Jerry Tung, New Democratic Movement

Post-Industrial Society

Old beliefs die hard; perception often lags behind reality. The United States was once the richest country in the world in terms of per capita productivity. Today, the U.S. is rated only sixth. Its high rate of literacy was once the pride of this country, and the standard by which the economically developed West was measured against the less developed nations of Asia, Africa and Latin America. Today, 48 countries have a higher literacy rate than the U.S.

Definition of the Problem

Among the most stubborn misconceptions today is that in the current economic “recovery,” “yuppies” are making piles of money. Yet, 90% of the baby-boom generation has a lower standard of living than their parents, in spite of the present predominance of two-income households.

Downward mobility is a fact of life. A 30-year-old male today earns 10% less than did his father at the same age. By contrast, a 30-year-old man in the 1950s earned one-third more than his father. Home ownership, that quintessential mark of the American Dream, is just that…a dream. Mortgage payments today consume almost half (44%) of a household’s gross income. Thirty years ago, that figure was 14%.

The number of households with “middle class” incomes (between 75% and 125% of the median family income of $20,866) declined between 1968-83 to less than a fourth of all households. A recent Congressional study reported that 11.5 million workers lost their jobs because of plant shutdowns or runaway shops in the 1981-82 recession and that only 60% of them found new jobs. Of those who did find new jobs, nearly half took pay cuts, and nearly 30% endure a salary that is less than 80% of their former pay.

Impoverishment in the United States is a structural problem. The new jobs are not in production industries, but in such low-paying service sector industries as health care, fast food, banking and hotels. In the 15 years ending in 1984, 23 million jobs were added to the economy, but less than 250,000 of them were in manufacturing.

The drop in our standard of living involves more than jobs and housing. It touches nearly every aspect of our lives — from the decline of urban infrastructure (transportation, water systems, schools, health care, etc.) to the increased threat of hazardous waste to the pollution of the air and water, to the loss of spiritual cohesion in our communities. Nor can we view our falling standard of living isolated from the rest of the world. Reduced purchasing power abroad means smaller markets for U.S. exports which, in turn, blocks the growth of our most productive industries.

As federal social “safety net” programs are cut in the name of “common sacrifice” and the battle against “selfish special interests,” we end up with more inequality, rather than less: the gap between the top 20% and the bottom has swelled to 11 to one. We cannot continue to reapportion an ever shrinking pie and pretend that this is equality.

Perhaps more than at any other time in its past, the United States is not in a position to fulfill its promise of equality and prosperity. And we are on the edge of yet another steep drop in our standard of living.

Why is this happening? The fault lies in the U.S. financial structure. Fundamentally, it is unable to concentrate the capital needed today to ignite a productivity explosion. At the same time, the financial structure continues to generate crushing levels of debt.

To understand how this came about, one must recall U.S. economic history since World War II.

First Post-WWII Economic Era: the Keynesian Strategy of Debt

After World War II, the United States embarked upon the Marshall Plan, a massive financial aid program in Europe. At the same time, the U.S. actively pursued the Keynesian strategy of priming the economy by printing more money. Because of the U.S. political and military dominance over the world, the printed dollar had muscle. Furthermore, it was backed by gold. U.S. currency became a reserve currency for the rest of the world. This dominance was formalized at the Bretton Woods Monetary Conference in 1944. After the Korean War, American aid continued to flow to the rest of the world.

The first sign of failure for the Keynesian strategy came during the Nixon era, after more than twenty years of priming the economy by printing dollars. U.S. productive capacity was repeatedly battered by economic recessions in the 1950s, 60s and early 70s, and the dollar became seriously overvalued. This hurt American export trade, and the trade deficit got out of hand. Furthermore, because so many dollars had been printed, it was no longer practical to back them with gold. Some countries, such as France, threatened to cash in their dollars. President Nixon was forced to unhook the dollar from the gold standard and to initiate a floating system that allowed the dollar to come to a more realistic market value (relative to other currencies).

After the United States lost the war in Vietnam, American military dominance was undermined, weakening the muscle behind the dollar. The $200 billion spent on the Vietnam War, in addition to the continued printing of money to get out of recessions, caused inflation to become a problem. As inflation rapidly surpassed interest rates and money was regarded as more or less "free," borrowing increased.

At the end of the 1970s, during the Carter Administration, inflation reached unprecedented heights, soaring to 15-16%. Interest rates also climbed, leading to what was called "stagflation:" high interest rates ate up corporate profits, due to short term financing, and resulted in the stagnation of the economy. This was expressed, ideologically, in President Carter's 1979 "crisis of confidence" speech.

Under Carter, a number of attempted remedies were put in place, such as the deregulation of the airlines and trucking industries. Bank deregulation and the restructuring of interstate banking laws were initiated to shore up vulnerable financial institutions and allow them to merge into survivable pockets.

Second Era: Retreat to Tight Monetary Policy

These remedies ushered in the second era, the era of tight money policies, which coincides with Reagan's term. Reagan and his followers have introduced their "supply side" economic theory which claims that whatever is good for the rich is good for the poor, and what is good for private enterprise is good for the people because the benefits will trickle down. He cut taxes for businesses and increased military expenditures to regain U.S. military dominance.

