RESOLUTION 3

Good Jobs, Tough Times: A National Strategy for Economic Recovery and Sustained Growth

Submitted by the Executive Council
Referred to the Legislation and Policy Committee

AS WE MEET in the great industrial city of Pittsburgh in the fall of 2009, we confront the most daunting economic challenges of our lifetime. It is our job to turn these challenges into an extraordinary, once-in-a-lifetime opportunity for fundamental economic transformation—but to succeed, we must act with vision, energy and solidarity.

Everything has gone wrong all at once—a linked series of collapses in our housing market and our financial sector collided with unsustainable trade deficits and a long-term erosion of our labor market and real economy. We are losing almost a half-million jobs a month, while wage growth has stagnated, foreclosures and bankruptcies are skyrocketing and workers' retirement savings have been decimated. The comfortable fiction that an under-regulated free market inevitably delivers efficient and rational outcomes is no longer viable.

The corporate agenda has been thoroughly discredited by its own over-reaching and internal contradictions. At the end of the day, an agenda premised on deregulation, corporate globalization, privatization and attacks on workers' rights and unions will fail if it succeeds: Failure to invest in infrastructure and skills undermines productivity growth and long-term prosperity, and cheap labor makes for lousy consumers. We have for many years raised questions about fairness and the impact of the Wall Street agenda on workers; in this past year, we saw that the corporate model cannot even deliver reliably in terms of profit and self-interest—at least not without government support.

We need immediate action by the federal government to spur economic growth and job creation, as well as a longer-term national economic strategy to rebuild our middle class and rebalance our economy. The labor movement has a pivotal and irreplaceable role to play at this crucial moment.

At the last AFL-CIO Convention in 2005, we identified structural weaknesses in the U.S. and global economies:

> "U.S. consumption is driving growth in the global economy, but it is consumption based on debt, not growing income and wages. The national savings rate has turned negative, and real wages are falling, even as the economy grows. We have allowed our productive national economy to atrophy, replacing solid middle-class jobs in manufacturing and high-end services with lower-paying jobs in non-tradable services, while we starve the public sector for needed resources....Clearly, corporate globalization policies have failed the challenge. Workers have been forced into a race to the bottom. Countries burdened by debt are required to enforce austerity at home and pursue export-led growth abroad. Financial speculation has been unleashed; corporations left unaccountable; workers'

> rights trampled. The result is slow growth, excess capacity, an endangered environment and workers who are forced to pay the price."

We also laid out an ambitious economic reform agenda:

> "The challenge to build and sustain good jobs in America...requir[es] us to restore health care, retirement and economic security, protect workers' freedom to form unions, prevent erosion of important workplace rights and protections, help workers balance work and family demands, and provide them with meaningful education and training opportunities and a sound system of unemployment compensation to fall back on in need."

While we have made progress in some of these areas and are poised to do so in others, we have a lot of work before us. First and foremost, we need to enact the Employee Free Choice Act—to restore the right of every worker to choose to join a union and bargain collectively for good wages and benefits (see Resolution 1: Seizing the Moment for Growth, Strength and Solidarity: Organizing for our Future, page 1). Secondly, we need to secure universal health care for all, to guarantee access and quality and control skyrocketing costs and waste (see Resolution 4: Health Care Reform Now, page 22). Thirdly, we urgently need to address the gaping holes in our retirement security system (see Resolution 5: Achieving Retirement Security for Working Families, page 28). And we need to ensure the Labor Department once again can fulfill its mandate with pride and competence, enforcing our labor laws and keeping workplaces safe and healthy (see Resolution 6: Safe Jobs for All, page 31).

It is increasingly clear that protecting workers' rights, investing in American industry and infrastructure, strengthening our public sector, generating good jobs and expanding education and training opportunities are central to building a solid foundation for renewed economic prosperity and growth for everyone. If we do not succeed in rebuilding our middle class, our economic prospects will remain dim for the foreseeable future.

How We Got Here

At least since the mid-1990s, debt-financed consumer spending has powered economic growth in the United States and, through the imbalance in our external accounts, much of the rest of the world as well. Despite stagnant wages, consumers were able to support growth by working longer hours and more jobs, by drawing down savings and by assuming increasing debt burdens justified by asset inflation—equities in the 1990s and housing since 2000.

The eight years of the Bush administration exacerbated these problems with its sustained attack on workers and unions, tax cuts for the wealthy and an undermining of the federal government's ability to deliver quality services and regulate in the public interest.

