



*the magazine of the
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of America*



inside—

*The World Economic Crisis and the Wall Street Collapse
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Sotomayor and The Right's Selective Judgment*

The Return of the Shadow

by Robert Fitch

IT SEEMS LIKE THE COLLAPSE OF THE ECONOMY is bringing back the 1930s. Nobel prize winner Paul Krugman says depression economics is back. And we're encouraged to think of our leaders in terms of avatars from that decade. Who's FDR? Who's Hoover? FDR talked about a generation that had a rendezvous with destiny. What's ours? I hope it's not to repeat the mistakes of the Left in what was, in W.H. Auden's words, "a low dishonest decade."

The title of this essay is "The Return of the Shadow." In fact I want to describe the return of three shadows: the first is Lamont Cranston, who seems to have come back as President Obama; the second is the shadow banking industry, whose pre-crash role the President is laboring to restore. And the third is the shadow of the Great Depression, particularly the return to that decade's way of thinking about capitalism – as chiefly a problem of finance capitalism.

Pundits, right and left, are already dubbing Obama as the 21st century's F.D.R., but the president reminds me more of another legendary depression-era hero: The Shadow, whose popular radio detective show featured Orson Welles as Lamont Cranston, a wealthy playboy and man-about-town who assisted the forces of law and order. What rendered him so valuable was his uncanny ability to cloud men's minds so that he appeared invisible. Only his companion, the lovely Margot Lane, was aware of his secret powers.

True, Obama is anything but invisible: but like Lamont Cranston, he uses his power to cloud men's minds in the service of the established order – in this case the FIRE industry (finance, insurance, and real estate) and particularly the shadow banking industry. That's the complex of investment banks, hedge funds, private equity bankers and monoline bond insurers whose leveraged trading, securitization, and innovative derivative products defined the great boom up until September of last year. Since then, the value of the U.S. securities held by financial institutions has fallen by many trillions, and the institutions themselves have suffered a comparable loss of credibility. A recent Harris poll showed that Wall Street's approval rate is now lower than any other institution's in the U.S. Only four percent of the American people express confidence in Wall Street. Obama and Wall Street have become a couple, though Obama has been able to make the bond unseen.

In terms of policy, personnel and political ideology, the president is the anti-Roosevelt. While Obama has achieved American Idol status despite his embrace of Wall Street, FDR became a charismatic folk hero, in no small part because he defined himself as the scourge of Wall Street: Roosevelt offered himself as the leader in a fight against the "economic royalists" who, he charged, "had concentrated into their own hands an almost complete control over other people's property, other people's money, other people's labor – other people's lives." He shut down all the banks on the third day of his administration; days later, he took the U.S. off the gold standard, shocking Wall Street's hard-money men and their representative at the Fed, whose autonomy he reduced. When Senate leaders tried to scuttle Committee Counsel Ferdinand Pecora's investigations into the causes of the crash, Roosevelt stopped them. Pecora's hearings not only exposed Wall Street's recklessness and criminality; they demystified and even belittled the financial titans of the era – not excluding the giant of them all, J. P. Morgan Jr.

The Securities and Exchange Commission was only one of the products of the Glass-Steagall Act, which vastly reduced the concentration of U.S. financial power by dividing banking into commercial and investment components. It neatly split the House of Morgan in twain and reduced investment banks' sources of capital and the commercial banks' penchant for risk.

Roosevelt knew who he was taking on: "The real truth of the matter," wrote FDR in 1933 to Colonel House, "is as you and I know that a financial element in the larger cities has owned the government since the days of Andrew Jackson – and I am not wholly excepting the Administration of Woodrow Wilson. This country is going through a repetition of the Jackson fight with the Bank of the U.S. – only in a far bigger and broader scale."

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Israeli-Palestinian Conflict and Winning Peace with Justice in the Middle East

A statement from the DSA National Political Committee, June 2009

Peace in the Middle East and justice for both the Palestinian and Israeli people can only be achieved through mutual recognition by each side of the right of each people to viable and secure states of their own, in which the rights of minorities are also guaranteed. Thus, the rejectionist politics of both the Netanyahu administration and of Hamas are a barrier to peace. United States foreign policy should be mobilized in favor of peace forces in both camps and, in particular, against rejectionist Israeli government policies, which historically were and remain buttressed by unconditional U.S. economic and military aid.

Democratic Socialists of America deplores the continuing Israeli occupation of the West Bank and Gaza strip, its multi-party refusal to uproot settlements in the West Bank that block a peaceful resolution of the conflict, and its wall that brings neither long-term security to Israelis nor solidarity with its neighbors.

Further, DSA believes that the recent Israeli bombardment and ground invasion of Gaza did not advance the peace process. In seven years of intermittent rocket launchings from Gaza, 22 Israelis have been killed and scores wounded. But these numbers, as horrid as they are, pale in comparison to the loss of civilian life among the Gazan population and the squalid conditions in which they must live within borders policed by Israel. But there was a ceasefire in 2008, and if indirect negotiations with Hamas had not been abandoned by Israel it is quite likely the cease-fire would have been maintained without the Israeli military escalation. By killing hundreds of Palestinian civilians, wounding thousands more, leaving upwards of 50,000 homeless and turning whole sections of Gaza City into what even Israeli observers call “an earthquake zone,” Israel’s three-week military operation was an excessive and inhumane response to Hamas’s deplorable rocket launchings into Israeli population centers. It was also a failure in that it did little to enhance the long-term security of the Israeli people.

As even former Israeli conservative Prime Minister Ehud Olmert now admits, Israel can neither gain physical security nor perpetuate its status as a majority Jewish state unless it ends its unjust occupation of the Gaza Strip and West Bank.

The international community must of course consistently condemn unjust attacks on civilians by both sides. Democratic Socialists of America urges the U.S. government and the international community to insure that the temporary ceasefire in Gaza leads to a sustained diplomatic effort to negotiate a just, two-state solution to the conflict between the Palestinian and Israeli peoples. The Israeli state has a right to defend its people, but after more than 60 years of self-defense and 40 years of an unjust occupation of the West Bank and Gaza, it should be self-evident that peace and security for Israel cannot be achieved by injustice towards another people. The common Israeli/U.S. effort to isolate, both diplomatically and economically, the Hamas regime in Gaza only served to increase Gazan support for Hamas. There can be no military solution, imposed by either side, to what is a political problem. The withdrawal of the Israeli Defense Forces from the West Bank and the creation of an economically viable and politically independent Palestinian state would provide the Palestinian people a reason to push aside rejectionist forces within their community.

DSA also recognizes that leaving it at telling combatants to lay down their arms and embrace a two-state solution is like asking the sea to part itself. With hostilities enduring since before the time of Israel’s founding and with its holding and colonizing East Jerusalem and the occupied territories for longer than the 30 years war lasted, a political solution is both necessary and elusive. In many ways, the worst elements of both Israeli and Palestinian society are now the political leaderships of their respective nations. On the Israeli side, opportunism mixes with chauvinism as Netanyahu’s Likud-coalition government panders to the settler vote. Yet without removing the settlements, by either repatriating the settlers root and branch, buying out their holdings or acceding them as citizens with equal rights in a Palestinian state – there won’t be peace. Even a Palestinian state comprising the West Bank and Gaza, with Israel still in control of the settlements, the water and the most arable land, won’t be viable. Neither will a Hamas-led state whose main goal is reversing the Nakba. On the Palestinian side, there won’t be peace until there’s a broad pro-peace front that can compete with the Islamists – and they can only do that if they have partners among the Israelis and the U.S. citizenry, not followers cheering on an impossible military solution or endorsing an illusory “single-state” solution.

What it will take is diplomacy by outside forces to give political weight to those factions genuinely desiring peace and willing to compromise. It means freezing out the millenarians on either side – even as we know that both Likud and Hamas must be brought to the peace table, at least in the first instance – while allowing moderate elements on both sides of the Green Line to be able not only to negotiate a peace with authority but to keep one by ruling stable states.

In the short-run, a viable cease-fire in Gaza must involve international supervision of the crossing points between Egypt and Gaza and between Israel and Gaza. The basic needs of the people of Gaza cannot be met absent normal commerce between Gaza and Egypt, Israel and the West Bank. Re-opening the border crossings would also eliminate the Hamas rationale for abandoning the previously successful cease-fire. An internationally guaranteed cease-fire must also preclude the covert importation of arms into Gaza.