Meanwhile, the Carter-Volcker short-term, tight money policy had taken effect and temporarily lowered inflation. Several other coinciding factors helped. New energy consumption patterns led to a glut in the oil market and caused a drop in prices. The agricultural crisis lowered commodity prices as a whole. At the same time, new, cheaper imports entered the American market.

U.S. politicians and economists now claim that inflation has been defeated once and for all and that the economy is entering a prolonged period of growth. Actually, the present lowered rate of inflation is only temporary. The amount of debt is so great and the interest payments on the debt are so high that there is no way to maintain the tight money policy.

Third Era: a Confrontation with the Future

This brings us the third and current phase of U.S. economic policy, which started in late 1985. Today, tight money policy no longer works. The Federal Reserve has loosened its rein on the money supply to once again allow as much easy money as possible, as was done during the Keynesian period from the 1950s to the 1970s. However, this time the option of tightening up, as was done during the Carter and the first Reagan Administrations, no longer exists.

To understand this current phase, we must look at the basic debt structure which threatens the foundation and integrity of the entire system.

Post World War II Keynesian spending can be broken down into several components. One is the federal deficit, which is the one people talk about most. But this only amounts to about $1.5 trillion. Other debt, which is often not discussed, is the private debt: commercial debt, consumer debt and mortgage debt. Individual consumer debt already surpasses $1 trillion. Home mortgage debt amounts to $1.7 trillion. Commercial (corporate) debt totals close to $2.5 trillion. Total debt of households, corporations and federal, state and local governments reached $7.1 trillion in 1984. The more highly publicized third world debt is a meager $600 billion in comparison.

In order to keep the financial system intact, the national debt must be serviced; we have to pay interest on all of this debt.

In the four or five years of Reagan's administration, the federal debt has doubled. This "anti-big government" president has doubled the combined debts of all administrations of the past 200 years.

The interest due along with the federal debt could reach 20% of the national budget before the end of the decade. Because of the compounding of interest payments as more money is borrowed, the interest payments could conceivably soar to disastrous proportions, say a third or even one half of the national budget in a matter of a decade. This kind of fiscal irresponsibility will not only lead to renewed inflationary expectations, but it can lead to a real crisis of inflationary collapse.

The consequence for the U.S. people is predictable. There will be even more of a squeeze on social spending, whether it be education, health, welfare or veteran's benefits. There will be various forms of huge tax increases, whether a value added tax on consumer items or an income tax.

There is no way for the U.S. to print money fast enough (without a serious inflationary collapse) if it becomes necessary to pay, all at once, the compounding effect on interest payments on the total national debt.

When interest payments on the federal debt grow to more than half of the budget, there will be a tremendous squeeze on social spending. Education, health, welfare, veterans benefits, and so on have already been squeezed to the bare minimum. Further cuts would lead to a major decline in the standard of living of the American people. These cuts would inevitably be accompanied by huge tax increases that will drive the standard of living down further.

The vulnerability of the U.S. financial system can be understood by looking at the Federal Deposit Insurance Corporation (FDIC). Increasingly savings and loan institutions are going under because of loan defaults and the stagnation of the economy. When the government rescued the Continental Illinois Bank, it paid out close to $6 billion in a few days time. In addition, some $20 billion more was pulled from private, commercial banks.

The FDIC's total assets are only $12 billion, while the total deposits in banks amount to $1.2 trillion. The FDIC has only about one cent to back up each dollar deposited. Since a run in one major bank has already drained close to half of the FDIC assets, there is no way the FDIC can back up deposits in the event a run on two or three major banks.

This is a real danger. Even after both the FDIC and the Federal Reserve guaranteed payment to Continental Illinois customers, the depositors didn't believe them and kept making withdrawals. This shows the great fragility of the FDIC and the Federal Reserve System, and the true vulnerability of the entire U.S. financial system, today. There is no longer the option of returning to a tight money policy, for simply maintaining interest payments now requires a tremendous amount of easy credit.

The problem has been deferred for the last few years by the influx of foreign money. Every year for the last several years, close to $100 billion in foreign capital has flowed into this country due to the high interest rates on U.S. deposits. These funds have indirectly shored up nearly half of the Federal deficit which is now over $200 billion a year. Foreign capital has made it possible for American companies to borrow money at the same time as the federal government has been borrowing. In this way, foreign capital has enabled a level of capital formation and, thus, created room for some economic recovery.

But the benefit is short term. The high influx of foreign capital not only drains other countries, but also leads to stagnation of American industry as well. In Europe (the source of 90% of foreign money draining into the U.S.) economic stagnation is so serious that these countries never really had an economic recovery after 1983. Structural unemployment among European youth is over 10%.

In addition, the influx of foreign capital has forced up the market value of the dollar, making U.S. goods less competitive abroad. The most competitive sectors of American industry, such as those in high tech areas, cannot export like before.