This model of growth has failed. The economic recoveries from the 1990 and 2001 recessions have been the weakest of all post-WWII recoveries. Income now is more concentrated in the United States than at any time since the 1920s, and more concentrated than in any other developed country. As the current crisis has demonstrated, growth that depends on asset bubbles and eroding labor markets is unstable and, therefore, unsustainable.

There can be no return to business as usual. We cannot, and we should not, continue to rely on debt-financed consumer spending to power growth in the future. Nor can we continue to power global growth by serving as the world's consumer of first and last resort.

In addition to urgently addressing the immediate economic crisis (see our July 2009 Executive Council statement, "Economic Recovery: Take Two"), our government also must address the underlying imbalances that are at the root of the crisis.

Firstly, we must address the fundamental imbalance between the United States and the global economy. We can do this by investing in America, to restore the competitiveness of our economy, while we also take steps to level the global playing field, through reforming our flawed trade, currency and tax policies. We cannot continue to borrow hundreds of billions of dollars from the rest of the world every year to fund consumption of goods that our companies no longer are producing in the United States.

Secondly, we must address the imbalance between finance and the real economy. In a well-functioning economy, finance is the servant of the real economy, not its master. A combination of financial deregulation and financial innovation allowed the collapse of the U.S. housing bubble to trigger a global financial crisis. Financial deregulation also facilitated high levels of personal debt, which left borrowers exposed when the housing bubble burst. Financial deregulation also diverted economic resources to the financial sector, and away from productivity-enhancing investments in the real economy. Financial re-regulation at both the national and global level, as well as protection of consumers, constitute crucial components of any solution.

Thirdly and most fundamentally, we must address the staggering imbalance between the bargaining power of workers and employers. This is crucial to restoring the relationship between productivity growth and wages and reducing rising inequality. Tight labor markets and a meaningful minimum wage will help, but we also must reform our labor laws to restore workers' fundamental right to organize and bargain collectively.

A National Economic Strategy

If the United States is to rise out of our current economic crisis and compete and thrive in a dynamic global economy in the 21st century, we will need a coherent national economic strategy that encompasses domestic reinvestment and rebalancing, rebuilding our government and deep reform of our flawed trade policies. We also need to rein in the financial excesses that precipitated the global financial crisis and exacerbated inequality.

Fair Value for Fair Work

America's workers are America's consumers. For decades, we have seen our real wages stagnate, even as the economy grew, new technology developed and corporate profits and CEO pay ballooned. If we are to rebuild our middle class on a durable foundation, we must reward work and respect workers. In particular, we must make sure that our economic policies are fair to and address the concerns of working women, minorities and young workers.

- Pass the Employee Free Choice Act so workers can bargain for their fair share of the wealth they create.

- Restore the goal of full employment as outlined in the Humphrey-Hawkins Act. We need a macroeconomic policy that balances price stability with full employment and is accountable to Main Street interests, not just Wall Street.

- Raise the minimum wage and index it to inflation so people who work full time can rise out of poverty and provide their children with opportunities to fulfill their potential.

- Strengthen the Family and Medical Leave Act so it covers more workers, includes paid leave and covers more family needs.

- Pass the Healthy Families Act (H.R. 2460), which would provide full-time employees with seven paid sick days per year (and a prorated amount for part-time employees). Paid sick days would reduce the spread of illness by workers otherwise forced by economic necessity to go to work sick, and would benefit the 79 percent of low-income workers, a majority of whom are women, who currently do not have a single paid sick day.

- Pass the Paycheck Fairness Act (H.R. 12) to close loopholes in the Equal Pay Act of

1963, improving fairness in the workplace by requiring employers to demonstrate that wage gaps between men and women doing the same work are truly a result of factors other than gender and strengthening the government's ability to identify and remedy systematic wage discrimination.

- Support the Campaign for College Affordability and urge the U.S. government to expand access to higher education by working to reduce barriers to entry, financial or otherwise.

Invest in America

As private demand pulls back, the most effective path to both recovery and strong, sustainable and equitable growth is, as President Obama has argued, an ambitious public investment agenda.

- **Infrastructure and good green jobs:** We need to invest—over the course of at least the next decade—in a world-class infrastructure, composed of modern transportation, communications, schools, energy, water and waste management systems. The Association of Civil Engineers has estimated that the United States has at least a $1.7-trillion deficit in basic infrastructure. The initial spending included in the American Recovery and Reinvestment Act of 2009 takes us in the right direction, but much more will be needed to close our infrastructure and transportation deficit, both in the short term and over the course of the next decade. Public investment in clean energy will be essential in reducing our dependence on imported and non-renewable energy sources, as well as creating good jobs at home. (See Resolution 10: Creating and Retaining Sustainable Good Green Jobs, page 50.)