On the Struggle for Universal Health Care

A statement from the DSA National Political Committee, June 2009

DSA reaffirms its support for single-payer health insurance as the most just, cost-effective and rational method for creating a universal health care system in the United States. In the House of Representatives, John Conyers has introduced H.R.676, the Expanded and Improved Medicare for All Act. This bill has 77 co-sponsors. In the Senate, Bernie Sanders has introduced S.703, the American Health Security Act of 2009. His bill has not yet attracted co-sponsors. These two pieces of legislation take different approaches to universal health insurance, but both take for-profit insurance companies out of the picture. DSA asks our locals to contact their senators and representatives, and encourage them to co-sponsor these bills if they have not already done so.

DSA notes with dismay that the current discussions and hearings in Congress relating to national health insurance have excluded single-payer health insurance from the discussion. The plans under discussion presume a large role for the existing insurance industry; possibly, in competition with a Medicare-like public option. We strongly support single payer over these other alternatives. In particular, we feel it is vitally important to include supporters of single payer in the discussion around all possible plans, and condemn the exclusion of these voices in both President Obama's Health Care Summit and in the hearings of the Senate Finance Committee. Particularly, in the discussions of the public options, the ideas and experience of health care professionals committed to the single-payer approach would provide essential input.

Even taking the above into account, the current political situation provides the best opportunity for serious health care reform in a generation. We do not accept the position that unless we get everything we want, we are willing to see that opportunity disappear.

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DSA Statement on the Middle East continued from previous page

As the preponderant military force in the region, Israel can best reinitiate the peace process. Israel could help restore its tarnished international image by taking up the Arab League's 2002 initiative as a starting point for comprehensive peace negotiations. In 2002, the Arab League abandoned its long-standing denial of the right of the state of Israel to exist and offered to recognize the state of Israel in return for the creation of a Palestinian state on the West Bank and Gaza Strip, with its capital in East Jerusalem.

DSA recognizes that its primary political responsibility is to change a U.S. foreign policy that continues to give a blank check to Israeli government policy by prolonging its policy of massive unconditional military aid to Israel. The Bush administration's unyielding support for Israeli intransigence harmed the people of Gaza, the West Bank, and Israel itself. Thus, DSA will work, along with other pro-peace forces in the American Jewish, Arab, and broader progressive community, to pressure the Obama administration to adopt a balanced Middle-East approach. We support the Obama administration's call for an end to expansion of settlements, and we urge pressure on Israel to freeze any settlement activity as a prelude to abandoning them in an effort to bring peace. Such a policy should use carrots and sticks to encourage both sides in the conflict to make the hard choices and compromises that must be the foundation of an enduring peace. As activists in the Israeli peace movement have said for generations, the U.S. cannot contribute to the security of all the peoples of the Middle East if it continues to embrace Israeli governments that block the peace process.

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The following three essays, including Robert Fitch's article that begins on the cover of this issue, are edited versions of presentations made at the Left Forum 2009's DSA panel on Democratic Socialist Responses to Stagnation, the Wall Street Collapse, and the World Economic Crisis, which was held at Pace University in New York City on April 19.

The Recession and our Pensions

Teresa Ghilarducci

My topic is how this recession is affecting the pension system, and how the thirty-year change in the pension system is affecting this recession. That is the view that you haven't heard. We've heard about how people have lost their 401k's and tens of millions of elderly people are going to face a permanent decline in their living standards, but you haven't heard how the financialization of pensions, the move away from secure pensions to 401k's, has actually made this recession worse. So that, you'll see, is fresh. But the reason I've been called "the most dangerous woman in America" is because I wanted to take away a huge source of public subsidy for the mutual fund industry. I testified in October that the tax breaks for the 401k system were not doing the job that Congress had intended, namely to increase savings for retirement security and to increase it for people who needed it the most.

So right now we're spending \$110 billion dollars a year, and it's growing. In five years that tax break will be 49 percent larger than it is now, but it looks as though it has not caused one more person to be covered by a pension plan. In fact, most of that money – 70 percent of it – is going to the top twenty percent, who in other surveys are shown to have been saving for their retirement just fine. So it's ineffective and actually unfair. What's surprising is that at the end of February President Obama called for an expansion of that system, which is probably Exhibit A of many which show that this presidency has been captured by Wall Street and Wall Street interests.

Maybe I can put some flesh on that proposition, that the interests of Wall Street are thoroughly represented in the White House. Congress, for some reason, has not really challenged those interests, and if those aren't changed, if we don't have a midcourse correction soon – I'm going to advertise here – at the New School in three weeks we're going to bring together some economists to talk about whether or not we should have a midcourse correction, which would include a much larger stimulus and a much different approach to the banking sector. We may emerge from this depression with a much more unequal distribution of wealth, and nothing done to solve the retirement crisis that's coming.

It is true that we are probably in a recession which is rivaled only by the Great Depression. I don't think that this will be as bad as the Great Depression, because we have many programs in place, automatic stabilizers, welfare systems, unemployment systems, and a Social Security system that will stave off some of the decline in living standards we saw, but it could last a lot longer. And a job not filled is a job lost forever. A store or factory closed is a store or factory that won't be reopened for another five or six years. So the human loss to a recession is far greater than what the Gross Domestic Product (GDP) numbers represent, and I think we all agree here that

we are seeing far too much emphasis on GDP growth or retail sales or housing decline and not enough attention to the jobs numbers. If I were Hilda Solis my first priority would be to be screaming in the national media about what those jobs numbers are. We need to add 160,000 jobs per month on average to just stay even. We have lost 360,000 over a period of five months, so we're down almost half a million every month. In



those numbers are hidden the involuntary unemployment that comes when full-time jobs are replaced by part-time jobs.

Last month, over a million full-time jobs were lost, and according to the official number you get at 8:30 on the first Friday of every month, the net loss was 660,000 jobs. These are people. We netted 330,000 new part-time jobs, but it's the full-time job loss that we have to focus on. We depend upon the "left-leaning" Labor Department to get those messages out, and there's just nothing about Hilda Solis – you heard it here – that is going to oppose or challenge Larry Summers or Tim Geithner, and that's what we really need from the Labor Department. So, if we were going to talk about political action, I would focus it actually not on the Treasury or the presidency, but on the House of Representatives; not Barney Frank, but on the Labor Committee, where George Miller would pressure Reid and Pelosi, and I would really do everything I could to connect up with the leftists in the Labor Department. That's where it has to happen. She doesn't even have a chief economist yet. And that's where we have to focus our attention.

The Great Depression was noted for a political movement around the loss of pensions and the vulnerability of the elderly. So far we aren't seeing an equivalent to the Townsend movement or an equivalent movement towards a social security system, and we should. I mean, it would make sense because the elderly are a very active group, elderly workers and also the retired, and we haven't heard a peep yet, really, no organized peep. We should look to the labor movement to mobilize its retirees. But we aren't seeing a coordinated effect with the AARP and the other so-called "gray lobby."

One of my projects is to create a coherent economic alternative to the 401k system and to the mutual fund industry, but also to spur a political movement. If I do anything today, I want to replace the conventional metaphor describing our retirement system, which is the three-legged stool. Have you seen that? It's just wrong. That idea that there are equal sources of income coming from Social Security, the employer pensions, and personal wealth is just not true for

85 percent of the population. Over half of the elderly get over 70 percent of their income from Social Security. Most people don't have any wealth at all except for the small amount of home equity they have, which has been eroded for the past 20 years because of the increase in debt that has come from the home equity-debt-line of credit business. So we have a metaphor which everybody uses, the three-legged retirement system, and they always quote FDR, as if FDR predicted this or wanted this, but it is really accurately describing only the elite. So it's much better for us to replace that picture in our mind with a pyramid.

If you think of the food pyramid, a big fat pyramid, and think of the bottom, where your grains and vegetables are, as Social Security; on top of that, where your fruits and your protein come from is employer-provided or employer-based pensions, and right at the tippy-top with chocolate and whiskey is personal wealth. That is a much more accurate picture. So then when we talk about reform we have to make sure that we secure Social Security, and we have to rethink that middle tier. Those are really the only relevant kinds of support that we have. And so I'm going to focus my attention on that middle tier, that employer-based pension system – what the Obama administration wants to do with it, and what a progressive alternative is.