Thus, we are now in the third phase of U.S. financial policy: a loosening up of monetary policy and the beginning of a return to inflation, in spite of the lowering of commodity prices and the inexpensive imports which so far have kept inflation down.

Under world pressure, the United States is being forced to devalue the dollar and lower interest rates. This will lead to a rise in the price of imports, and soaring inflation will return. Only this time, we will not be able to bring it back down again short of an entire restructuring of the economy.

Real Productivity vs. Paper Entrepreneurship

The most fundamental structural problem of the U.S. economy is the failure to increase productivity. This is in essence a problem of capital formation, which is basic to the development of high productivity. High productivity and the tremendous surplus it can generate is the only way out of the structural debt problems, impoverishment and polarization of the American people.

There is a great deal of talk about the need for American entrepreneurship to compete with Japan in automation and computerization. However, productivity is not rising sufficiently to offset the nation's debt and financial vulnerability. Most of the highly publicized examples of entrepreneurship are "paper entrepreneurship," rather than examples geared toward real production. Instead of coming out with real products and building efficient machine tools that can grind out an abundance of high quality goods to compete with Japan and raise living standards in this country, these "entrepreneurs" are draining most of the nation's capital into nonproductive and even parasitic financial maneuvers and instruments.

A March 1986 issue of Business Week recently discussed several forms that this parasitism takes. The ultimate form is the formation of a paper, or shell, corporations in the United States. At most, these businesses merely assemble products which have been produced in other low wage countries (the assembly jobs in the U.S. themselves are also low wage). But more often than not, the corporation's sole function is to import ready-made products (electronic computers and the like) and stamp a "Made in the U.S.A." label on them. This adds nothing to the country's productivity, but it also has negative effects on the workforce and our standard of living. As capital flows into these sorts of ventures, it does not flow into productive enterprises, particularly in export and import-competing industries (which today consist of such industries as computers, but also high quality machine tools and other intricate products), and hence, these jobs are lost. But it is precisely in these industries that income is highest: more than 15% higher than in other industries. In 1984, 216>000 more men found jobs, but an almost identical number of jobs with the higher income were lost in the economy (this last statistic reflects only male employment; needless to say, women fare much worse on the job market).

A whole range of new financial instruments have come out, from interest rate swaps to junk bonds These are used in fights over the existing resources and productive capacity of companies rather than as instruments for expanding industrial products and resources. Some reshuffling may be necessary, but most is nonproductive and wasteful. Most present day mergers, takeovers and leveraged buy-outs are done to pull together existing companies, existing oil reserves, existing productive capacity rather than to create new ones. In fact, many result in the abandonment of the less profitable parts of the productive sector, leading to layoffs and shut-downs.

U.S. business leaders have become preoccupied with these kinds of activities in order to ensure the survival of their companies. Today, many companies are buying back their own stock to prevent hostile takeovers. This means that capital is tied down in buy backs rather than being used to expand production (the purpose of issuing stock in the first place).

Furthermore, there is an increasing disincentive for companies to invest in research and development. The more a company funds R&D by issuing stocks or bonds, the more vulnerable it becomes to takeover. This is a built-in financial disincentive to invest in research and development, just as it discourages investments in expanding productive capacity. It slowly but surely destroys the American edge in innovation.

Time magazine estimates that 75% of the stock price increases in the stock market are due to takeovers and mergers rather than to real advances in productivity. This situation — in which economic growth is almost at a standstill (2-3% last year and projected the same for 1986) while the stock market rises 20% in a six-month period — reflects nonproductive activities and paper rearrangements. These cannot reduce debt and raise the standard of living of the American people.

Crisis of Capital Formation

At the root of the productivity problem is the lack of capital formation. There is a myth that Japanese workers work harder than American workers and that is why they are more productive. The reality is that the Japanese make their machines work harder. Automated robotics and machinery in Japanese plants run around the clock. The fundamental reason why Japan has the world's highest per capita productivity is its sophisticated machinery.

Present day robotics, digital lathes and other sophisticated machine tools are the most expensive tools that have yet existed in human history. In all previous primitive economies — feudal and early industrial — machine tools (from plows to simple hammers and lathes, and all the tools used to produce food or other consumer items) were inexpensive relative to the products that were produced. One could be in business with a hammer and a simple set of tools.

In today's real productive businesses — whether computers, hardware, new generation aircraft engines or cars — productive tools are thousands and tens of thousands of times more expensive than in the past. Although per unit costs are lower and quality is higher, the capital required to set up a business is at an all-time high. At the same time, the rate of profit will actually fall in a purely competitive environment. This is because of what is known as the "historical tendency for the rate of profit to decline" as the economy moves to modernize itself.

With all the parasitic, yet profitable paper entrepreneurship going on, money is naturally gravitating towards nonproductive activities rather than into real capital formation for real production. Money is not going into retooling for a productive economy. For most of the major monopolies, from United Technology and General Electric to General Foods, their most profitable segments are often their financial departments and credit unions rather than their consumer product divisions. There is less and less incentive to produce real goods when nonproductive paper entrepreneurship is so highly profitable.

