

At a time when San Francisco jobs and services are threatened by the announced \$575 million projected budget shortfall for 2009, and when nationally more than 6 million jobs were lost in 2008 ...

**THE NEED IS FOR BOLD LEADERSHIP
AND AN EVEN BOLDER PROGRAM.
WE NEED A NATIONAL RECOVERY PLAN.
LABOR SHOULD LEAD IT.
WE OFFER THE FOLLOWING PLAN.**

We here at the San Francisco Labor Council were hit on January 6, 2009 with the news of a San Francisco \$575 million budget shortfall for the coming year. The knee-jerk proposals coming from the local Chamber of Commerce *et al.* have been “cut-cut-cut.” Our Council leadership is working to figure out a plan to protect jobs and services. But there are no solutions at the local and state levels for this national crisis. At best there are limited stop-gap measures.

On January 9, 2009, the AFL-CIO in its daily blog announced that unemployment is actually 13.5%, some 6.3 % higher than the “official” Department of Labor rate of 7.2%. It is also reported that unemployment is expected to continue to rise into 2010 — with some economists predicting 25 million unemployed going into 2010 if the current rate of job loss continues. The proposed \$775 billion stimulus includes approximately 40% for tax cuts, mostly for companies. This leaves \$465 billion for actual economic stimulus, since tax cuts have little impact. This is short of the \$1+ trillion stimulus that virtually all the “outside” economists and the Congressional Progressive Caucus are insisting is needed at a minimum.

The recovery plan must put people first. Putting forward a workers’ recovery plan becomes our job, Labor’s job, in coalition with existing and potential allies and community allies already engaged in fighting the crisis. To implement this recovery program, Labor will need to mobilize union members and their organizations.

We face a once-in-a-lifetime economic crisis that threatens the very foundations of our economic well-being. The crisis threatens the well-being of America’s working people, and their families. [See Appendix No. 1: “Facts on the Ground.”]

As this crisis shakes the base of the financial system, it has exposed the dangers of deregulation, it has exposed the blatant corruption of corporate domination of government, and it has exposed the fallacies of “free market” and “free trade.” But it has also opened the way to push the government to pro-

mote a massive response on behalf of working people. It is both an opportunity and a requirement that we act immediately to stabilize workers and their families and that we redirect our economic system in a more economically just and environmentally sustainable direction.

The same corporate and banking elite that deliberately deregulated and manipulated our economy in pursuit of ever-bigger profits and larger markets are working hard to keep their prerogatives intact. The elite corporate-dominated economy is in deep recession, and in danger of taking the entire working class into a depression.

Organized labor, in our view, must take the lead and must promote aggressively demands for policies that would reverse our government's pro-business biases and steer policy toward dramatic improvement for the US workforce.

Recommendation:

The AFL-CIO and CTW should prioritize the following policies in the economic recovery debate of 2009 and beyond. They should allocate adequate resources to launch a national 50-state campaign and mobilize the members and their communities for achieving these goals. The members should be informed and involved step by step as this national campaign is being developed.

WE OFFER THE FOLLOWING GUIDELINES AND PROPOSALS FOR THE DEVELOPMENT OF A RECOVERY PROGRAM INTENDED TO PREVENT A DEPRESSION

To end this recession and prevent a depression, there needs to be gainful productive employment for all, a focus on our domestic economy, an environmentally sustainable economy, with universal health care and reliable pensions — not on a military-industrial economy, and not a deregulated speculative economy.

I. Any bailout must be for workers, their families, children, students, seniors, small farmers, small business. The everyday folks. This financial collapse can be traced to the three-decade suppression of workers' wages and living standards. A massive stimulus is required to stabilize, retain and employ the working class in productive work, and to keep businesses, small farmers, and goods and services which serve ordinary people from further decline or economic "wipe out."

There must be accountability for how all public monies were and are used and for whom. No blank checks.

We must make a two-fold demand to Congress: (1) track all tax dollars given out, to whom and for what, and (2) recapture by whatever means what was not used properly.

Bailing out Wall St. is pouring tax dollars down a sinkhole. Wall St. and Main St. cannot both be bailed out at the same time, because Wall St. is about profiting from speculation, and the bail-out is funding the speculation. We need to fund Main St. by sustaining the public sector, building a productive economy — not financial speculation — and by halting foreclosures and defaults.

There must be a multi-dimension government intervention. And for all of the policy proposals below, there must be public oversight and full accountability for all monies requested, given and spent.