What we have seen over the past thirty years is a replacement of that middle tier away from a union-based, articulated system of defined-benefit plans, where the pension system was based on years of service. It was based on a single employer or more likely, but understated, an employment system, so that multiple-employer pensions were explicitly the way that people got their pensions, as people moved from employer to employer in the same industry. Even though they had single plans, they actually articulated an integrated pension system. It even helped young workers, not only because young workers became old workers, but also because even if people did not enter a defined-benefit system that they vested in by the time they were 45, but stayed with that employer (which most people did and still do, except for some older white men in the industrial sector) – even if they were in a defined benefit system for just the last ten or fifteen years of their life they did much better than now, where you might cycle through a lot of 401k plans. That's in Chapter Three of my upcoming book.

It has actually startled me that when I asked, "Are people better off in a 401k world or in a defined-benefit world where they don't get any vesting until they're about 45?" The answer is, "They are much better off in a defined-benefit world, even if they're not covered at all until they're 45." It's just something that goes against conventional wisdom, but is based on the numbers and what we know about job mobility.

So that defined benefit system where people were guaranteed a pension after a certain number of years with an employer has been replaced by a financialized system where everybody accumulates their own savings in a commercial, voluntary, self-directed account. There's nothing wrong with those voluntary, commercial, self-directed accounts – except that they're

voluntary, commercial and self-directed. Otherwise they're just fine. Those accounts are called 401k accounts. If you're in the public sector you have something called a 403b, but they're really on top of a defined benefit plan, or if you don't have any kind of pension plan at all, the idea was that you would get a tax break for something that was called an Individual Retirement Account. These accounts are managed by the retail side of Wall Street, whereas defined benefit pensions are managed by the institutional side of Wall Street.

If we can think about political strategy, we can think about Wall Street not as a monolith but as a bunch of interests that we can divide and conquer. My proposal is actually going to be predicated on the idea that there are many different kinds of "Wall Street" and that we can divide off some of the predators in the non-regulated sector and actually get some traction, get some progressive change by bringing in the institutional part, the other part of Wall Street. That's not my area. I'm an economist, not a political scientist, but I know this one area quite well and think this is where a progressive promise is.

The present retirement crisis has tens of millions of Americans facing a permanent loss of income because of the decline in their 401k plans and elderly people either coming back into the labor market or delaying their retirement in the worst labor market in the past 26 years. This is not what you want out of an economic system; you actually want people to stay retired, or gracefully retire, when there's high unemployment, which is what we succeeded in doing with Social Security and the defined benefits system. So this is one way the financialization of the pension system has actually made the recession worse, because we've increased or exacerbated the unemployment rate.

The other place where the financialization of pensions has made the recession worse, which is what makes me quite worried about it, is that the last recession – the really bad one in '82 – was engineered by then-Fed Chairman Paul Volcker. Let's not call Volcker back. A lot of progressives and lefties are saying, "The only lion that can actually overcome or replace Larry Summers is Paul Volcker." Remember, he was the father of the "cold bath." He engineered the recession, with high interest rates and very high unemployment rates. Well, that was actually the good news, because once those interest rates went down in '83, and once the unemployment rates started going up, consumers started spending again. Here, even if we have moderated unemployment rates or moderated inflation, we have a permanent loss of wealth among much larger portions of the population, which actually may reduce consumer spending for quite a while. So, if I were going to argue for a stimulus package to be twice as big as the one we have, that would be Exhibit A, that we're not going to have the kind of multipliers from the consumer sector that we did before, because of this permanent wealth effect. And I have some numbers about elderly spending and how it trickles down to prove that.

The other thing that happened is that the cult of equity took hold in the past ten years, and it affected everybody, but it meant that the elderly are actually much more exposed to equity in their portfolios than they ever were before. Just

ten years ago 50 percent of 401k's of people over 60 were in equity, and now it's over 64 percent, so these sorts of losses of wealth are quite serious. Obama proposes that he wants to expand this lousy system to everybody, and he has borrowed from the people he brought from the University of Chicago, behavioral economists, to show that if you actually get people into a 401k plan, they'll stay there. And that's supposed to be good news? The way he wants to induce people to stay there is to provide a government match. Not the employer but the government will provide 50 percent of the contribution to a commercial individual voluntary account, up to a thousand dollars per year. So this, according to behavioral economists, may actually increase the participation in 401k plans by lower-income people. But once they get there, they can't opt out. So we're not sure that over time it's actually going to expand coverage into a supplement to Social Security 100 percent, but we do know that we'll boost it, but these folks will still be in a commercial, voluntary, self-directed account. Which means that all the problems with the 401k will still be there.

First of all, people will try to self-direct, and they'll do it wrong, because professionals will be able to earn higher rates of return from less money than individuals can, mainly because individuals can't get the economies of scale and don't get the professional advice. People will also always use their 401k's as a savings account. This is especially bad for women, because we've seen that when women only have 401k or individual accounts and Social Security, and they happen to be mothers, they will withdraw that 401k account to support adult children, especially for education or home buying needs, so it's especially lethal for the group that will be especially vulnerable in old age.

We also find that the Obama plan will not do anything about lump sum withdrawals at retirement, which is another problem. It really causes a lot of leakages. The only group that benefits from Obama's plan by far is Wall Street, the mutual fund retail broker side. It was clear that that was the group that was for Obama and has actually started a political campaign against me. I propose a guaranteed retirement account, which would be a mandatory savings account, where everyone would have to – if you don't have a defined benefit system – would have to save five percent of their income into an account that would accumulate credits. This is very similar to the Swedish plan (but don't tell anybody that, because that's not going to help), and it's also similar to what the Germans are doing with their occupational plans. The government would pay the five percent for the bottom 30

percent of the population, so I'm not asking that 30 percent of low-income workers would reduce their consumption by five percent. There is a version of the plan where the employer pays some part of it.

These funds will be accumulated in a big trust fund, very much like where the federal employees have accumulated their supplements to Social Security, and it will be invested by private interests, but with trustees who will be appointed by the president, confirmed by the Senate, and have some accountability to a democratic process. So here it is: a universal system. It will be professionally managed. The amount of money that people will get from their contributions will be guaranteed, adjusted for inflation. It will be annuitized. There will be no lump sum. It's not just an expansion of Social Security. Social Security is a pay-as-you-go system. This will be prefunded, just like defined benefit systems are. There are a lot of political reasons and some economic reasons for that, but it is a prefunded system.

I feel that if we don't take this opportunity to actually supplement Social Security – and there's lots of reasons why this program should be paired with a very well articulated and fierce program to expand the minimum benefit in Social Security, because we have the economic means to prevent poverty among the very oldest old – I fear, if we don't do something bold, and actually scale back the tax breaks for 401k's, that we will emerge from this recession with a more lopsided wealth inequality, with an expanded retail sector from Wall Street, and without having done anything to help the tens of millions of people now who don't have pensions, or the many more baby boomers and beyond who will emerge at age 65 having to work at low-income jobs.

Teresa Ghilarducci, director of the New School's Schwartz Center for Economic Policy Analysis, was recently featured in Money Magazine for her cutting-edge proposal to restructure the United States' retirement income security system. Previously, she spent 25 years as a professor of economics at the University of Notre Dame and 10 years as director of its Higgins Labor Research Center. Her most recent book is When I'm 64: The Plot Against Pensions and the Plan to Save Them. One US News and World Report business blogger called her "the most dangerous woman in America" for saying that she approved of wanting to spread the wealth and for supporting guaranteed retirement accounts that secure workers in old age.

What "Recovery"?

Mark Levinson

The first thing to realize about the incredible economic situation we're in is – and it's not, I think, stressed enough in the daily press – that this is a crisis in the *real* economy: the lost jobs and stagnant wages, the decline in benefits, the stagnant living standards for over a quarter of a century. Instead

of an income-driven economy, driven from the bottom up, we became an economy driven by asset bubbles, which actually hid what was going on underneath the macro indicators.

Secondly, the assault on the economy had a domestic and an international component. Domestically, the attacks on

unions, the retrograde economic policy, the decline in public investment, the deterioration of our tax policy, the decline in full employment, market-based deregulation – all of these things were an assault on the power of workers to maintain their living standards. At the same time, the same thing was happening in the global economy. We set up a global economy with rules designed quite explicitly to protect a global elite, which reinforced all the domestic trends which were disempowering workers.

