

THE INSIDE STORY



Facts of life in a post-market age

By David Moberg

The top priority for the new Reaganite custodians of the national good is to get the country's economy moving again. Their "populist" promise is to put everyone back to work by unleashing the forces of unrestrained greed in the good old free market.

One of their problems is that they are living in an ideological dream world. Their pamphleteering theories bear little relation to "the way the world works" (to crib a title from one right-wing "supply-side" economist). We have moved into a post-market global economy, increasingly dominated by multinational corporations—including many springing forth from newly industrializing centers. Concentration of economic power has increased, creating a dual economy of corporate giants and millions of tiny enterprises (70 percent of all private economic activity in the U.S., for example, is controlled by only 800 multinational conglomerates). Whether Jesse Helms likes it or not, governments everywhere are more and more deeply involved in economic matters, ranging from negotiation of trade deals, provision of subsidies or regulation of corporate activities to outright ownership of vast enterprises. Reagan may try to turn back the tide here, but the rest of the world is marching in the opposite direction.

This is the picture that international economist Ronald Muller paints in *Revitalizing America: Politics for Prosperity* (Simon and Schuster), a revealing and stimulating look at the problems of revitalizing the domestic and world economy and an assessment of various policy strategies. Although Muller's own prescriptions are not always completely satisfactory, he makes it clear why the Reagan approach not only will not improve matters but will make our economic problems even worse.

The economic order that persisted in the capitalist world for decades after the end of World War II has been transformed, Muller writes. In addition to the greater concentration and growth of multinationals (which control 70 percent of world trade), the U.S. has lost its role as leader and controlling influence. No replacement is in sight, as economic and political power has become diffused. Resource scarcities have been accentuated. "Third World" pressure on the developed countries has grown even as that camp has split in two—the desperately poor on the one side and the newly industrializing countries and oil-rich states on the other.

Within the United States, the postwar changes have undermined traditional government economic policies, whether they are "fiscalist" Keynesian or "monetar-

ist," both of which, Muller argues, are concerned with diffuse regulation of demand to control inflation or business cycles. But this is a post-market domestic as well as international economy. Muller argues that Keynesianism requires (1) a political consensus (but that has vanished), (2) government control of spending, tax and money policies (but that has been undermined by the emergence of an unregulated pool of \$1 trillion floating in the Eurocurrency market), and (3) a competitive market economy (but that has been replaced by administered prices in both concentrated and unconcentrated industries and by the growing importance of "transfer" pricing and non-market "sales" within units of conglomerates).

The symptom of the collapse is stagflation. Declining fixed investment contributes to low productivity growth and inflation. There's plenty of money around—take, for example, the \$1 trillion in the Eurocurrency market—but it is spent on speculation, including currency games and non-productive, frequently counterproductive, mergers and acquisitions. In many instances, U.S. corporations have not reinvested in new technology but, faced with competition, simply moved overseas to take advantage of lower wages instead of raising productivity and preserving employment here through research and new domestic investment.

The United States is also likely to lose out on much of the important expansion of world trade, which could be a boost to our economy. It is unwilling, Muller says, to recognize that developing countries increasingly expect trade to be a package political and economic deal involving both governments and corporations. They also expect the deal to recognize their national autonomy and public control of resources. If the U.S. is politically involved in arranging the international economy, it is less as a partner and more often as an agent in the subjugation of a less-powerful country in the interests of untrammelled "free market" penetration by U.S. corporations. Few third world countries relish becoming another Chile. They would like to trade with the U.S., but it requires recognition by the U.S. and its corporations of the growing global interdependence and the aspirations of the poor but striving countries.

A global Marshall Plan.

The "South"—a common appellation for the less-developed economies—will be the motor of growth for the coming decades, Muller argues. Stimulation of the U.S. economy can spur development in the South and in turn invigorate U.S. and other advanced capitalist or socialist economies. Consider this staggering statistic from the Brandt report on world economic inequality: only one-half of one percent of one single year's world military expenditure would pay for all of the farm equipment needed to increase food production and approach self-sufficiency in food-deficit low-income countries by 1990. Instead, Reagan plans to increase military spending and cut back the already paltry aid, increasing the global tensions and instability that make the use of all those new armaments even more likely.