II. POLICIES LABOR NEEDS TO FIGHT FOR AND TO MOBILIZE US TO WIN: JOB RETENTION AND CREATION

“Economic recovery must first restore and protect jobs with a \$1 trillion minimum job creation-retention program. That will boost consumption and economic recovery in the short run (0-2 yrs).

But long-term consumption and recovery depends on a resurgence in union membership and collective-bargaining effectiveness, and that starts with the Employee Free Choice Act. Also long-run consumption depends on other factors as well, such as comprehensive resolution of the health care and retirement (pensions-social security-401k funding crises) and de-privatizing the student loan markets, so that working class kids can get an education without being financially indentured to banks for the rest of their lives.”

— Jack Rasmus, PhD, January 5, 2009

a) **NATIONWIDE, we will need at least 6 million new jobs** to maintain the well-being of the working class. The loss of 5 million jobs in the 12 months since November 2007 means that the talk of creating between 3 million and 4 million jobs in the next two years is insufficient.

b) **The PUBLIC SECTOR must be supported. Massive federal assistance must immediately go to the states and to the cities to maintain employment, health, and education, as well as services and ongoing projects.** It must go for public-education teachers, including higher education, public health nurses, doctors and other care-givers, public facilities maintenance crews, etc. Federal aid to states should carry a strong encouragement for states to rapidly adopt progressive tax options supporting state-funded services and infrastructure, such as “further federal assistance will depend upon the state legislature having reached a certain benchmark in progressive tax law.” **Protecting the public sector will stabilize our communities, our cities and our society as a whole, boost the public morale and help stimulate an economic rebound. Not protecting the public sector will accelerate the decline.**

c) **Policies must be implemented to preserve current jobs and create new productive jobs.** Outsourcing overseas must be halted by imposing severe restrictions on outsourcing what would otherwise be domestic employment.

d) **Nationally, we need additional investment in the public infrastructure.** The projects and the money for repairing and developing public infrastructure must be controlled by the public and done in the public interest, with strict oversight and accountability of private entities.

Public money to Big Auto, must first, stabilize union wages, contracts and employment, and it must require no further outsourcing to non-union plants or overseas. The public, through government and the workers in Big Auto, must have a voice in what gets produced and why. Environmental and social criteria should guide the disbursement of public monies. Merely rescuing the auto industry and its infrastructure would waste this unique opportunity to greatly relieve our transportation system of its dependency on the auto. This is the perfect time to begin redirecting transportation production toward rapid mass transit. We must address the global warming crisis at the same time that we put workers in auto plants and related industries back on the job. In the event any of the auto companies do not meet these mandates from the taxpayers and government, they will be placed under public ownership and public control to make certain that these objectives are met.

III. NO SCAPEGOATING IMMIGRANT WORKERS:

The current economic crisis cannot be allowed to be used to scapegoat immigrant workers. Stabilization of the legal rights and secure status of immigrant workers must be a priority of the

AFL- CIO & CTW , despite pressures brought by the economic downturn. Our nation's millions of immigrant workers must be part of the solution of decent-paying jobs and revived economic activity. But to the part of the solution, they must have their civil and labor rights. Currently many employers take advantage of immigrants' lack of rights to pay sub-standard wages, thereby undermining the wages of other workers. Immigrants should be put on a path to citizenship so that they can exercise their rights as workers and contribute to a higher standard of living in their communities.

IV. ECONOMIC SECURITY

a) Housing Security: Access to affordable housing and access to reasonable loans must be stabilized. Fannie Mae & Freddie Mac should be publicly run as well as publicly owned. The trigger of the current economic crisis was the collapse of the housing market. It is flooding our country with foreclosures, undermining the value of all real estate and the economic activity associated with it. Until these foreclosures stop, our economic crisis cannot end. We need a moratorium on declarations of default, foreclosures, and on foreclosure-related evictions and utility shutoffs. We need government-supervised renegotiating of mortgages, and government financing of mortgages in order to eliminate foreclosures as a threat to economic activity.

b) Health Care for All: There must be a national universal single payer health care system, such as proposed in HR 676, or in a Medicare expansion plan. This will ultimately result in a huge cost savings to working people, a huge relief for union and employers, and an across-the-board boost to the American people. It will positively affect more people than any other program. The current \$2.3 trillion national tab for health care is double that of other single payer national programs. The US health care costs are 17+% of GDP while the average for the other single payer health care systems runs around 9% of GDP. The delivery of care cannot be improved while the insurance companies are left in control of health care financing and decision-making.