We've been in a recession now for 15 months. Over five million jobs have been lost. Despite some misleading reports that things seem to be getting better, I'm not sure they are. We're averaging about 20,000 lost jobs per day, day in day out, seven days a week, for the last six months. The retail sales numbers that came out last week were horrendous. But to



understand this situation, we have to go back a few years and look at how differently the U.S. economy functioned than it did even a little further back. Historically, there was a regularity to the business cycle. The economy was characterized by recessions followed by recoveries. During a recession

unemployment went up. During recessions inequality got worse. During a recession social needs went unmet. During recessions wages either stagnated or declined. And then during economic recoveries, inequality narrowed, wages went up, social needs started to be met. This was the rhythm of the American economy.

Starting in the late '70s, the early '80s, things start to change. For the 25 years before 1980, wages really were linked with productivity. There was a basis for saying that wages were based on productivity, that rising wages go hand-in-hand with rising productivity, and in fact that was true for 25 or 30 years after World War II. Starting in the late '70s, those two things start to sever. Wages start to stagnate. Productivity continues to increase, but wages don't. Families maintain their living standards by having more people enter the workforce. People are working longer hours. So while wages are declining, family incomes are still going up. Not as much as they were before, but they're still going up. By the time we get to George W. Bush, we have a five- or six-year economic recovery where, for the first time in American history, median family income is lower at the end than it was at the beginning. There's a limit to how many hours people can work, to how many more people each family can send into the workforce, and it seems we're approaching that limit. And so, even in recoveries, the economy starts to look like what used to occur during recessions. Remember, it used to be during recessions that incomes went down, wages went down, inequality increased. In the 2000s under Bush, you have all of those things happening during a recovery. So some people were asking, "If this is what happens in the good times, what on God's green earth is going to happen when the economy turns down?" And that is what we are seeing now.

One of the striking things about this current crisis is that it is truly global, which makes it that much more difficult to figure out how we get out of it. In the U.S., before the bubble economy burst, huge international imbalances were created. So the U.S. was running \$700-800 billion trade deficits, \$250 billion just with China. This is not sustainable. And it's an aspect of this crisis to which not sufficient attention has been paid. One of John Maynard Keynes' central insights was that in times of global economic crisis it's important that the trade surplus countries do the adjusting. Otherwise, if the trade deficit countries are forced to adjust, it leads to a global downward spiral. Today the global surplus countries are China, Germany, and Japan, but what that means is that it is absolutely central that workers in China increase their living standards, which hasn't been happening. In the late Andrew Glyn's recent book *Capitalism Unleashed* there is a very important graph which shows the average wage for manufacturing workers in developing countries after the economic take-off. Glyn shows Germany and Japan after World War II, and he compares them to the newly industrializing countries in Asia in the '70s and '80s. He shows that in all those countries the wages of manufacturing workers after take-off show significant increases compared to U.S. manufacturing wages. But in China the line is flat. That is, China has experienced a tremendous growth in income and wealth. There's a growing middle class and upper class in China. But the hundreds of millions of workers who work in the export zones that fuel the Chinese export machine have not shared in that growth, in that rise in living standards. That is not only pulling down standards all around the world because very few countries can compete with China's export prowess – now the global economy needs demand to increase in China. Not all countries can grow by exporting. We need to recreate some kind of balance in the global economy.

Let me just say a few words about what I think needs to be done, and about Obama's approach. We need to address this both domestically and internationally. Domestically, Obama has done partly very good things. The stimulus program is a good start. But as big as it is, \$800 billion, it's not big enough. We need more, and we need more ambitious public spending programs. A very disappointing amount of that stimulus is actually targeted on infrastructure investment, for example. It's not enough to address the jobs crisis. Secondly, and this is of course the big problem, is Obama's approach to the banks. And this is where the whole thing could come tumbling down. This is where Obama may pay the price for his appointments, which were profoundly disappointing to say the least. His approach to the banks so far, I would call disastrous. It's essentially a fancier version of what Paulson was doing under Bush. And this plan was basically written by the banks. This was brought to Geithner by Goldman-Sachs. I don't think it's going to work, and I think it's just a scandalous program. The huge public monies involved where all the risk is borne publicly to try and leverage a very small amount of private money, with the overwhelming majority of the upside going to the private sector. It's just a disgrace. What has to be done is: take over the

banks. I don't see why they can't do this. It would be a much more equitable approach to this crisis.

This crisis is not simply a normal recession slightly worse. *This is a fundamentally different thing, an epoch-changing crisis, a crisis of a thirty-year approach to economic policy which has failed.*

These are very important times. And I think the hopes for the democratic left, whether we like it or not, are hitched to Obama. The reason we have to criticize Obama on the banks is that if Obama fails, it's not the left that's going to benefit; it's the right. And we have to criticize Obama because the stakes are so high. He's on the wrong side of both the politics and the economics on this, and we have to exert enormous pressure on him to go beyond where he's at on the banks.

The Shadow

continued from front cover

In a word, FDR's goal was to save capitalism from finance capital; Obama's, I would suggest, is to save capitalism by saving finance capital.

Consider the difference in the makeup of the two administration teams. In FDR's White House brain trust, nary a Wall Streeter. Three most often mentioned were either Columbia or Barnard University professors. A. A. Berle pioneered the notion of a corporation in which there had arisen a separation of ownership and control so the representatives of other people's money had no real legitimacy. Rexford Tugwell was a quasi-Marxist agricultural specialist who visited Soviet Russia in 1927 and returned with a collectivist vision that he tried to realize in kolkhoz-like communities as head of FDR's Resettlement Agency. And finally, Raymond Moley was a conservative criminal justice specialist who is said to have coined the term New Deal and bragged that Roosevelt's bank take-over had "saved capitalism in eight days."

Jesse Jones was also part of FDR's brain trust. A tough Texan who headed the Reconstruction Finance Corporation, he'd gotten his start as a lumberman, moving into real estate and then banking. But he wasn't a Wall Streeter. It was his job to persuade banks to accept partial nationalization. At a meeting of the American Bankers Association he offered no stress tests: "Half the banks in this room are insolvent; and those of you representing these banks know it better than anyone else." Many of Obama's backers would like to hear such straight talk from his Secretary of the Treasury.

But it's a stretch to interpret Roosevelt's battle against Wall Street as either anti-capitalist or as particularly innovative. Think of Roosevelt as a gardener. He sprays to kill the weeds, not to destroy the lawn. Tugwell acknowledged that the New Deal consisted almost entirely of programs initiated by Herbert Hoover: the Reconstruction Finance Corporation; fiscal pump priming; steep taxes on the rich; huge infrastructural projects to increase employment. The biggest exception of course was FDR's campaign against financialization. It's a judgment that raises an important question. Ignoring foreign policy and big

This is a politically pregnant time. The possibilities are open now in ways that I didn't think I would ever see in my lifetime. And the importance of political mobilization on behalf of alternatives is probably more important now than it's ever been, so we need this kind of discussion to clarify and sharpen our own approach.

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areas of domestic policy, just concentrating on economic stabilization, and recognizing we're only 100 days into the Obama presidency – to whom does Obama stand closer: Hoover or FDR? On the evidence so far, I would say Hoover. Except that Obama's political skills are closer to FDR's than Hoover's. And, unlike Hoover, Obama would never dream of advocating a 62 percent marginal tax rate on top income earners.

Obama also stands closer to Hoover than to FDR in terms of political ideology. Both are pluralists who articulate a politics of the common good, while FDR adopts a conflict perspective. In his first inaugural address, FDR pointed directly to those who were responsible for the great crash: "The rulers of the exchange of mankind's goods have failed," he said, "through their own stubbornness and their own incompetence, have admitted their failure, and abdicated. Practices of the unscrupulous money changers stand indicted in the court of public opinion, rejected by the hearts and minds of men." "Money changers" is not a term of endearment in Christian populist discourse.

By contrast, Obama targets no enemies; he lives in a Madisonian world where we must all participate in the nonpartisan pursuit of the common good. Sometimes factions impede our way. Obama took care in his Inaugural Address not to single out financial interests. "Our economy," he observed, "is badly weakened, a consequence of greed and irresponsibility on the part of some but also our collective failure to make hard choices and prepare the nation for a new age."