Muller calls for a new Global Marshall Plan to boost the world out of the current destructive slump. (His reliance on transforming the International Monetary Fund and the World Bank into the instruments of this effort is not convincing, given their record, however.) But he also insists on applying the lessons of "development economics" to the U.S. as well as to the less-developed countries where it originated. He believes that the U.S. should establish a quasi-public development bank, set national growth goals, monitor changing

economic conditions to anticipate necessary adaptations and work out strategies for troubled sectors. The key to the effective deployment of funds is "targeting," putting the money where it aids adjustment to a new international division of labor, raises productivity, and increases employment. Muller, like the new conservatives, wants to stress stimulus of supply, but he also insists it must be coupled with demand management and must be selective and planned.

"Conversion of our economy will require a strong leadership and planning role by the government, and cannot be left to outmoded notions about 'market forces,'" Muller argues. Reagan's across-the-board tax cuts and speeded depreciation allowances will not put capital where it is most needed. Also, it does not allow for the "social cost accounting" that development banking permits, whereby a broad range of goals can be used to judge investments, not just profitability of a firm. An incomes policy is needed to control inflation, Muller says, because the post-market concentration of economic power violates the assumptions of traditional government anti-inflation strategies. Likewise, monetarism is an illusion, in part because there are so many ways for large corporations to get around the money-supply constraints that mainly squeeze small businesses.

But for all of his critique of the effects of corporate and multinational power and his analysis of the post-market economy, Muller doesn't always follow through on his own observations. He dismisses greater public ownership without serious consideration (though noting that the high percentage of public ownership in some European economies helps to make government policy stick). He is willing to write off steel, cars, ships and other industries in the U.S., even though he recognizes elsewhere that the failure of many industries here reflects destructive management investment and research strategies rather than intrinsic advantages of overseas competitors. He continually inveighs against protectionism and exalts international free trade, even though he describes so clearly how there is no international free market anyway, so the issue should be posed as how best to manage global trade for mutual advantage. He relies too heavily on existing corporations, modified only slightly by a few more public members of boards of directors, as instruments of progress, even though he recognizes that these private corporations have become social institutions (and therefore, it would follow, need to be socialized).

Muller seems willing to make undesirable compromises on environmental, safety and other public welfare regulation of corporations, even though he elsewhere criticizes another reindustrialization theorist, Amitai Etzioni, for arguing that quality of life improvements must be abandoned now in favor of hard-core development. (Muller notes that such quality of life improvements as greater workplace democracy and ecological sanity are essential elements of an effective revitalization of the economy, given the likely future of the world economy.) And Muller is far too ready to insult the new planning mechanisms from politics, instituting a technocratic administration over a society in which conflict is subdued, when the very decisions being made are so essentially political and must be decided in a popular fashion, not precluding conflict, if democracy is not to be abandoned.

Yet his weaknesses can be written off as a failure of nerve or political audacity, the result of not pursuing far enough the implications of his own useful analysis. They are nothing compared to the errors in the wrong-headed adventures of Commander Reagan. ■

IN THESE TIMES

The Independent Socialist Newspaper

(ISSN 0160-5992)



Published 42 times a year: weekly except the first week of January, third week of March, last week of November, last week of December; bi-weekly in June, July and August by The Institute for Policy Studies, Inc., 1509 N. Milwaukee Ave., Chicago, Ill. 60622, (312) 489-4444. Institute for Policy Studies National Offices, 1901 Q Street, NW, Washington, D.C. 20009.

PUBLISHERS

William Sennett James Weinstein

EDITORIAL

Editor
James Weinstein

Associate Editors
John Judis, David Moberg

Managing Editor
Lee Aitken

Culture Editor
Pat Aufderheide

European Editor
Diana Johnstone

Staff: Robert Schaeffer, Acting Culture Editor; David Roediger, Books Editor; John Echeverri-Gent, Josh Kornbluth, Editorial Assistants; Allan Pearlman, Intern; David Mandel (Jerusalem), David Fleishman (Tokyo), James North (Southern Africa), Foreign Correspondents.

Bureaus:
BOSTON: Sid Blumenthal, (617) 738-9707.
DENVER: Timothy Lange, (303) 492-6272.
NEW YORK: Kate Ellis, (212) 662-6232; David Mermelstein, (212) 595-7665; William K. Tabb, (212) 666-1830.
PITTSBURGH: Eric Davin, (412) 621-3185.
WASHINGTON: Robert Howard, (202) 232-4942.

