Dems, labor rally to Kennedy policy shift

by Jeffrey Steinberg

In the aftermath of Sen. Edward Kennedy's (D-Mass.) Feb. 8 speech before the Center for National Policy in Washington, D.C., in which he called upon the Democratic Party to return to the pro-growth economic policies of President John F. Kennedy, a number of leading Democratic Party elected officials, as well as the leadership of the AFL-CIO, have joined in the drive to turn the 1996 election into a national plebiscite on reversing the past 30 years' paradigm shift into the post-industrial society.

In early March, Senate Minority Leader Tom Daschle (D-S.D.) is scheduled to unveil an ambitious program, aimed at reviving America's collapsed industrial base, and improving the standard of living for America's working majority. The proposal is the outgrowth of a year-long "high wage task force," which Daschle co-chaired with Sen. Jeff Bingaman (D-N.M.). The Feb. 26 issue of *Business Week* featured a column by Robert Kuttner, which gave a preview of the plan, which its authors have labeled the "stakeholders society."

"The idea," Kuttner wrote, "is to reward corporations that invest in employees and communities instead of pursuing relentless downsizing that boosts short-term profits," while increasing layoffs. These corporations, federally chartered R-Corporations ("Responsible Corporations"), would received investment tax credits and other benefits, on the basis of meeting a series of criteria, to be spelled out in new legislation, which will be a major feature of the election campaigns of many Democrats seeking House and Senate seats this fall.

The draft legislation would replace the corporate income tax with a "business activity tax." Kuttner reports that "this tax applies a fixed rate to all receipts, subtracting payments for most inputs. Employee training and R&D expenses would be tax-deductible, while wages, dividends, and interest would not. Under this plan, an R-Corp would be taxed at 11%, compared to 18% for conventional corporations. It would also pay reduced payroll taxes and be able to self-certify in several areas of regulation. To qualify, a corporation would have to meet several tests. It would be required to contribute 3% of payroll to a portable, multi-employer pension plan, devote 2% to employee training, pay half the costs of a qualifying health plan, and have a profit-sharing plan or employee stock ownership plan with employee trustees."

An R-Corp would also have to be open to unions, and maintain at least half of its labor force inside the United States.

According to Kuttner, "The Bingaman plan includes a tax of a sort long proposed by Yale University economist James Tobin on the profits of short-term securities trades. The proceeds would finance a social capital fund for worker training, school-to-work transitional programs, industrial extension, export promotion, and technology research and development."

In 1993, Lyndon LaRouche issued a call for a 0.5% transaction tax on all derivatives trades. In fact, many of the other features of the "stakeholder society" plan now being advocated by Senators Kennedy, Daschle, Bingaman, and others, are based on ideas that LaRouche has been advocating for years, geared toward reversing the past 30 years' devastating collapse of the U.S. physical economy, as the result of free trade, deregulation, and the onslaught of the counterculture.

Democratic Party sources on Capitol Hill have told *EIR* that a growing number of Congressional Democrats have come to agree with LaRouche's admonition that it is not sufficient to just defeat Newt Gingrich, Phil Gramm, and their Conservative Revolution legions; but that an aggressive approach to reversing the post-industrial paradigm is also urgently needed.

Workers losing ground

In the same issue, *Business Week* also ran a four-page feature, entitled "Is America Becoming More of a Class Society?" It examines several surveys which follow workers and their wage levels over decades.

More than 25% of all American workers have earnings that fall below the $15,000 annual poverty line. This does not include the unemployed, who, if included, would raise the above figure to more than 30%. A study by economist Stephen Rose that tracked the same people for two decades, found that men in the bottom fifth of all male wage earners saw their 10-year average pay lag behind inflation by 11% during the decade of the 1970s, and by a stunning 34% during the 1980s. A study by the Economic Policy Institute, a Washington-based think-tank, shows that the proportion of families constituting the middle class (those earning between $15,000 and $50,000 in constant dollars), has shriveled. It fell from 61% of all families in 1969, to 50% of all families in 1992.

Meanwhile, a study by a team of economists that included Greg Duncan of Northwestern University, found that America now has almost no upward mobility. During the decade of the 1980s, only 17% of poor American families left the status of poverty within a year, versus a comparable rate of 25% for Ireland, 26% for Germany, and 44% for the Netherlands.

Subsuming these studies, *EIR*'s Market Basket Index, which gauges real purchasing power as measured by the input-flow of capital and consumer goods, per household and per capita, fell by almost 40% during 1967-90.