The president repeated the idea that everyone's responsible for the collapse of capitalism in his recent New Foundations address. "This recession was not caused by a normal downturn in the business cycle. It was caused by a perfect storm of irresponsibility and poor decision-making that stretched from Wall Street to Washington to Main Street."

One of this president's ideological bedrocks is the communitarian idea of responsibility. But if power is to be held accountable, responsibility must be proportionate to the amount of power actually held. And if investments have

turned out badly, the responsibility belongs to the investing class and not the working class. Workers produced cars, not structured investment vehicles.

Obama's posture towards the investing class is far more protective than adversarial. Consider his now famous words to the Wall Street chiefs led by Morgan's Jaime Dimon, at a White House meeting in late March: "Gentlemen: don't you realize that my administration is all that stands between you and the pitchforks?"

Perhaps sensitive, though, to critics like former IMF chief economist Simon Johnson, who charges the administration is in thrall to a financial cabal, Obama's advisers tried to portray the meeting in adversarial terms. But when Dimon looked across the table at the aides Obama brought with him, he didn't see adversaries; he saw colleagues and clients. While Tim Geithner, the Treasury Secretary, never worked on Wall Street, he was chosen by directors of the New York Federal Reserve Bank – most notably by Dimon, himself – to be its president. And recall one of Geithner's most controversial actions: his

refusal of the open credit window for Bear Stearns, which he pushed into the arms of Morgan. Dimon got Bear originally for \$2 a share. And the Fed agreed to guarantee \$29 billion of \$30 billion in dodgy Bear assets. It would be hard for Dimon to construe Geithner as an adversary: he was alternately his beneficiary and his benefactor.

The president's top White House aide at the meeting was Larry Summers, head of the National Economic Council. In his Wall Street stint after leaving Harvard, Summers earned \$5.2 million working for the hedge fund D. E. Shaw between 2006 and 2008 – albeit working only one day a week. He supplemented his part-time job with \$2.7 million in speaking fees from Wall Street companies that received government bailout money. Just one speech to Goldman Sachs netted Summers \$135 thousand. And 22 cents.

Then there's the Hamilton Project: a think tank jewel within a think tank jewel box. Nestled inside the Brookings Institution, the oldest and biggest Democratic Party-oriented policy research center, Hamilton has been widely identified as the intellectual power center of the Obama administration. Initially, the reaction has been one of surprise at the seeming implausibility of naming a Democratic think tank after the ideological founder of the Republican Party and first publisher of the New York Post. But it's not so implausible if you recall that Hamilton was a principal in the deal with Jefferson, whereby, in exchange for agreeing to shift the seat of government from Philadelphia to D.C. to benefit real estate speculators, the Federal government rewarded speculators in state securities who had bought them at 15 or 20 percent and then redeemed them at par.

It was a deal that could serve as a precedent for Obama's legacy assets plan, wherein private speculators will be able to purchase the legacy – formerly known as "troubled" and

before that as "toxic" assets – with government loans that are 94 percent forgivable. Some of the avowed participants in the plan sit as advisors of the Hamilton Project. They also overlap with the informal brain trust made up of prominent hedge fund operators who counsel Larry Summers, a Hamilton Project advisor.

The founder of the Hamilton Project was Robert Rubin, Summers' former boss at Treasury where he was judged as "the greatest secretary of the Treasury since Hamilton" by Bill Clinton and as "Bailout Bob the Bubble Blower" by financial writer Kevin Phillips. Back in 2006, Rubin organized a fundraiser with a couple of dozen leaders of the shadow banking industry. Each threw in a little over \$100,000 – basically parking space money. His recruits included Howard Berkowitz of BlackRock, which now handles the disposal of bad Bear Stearns assets; Quadrangle's Steve Rattner, who's now under investigation for bribery; and Roger Altman of Evergreen Partners, who served as Undersecretary of the Treasury under Clinton. It was Altman who brought then-Sen. Barack

Obama into the project. At Hamilton's inaugural event, in the spring of 2006, Obama was the featured speaker. His remarks were brief, but not ceremonial or superficial. He showed recognition of Rubinesque parameters about entitlements and deficits. And perhaps most important, he presented himself to the assembled hedge fund hotshots as a man of the Left who recognized the futility of the Left's adherence to New Deal programs, which he admitted had long ago lost their justification – "as they were written."

The Hamilton Project has since had a dizzying turnover of top staff joining Obama's circle. Peter Orszag, the first director of the Hamilton Project, now heads the Office of Management and Budget. He was replaced by Jason Furman, who was then pressed into service as the Obama campaign's chief economic spokesperson. Furman is now the No. 2 official on the National Economic Council. Jason Bordoff, Hamilton's policy director, served as an Obama campaign surrogate. Doug Elmendorf, who replaced Furman, now serves as head of the Congressional Budget Office, which could impact the CBO's watchdog role.

What about Obama's policies? The priorities of the financial stabilization program seem to be: revive the shadow banking system and its practices; get securitization moving again; stave off any Glass-Steagall-type inquiries; keep hostile hands off the insolvent commercial banking sector, which got that way because they imitated the practices of the investment banks and hedge funds. Notwithstanding stress tests and admonishments to bank credit card companies, the slogan seems to be "Let zombies be zombies."

The centerpiece of the Obama bank rescue strategy, the "Private-Public Investment Program" (PPIP), is estimated by Bloomberg as costing \$1 trillion. Its provenance, says *Newsweek's* Michael Hirsh, is that it arose out of conver-

If investments have turned out badly, the responsibility belongs to the investing class and not the working class. Workers produced cars, not structured investment vehicles

sations that Warren Buffet, the Sage of Omaha and largest stockholder in Wells Fargo, had about toxic assets with Bill Gross of PIMCO, the giant bond fund, and Lloyd Blankfein, the CEO of Goldman Sachs. The consensus of critics is that the plan can't work without massive over-payment for assets. It uses leverage to overcome the legacy of leverage. It's the taxpayer who provides the over-payment.

Who's on the Auto Task Force? No one with a background in the automobile industry. Instead the two lead members are former Lazard partners. This may be relevant: Rahm Emanuel was brought into the Wasserstein firm by Bruce Wasserstein, the head of Lazard. Perhaps coincidentally, the Task Force was insisting that Chrysler merge with Fiat, whose financial advisor is Lazard, which would earn a fee on the consummation of the merger. Lazard has been seeking a Chrysler-Fiat hook-up since the mid-60's.

The Administration's cap and trade plan for reducing carbon 2 emissions resembles in rationale and principle the architecture of a Hamilton Project discussion paper. The aim is to avoid taxes and regulations. But the means are just as important: an auction system whereby corporations must buy rights to pollute, generating a bonanza for the trading community, which earns commissions for performing the trades.

It's the handling of the TARP (Troubled Asset Relief Program), though, that provides the most obvious evidence of the Administration's tilt towards the FIRE industry. First the AIG bonuses. Despite the Administration's effort to blame Sen. Christopher Dodd (D. Conn.) for allowing the \$450 million payments, it turned out that Dodd's original bill actually tried to prohibit them. Dodd was a plausible fall guy since he was the number one recipient of AIG campaign funds during the 2008 election cycle. But it was Treasury officials' objections to the prohibition that made bonuses possible. Second, there's the administration's legal money laundering of billions through AIG in order to remunerate the counterparties – banks and shadow banks. Goldman Sachs got the most – \$13 billion – in order to make good on AIG's obligations to Goldman; but several foreign banks scored nearly as well.

What conclusions can we draw? No more than Hoover could break with the financial orthodoxies of the Mellon era can Obama separate himself from those of the Age of Derivatives. This resemblance may become clearer if the recovery of the last month proves to be a false dawn, like the recovery economists thought they saw in the first quarter of 1930 or Japan in 1992.

But I don't want to draw the seemingly logical conclusion that, because Obama is misperceived as FDR's avatar, socialists should rally around a more authentic Rooseveltian reincarnation. After all, FDR used the fight against finance capital to save capitalism and marginalize the Left. He channeled the anger against capitalism into rage against finance capitalism, transforming incipient class-consciousness into a kind of communal populism, with Americans united as one people against a comparative handful of despised Wall Street despots.

I'm not suggesting either that we start scattering rose petals in bankers' paths either. Or that we should oppose banking

and securities reform. But I'm skeptical of the centrality of finance capital in the crisis and hostile to the idea that our political focus should be getting rid of finance capitalism. Transforming finance is a necessary but utterly insufficient condition for getting to the kind of society we democratic socialists want.