BUSINESS

Associate Publisher Bob Nicklas Executive Publisher Al Staats

Circulation Director Pat VanderMeer Advertising Director Bill Rehm

Staff: Anne Flanagan, Leenie Folsom, Wendy Rosen, Circulation Assistants; Grace Faustino, Bookkeeper.

ART

Co-Directors: Ann Tyler, Dolores Wilber Associate Director: Marsha Perman

Staff: Jim Rinnert, Composition; Paul Comstock, Camera.

Sponsors: Robert Allen, Julian Bond, Noam Chomsky, Barry Commoner, Al Curtis, Hugh DeLacy, G. William Domhoff, Douglas Dowd, David DuBois, Barbara Ehrenreich, Daniel Ellsberg, Barbara Garson, Emily Gibson, Michael Harrington, Dorothy Healey, David Horowitz, Paul Jacobs (1918-1978), Ann J. Lane, Elinor Langer, Jesse Lemisch, Salvador Luria, Staughton Lynd, Carey McWilliams (1905-1980), Jacques Marchand, Herbert Marcuse (1899-1979), David Montgomery, Carlos Munoz, Harvey O'Connor, Jesse Lloyd O'Connor, Earl Ofari, Seymour Posner, Ronald Radosh, Jeremy Rifkin, Paul Schrade, Derek Shearer, Stan Steiner, Warren Susman, E.P. Thompson, Naomi Weisstein, William A. Williams, John Womack, Jr.

The entire contents of *In These Times* is copyright ©1981 by Institute for Policy Studies Inc., and may not be reproduced in any manner, either in whole or in part, without permission of the publisher. Complete issues of *In These Times* or single-article reprints are available from University Microfilms International, Ann Arbor, MI. All rights reserved. *In These Times* is indexed in the Alternative Press Index. Publisher does not assume liability for unsolicited manuscripts or material. Manuscripts or material unaccompanied by stamped, self-addressed envelope will not be returned. All correspondence should be sent to: *In These Times*, 1509 N. Milwaukee Ave., Chicago, IL 60622. Subscriptions are \$19.50 a year (\$35.00 for institutions; \$32.00 outside the U.S. and its possessions). Advertising rates sent on request. All letters received by *In These Times* become the property of the newspaper. We reserve the right to print letters in condensed form. Second class postage paid at Chicago, Ill.

This issue (Vol. 5, No. 13) published Feb. 18, 1981, for newsstand sales Feb. 18-24, 1981.

IN THESE TIMES

Democrats plot their comeback

By John Judis

WASHINGTON

MOST POLITICIANS AGREE that the 1980 election did not create a new Republican majority on the model of the Democrats' New Deal majority. If a new GOP majority emerges, it will do so in 1982 or 1984, when voters have a chance to affirm a Republican approach to the economy and defense.

But the 1980 election did signal the end of the permanent Democratic majority, which has not always controlled the presidency, but which has held comfortable margins in Congress and the state houses for 34 out of the last 38 years. The Democrats still enjoy greater party identification than the Republicans—48 to 26 percent by a Gallup post-election count—but the rise of independent voters and divisions within such traditional Democratic constituencies as Catholics, blue-collar workers, white southerners, and Jews have eroded its majority coalition. Except in local races in a few northern cities and southern towns, no Democrat can feel secure.

The Democrats therefore face the challenge of rebuilding or transforming their coalition. A few Democrats—long identified with the Henry Jackson wing of the party—have opted out altogether. But others have advanced plans for revitalizing the Democratic National Committee ("Brockizing it," in the manner of former GOP chair William Brock), setting up Political Action Committees (PACs) and think-tanks, and expanding the party's base.

Efforts to rebuild a party's national organization usually follow a presidential defeat. But given the current structure of American politics, which places candidate selection in the hands of primary voters rather than party-appointed delegates, such an effort will probably not affect the party's fortunes. With the DNC assembling in Washington Feb. 26 to choose a new chairman, *New Republic* editor Martin Peretz expresses the sentiments of many Democrats when he says, "I can't raise a flicker of interest in who becomes the national chairman."

But the formation of independent PACs, the expected decision of the AFL-CIO to enter primary battles, and the growing interest in electoral politics among citizens groups could eventually transform the party. They could do so by creating movements, ideas and candi-

and corporate bigwigs once played in the Democratic Party.

