrial managers, was bolstered by the failure of the socialist and communist parties to formulate and implement a radical program of reform necessary to address Germany's economic collapse. The Social Democratic party of Germany had over a million members, based upon a trade union membership of five million. At the same time the German Communist party at the end of 1932 had about 350,000 people enrolled. Both these political parties published scores of daily newspapers and other media, and operated large networks of trade union, community and local government institutions. In the parliamentary elections prior to November



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12, 1933, the combined Communist-Social Democratic vote exceeded that of the Nazis by nearly 1.5 million. But these parties of the German left-of-center were incapable of combining their considerable forces. This eased the way for Adolf Hitler's nomination to office by the president of Germany, General Hindenburg.

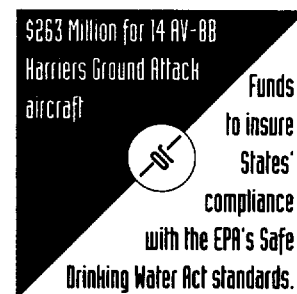
7.3) The failure of the German left grew out of two major conditions: first, the timidity of the Social Democratic party; second, the Communist party policy of "social fascism" which designated the Social Democrats, not the Nazis, as the main enemy. "Nach Hitler kommen wir" (after Hitler — our turn) was a Communist motto. The victory of the Nazis would hasten their ascendancy to power since the Nazis would "increase the misery" of the population who would then turn to the Communists. This remarkable formulation was controlled from Moscow and was a part of Stalin's policy of discouraging the political victory of a West European working class, whose economy would automatically overshadow the political economy of the Soviet Union.

I recount this outline of German events because their main lesson should not be lost on Americans. *The result of aggressive, well funded organization on the right, coupled with failure and catastrophic division in policy and organization on the left, opened a clear field for Hitler's party.*

Politics of a New Political/Economic Program

8.0) A new political/economic agenda must address the full scope of damage done to industry, infrastructure and quality of life by the long-enduring military state capitalism under federal government management. Accordingly, the major transitional components of this alternative policy must be grounded on demilitarization and economic conversion policies. These means alone have the potential for making available fresh resources on the scale required for creating millions of new jobs and repairing the major American human and physical decay. But a new political/economic agenda also requires a long-term policy to address the managerial system that has come to feature a growing inability and unwillingness to organize work.

8.1) For the longer term it is crucial to set in motion a sustained effort to encourage every sort of institution to create jobs and organize work based on non-managerial, cooperative, democratic forms of decision-making. Managers in private firms and in government have invented ways of continuing their money making and power extension, even as they curtail economically and socially useful work. Only the working people of all occu-

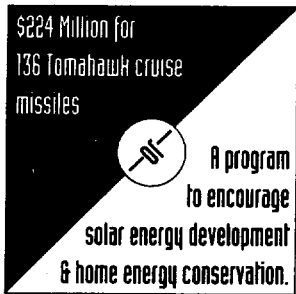


pations require sustained conduct of *productive* work, because that activity is indispensable for their lives.

8.2) These political/economic characteristics form a framework of requirements for political organizing of every sort, both toward the 1992 election and after.

* * *

9.0) During the long Cold War many Americans gave up hope for major change in the national politics of the United States. In place of concerted political effort, special purpose organizations were developed. These focused on particular issues: trade unions and working people; equal rights for women, African Americans, Native Americans, Hispanics; problems of the environment; health care; ethics in government; nuclear weapons; the condition of children; reproductive rights for women; education; care for the elderly, etc. From time to time temporary coalitions were formed, when particular issues seemed to dominate the national landscape and impelled unified action by combined groupings of the American left-of-center. However, these coalitions never gave sustained attention to the core characteristics of America's military state capitalism.



9.1) Following World War II, reform against racism and gender discriminations and toward greater equality in opportunity and income seemed feasible. That perspective has been markedly altered. As corporate and government man-

agers have sponsored deindustrialization, job reduction and a permanent war economy, the meaning of equal opportunity, for example, has been transformed. It has come to mean more equal sharing of less new wealth (such as housing), more equal sharing of decaying infrastructure, more equal sharing of a polluted environment, of less medical facilities, of less competent education, etc. When economic losses are suspected as the likely accompaniments of diminished racism and gender discrimination, then resistance to equalizing reforms is heightened. The holders of good jobs strive to reserve them for themselves and their kin, and resist claims for non-discriminatory entry. That is why it is necessary to address the underlying economic conditions that help engender racism and other inequalities.

9.2) Within a framework of demilitarization and ample funding for economic development, issues like racism can take on a new aspect. Improvement for disadvantaged African Americans and others in education, jobs, homes, etc., does not constitute or ensure an end to racism. The cultural, social-psychological, historical and

other components of racism are not like stains that may be quickly or easily erased. Racism is too multi-faceted, too ancient, too well regarded and openly practiced by the most prestigious Americans (such as presidents) to be susceptible to wipe-out by either command or formal agreement. But serious economic improvement *would* make a major difference in the life circumstances, expectations and achievements particularly of disadvantaged young minorities. Such improvement, especially as a part of economic development for all working people, contains both economic gain in its own right as well as a built-in counter-racist message. Occupation and earnings have powerful formative effects on most other aspects of life. It is thus reasonable to expect that economic improvement will yield improvement in race relations as well.

9.3) *Growing incompetence in production and continued priority to the military-industrial complex checkmate prospects for serious improvement — issue by issue — in the range of reform subjects that have captured the commitment of many Americans during the last 45 years.* If there is to be a competent new policy response to the political/economic crises of American society, then the participants in diverse reform movements will have to seek and identify their common ground and prepare to act in a *unified* manner. That is the importance of the transitional and long term policy recommendations for economic conversion, demilitarization and worker control of productive enterprise. Success in these matters provides the means for — and is the necessary condition for — all the rest. *



Sources for Back Cover Chart

Estimates by the National Commission for Economic Conversion and Disarmament based upon published reports of various expert studies identified in *NY Times*, 10/18/87, 3/23/88, 9/27/88, 10/13/88, 12/3/88, 1/6/89, 3/10/89, 3/29/89; cost estimate of electrification of US rail system prepared by Professor John E. Ullmann (Hofstra); Michael Renner, "Enhancing Global Security," in *State of The World: 1989*, (Norton, 1989); US Congress, Joint Economic Committee, *Hard Choices*, Feb. 25, 1984, Wash., DC, 1989; A. Bastian, N. Fruchter, C. Green, "Reconstructing Education," in M. Raskin, C. Hartman, eds., *Winning America*, (Boston: South End Press, 1988), pp. 11, 197, 204; Center on Budget and Policy Priorities, *"The Bush Budget,"* 2/17/89, p. 10.

More Information

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