- **Transportation:** Public investment in transportation infrastructure has always been an engine for job creation. Every billion dollars invested supports 30,000 good jobs. Our aviation, mass transit, Amtrak and freight rail, highway and bridge, port and waterway systems suffer from decades of neglect, and today this underinvestment is threatening the national economy and our global competitiveness. Billions in new investments will accomplish dual objectives: millions of good, long-term jobs will be created and our decaying transportation infrastructure will be repaired and expanded.

- **Education and skills:** We need a world-class workforce, composed of healthy, highly educated and well-trained workers. To meet this challenge, our nation needs a cohesive national strategy that links substantial investment in job creation to an improved educational system and significant public resources directed toward skill development programs. We should commit to providing all Americans with access to a postsecondary education that carries them as far as their ambitions and capabilities take them. This includes further education, including an associate's degree, a bachelor's or graduate degree, a vocational credential or industry-recognized certification. This effort could be financed by expanding funding for the Pell grant program and making it more accessible to working adults and dislocated workers, and promoting quality, registered, joint apprenticeship programs. Effective job preparation combines degrees with good school-to-work programs at the high school level and on-the-job skill upgrading.

- **Buy American:** Increases in investment won't deliver good jobs at home unless we make sure that—to the greatest extent possible—we adopt and apply, consistent with our obligations under trade agreements and the World Trade Organization, "Buy American" requirements related to all federal procurement, especially procurement associated with new investments in infrastructure, transportation and green energy initiatives.

- **Sectoral strategies:** We need to rebuild, strengthen and modernize our manufacturing capacity through expanding the Manufacturing Extension Partnerships and investment in innovation and regional assistance to support high-wage workplaces. In addition, we need new financing and marketing plans for local manufacturers to support domestic production and good jobs. Manufacturing creates good jobs, both directly and through linkages down the supply chain. It is also crucial to our technological leadership and innovation and to our national security. Furthermore, a healthy and vibrant manufacturing sector is essential if we are to reduce our trade deficit and produce more of the goods we consume.

- **Financial transactions tax:** To fund increases in public investment over the medium to long term, additional revenue sources will be needed. We should adopt a financial transactions tax that can raise significant funds while mainly affecting speculative financial activity.

If public investment is sufficiently ambitious, sustained and well-targeted, it will "crowd in" private investment and replace asset bubbles with productive investment as the engine for stronger, more sustainable and more equitable economic growth in the United States and globally. It also will tighten labor markets, which, along with meaningful minimum labor standards and rising union density, will help restore the balance of bargaining power between workers and their employers. These measures will contribute to greater economic equality for all and a revitalized middle class.

A Global Fair Deal

If we ignore the global component of our economic collapse, unregulated global competitive pressures eventually will undermine any domestic reforms and worker gains. Trying to strengthen and grow the American middle class without changing our interaction with the global economy is like pouring water into a leaky vessel.

- **Strategic pause and review:** We should not adopt or negotiate new trade agreements until we review the record of existing trade agreements and build a comprehensive new trade policy that will support the creation of good jobs at home. The TRADE Act, introduced by Rep. Mike Michaud with more than 100 co-sponsors in the House, and soon to be introduced in the Senate by Sen. Sherrod Brown, lays out such a review and reform. Reform must apply both to bilateral agreements and to new talks at the World Trade Organization. We should use the strategic pause to review the performance of past trade agreements and recommend renegotiation where needed.

- **China trade:** Our imbalanced trade relationship with China needs urgent attention and action. The Chinese government has violated its international obligations with respect to workers' rights, human rights, currency manipulation, illegal subsidies and intellectual property rights, among other things. We urge Congress to introduce and pass a comprehensive trade bill giving our government the tools it needs to address the Chinese government's currency manipulation and illegal subsidies, strengthening our trade laws and their enforcement, ensuring the safety of our imports and protecting intellectual property rights. The Obama administration must address all these issues, as well as systematic workers' rights violations, in its bilateral dialogue with the Chinese government.

- **Taxes:** We should reform our corporate tax system, as the Obama administration has proposed, to incentivize corporations to create jobs here and to eliminate the incentives for them to relocate manufacturing and services abroad.

- **Trade laws:** We need to strengthen and effectively enforce our trade laws so when foreign governments and companies engage in anti-competitive trade actions they are held accountable, so America's workers and businesses can compete fairly on a level playing field. We must ensure that WTO negotiations and actions do not undermine our ability to use our trade laws effectively.