It's tempting to take on the financiers because they're such an easy target and because of that other specter: the third shadow I'd like to describe after Lamont Cranston and the shadow banking revival – that's the return of the shadow of depression economics and depression-style thinking about capitalism.

Many look to the 1930s as a Golden Age for the Left. Well, perhaps not in Germany or Italy. At least in the U.S., where the Left went from the margins to the center of everything that was exciting. It was the era of the popular front. And populism. The socialist principle that workers had special interests that couldn't be submerged in national unity was quietly scuttled. Depending on the year, Communists tacitly or openly supported FDR. They worked within the Democratic Party. They got jobs in the administration. Even Marxist economists like Harry Magdoff and Paul Sweezy, not to mention Harry Dexter White. Communists also got CIO organizing jobs with a founder of that organization, John L. Lewis, who, when asked how he could hire communists, famously replied, "Who gets the bird, the bird dog or the hunter?"

But it was all a political bubble – one that burst with the outbreak of the Cold War. The Left lacked two of the three basic requirements for a real Left: an independent party and an independent base in the labor movement.

At least part of the reason for the lack of an independent politics was the third missing leg: the lack of an independent analysis of capitalism. During the 1930s, Left, Right, and Center all adopted strikingly similar analyses: capitalism had developed into a new, decadent stage, dominated by finance. We've seen the priority Roosevelt gave to fighting Wall Street.

So did National Socialism. Big swaths of "Mein Kampf" were devoted to Hitler's theory of capitalism, views he developed from Nazi economist Gottfried Feder. It was from Feder that Hitler says he learned to distinguish between productive and fictitious capital. What's good is the national economy; what's bad is the domination of international finance and stock exchange capital. In other words, you foreground the struggle against finance capital in order to background the struggle against capital as such, uniting the *volk* against the alleged mainly Jewish plutocrats. Workers' concerns are submerged in the new unity. They're exploited not by their immediate bosses but by the Jewish international financiers, who of course exploit all patriotic Germans.

By far the most developed analysis of finance capital remains that carried out by Lenin in his pamphlet "Imperialism," written a little more than a decade prior to the Great Depression. Because of bank control of lending, industrial capital had become subordinated to the banks; competition had given way to monopoly and produced huge

surpluses of capital which had to be exported to less developed countries, causing a scramble among the developed countries for control. Imperialism, war, and the corruption of the First World labor movement were the main consequences, all indicating that capitalism had reached its highest, last and arguably its worst stage.

What's wrong with this? I can't do the critique justice, but two things. We should be skeptical of the idea that there is a decadent stage of capitalism, which bars even the possibility of revival. Just because so many people thought it so in the 1930s didn't make it true. The Left shouldn't underestimate capitalism's powers of resilience. It's important to have an exit strategy in case the crisis turns out not to be final. Second, we should also be skeptical of the idea that the ultimate cause of crises lies in the FIRE sector: that bankers brought down an otherwise healthy capitalism. Sometimes, the pain you feel in your throat doesn't come from your throat; it comes from acid reflux in your stomach. Similarly, asset inflation and leveraged finance are reliable symptoms of the overproduction of industrial capital. Surplus profits earned by manufacturing in China, and elsewhere, flowed back to the U.S.: \$5 trillion in seven years. It's this flow that lowers interest rates and causes the financial wilding too easily attributed to Greenspan and his too-easy monetary policy. It's especially significant that the flow of industrial surplus capital came in despite low

interest rates. The finance capital analysis led to support for the notion that capitalism was basically okay except for the hypertrophy of finance and could be remedied by some version of either state capitalism or state socialism. While the New Deal variant was by far the least awful, we don't want to go there again.

How do we escape from the wheel of political re-incarnation? We need to ask ourselves: if we abolished the stock exchange and all forms of finance capital, would exploitation remain? Yes, because the means of production would still be monopolized. Would inequality remain? Yes, because we would still have centralization and concentration of capital. Would poverty remain? Yes, because workers would be still competing with each other. Would instability remain? Yes, because capitalism would remain an unplanned system. Nirvana may be beyond our reach, but I think we can have a better rendezvous with destiny if we fight capitalism and not just finance capitalism.

Robert Fitch is the author of Solidarity for Sale: How Corruption Destroyed the Labor Movement and Undermined America's Promise and The Assassination of New York. He teaches sociology at Long Island University. The text as delivered and fully footnoted is available at mrzine.monthlyreview.org/fitch300409.html.

Judge Sotomayor in *Madison vs. Limbaugh*

by Steve Max

The right-wing Swiftboat machine was rolling even before President Obama could utter the name Sotomayor. She's a judicial activist, they say, someone who will make policy from the bench and impose her own convictions instead of simply stating the law, as if that is not exactly what conservative judges do. Unfortunately, instead of challenging the Right's false definition of a good judge, Sonia Sotomayor's defenders are saying that of course she isn't an activist. The underlying right-wing premise is that our Constitution and laws are crystal clear and all a judge should do is apply them to the case at hand. That is wrong. James Madison said so, and he ought to know a thing or two about the Constitution.

Anxious to secure New York State's ratification of the new Constitution, Madison wrote a newspaper article entitled "Concerning the Difficulties of the Convention in Devising a Proper Form of Government."[•] Madison addressed criticisms that the new Constitution was unclear in its delineation of powers between the federal government and the states, as well as unclear about the separation of powers between the branches of the federal government itself. He said, in effect, "Of course it isn't clear; these are very complex subjects, and we did our best, but we are only human":

The experience of ages, with the continued and combined labors of the most enlightened legislatures and jurists, has been equally unsuccessful in delineating the several objects and limits of different codes of laws and different tribunals of justice.

Besides the obscurity arising from the complexity of objects, and the imperfection of the human faculties, the medium through which the conceptions of men are conveyed to each other adds a fresh embarrassment. The use of words is to express ideas. Perspicuity^{••}, therefore, requires not only that the ideas should be distinctly formed, but that they should be expressed by words distinctly and exclusively appropriate to them. But no language is so copious as to supply words and phrases for every complex idea, or so correct as not to include many equivocally denoting different ideas.... When the Almighty himself condescends to address mankind in their own language, his meaning, luminous as it must be, is rendered dim and doubtful by the cloudy medium through which it is communicated.

All new laws, though penned with the greatest technical skill, and passed on the fullest and most mature deliberation, are considered as more or less obscure and equivocal, until their meaning be liquidated^{•••} and ascertained by a series of particular discussions and adjudications.

Remarkable! Four months after the drafting is complete, one of the principal authors of the Constitution says that it is neither clear nor written in stone for all justices to follow forever, but that it is more or less obscure and equivocal, its meaning to be clarified by adjudication. This is not a one-way street in which the Constitution and laws determine the judgment of courts, but a two-way process in which the meaning of the law itself is shaped by the judicial process. Policy will be made from the bench after all. Despite its protestation, the Right knows this and acts accordingly. If Sonia Sotomayor will be our activist judge, we should say, “Good—and more of the same.” The father of the Constitution would have expected no less.

Footnotes

* Federalist Paper #37. From the *Daily Advertiser*. January 11th, 1788.

** Plain to the understanding especially because of clarity and precision of presentation.

*** Liquid: shining and clear, flowing, fluent, or smooth

Steve Max is a DSA Vice Chair. This article was originally prepared for the Three Parks Democratic Club in New York.

Needed: A Politics of Solidarity

Joseph M. Schwartz, *The Future of Democratic Equality: Rebuilding Social Solidarity in a Fragmented America* (Routledge, 2009)

reviewed by Geoffrey Kurtz

Thirty years ago, the post-tax income of the wealthiest one percent of Americans was eight times higher than that of those in the middle, according to the Economic Policy Institute. By 2005, it was 21 times higher – and it was 70 times higher than that of the poorest fifth.

Joseph Schwartz, a Temple University professor of political science and a DSA vice chair, begins his new book with an arresting claim: that the discipline of political theory should have something to say about why American economic inequality has grown so dramatically. We usually ask empirical social scientists to answer questions about inequality. Schwartz, however, thinks that a public philosophy can explain inequality in a way that might rally a new left-of-center governing majority. A public philosophy, he writes, is a political theory that seeks to “illuminate the nature of democratic political practice.” It is neither an abstract argument for an ideal nor a narrow discussion of tactics and strategies but an interpretation of public events and an effort to make persuasive moral arguments about common purposes.