While our health system is far and away the most expensive in the world. It leaves tens of millions without any medical insurance at all and many more without decent coverage — and all these uncovered or poorly covered are in danger of not getting necessary health care. In many parts of the country, our health care infrastructure in our cities and in our countryside is in ruins. These inefficiencies burden our economic system with widespread avoidable illnesses afflicting workers and their communities and huge unnecessary costs. It is long overdue that we carry out what every other Western European country has done and have the government assure health care for all.

We need to move as quickly as possible toward building a health care system that assures health care for all. We should expand public programs financing health care so that they could encompass our entire health care system. We should break the control of industries like private insurance and pharmaceuticals over our health care system so that it prioritizes people's health over profits.

At the same time, we need to repair our health care infrastructure so that there will be health care available in all parts of the country. Shuttered facilities in underserved areas are ready for rehabilitation and the proper incentives could redirect health care workers to the communities that need them most. Revived health care facilities would provide a major boost to economic activity in currently underserved communities.

c) Pension Protection: Repeal the Pension Protection Act, which was designed to destroy defined benefit pension plans. Labor must act decisively to blunt the attack on jointly trusted Defined Benefit Pension and these plans must be protected. There are only 28,000 DBP remaining out of about 125,000 such plans.

Further, Congress must re-institute an inviolate lock-box to the Social Security and Medicare Trust Funds, thereby preventing any agency of the government from taking any money out of the Social Security Trust and Medicare Trust Funds. The annual Social Security tax surplus of \$100 billion or more must be left in the Fund, and the \$2.46 trillion surplus which has been taken out of Social Security and used to pay down the deficit must be recaptured and returned to the Social Security Trust Fund.

d) **Wage standards have to be maintained and improved. Federal allocations also need to carry prevailing-wage standards.** A significant cause of the rapid economic decline is that workers' incomes have been suppressed and their purchasing power stagnant since 1980. There should be no cuts for workers, only for the corporate elite. Our government leaders gave hundreds of billions of dollars without accountability to a handful of bankers and market speculators et al., and left tens of millions of workers hoping for a short extension of unemployment insurance while permitting and overseeing the closure of our libraries, schools, hospitals and other public facilities.

The Employee Free Choice Act is a vital component of a recovery program for workers and their families and vital for the recovery of the economy itself. Long term, our national economy recovery is dependent upon working class earnings' growth, which can result only from unionization.

Workers can support economic activity only to the extent that they have decent-paying jobs. In this country, the key to decent-paying jobs is unionization — but government policy since the 1940s has made this increasingly difficult. We need a labor policy that enables workers who want unions to join them without management interference and to expeditiously obtain union contracts. The Employee Free Choice Act is the policy needed to allow unions to play this indispensable part in fostering prosperity.

We believe the Employee Free Choice Act must be one of the top priorities of the AFL-CIO and CTW. The Employee Free Choice Act is important for the workers' right to improve their lives and their communities, and crucial for workers' strength. It is also crucial in restoring the economy. But Labor needs to bring forward a *comprehensive* economic recovery program and it needs to bring the power of organized working people to bear on Congress and on the Obama administration to motivate such a recovery.

V. FINANCING THIS PROGRAM

a) **Obama must reverse the tax cuts for the rich — immediately upon taking office.** There is no justification for giving public money to the rich. Instead the highest income earners and the corporations **should be taxed** at a much higher rate.

b) **The new administration must retroactively tax Windfall Revenue** on the oil-energy industry, on executive compensation and on corporate foreign retained earnings.

c) **The new administration must roll back capital income taxation to 1981.** Capital gains, dividends, interest and rent income taxation and inheritance taxes have been, according to Jack Rasmus, PhD, the central factor responsible for the radical shifting of wealth to the top 1% of tax paying households, or 1.1 million households. This 1% now own 20% of the IRS reported income, equivalent to what the 1% held in 1928, and this shift, according to two economists at UC Berkeley, is heavily responsible for the runaway speculative investment that contributed to the current crisis.

d) **The new administration must repatriate an estimated \$2 Trillion from 27 Offshore Tax Havens.** The German government has moved on its wealthy investors diverting income to avoid taxation. The US government must do the same.

