

Demand, Don't Succumb

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The current economic crisis disrupts an already monumentally despicable system. The crisis makes what is horrible, horrific. But what can one do?

Is it useful to propose paths forward that lead back to the past? Should people celebrate attitudes that have no hope for anything more than recycling attenuated hardship? Should people proceed as if they have not even an inkling of an inclination to seriously change basic economic relations? Or should they get radical?

When elites look at a crisis that threatens the whole system, they too want to get out of it. But they want to minimize their own losses and ensure that the path out of temporary crisis doesn't reduce their advantages for the long haul. They want to escape current disaster, yes, but they also want to avoid what they consider permanent disaster - a system that works, but not solely, or even mostly, for them.

In other words, for those pulling the policy levers, the highest priority is not fixing things but avoiding long-term losses for owners and to a lesser degree for managers and other rich folk. True, the government's concern is not for each and every rich person. Some of the most transparently egregious money hoarders will be tossed under the proverbial bus, so to speak. The government's concern is for the money hoarders as a whole. The government's intent is to maintain the relative position of the owning class.

Thus, government proposals to escape the current debilitating disruptions and ward off impending disasters are constrained by what policy makers consider allowable. By dictate, corrective policies are not allowed to substantially raise the relative power of working people. That is the bottom line constraint that leads government to enact half assessed programs that pour social assets into rich people's institutions while not even considering for a second the possibility of stimulating the economy via charging the rich and benefitting the rest.

It is as if someone's heart stops and the defibrillator is parked right near the patient's bed. However, there is also a silent order from the Hospital's administration - a kind of unspoken bylaw of medical policy - doctors cannot use the defibrillator. Doctors, and in this case it is doctors for the economy, have to resurrect the dying patient, but they can't do it with the defibrillator. What is the "defibrillator" the economic doctors have to avoid? Redistribution of wealth and power.

The two most obvious elements of the economic mess the economy is currently spiraling ever deeper into are housing and jobs. Houses were overvalued - the famed housing bubble. As housing valuations came back to earth, foreclosures ensued and banks lost assets. The banks' financial problems are hard to track due to incredibly convoluted trading of mortgages wrapped up in "leveraged" securities that are sold again and again among the rich. But the basic situation - the collapsing investment values of the banks, and the declining house values and increasing mortgage payments of homeowners, together percolate into massive foreclosures, reduced bank loans, and reduced consumer spending. Declining revenues from the resulting curtailed sales then produce more cuts in lending and still less spending. It all reduces demand for

final products which in turn causes cutbacks in their production. The production cuts lead to pink slips.

Next, those who lose their jobs, or who start to fear losing their jobs, defensively cut back their consumption, whether they have housing problems or not. Now the world economy is in a real mess because this in turn leads to more firms reducing output, which means they fire more workers and have no jobs available for those who have been fired elsewhere. Housing begets slowdown begets firings begets more slowdown begets more firing. A vicious circle!

Other dynamics contribute, and radical and even a few mainstream economists have been offering plenty of good analysis of the very detailed proximate causes that have been at work. What has been largely missing, however, is commentary that clarifies that it isn't greedy individuals but an institutional framework called capitalism that brings the disruption and that compels escalating exploitation of the poor. But the issue that is getting even shorter shrift is formulating plausible, desirable proposals for going forward.

Regarding housing, to start, how about policy makers simply pass a law, no more foreclosures. Period. It is not allowed. No one should be denied their home because of a crisis which has enriched the rich at the expense of the poor. If mansions are foreclosed, so be it. No house valued less than, say, \$1 million can be foreclosed. More than that, no problem. So it is better to start with the end of non-rich people losing their homes due to the crisis.

Life is messy, and no procedure will be perfect, but how about all those who say they must refinance due to crisis conditions, and who live together in a legislative district, must gather together, present their cases openly, and then collectively settle the rates for their rewrites. The district's legislators help and mediate. So do local high school civics teachers. They all facilitate.

Legislative districts are by the new law entitled to some total write down percentage on the sum of all their homes. The lower the average income of residents, the more overall write down is allowed. Indeed, it is best to do that at every opportunity. Within a neighborhood, in light of its total write down options, and helped by legislators and high school teachers, neighbors who are seeking to reset their mortgages must cooperatively negotiate with one another the percentage of that total write down that each petitioner should have, given each person's plight as compared to the plight of others.