Schwartz calls for a public philosophy centered on the concept of “the solidarity of citizens,” meaning “the moral commitment to the equal worth of persons and to the equal potential of human beings to freely develop and pursue their life plans,” based on a sense of shared fate. The story of increasing inequality, he proposes, can be understood as the story of eroding social solidarity: “a political majority no longer exists in favor of social equality” as it did – however unevenly and inconsistently – in the New Deal and Great Society eras. To rebuild a governing majority committed to social equality means to revive Americans’ commitment to the solidarity of citizens. The most exciting chapters of this book, thus, are those where Schwartz develops this idea of solidarity and uses it as the lens through which to reinterpret the recent history of economic and financial regulation, social welfare policy, political mobilization, and, ultimately, economic inequality in America.

Why have so few political theorists tried to develop a public philosophy along these lines? Schwartz describes – and dissents from – an anti-political turn in academic political theory

evidenced in the work of “deliberative” and “communicative” democrats, communitarians and even Rawlsian liberals – the notion favored by some on the liberal left that the moral worth of an action or a statute can be judged by its adherence to basic, inherent rights rather than its effect on the overall good of the society. Schwartz focuses his critique of contemporary theory instead on a “new radical orthodoxy” that denies the value or possibility of the kind of solidarity he seeks. Schwartz has in mind here certain theories of “difference” but also – and most consequentially – the intellectual trends that derive from post-structuralism. Post-structuralism developed in the late 1960s in response to structuralism, the post-war school of thought that saw underlying “structures” – linguistic, psychological, social – as the determinants of human life. It is at heart a theory of epistemology – of what can and cannot be known. Structuralists assumed that we can know what lies under surface appearances, but post-structuralists reject even the distinction between appearance and truth. Accordingly, post-structuralism values fragmentation and uncertainty, and favors metaphors of play and “performance.”

Schwartz grants that post-structuralism has posed usefully provocative questions, but he insists that a *political* theory need not be based on an epistemology. Post-structuralism spoke to the despair of radical democrats in the 1970s and 1980s, but because it is preoccupied with the incoherence of the self, it has had nothing to say about the problem of solidarity – the problem of how to convince many selves to engage in common projects. To speak about solidarity does not require epistemological or metaphysical claims, Schwartz argues. It does require attention to history, political institutions, economic structures, and shared experiences. Post-structuralism, in contrast, simply has no interest in offering a public philosophy. Although he doesn’t emphasize the point, what Schwartz does here is to defend the idea that the starting-point for any political project that is both *left* and *democratic* must be the Enlightenment’s commitment to the “public use of reason.”

A veteran of Jesse Jackson’s 1988 presidential campaign, Schwartz is inspired by the notion of a multi-racial, cross-

class Rainbow Coalition. His alternative to post-structuralism is a vision of solidarity that respects and builds on the real diversity of the American working class, that understands the complex relationship of economic inequality to racial and gender inequalities, and that confronts racism and sexism directly. However, the strategy of coalition itself is not enough, he argues. A coalition cannot sustain itself if its members have only short-term grievances in common. A lasting governing majority needs a public philosophy of the solidarity of citizens because its members must have an ethical commitment to each other's well-being if they are to stick together. At the same time, an abstract commitment to solidarity is not enough either. A majority coalition "needs to be politically constructed rather than simply assumed" – in other words, it needs to be organized through the hard work of conversation, negotiation, and development of common projects.

This is a powerful argument. Schwartz draws on the best of the democratic left's traditions and experiences to make a compelling case for a politics of solidarity. The problem for Schwartz's argument is that the two goals of his public philosophy may push against each other. Schwartz wants a public philosophy that can persuade a majority of Americans to support solidaristic social policies on the basis of citizens' moral obligations to each other. He also wants a public philosophy that can tell a compelling moral story about public events. This makes sense; it is hard to imagine the first goal being achieved without the second. But the story Schwartz wants to tell about recent economic history is a story based on a radical notion of justice and a specifically socialist analysis of capi-

talism. What if the radicalism, the socialism, of the story he wants to tell is *not* compelling for the majority of Americans? Schwartz leaves readers to wonder exactly how radical, how socialist, the American left's public philosophy can and should be if it is to persuade a majority of our fellow citizens.

This is an old and familiar question. Peter Gay called it the "dilemma of democratic socialism": how can we be socialists and democrats at the same time? Indeed, how can anyone promote *any* ideal within the messy process of organizing and compromise that is democratic politics? If any of us had a solution for this problem, we would be living in a world very different from the one we see around us. What we can do with old questions, though, is to ask them in new and timely ways, and that is what Schwartz has done here. This is no small thing, and it is exactly what we should ask from a work of politically engaged political theory.

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For further reviews of The Future of Democratic Equality, DL readers may wish to read the Summer 2009 issue of New Politics (#47; <http://newpolitics.mayfirst.org/fromthearchives?nid=110>) and the YDS Activist blog (<http://theactivist.org/blog/splitting-difference>).

DSA Locals Respond to Political Change with Increased Activism

by Barbara Joye

Once DSA and YDS locals came down from election euphoria, they returned to our main agenda: the long-term struggle for economic and social democracy, with emphasis on DSA's priorities: Health care as a human right, Employee Free Choice Act (EFCA), NAFTA revision, and DSA's Economic Justice Agenda. We never said it would be easy. New opportunities mean more work!

Atlanta: Fighting foreclosures

A coalition spearheaded by Atlanta DSA to stop foreclosures and predatory lending held two demonstrations against the Wachovia bank. A diverse crowd of over 100 enthusiastic people, covered by two major TV channels, picketed Wachovia's midtown branch office April 21, including a big contingent from the Communications Workers of America and members of most of the 36 other coalition groups. A week later, Concerned Black Clergy led about 40 people in a mock funeral, with a hearse and coffin symbolizing "the death of the American dream" for many low income, senior, and minority Atlantans. This campaign has increased Atlanta DSA's credibility: members of the clergy, labor leaders, and a

progressive state senator work closely with DSA members in the coalition leadership.

On June 1, Wells Fargo (Wachovia's purchaser) temporarily postponed three foreclosures on Atlanta Legal Aid clients



named by the coalition in its demands. However, Wachovia and Wells Fargo have thus far failed to respond to the coalition's main demands for a moratorium on all foreclosures, an end to predatory lending practices, a meeting with the coalition to negotiate a process to modify the loans of all victims now in arrears, and settlements of the Legal Aid cases. It's also clear that Wachovia/Wells Fargo is only one of many banks that need to be held

accountable – the problem is systemic. Coalition leaders are now working on strategy to increase the campaign's impact.

Boston: Solidarity with labor

In February, the Boston local sponsored a forum on the Employee Free Choice Act with DSA Vice-Chair Elaine Bernard, Massachusetts SEIU Political Director Harris Gruman and Steve Schnapp from United for a Fair Economy.



Out of that meeting, a DSA Labor Committee has emerged, organized by David Duhalde, with many non-members, working to build support

for EFCA. The local is collecting signatures for the EFCA petition and participated in rallies for the bill with labor, increasing DSA's profile with labor and community groups. But since the state's congressional delegation is already on board for EFCA, the committee has been helping Jobs with Justice and tenant groups on other issues related to the economic crisis.

"We've been hounding Bank of America with demonstrations targeting their policies on home foreclosures and use of taxpayer money to lobby against EFCA," says Mike Pattberg. The Labor Committee is now joining in efforts urging Senator Kerry to support single-payer health care, or at least a strong "public option" in the eventual bill.

In June, Boston DSA also sponsored a forum on the Latin American Left in the Obama era, with French Socialist Marc St. Upery, Lorena Calderon of Colombia Vive, and Saulo Araujo of Grass Roots International. On June 30, the annual Debs-Thomas-Bernstein Awards fundraiser will honor a recent union election victory of SEIU 1199, and longtime health care advocate Rashi Fein.