It requires a greater amount of capital than ever before to be involved in real production. Today, a few million dollars is not sufficient to be involved in production, although it is sufficient for distribution and circulation.

Thus, the fight for responsible and productive financial institutions is with the huge corporations that have upwards of hundreds of millions and billions of dollars in assets. Yet, these kinds of financial institutions are the furthest away from the people and public opinion. These are companies with wide political influence, whose support has been decisive in the elections of top senators and presidents. There is little pressure on them to conform to specific standards of public responsibility. These are the targets of our reforms and struggles.

A major social consequence of the existing character of U.S. financial institutions is the problem of structural unemployment. The real productive sectors require less and less workers to produce the same amount or even more goods. For example, the oil industry now employs only about half of the workers it had five years ago, but eventually can produce almost as much as before because of partial retooling. The problem is what to do with the rest of the workers.

These workers either end up unemployed, or become polarized against higher skilled workers as they are shifted into the low-paying service sector. There are now more people working for McDonalds hamburgers than for the auto industry.

Retaining the old productive mode is no solution. Obsolete production techniques prevent companies from being competitive internationally, and the result would be eventual plant closings and job loss anyway.

Nor does the solution lie in protectionism, which acts as a disincentive to the financial institutions to retool the economy or develop new product lines. This merely perpetuates and increases industry's competitive disadvantage with Japan in both efficiency and productivity. This is evident in both the U.S. auto and steel industries.

Transition to a Post-Industrial Economy: NDM Economic Program

The only way out of the present structural debt problem and the impoverishment and polarization of the American people is through post-industrial productivity and the tremendous surplus it can generate. Post-industrialism envisions a society based on a revolution in the current mode of production: new inventions and the accumulation of experience results in the development of new tools of production that enable society to produce high-quality goods faster and cheaper than ever before. For example, the invention of the steam engine was a key technological development which allowed the industrial revolution to occur, thus marking the end of feudal society and the birth of capitalism. Similarly, the development of computers, especially microchip technology, can be seen as one key invention during the birth pangs of another, even more revolutionary mode of production. High productivity is possible only through the development and implementation of the most advanced technologies. Yet, we have seen that post-industrial productivity is being held back by the dead hand of the past. To break this pattern, we must work for a set of transitional policies that will create a new economic climate, one that will make it possible for the American economy to grow in real productivity.

- We must fight for a coherent national industrial policy.
- We must drastically cut the military budget.
- We must stabilize the nation's debt.
- We must encourage the development of smaller, more efficient businesses, especially through the worker-owned cooperative movement and in minority communities.
- We must invest in human capital, particularly in education, but also housing and health.

All of these measures are essential parts of an integral economic policy. For example, even if business activities are all conducted by small, worker-owned businesses, the structural crisis will not be resolved. For if these businesses are truly efficient, highly productive enterprises, they will need fewer workers, and the problem of structural unemployment will continue. Similarly, even if the military budget were cut to a bare minimum, maintaining no more than a national guard, and the current federal deficit was stabilized and interest rates reduced, the problem of settling the $5 trillion plus commercial and consumer debts would remain.

Thus, our program needs to go far beyond these individual measures. We need a coherent, integrated national industrial strategy to solve the problems of the past and move into the future.

Reagan's National Industrial Policy

Contrary to popular belief, we already have a national industrial policy. Despite Reagan's protests that the government does not and should not "interfere" in private industry, the reality is that government is already deeply involved. The present industrial policy is disguised as trade and tax policy.

Government involvement ranges from Reagan's so-called ''voluntary" quotas to the agricultural subsidies to the subsidized aircraft industry (by the import-export banks) to a whole host of other policies. Whether explicitly stated or not, U.S. government subsidies to private industry are in effect. The subsidies are given in an indirect manner that benefits specific industries without establishing a coherent policy to benefit consumers and the American people as a whole.

In the area of steel, for example, various "voluntary" restraints now limit steel imports to 20% of the U.S. market. In addition, U.S. steel companies benefit from legislation requiring government buildings and weapons producers to use American steel. These are all forms of subsidy since U.S. steel is a lot more expensive for the same grade of steel as foreign products (Brazilian steels, for example). These subsidies are given unconditionally.

Despite the insistence of Reagan and his ideologues that we have a policy of pure, laissez-faire capitalism, tax policy constitutes one of the biggest levers in economic policy. It is used to control and amplify the direction of economic development. For example, the proportion between the corporate business tax and the individual income tax has shifted under Reagan to a point where 90% of government revenues come from individual taxes. Corporations only pay about one tenth of the total of government spending.

The Reagan tax reform proposal is supposed to be revenue neutral, that is, to provide no additional revenues but only rearrange the weight of the tax burden. Yet, even though the proposal would eliminate taxes for people with incomes below $20,000, it has other provisions which counteract these benefits. For example, the proposal eliminates the deductions for local taxes. This means that people would be less willing to approve local taxes, which are the major financial resource for public school systems throughout the country. If local taxes were then cut, as seems likely, schools would deteriorate and more people would decide to send their children to private schools. This would not only increase the polarization in the country between public and private education, but, for the majority of parents, would actually mean an increase in the cost of living, since they would have to pay tuition for the private schools.