In other words, people in the legislative district have to act together in light of their relative real needs, taking account of one another, in order to move the process forward. It is all done in public, in participatory, assembly style meetings. Full cases are offered. Maybe local journalists can investigate the veracity of suspect claims.

Will some folks offer deceptive stories and get away with some lies and thereby gain when they shouldn't? Yes, it could happen in some cases. But so what? They have been ripped off of their dignity and material well being for ages. Anything that exceeds propriety after such public negotiations wouldn't begin to approach in scale or in impact the venality of what the rich do daily, much less what they do with taxpayer-financed bonuses.

This housing approach would, of course, cut into the profits of many institutions. But that is not a problem, it is another virtue. Can one get that straight? Leftists who are concerned with justice do not genuflect to profit. So why do even leftists often act as though profits declining is a bad thing?

Any business with more than 20 employees or more than \$5 million in assets cannot stop operations due to feeling that profits are going to be too low to warrant continuing. To retain their legal claim to own a profit making firm, owners must do their best to operate it to meet social needs. Owners should bear the brunt of the cost. Do owners want a supplement for lost income? No problem. They should try working.

What would give this law teeth? Any owner of any firm that wants to forego serving the public interest by ceasing to produce and distribute to meet needs is free to personally stop. That's their choice. However, having chosen to stop, the owners' firm is immediately turned over to the workforce and the surrounding community to keep it operating. The owners' deed to the firm is abrogated. And there is no selling to overseas buyers, either, or moving the firm's residence. Try any of that, and the firm is turned over to the employees. That's society's choice.

What about employment? Demand has already dropped and is dropping further. To deal with needing to produce less output due to facing reduced demand, firms fire workers. There will be no firing until the crisis is passed. None.

But how can owners keep just as many workers, yet produce less output? They can cut back hours for each worker. That way they keep all their workers employed but they can also have a total output at whatever level is needed. But wait - unless one makes another rule, cutting back work hours would reduce overall incomes the same as just some people getting pink slips would. It would reduce overall demand and continue the spiralling problem of less demand inducing less production causing less demand, further reducing production, etc.

Firms can and should cut hours in order to not overproduce when output must be reduced to avoid waste. That's fair enough. However firms cannot cut their total wage bill. Worker income cannot suffer due to the shortening of work time. If a workers' hours drop from 40 to 30, say, or more likely from 60 or 50 to 40, he or she still gets paid the total that he or she was earning at the greater number of hours. This means hourly wages are being raised. With this approach, the total wage bill does not drop. Demand does not drop. Workers are working fewer hours, but with no cut in their total incomes. Additionally, one can impose that hourly wages cannot be cut during the crisis - at all.

Let's suppose those hearing this program are really relentless about pursuing justice. They say, hold on, what about the millions of currently unemployed? Why should they continue to suffer? So let's deal with that too. How about, right off, all firms must reduce the work week of all staff by 10%. Then, to keep producing at current levels, they must immediately hire new employees to make up the ensuing loss in output. At that point, if the firm wants/needs to reduce hours further for everyone, so be it - wages stay up - as described above. But then someone points out that all this extra wage burden will decimate profits. Then reply is: so what? For at least the duration of the crisis - and one can hope this kind of thinking will catch on and persist forever - owners will have to operate pretty much without profits, and even taking losses, which means people are finally redistributing in the ethically and economically right direction.

But the system is so ingrained to go berserk about even the most minuscule deprivation for the rich that there are bound to be many additional regulatory

features needed to avoid a berserk system. Or maybe the whole proposal needs an overhaul. The point is, one needs to conceive seriously radical options that can actually lead where they ought to be going.

In other words, leftists should have demands that represent popular desires, rather than having demands that assume that people's desires shouldn't be uttered in polite company.

By the way, the idea of reducing work hours and retaining total wages paid - say, paying 30 hours work 40 hours pay for those below \$100,000 salary per year, and perhaps 30 hours work 35 hours pay for those between \$100,000 and \$200,000 a year, say, and 30 hours pay for 30 hours work for those between \$200,000 and \$300,000 per year, and significant hourly and thus total pay cuts for everyone making more than that - would be a wonderful demand any time at all. Let the people decide! Not only would such a campaign, in a crisis or not, be dramatically redistributive, it would also give people time to lead lives, and, to pursue the monumentally important work of further redesigning society. □□□