VI. FUND HUMAN NEEDS NOT WAR

The US-initiated wars around the world are draining the lifeblood from our public sector and leaving working class families with unbearable difficulties and impossible debt for many years to come. The current war expenditures are now estimated at more than 3 trillion in ultimate costs. This cannot be sustained. The last year's total annual costs for the military budget, past war debt and care for veterans is \$863 billion. We can't have both guns and butter. Organized Labor must actively oppose these wars and the costly war budget, and strongly urge the transformation of large sectors of the military-industrial economy into job retraining for a sustainable domestic and green economy. Labor must aggressively act to stabilize and advance the domestic economy and the interests of the American people.

PROGRAM SUMMARY: *

Housing and Jobs: two keys to stabilizing workers and their families

\$1+ Trillion Jobs Creation-Retention Program

1st Measure: \$125 billion for Emergency Unemployment Insurance and New Domestic Assistance Retraining Fund.

2nd Measure: \$300 billion Government Sector Jobs Program

3rd Measure: \$300 billion for Infrastructure-Public Works Jobs Creation
\$200 billion first fiscal year, & \$50 billion in each of following years.

4th Measure: \$100 billion for further stimulating Growth Sector Jobs Stimulus
Targeting industries like health care & related services with past rapid growth

5th Measure: \$100 billion for Manufacturing sector job retention & creation
via direct government subsidies.

6th Measure: \$125 billion for Bailout and Consolidation of the Auto Industry*
\$50 billion minus \$14 billion already received first year; \$50 billion second year;
and \$25 billion dedicated to funding "employee assistance" for displaced autoworkers.

**Auto bailout: this needs to focus on 3 aspects: protecting the autoworkers and the workers of the related industries from "more of the same" with government money; and second, what gets produced needs to be under strict regulation of what serves our communities (mass transit, smaller efficient vehicles for hauling and passengers), and what serves the environment; and third, all "bailout" money must be tied to proof of actual employment and proof of no further outsourcing overseas and to non-union suppliers. Also, public ownership of the consolidated Big 3 must be considered.*

Housing-Property Market Stabilization and Consumption Demand

1st Measure: Reset Mortgage Rates for All Loans Originated 2002-2007.

2nd Measure: Reset Principle Loan Balances for All Loans Originated 2002-07

3rd Measure: Create Federal Homeowner-Small Business Loan Corp. (HSBLC) to Provide Direct Lending to the Homeowner-Small Business Property Markets

4th Measure: One Year Moratorium on All Foreclosures and Default Proceedings

5th Measure: 15% Homeowners Investment Tax Credit

6th Measure: Restoration of ‘Regulation Q’, setting maximum interest rates lenders can charge.

Financing Provisions for Jobs Program

1st Measure: Retroactive Windfall Taxes: Oil-energy Industry Windfall Profits, Executive Compensation, and Corporate Foreign Retained Earnings Taxes, Reach back three years.

2nd Measure: Rollback Capital Incomes Tax Cut to 1981

3rd Measure: Repatriation of \$2 Trillion from Offshore Tax Havens, redeposit it in US banks to provide liquidity, instead of doing so at taxpayer expense.

Sustaining the Recovery Long Term: Single Payer Health Care Coverage, Employee Free Choice Act, Real Pension Protection, and De-Privatization of Student Loan Market, Public Ownership

1st Measure: Suspend and then repeal the Pension Protection Act of 2006 whose provisions are designed to undermine defined benefit pension plans. Prohibit pension funds from being invested in hedge funds and other high risk gambles.

2nd Measure: Pass the Employee Free Choice Act

3rd Measure: Establish a Single Payer Universal Health Plan, specifically, HR 676.

4th Measure: De-Privatize the Student Loan Market, put under public control.

[* This program summary is based on the valuable contribution of **Dr. Jack Rasmus**, economist and professor at St. Marys College and Santa Clara University. The SF Labor Council Economic Crisis Committee, which has produced this report, wishes to thank Dr. Rasmus for sharing his most current analysis, insight and proposals for economic recovery with our committee. While we agree with much of Dr. Rasmus’s analysis, our committee did not adopt all of his proposals.]

APPENDIX NO. 1

Facts on the Ground

More than 5 million jobs were lost in the 12 months between November 2007 and November 2008, the first full year of the recession. A million more jobs were lost in November 08. More than a million were lost in December 08. January 2009 may be worse than December 2008. These figures include the officially unemployed, the “discouraged” workers no longer eligible or collecting unemployment insurance that the Department of Labor does not include in the official figures, and an equivalency of the workers who were involuntarily forced from full time to part time.

Even though Americans own and probably buy more cars per capita than any other people, we are only producing a portion of the cars we buy. Since 1979 the Big 3 auto companies have outsourced over 2/3rds of their employment outside the US. Auto workers in the UAW have shrunk from 1,500,000 to around 400,000, while GM and Ford have invested heavily in Mexico, Russia and China.