So the tax policy is not really "neutral," but remains an economic lever that is actively used in the pursuit of an industrial policy. There is, for example, a heavy incentive built in to the tax reform bill for the high tech and service industries and a heavy disincentive for investment in the existing heavy industries like steel and auto. This is a clear industrial policy favoring the less capital intensive areas such as software, computer programming, design and the service industries which don't require as much overhead as heavy capital tool investments.

Thus, tax policy clearly shows that the administration is not exercising laissez-faire capitalism. There is federal tinkering and selection of who is going to live and who is going to die. The federal government is directly involved in picking the winners.

Building Coherent Industrial Policy

What is needed, instead, is a more coherent, integral set of national policies that will work together to increase American productivity rather than the present patchwork subsidies that benefit only a few wealthy industrialists.

We must look at government subsidies, in all forms, as investments which are made in full expectation of specific returns for the American public. We must require that such relief to an industry, whether it be steel, garment, auto, agriculture or high tech, be made conditional on effective modernization by these respective industries. The money that they earn from these subsidies (whether paid by the consumers or given directly to them by the government) should be viewed as an investment in the industry by the public and the government. That investment then must be returned both in the form of shares of public ownership and in the form of substantial funds directed towards achieving increased productivity and increased competitiveness.

In the auto industry alone, the “voluntary” quotas on Japanese autos cost the American consumers over $12 billion. But most of this profit is passed on to the shareholders of the American auto companies rather than benefiting the consumers in terms of long term retooling and restructuring of the auto industry, which would result in long-term industrial efficiencies and a cheaper and better automobiles.

We advocate a new set of industrial policies that will actually lead to increased public assets. For example, the funds that the U.S. government used to help Chrysler should not have been simply repaid, but rather the government should have been issued shares in the corporation which would become part of the government's assets and, therefore, of the public's assets. And with the government becoming a prominent shareholder, it would be easier to enforce requirements that government relief lead to a permanent retooling of the industry in order to increase its long term competitiveness.

Essentially, national policy must involve a greater role for government to assure true corporate financial responsibility. This increased role will develop as tax and trade subsidies of all kinds become tied to responsible capital formation and investment policies, as corporate shares increasingly become public-owned assets, as non productive activities are stopped, as government spending is channeled away from the military and into the promotion of post-industrial productive activity. Essentially, this will result in public ownership of the finance sector of the economy.

Decentralizing America

Public ownership does not mean an increase in big bureaucracy, however. Finances must be centralized, but the delivery systems have to be completely decentralized and throughout this transition period should be private or collectively (employee or community) owned.

For example, in the health care system, we want a highly decentralized, family-oriented care system, with community clinics and family doctors, but with full and equal access to the expertise of centrally-financed, specialized medical research centers. For this purpose, the financial end of it must be fully nationalized through a national health insurance program. Yet, the delivery systems, the clinics, can be locally-, collectively- or privately-owned practices.

Furthermore, this democratization is an essential ingredient in post-industrial development. Equality, in the sense of true equality of opportunity, in the sense of full development of all human potentiality, is absolutely essential to post-industrial growth. Since post-industrial production seems to work best in smaller, highly-efficient, community-based enterprises, the centralized national government need concern itself primarily with the major task of large-scale capital formation and with assuring basic equality.

The struggle for public ownership of financial resources must be concurrent with the struggle for democracy; these cannot be separated. If a public project is controlled by a local community board, then the crucial question becomes "who controls the community board?" This is a political question. The struggle to expand public ownership must be directly tied to the question of political control, which is the essence of the struggle for full democracy for all. The NDM program is to promote public financial ownership and at the same time to wage a continuous struggle for decentralization, for democracy and equality and for the empowerment of all people. This is a program for full power sharing.

Organizing Models for Public Power

Decentralizing the country, while concurrently increasing the public sector, is a process to be carried out on many fronts. It requires the concerted cooperation of labor unions, community cooperatives, private enterprises and elected officials, all working together in a variety of ways, pooling organizational talents and financial resources.

For example, union pension funds represent one of the largest single resources of capital in the country. In addition, state and local governments have control over great sums of money, through various agencies' financial reserves as well as through their own employee pension funds. All of these funds are invested or deposited, or managed locally. In addition, local governments can issue bonds for local development projects and pass legislation facilitating post-industrial development.

There is also a growing trend toward the development of small cooperative enterprises, employee owned and managed, and often community-based. This is one of the healthiest developments in the economy today, characterized by vigorous, productive activity.

These are all important elements that must be coordinated and organized into a local power movement for public control to ensure responsible financial activity and to promote and contribute directly to capital formation for new productive investments, retooling industries, retraining workers for high technology jobs, and in general, actively promoting and building post-industrial society.