There are numerous Democratic, liberal, or progressive PACs now on the drawing board. Defeated New York City congressional candidate Mark Green, former South Dakota Senator George McGovern, television producer Norman Lear, and moderates Janet Howard and Pamela Harriman are all starting PACs. But the most interesting proposals are coming from Roger Craver of Craver, Mathews and Smith and Vic Kamber of Kamber Associates.

Craver, Mathews and Smith has raised money through direct mail for Common Cause, the National Organization for Women (NOW) and the National Abortion Rights Action League. Last year they raised money for the independent John Anderson campaign. Since the election, Roger Craver, along with former Anderson staffers Ed Coyle and Francis Sheehan, has been setting up a PAC that would be independent of the official Democratic Party, but that would raise money to "protect Democratic incumbents and surface new leadership."

Craver rejected the idea of working directly with the DNC. "When we looked around after the election," he said, "it was clear the Democratic Party was going to take a long time to get its act to-

gether. Anderson raised \$14 million in seven months. You can do it if you have discipline and decision-making on your side.

"But the party isn't going to be able to do that. In the party, you can't deal with issues as sharply as you need for direct mail."

Craver's goal is to recruit 100,000 donors by mail who would give the PAC \$2-3 million to pour into the 1982 elections. The basic mailing list will come from the Anderson campaign, and the issues will be vintage Anderson—"right of abortion, women's rights, environmental protection, and [reduced] military spending."

Craver denies that this mailing constituency (which he terms "the Anderson constituency") will tilt the PAC away from funding, say, a black central-city Democrat whose main issues are economic. According to Craver and other direct mail specialists, the PAC's choice of a revenue base simply reflects what is possible through the mails. "Blacks and the working guy don't give money through the mail," Craver says. "And while the economy is a vital issue, it is hard to raise money on that alone."

But Craver's sympathies do lie closer to Anderson-type "new Democrats" like Colorado Senator Gary Hart, Massachusetts Senator Paul Tsongas, Repre-

sentative Morris Udall (Craver's partner Coyle was Udall's chief aide) and former Arkansas Governor William Clinton. These Democrats project a "clean" image unsullied by urban interest groups; they focus on "middle-class" rather than "working-class" issues; and they tend to see economic solutions, as Anderson did, in the equitable application of punitive free-market remedies like the 50 cents gasoline tax rather than in the redistribution of wealth and power.

Kennedy admirer.

Vic Kamber is a former liberal Republican who worked seven years for the Buildings Trades Department of the AFL-CIO before setting out on his own in December 1979 as an independent political consultant and direct mail expert. Kamber did some direct mail for the Kennedy campaign. Now he is organizing PROPAC—the Progressive Political Action Committee.

Kamber remains an unabashed admirer of Senator Edward Kennedy and rejects the charge that Kennedy's defeat in the presidential primaries was attributable to his "liberalism" or "New Deal politics." "If it wasn't for Iran, Ted Kennedy would have been the nominee," Kamber said. Asked to define the term "progressive" in the title of his PAC, Kamber replied, "Not John Stennis. Not



**Kennedy aide
Carl Wagner says
the party needs
at least one
"compelling idea."**

Howard Cannon. People like Ted Kennedy; people with ideas."

Kamber would like to use his PAC to move the Democratic Party in a "progressive direction." "The party has to stand for something if it is going to be effective," he said. "It can't be all things to all people. It can't represent both [Mississippi Rep.] Jamie Whitten and Father Drinan."

Kamber's and Craver's PACs, along with the McGovern, Green, and Lear PACs, could play the same role in revitalizing the Democrats that NCPAC and other New Right PACs played in the Re-

Continued on page 6

Roger Craver's direct mail efforts will be aimed at the "Anderson constituency."

dates outside the official party structure.

The Anderson constituency.

With the new campaign finance laws, PACs have become the principal means of raising campaign funds. The Democrats have always had their labor PACs and the National Committee for an Effective Congress (NCEC), but the Republicans and the "New Right," through the use of direct mail solicitation, have been able to outraise and outspend the Democrats.

By using their funds to train campaign workers, finance independent expenditures, and recruit candidates, the GOP and the New Right PACs have also become important actors in the electoral arena. On both a national and local scale, they play the role that machine bosses