Chicago: For a living wage

Chicago DSA held its 51st annual Eugene V. Debs-Norman Thomas-Michael Harrington Dinner on May 1st, honoring historian, activist, and DSA member Timuel Black and the executive director of the Jewish Council on Urban Affairs, Jane Ramsey. The featured speaker was the Reverend C.J. Hawking. See www.chicagodsa.org/d2009. The local's Greater Oak Park branch (GOP DSA) supported DSA member Gary Schwab's campaign for Oak Park Village president on the "It Takes a Village" slate. The slate lost. "This was a setback for GOP DSA's ongoing campaign to have the village adopt a living wage ordinance, but not a fatal setback," according to Bob Roman. A non-binding living wage referendum placed on the Oak Park ballot by GOP DSA last November passed overwhelmingly in all but a couple of Oak Park's wealthiest precincts. "This makes it difficult for the incumbent administration to oppose the legislation outright, so they are attempting to study it to death," says Roman. (See the proposed ordinance at www.chicagodsa.org/draftvoplwl.pdf. Also see the

Chicago DSA's newsletter for an article on the economics of living wage ordinances: www.chicagodsa.org/ngarchive/ng124.html.) Chicago DSA continues its support of the striking workers at the Congress Hotel by promoting the sixth anniversary protest rally being held on June 15. Also, the local helped to plan and promote the June 13 conference, "A New New Deal: Making It Happen," organized by the Oak Park Coalition for Truth and Justice.

Columbus/Central Ohio: Economic justice

Columbus DSA has spent the past few months focusing on the economic situation, with a speaker from the Union of Radical Political Economists and the film *Capitalism Hits the Fan*. They are also partnering with a new radical student group working on economic issues. Earlier, some DSA members helped a UFCW organizing campaign to win a contract at a local co-op. A recent meeting on health care involved both single payer advocates and Health Care for America Now, which advocates universal health insurance through a public-private hybrid.

Detroit: Pushing progressive public policies, NAFTA

Members of Detroit DSA tabled at the Michigan Policy Summit at Cobo Hall in Detroit on May 16th. Over 500 people attended this annual meeting of Michigan's progressives. The themes of this year's summit were health care, green energy, and union organizing. Members collected petition signatures for the Renegotiate NAFTA campaign and distributed copies of the Economic Justice Agenda, *Democratic Left*, and the Detroit DSA newsletter. On May 23rd, local members collected several hundred NAFTA petition signatures at Detroit's Eastern Market, where shoppers gather to purchase flowers and plants.

Ithaca: The economic crisis

In early February Ithaca DSA held a public forum, "Advice for the New President: The Economic Crisis," featuring DSA's Joe Schwartz as well as Shaienne Osterreich, an economist; Eric Lessinger, a doctor; and Dominic Frongillo, a town legislator and energy independence advocate. The audience discussion generated some new proposals – e.g, to work locally and at the state level to get stimulus money



Ithaca DSA tables for May Day, with Neil Oolie (l) and Joe Schwartz (r). Photo by Marty Luster.

spent for sustainability, perhaps biofuels or bicycle trails. The forum also spun off three videos for the local's weekly public-access cable TV show. Marty Luster spoke on behalf of DSA at a Central Labor Council rally for EFCA, and local members were able to extend their networking by setting up an information table at a downtown mall on May Day weekend.

New York: On the move with YDS

New York City DSA received an infusion of new energy when the New York YDS chapter merged successfully with it at its May convention. The merger, the culmination of months of joint planning, has already increased DSA's presence in the broad New York Left. The local elected a new steering committee, with Maria Svart as chair, Chris Maisano as secretary, Kenny Schaeffer as treasurer, David Yap as membership coordinator, and Jason Schulman as at-large member.

The convention also voted on organizing priorities for the next year, including labor solidarity, universal health care, electoral politics (mostly through the Working Families Party), and the economic crisis. Small affinity groups have begun discussing how the local can best work on these issues. The June membership meeting officially adopted two major priorities. Universal health care will likely be an ongoing focus; the local is already planning a July public forum on the politics of health care reform.

Local members have also been actively supporting the ongoing strike of Stella D'Oro cookie factory workers in the Bronx, who have been on the picket lines since August 2008. Brynwood Partners, the Connecticut-based private equity firm that owns Stella D'Oro, demanded that the union accept a 26 percent wage cut, givebacks on sick time and vacations, and large increases in the cost of health insurance premiums. Local members have been involved in strike support from the beginning, but Brooklyn-based members have begun an ongoing informational picket at the Key Food supermarket in Park Slope.

"There has never been a better time to be a DSA member in New York!" says Maisano. Check out their website at www.dsanyc.org.

Sacramento: In the spirit of Cesar Chavez

Sacramento DSA joined over 700 labor activists and youth in a march through downtown on March 28 in honor of César Chávez and to demand passage of the Employee Free Choice Act and fair immigration reform. The event was organized by the Labor Council on Latin American Advancement, with many other groups, including Sacramento DSA. On the academic front, local chair Duane Campbell conducted workshops on "Teaching about Cesar Chavez" and "Organizing in the spirit of Cesar Chavez and Barack Obama" at the 15th Annual Multicultural Education conference in February, and spoke on "Is the U.S. becoming socialist? No, but it should!" to 160 people at the California State University's Renaissance Society.



Sacramento DSA marches on Cesar Chavez Day

Wichita: Reinvigorating a Mid-Western Socialism

In March, Rannfrid Thelle, a transplanted activist from Norway's Labor Party and now a college teacher in Wichita, Kansas, decided to try to form a DSA local in Wichita. She contacted Chris Hicks, a YDS activist at Wichita State, who put her in touch with Stuart Elliott, a labor activist and long-time DSA member. A call to Frank Llewellyn provided the practical info to get off on the right track.

On April 1, a dozen trade unionists, workers, academics, and others met in the basement meeting room of Watermark Books to found the local. The enthusiastic group numbered just a few short of the fifteen required to be chartered as a DSA local, but a quick trip to Wichita State yielded the needed additional signatures. Since April, the group has held meetings on the DSA Economic Justice Agenda and "what is democratic socialism," with rising attendance.

The Wichita DSA Facebook group has already grown to 62 members and has started a website (www.wichitadsa.org). Among other events, Wichita DSA is considering a fall outing to Girard, Kansas, where the *Appeal to Reason*, the leading newspaper of Debsian socialism, was published, and to the *Appeal to Reason* and Little Blue Books archives at Pittsburg State University.



Wichita DSA organizing committee

Health Care
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We do believe, however, that the insurance industry is powerful enough that the current political dynamic could result in a “health care reform” that is, in fact, worse than nothing at all, because it would create a public plan that is designed to fail.

Therefore, even while we do everything we can to ensure that single payer gets a fair hearing, we must state our minimum requirements for possible alternatives to single-payer health insurance. Our minimum position is that **any plan must include a strong public-provision component**, one that can compete with the private insurance options. In evaluating proposed plans, the devil is, unfortunately, in the details. Among the criteria to be considered:

- All employers and individuals must be eligible to choose the public plan, possibly during an annual open-enrollment period.
- The plan must be government run, operated by the Centers for Medicare and Medicaid Services or by a similar agency.
- The public plan must have the ability to negotiate drug prices.
- The public plan must be allowed to negotiate reimbursement rates, possibly pegged to Medicare rates.
- The public plan must, like Medicare, allow participants to choose their own doctors.

Short of these provisions, whatever comes out of Congress will not be real reform. Health care is a human right and must be available to all without economic barriers.

DSA recognizes that there is strong support for a single-payer plan in several states. In fact, California would have a single-payer system today if Senate Bill 840 had not been vetoed by Gov. Schwarzenegger. Therefore, **DSA insists on an opt-out provision** from any national plan that would allow individual states to set up their own single-player plans and to use Medicare, Medicaid and similar federal funds allocated within the state in that state plan.

In summary, DSA asks our locals and activists to engage in the following activities in support of health care reform:

1. Urge Senators and Representatives to co-sponsor H.R.676 and S.703.
2. Support the right of single-payer proponents to have their position heard in the congressional debate.
3. Insist on the inclusion of a strong public component in any health-care reform legislation.
4. Insist on the inclusion of a state opt-out so that individual states can enact their own single-payer plans.

Change the USA! Join the DSA!

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- \$50 Sustainer \$35 Introductory \$20 Low-Income/Student
- Yes, I want to renew my membership in DSA. Enclosed are my renewal dues of:
- \$60 Sustainer \$45 Regular \$20 Low-Income/Student
- Enclosed is an extra contribution of: \$50 \$100 \$25 to help DSA in its work.
- Please send me more information about DSA and democratic socialism.

My special interests are:

- Labor
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