Such activities are already beginning. The AFL-CIO has begun to discuss how to use their pension funds productively. The cooperative movement is growing. Local officials are working to create the best possible environments for the development of high technology industries in their areas. In San Antonio, Mayor Henry Cisneros has taken an active role in bringing to the city high tech industries and arranging financing to modernize existing industries. The NDM program depends on a vigorous effort to promote just this kind of involvement and build this kind of model across the country — in labor organizations, in local governments and in the cooperative enterprises — for a strong movement for local empowerment and public commitment to post-industrial development.

As the cooperation among labor, government and private enterprises develops, it can go beyond just encouraging local, decentralized development. It can also actively use resources to expand the sphere of public ownership and extend the arena for power sharing. Just as national subsidies can be a means of investing in the private sector in return for government holdings in major corporations, so can local bonds and subsidies be exchanged for government-owned shares.

While this may be initially done on a very small scale, eventually government holdings at all levels (in cooperation, for example, with collectively-owned capital resources such as union pension investment funds) can move directly to purchase control of one of the country's giant financial institutions such as Shearson Lehman American Express.

This kind of purchase would be made easier by the great vulnerability of the financial institutions to takeovers. Once one is in the public domain, a great deal can be accomplished. These huge financial institutions are now run very inefficiently. Their profits are guaranteed by their sheer size rather than by efficient delivery of quality services. With public ownership and a management geared toward providing services, interest rates on credit cards could be lowered, for example, or the rates for car loans or mortgages. This would reintroduce competition into the financial world and force the other major institutions also to lower their rates.

In this way, ownership of just one of these giants would pace set the entire financial industry, forcing the others either to become more efficient and more oriented toward providing quality public services or to sell out.

Even more important, public control over a pace setting financial institution would represent a major step in ensuring the implementation of a national industrial strategy, throwing the full weight of American finance capital behind the retooling and restructuring of the country's industries.

International Competition: Force for Progressive Industrial Policy

The NDM program for restructuring the American economy requires an active organizing effort at all levels of society. At the same time, there are natural forces at work dragging American industries toward the post-industrial era.

According to the Kondrietev "long wave" theory, every 50-60 years there is a major alteration in the mode of production, as inventions and the accumulation of experiences result in the development of new tools of production. Today, post-industrial tools are beginning to emerge. This is happening very intensely because of competition. Even when the invention is made in this country, the Japanese develop and implement the new technology, forcing the American industries to move forward or drop out.

The old must be replaced by the new, but the old dies hard. Along with structural unemployment and the death of old businesses, entire political priorities and interests that are inherently tied to the old technologies must be broken.

The greatest dilemma for all advanced industrial nations moving toward the development of a post-industrial economy is the crisis of capital formation. It is simply beyond the reach of many of the biggest corporations of America — and even of entire nations in Europe — to develop the new kinds of productive tools, which can require billions of dollars of fresh capital formation.

Japan has the advantage in that, instead of the Fortune 500, they have seven big monopoly finance corporations (with the backing of feudal traditions). They can sustain the large amount of capital needed, all concentrated in one spot. Furthermore, they have always had a long-term view of management instead of the short-term, quarter-to-quarter profit evaluation system practiced by American corporations. This allows a very different management style with an emphasis on long-term capital formation and on the long-term development of productive capacity with new tools.

The Japanese economic system is also strengthened by the government's highly coordinated industrial policies that promote and regulate research and development, promote trade through an import-export bank, and carry out a whole spectrum of clear industrial development policies. This ensures the development of advanced production systems and high productivity.

Competition is therefore very much in force. As the U S. continues to rely on protectionist legislation and subsidies and doesn't develop the new, sophisticated kinds of tools for the post-industrial era, it loses its competitive edge in the world market. And as this proceeds, increasingly the Unites States (and Europe as well) is becoming a second-class economic power.

The United States is a powerful country, but, in fact, its power today is increasingly more military than anything else. The gap between the U.S. and the "first rate" economic power, Japan, is getting wider. There is a real danger in that the less secure the United States becomes economically, the more it tends to rely on its military strength and even to become adventurist military (in Latin America and the Middle East) in order to maintain its position in the world. Where economic leverage fails, the U.S., under Reagan, is increasingly turning to military force to influence other countries.

In so doing, the United States is ignoring its true competitive advantage, its real strengths, and further weakens its long-term economic position relative to Japan. Quite simply, the U.S. cannot compete with countries like Brazil, Korea and Hong Kong in traditional industrial production. Where the U.S. can compete is in post-industrial production. Of all countries, the U.S. has the greatest advantage, the most potential for post-industrial production, even more than Japan.

While Japan's feudal structures are in many ways more effective than the disorder predominant in present American industrial policy, the U.S. continues to have certain competitive advantages as well. Japan's society is more monochromatic than ours, and considerably less diverse and therefore less creative. While the Japanese companies are ideally organized for rapid development and implementation of new technologies, they are less innovative. Japan still gets 70% of its patents from the United States.

In the area of creativity and innovation, which is the essence of post-industrial productivity, the U.S. remains the most competitive. The U.S benefits from its multinational character and a rich diversity of cultures, from the lack of rigid feudal social traditions, and from a vigorous history of inventiveness and creativity. It is in the area of innovation that the United States can make the greatest contribution to the rest of the world. This is the strength of America, and this is what NDM policies want to unleash.