- **Import safety:** We also must insist that items produced and serviced elsewhere meet our domestic quality control and safety standards, and that our government has the capacity to inspect and monitor quality.

- **Climate change:** We must ensure when we take action to curb emissions that our trading partners also take commensurate actions or face border-adjustment measures. Otherwise, we will lose our own jobs as production moves to the least-regulated countries, and global emissions actually will worsen. WTO rules must accommodate trade-related measures to coordinate responses to global environmental challenges.

Financial Regulation

The AFL-CIO has joined Americans for Financial Reform, a group of national and state organizations that has come together to fix our financial sector and make sure it's working for all. Americans for Financial Reform has developed a four-point plan to address systemic risk by ensuring the safety and soundness, fairness, transparency and accountability of financial markets, participants and products.

- Firstly, one central authority should be responsible for monitoring and stemming potential systemic risks in the event they arise. An effective systemic risk regulator must identify and cure risks that could threaten the broader financial system, stopping institutions from creating systemic risk by growing to a certain size or complexity, becoming too interconnected or engaging in certain activities. Primary authority for systemic risk regulation may be assigned to the Federal Reserve, a new regulatory agency or a council of regulators. What is crucial is that the systemic risk regulator—whatever institution plays that role—be transparent and fully accountable to the public. If the Federal Reserve Board is to be the systemic risk regulator, then first it must be transformed into a truly public, democratically accountable agency.

- **Mortgage relief and the Community Reinvestment Act:** We need to stem the current foreclosure crisis and ensure there is quality lending for homeownership, businesses and economic development in all of our nation's communities. The federal government needs a much more robust program of mortgage relief. The goal of public policy should be to enable the maximum number of homeowners with distressed mortgages to keep their homes. The Community Reinvestment Act (CRA) has been a crucial tool for building wealth and strengthening neighborhoods. It should be strengthened and expanded to non-bank financial institutions. The CRA Modernization Act of 2009, H.R. 1479, would apply CRA requirements to all affiliates and subsidiaries of banks, independent mortgage companies, mainstream credit unions, insurance companies and securities firms. It would strengthen law enforcement, make an explicit goal of eliminating racial disparities and provide increased opportunities for public comment and engagement.

- **Consumer protection:** To protect individual consumers and bolster the stability of the market as a whole, we need to rein in the "Wild West" of abusive and risky lending practices. To this end, we need a strong federal commitment to consumer protection, including an agency dedicated to ensuring consumer financial products are safe and fair, a Consumer Affairs Office in the White House and an independent, government-chartered consumer organization that advocates for consumers before legislative, judicial and regulatory bodies. Incentives at every level of the industry must be consistent with promoting sound lending and responsible behavior. Loan originators, the Wall Street firms that package loans and the investors who fund them all must be accountable for their practices, and consumers who have been damaged by abusive practices must be able to get meaningful relief. We need to eliminate "charter competition," in which financial institutions shop between federal financial regulators, seeking the weakest oversight. We also must require transparency in consumer protection regulation and enforcement so effectiveness can be evaluated. Finally, the states must retain the authority to protect their citizens, and not be undercut by pre-emptive federal laws.

- **Regulation of shadow markets:** Financial oversight has failed to keep up with the realities of the marketplace, characterized by globalization, innovation and the convergence of lending and investing activities. This has allowed institutions to structure complex transactions and take on risky exposures without fulfilling the regulatory requirements Congress deemed necessary to prevent a systemic financial crisis after the Great Depression. "Shadow market" institutions and products must be subject to comprehensive oversight. We need to return to the broad, flexible jurisdiction originally provided in federal securities regulation, which allowed regulators to follow activities in the financial markets. This means ensuring all institutions active in the financial markets provide regular information to regulators and the public about their activities and their counterparty relationships, requiring derivatives to be traded on regulated exchanges that are transparent and impose meaningful margin requirements and requiring money managers to provide comprehensive disclosures and to act as fiduciaries for their investors.

The Time is Now

We have heard cynical business hacks and right-wing commentators tell us that "in this economy," we can't afford a minimum wage hike, stronger unions, health care reform, decent pensions, more infrastructure spending or well-paid teachers, nurses, firefighters, police officers, pilots and so on. On the contrary. The reason we are suffering "in this economy" is precisely that pro-corporate ideologues had too much rein for too long and gutted our government and undermined protections for workers. Now is precisely the time to fight back.