

# Trumka: U.S. should 'rethink the purpose' of the economy

Saying "free-market fundamentalism" disrupted and smashed the longtime link between rising worker productivity and rising workers' wages, AFL-CIO Secretary-Treasurer Richard L. Trumka told lawmakers it is time to "rethink the purpose of the economy" and make it work for working people—and not the other way around.

Testifying Jan. 23 at the first of a series of informational hearings on the state of the economy, called by the new Democratic-run House Ways and Means Committee, Trumka challenged lawmakers with the idea that the economy—as constituted for the last 30 years—does not work for workers any more.

That's a problem, he said, that goes far beyond the massive transfer of wealth to the very rich or beyond escalating CEO pay.

The lawmakers held the hearings more to learn from experts about the state of the economy, and to get recommendations, than to act on any specific measures. But the House panel writes legislation on key economic issues, including trade pacts, Social Security, taxes, Medicare and health care.

"There are many contributing causes to the stagnation of wages and the rupture of the productivity-wage relationship over the past 30 years,"

Trumka said. "Central to them all, I suggest to you, is a steadily growing imbalance of bargaining power between workers and their employers."

Trumka said U.S. labor law is one reason for the imbalance, and said making it more equal for workers is one solution. He also told lawmakers companies have ruptured—or globalization has forced them to rupture—"the implicit 'social contract' that allowed Americans to grow together, and build the middle class."

The "rough balance of power between workers and their unions on one side and employers on the other" that fostered the middle class "has eroded and the social contract is unraveling," he added. CEOs are pocketing the profits and proceeds of the rupture, refusing even to share them with shareholders—much less workers—he said.

But executives, Trumka said, are forced to cut wages and benefits because they too are beholden—to Wall Street's demand for ever higher and higher profits. "If corporations must increase margins, but cannot raise prices, they must reduce costs. And most of the costs of business are in employee compensation in one form or another.

"Therefore, 'the market,' as business leaders

say, is forcing American corporations to aggressively reduce compensation however they can: By outsourcing and off-shoring, by reducing worker pay and by shifting the costs of health care and retirement onto workers," he declared.

So they use "free market fundamentalism"—which includes deregulation, unfair trade, elimination of labor standards, the race to the bottom in wages and benefits and privatization of public services, among other things—to produce the imbalance "that systematically weakens the bargaining power of American workers, constraining their living standards and driving the growing inequality of income and wealth."

To try to reverse that shift towards inequality, Trumka had several recommendations. They center, he said, around asking and answering the question of who the economy works for. His recommendations included:

- Guaranteeing a job to "anyone who wants to work." The Federal Reserve, which manages macroeconomic policies, needs to "serve the dual goal of full employment as well as "price stability." He urged lawmakers to "hold the Fed accountable" for that.

- "Second, anyone who works every day (a) should not live in poverty (b) have access to quality health care for themselves and their family and (c) should be able to stop working at some point in their lives and enjoy a dignified and secure retirement." That means, Trumka said, not just increasing the minimum

wage to \$7.25 an hour—which he said would still leave a family of three in poverty—but also "reforming our failing health care system to provide affordable, quality care" for all.

Trumka, however, did not endorse a specific way to achieve universal health care. But he noted that methods that could "help reduce the burden on employers" would also "improve their competitive position in global markets."

Health care reform, Trumka added, could also provide financial "breathing room" to address Medicare and Medicaid costs and for providing retirement security. Again, he was not specific in how to provide retirement security, although the AFL-CIO denounced last year's "pension reform" law—which covers only those firms with traditional pensions—as not solving the problems in that system.

- Strengthening the right to unionize. "Workers should enjoy the fundamental freedom to associate with their fellow workers and, if they wish, organize unions and bargain collectively for dignity at work and a fair share in the value they help create," he stated.

That's not the case now, Trumka added, urging lawmakers to pass the Employee Free Choice Act. "Over 20,000 workers are illegally fired every year for exercising their most fundamental rights... This act would represent an enormous step toward restoring balance between workers and their employers and helping repair the ruptured productivity-wage relationship," he declared.