In this context, competition is clearly good and monopoly is inherently stagnating. Competition from Japan is forcing America out of a long period of complacency. It is international competition that will force the U.S. to develop a more comprehensive industrial policy-to overcome the old political and militarist approaches to move toward a post-industrial society.

Already Americans produce more per capita than ever before. At this point, with salaried income actually declining, the bulk of this surplus productivity goes either into the profits of the subsidized corporations or to finance the burgeoning government deficit.

As we move more and more into a high productivity post-industrial economy and cut waste and military spending, this surplus will increase dramatically. This will be a very important factor during the transition period, for it is this surplus alone that can finance the growth of human services that is vital to the transition. As we shall see, both high productivity and high quality human resource development are essential for the post-industrial economy.

Post-Industrial Productivity: Building a Truly Humane Society

To fight for new national industrial policies, the NDM must be clear what kind of society we are building, besides just sheer productivity and abundance,

A popular conception of post-industrial society is that it is an impersonal, "robotic" society where people become zombies, their lives controlled by computers and machines. This conception is based on a projection into the future of the impersonal, sterile of mass industrial society.

In contrast, we see post-industrial society as the most humane society ever to exist upon earth, a society in which the nature of work itself will be transformed.

The seeds of such a society are increasingly being documented by studies of the various branches of industry that are introducing post-industrial productive tools. Post-industrial society is not just a speed-up of industrial society, but rather a society where people once again control production, but at a higher level.

In feudal times, although people subsisted at a lower material level, the nature of work, especially for the artisans, allowed them the enjoyment of creating an entire work. They had satisfaction in their products because they controlled the entire process.

The Industrial Revolution stripped workers of all that, reducing them to repetitive, machine-like motions (Taylorism and Fordism). Post-industrial production will upgrade the workers into quality control workers and put them in control of the entire product once again. For example, when robotics and automation was introduced into the production process at Frito-Lay, workers became foremen and foremen became instructors. Instead of one person working on one part of the conveyor belt, now all workers have to be involved in controlling all aspects of the assembly line. Menial and repetitive labor is done automatically, and highly trained workers are needed to supervise the entire process.

The new generation of auto workers also have to become more like the old craftspeople. Multi-skilled workers control the assembly lines, repair the lines, program and reprogram the computers for the robotics. The focus of the job is now on quality control rather than on the mechanical, repetitive motions that characterized industrial production.

As a result, we can expect that the labor force will be transformed dramatically as once again human labor controls production. This transformation will effect not only the production process itself, but also all areas of life, including a transformation in the standard of living.

For example, in the area of housing, instead of building standardized models or prefab houses in the old industrial fashion, it is now possible to build customized houses at the same low cost. Architects can use computer-aided design and computer-aided manufacturing (CAD and CAM) to design homes according to each individual's requirements. This is typical of the kinds of technological advancements now possible in all areas of life. Post-industrial society is based on the kind of technology can provide highly individualized, unique living environments for families. And the high productivity will make this available to the majority of people, not just to a handful who are privileged.

Because repetitive labor will be taken over by machines, what is left for people is essentially creative labor. In another study on the nature of work, it was reported that 70% of the output costs of all steels are now custom steels, varying in sizes, lengths and curves. These can be done cheaply through highly automated processes in which the steel makers design the products to meet the necessary specifications and control the entire work process.

Of course this means that workers have to be retrained. Their new work will be quality control and design, and often oriented towards turning out unique products rather than mass production of identical items. The very nature of work will be different; the whole style of labor will unleash creativity.

The key word for post-industrial labor is creativity. Creativity is something that human beings need. As work becomes predominately creative, we will be using skills and talents that are uniquely human. This will develop each person's individuality, and raise our collective civilization to new heights. Post-industrial labor entourages diversity rather than enforcing the uniformity that is part and parcel of the plastic society of the industrial era.

Investing in Human Capital; Raising America's Standard of Living

Human creativity and innovation is the basis for a high productivity, post-industrial society. But human capital is not an accidental resource, and the declining position of the United States in terms of world literacy rates is a clear warning that American predominance in technological innovation is not guaranteed.

In fact, the development of human capital, like anything else, requires a substantial investment. That is why the NDM program puts emphasis on community building, and why the post-industrial society will be one in which the very best people (the "surplus" labor) will be engaged in community building.

While labor is becoming creative and individualized and productivity reaches new heights, some people wonder what will happen to those who are no longer needed for production. Will it mean even more severe polarization and increased levels of structural unemployment? At present this is so, but it does not have to be this way. For the first time in history, the great abundance of human productivity will lay the foundations for true human equality, for recognition of the human dignity of all, and for the full development of the potentiality of each individual.

The highly productive economy will not only lead to abundance in food and consumer goods, but will also free a lot of people for what is now considered service work, or for what is actually human resource development.