Several million households have faced and are facing defaults and foreclosures. Millions of people who just a short while ago were secure in their homes are now being forced out at great financial loss and disruption to their families.

We have not hit bottom yet because the workforce has not stopped losing employment and health care and retirement plans. The end of rising unemployment is not in sight at all.

Since the late 1970s, workers’ purchasing power has declined, wages having been kept down for three decades. People then depended upon extra overtime, longer hours, weekend work, second jobs, all adults working, then easy credit, and then the equity from their homes. All this is gone. Equity lines of credit are being frozen for many people. Easy credit is no longer so easy. For millions, home equity has been lost, and many people now owe more on their homes than their homes are worth on today’s market.

Manufacturing in the US is way down. Construction is way off. State and local governments are facing huge budget deficits. Higher education institutions are denying entry to thousands while the corporate elite are pushing to privatize education. The wealthy and corporations deprive communities of a fair share of taxation so vital to public education, higher education, public health and all the variety of public services the people take for granted and depend upon.

Forty nine million people have no health care. It is reported that up to another 50 million people cannot afford the co-pays their insurance plans demand.

Nearly 100,000 Defined Benefit Pension plans have been dismantled, leaving less than 30,000 DBPs. The Pension Protection Act of 2006 set out to destroy the DBPs. And upcoming new Financial Accounting Standards Board rules are rumored to declare the remaining DBPs even further underfunded. Looming just behind the curtain is the demand by Big Business and Wall St. to privatize Social Security. On January 7, 2009 the Associated Press reported that President-elect Obama pledged to tackle out-of-control Social Security and Medicare spending — even though Social Security collects a large surplus annually and will do so at current rates through 2018.

America’s workers have faced an economic assault on their wages and conditions and benefits for three decades. In the eight years of the G. W. Bush regime, we have experienced an unprecedented assault and dramatic cut in our civil rights and in the separation of powers. Simultaneously we have experienced religion casting a pall over every aspect of our lives, creating deep divisions within our population. Worse, this cultural religious divide has us debating peripheral religious issues while our standard of living is being suppressed and our collective wealth is being stolen, and our health care system and pension are being dismantled.

Follow-up Implementation Resolution for the Economic Crisis Committee Report

Whereas it is urgent to act promptly to influence the Obama Transition team and Administration to put people first in any recovery plan, and to put enough money in the plan to head off a depression, and

Whereas, the recession will slow and reverse when enough working people are back earning a paycheck, foreclosures are halted, and municipal and state budgets are supported, pensions and Social Security are safe, and the people have health care, and

Whereas, the proposed stimulus plan is insufficient to employ enough people fast enough to stem the tide of the rapid acceleration of the recession, therefore

Be It Resolved that the SFLC Economic Crisis Recovery Guidelines and Proposals be immediately forwarded to our affiliates for their support and communication with their state and national officers, and posted on the SF Labor Council's website, and

Further Be It Resolved that the Council promptly forward the SFLC Recovery Guidelines and Proposals to the Greater Bay Area Central Labor Councils and the CLC's in Sacramento, Los Angeles and Counties; and

Further Be It Resolved that the Council forward the SFLC Recovery Guidelines and Program to Art Pulaski at the State Labor Federation followed up by contact from President Casey and/or Executive Director Tim Paulson; and

Further Be It Resolved President Casey and the Executive Director Paulson urge speedy adoption of the SFLC Recovery Guidelines and Program by the above CLC's by directly contacting their respective leaders, and urging they communicate their support to the State Federation of Labor as well as to the AFL-CIO & CTW; and

Finally Be It Resolved that President Casey and Executive Director Paulson communicate the Recovery Guidelines and Program to the AFL-CIO and CTW, and other International Union leaders, with follow-up calls and urge strenuous lobbying immediately with the President-elect Obama Administration.

Fraternally submitted by the Economic Crisis Committee* on January 12, 2009

Economic Crisis Committee Members*:

Denis Mosgofian, Chair, GCC-IBT 4N

Alan Benjamin, OPEIU 3

Tom Edminister, UESF

Ramon Castelbranch, CFA

Dean Coate, IFPTE 21

David Welsh, Lettercarriers 214

Conny Ford, OPEIU 3, VP, SFLC

**(adopted unanimously by the San Francisco Labor Council
Delegates Meeting on January 12, 2009)**