Investment in human capital will take a wide variety of forms. To develop human potential to its fullest, people must be freed from debilitating anxieties and at the same time inspired to produce their very best. Many aspects of life that we have been used to seeing as dependent upon personal income, will come to be seen quite naturally as part of the public infrastructure — as social necessities rather than personal privileges.

In some cases we can see it clearly. Public education is already regarded as a social need. Public acceptance of this is widespread. Complaints about public education arise from the inadequacy of some schools in comparison with others, but the principle of government responsibility for the education of its citizens is universally recognized. Many of the finest schools in the country are public schools.

It is further recognized that hungry children do not learn well so many public schools also provide free breakfasts. Transportation to and from school is provided for children living beyond walking distance.

In other areas, it is harder to recognize public responsibility and, in fact, the public needs to invest in human capital.

Public housing has a bad reputation. Projects are large, impersonal, dirty and often dangerous places to live. Waiting lists to get into public projects are long, and the tenants are often eager to get out as soon as they can afford to. Meanwhile, the number of homeless is rapidly multiplying and even those cities with the best homeless housing programs are reluctant to provide more than makeshift, temporary shelters for fear of “attracting” the homeless from other areas.

Public health is recognized in terms of “voluntary”, non-profit hospitals and Medicaid and Medicare programs, but these survive under the constant threat of budgetary cutbacks, and health care for the poor is seriously declining while medical costs soar.

Investment in human capital includes other things as well — safe and efficient public transportation, home care for the aged and infirm, for example. Programs which are often regarded as charities or some sort of welfare giveaway must be recognized as vital investments in the ration’s human capital. We are on the threshold of a society unlike anything that has ever before existed. We are not talking about rebuilding communities, but, rather, about creating a new kink of community that was never before possible.

For the first time, the moral imperative to be our brother’s and sister’s keeper is also the economic imperative. Productivity and morality join forces to demand that we provide for our children and for all our people. Every person is now precious, economically as well as spiritually. We simply cannot afford to waste valuable minds, to waste the lives of creative, productive individuals.

What this means — and what the great abundance of products and labor in a post-industrial society makes possible — is that each child must have the advantages previously reserved for the children of the very rich. What we once saw as privileges must now become the basic rights of each individual.

Today, we must recognize that not only are these social services socially necessary, but they are rightfully earned. The population is a lot more educated today, and the productivity of individuals is greater than ever before. Yet, our salary income has declined, while the surplus from our increased productivity has gone to middle men, such as mortgage companies, big real estate and construction companies, and medical supply houses. It has gone to the financial institutions and banks that charge enormous amounts of interest. It has gone to pay for subsidies and to finance the Federal deficit. It has gone into the high cost of interest payments, a direct consequence of all the government borrowing over the last 20-30 years. All these costs are shouldered by the consumers, the American people. In effect the government deficit is absorbing much of the surplus from our increased productivity.

At this point, we cannot struggle to increase the wages or to alter the structure of the wages enough to double or triple our salaries. It would cause tremendous disruption in the economy. Furthermore, the nature of the job supply in the private sector, the structural unemployment. makes it extremely difficult to fight for our fair share of the surplus.

However, a reasonable and possible approach would be to reduce our basic expenses. Since the surplus we produce is greater and we are not getting back our share of it, it seems reasonable that our reduced salary be regarded as sufficient only for disposable income, that is income for recreation and things to take care of our individual needs and the particularity of our preferences. Housing, medical care, quality education, transportation, day care and services for the aged must be recognized as our just return for the labor surplus we have, in effect, donated to the common good.

All through history, traditions and stories have been passed down through the generations that act as a guide to ethical behavior, as a kind of community supervision, providing a reward for being good and productive and encouraging excellence. This sense of community values was largely destroyed by the greater mobility and dispersion of population during the industrial revolution.

Community now develops spontaneously. There may be some individual or group holding a community together, or there may not. In many cases, community is becoming the exclusive enclave of the rich, and even there, there is not much of a community spirit.

Post-industrial communities will have local anthropologists, historians, teachers and mentors, and local librarians that have access to global information and the latest in sciences. There will be recreation and arts of all kinds to enrich the children's lives, while still retaining a local character that will be unique from the rest of the country and the rest of the world.

These are the kinds of human services that we envision developing from the so-called surplus labor. This ''surplus" will mean the best of human creativity, rather than the worst, the left over, the deskilled, or the marginal.

For the first time production will serve humanity, and humanity will serve civilization through full cultural development and community development. People will be freed to do what human society aims to do, which is to make possible the full development of human beings: dignity, productivity, potentiality and creativity of all sorts.

We will develop genuine communities, with highly decentralized democracy, and a highly knowledgeable population able to make this sort of democracy workable.

Thus, the end result of high productivity will actually be a realistic paradise for all. Of course there will continue to be absurdities, ignorance, one-sided development of individuals, and so on, but the basic toll of human suffering will be qualitatively eliminated. There will continue to be a struggle between good and bad, among progressive, advanced, backward, and middle. But these struggles will be carried on non-antagonistically, without wars, without class conflict, without racism or any other prejudices, all of which are so destructive of the human spirit and the integrity of humanity.

This is the promise of post-industrial society.