The AFL-CIO and “nationalization”

Barry Grey
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The AFL-CIO Executive Council, at its annual winter meeting in Miami Beach, Florida, adopted a resolution Thursday urging the Obama administration to temporarily nationalize failing banks. What is the significance of this policy statement? Does it represent a radical reorientation by the AFL-CIO, which, after all, has been throughout its history an implacable foe of socialism and defender of the profit system?

It is nothing of the sort. There is not a trace of economic radicalism, or even independent thinking, in the statement of the labor bureaucrats. Rather, the AFL-CIO has merely joined a growing list of economists and political figures from across the spectrum of American establishment politics advocating a temporary government takeover of banking giants such as Citigroup and Bank of America as a more effective means of utilizing taxpayer funds to bail out the financial aristocracy and restabilize US capitalism.

The union officials, like many others in the establishment, argue that a short-term government takeover is the best means of offloading the bad debts of the banks onto the public in order to return the banks to profitability and avert a full-scale collapse of the private banking system.

The AFL-CIO resolution is a model of political evasion and outright dishonesty. It notes that the 1999 repeal of the Depression-era Glass-Steagall act has resulted in a "dramatic concentration of banking power," with 43 percent of US bank assets held by just four institutions—Citigroup, Bank of America, JPMorgan Chase and Wells Fargo. The resolution does not mention that the repeal was endorsed by the Clinton administration, with whom the AFL-CIO was allied at the time. Nor does the resolution demand the breakup of these corrupt institutions, or even the reestablishment of the sort of regulatory controls that were set in place by the Roosevelt administration.

Declaring its loyalty to the "free market rules that workers live by," the AFL-CIO's resolution criticizes the current policy of the Obama administration in conventional economic terms. It warns against the administration's policy of "feeding the banks public money in fits and starts" as leading to "zombie banks" and "long-term stagnation."

The resolution's most significant passage asserts: "The most important goal of government support must be to get banks lending again by ensuring they are properly capitalized... In the case of distressed banks, this means the government will end up with a controlling share of common stock. The government should use that stake to force a cleanup of the banks' balance sheets. The result should be banks that can either be turned over to the bondholders in exchange for bondholder concessions or sold back into the public markets."

There is absolutely nothing here that distinguishes the AFL-CIO from liberal bourgeois economists such as Paul Krugman and Joseph Stiglitz or right-wing Republicans like former Federal Reserve Chairman Alan Greenspan, Senator Lindsey Graham and James Baker, chief of staff and treasury secretary under Ronald Reagan and secretary of state under the senior George Bush, who have raised temporary nationalization of failing banks as an emergency measure required to prop up the banking system.

The trade union bureaucracy intervenes not as an advocate of the working class, but rather as a supporter of one faction in the growing internal debate within the ruling class. Its class role and orientation were underscored at the Executive Council meeting by its focus on the affairs and needs of the miniscule segment of the American people who derive their fortunes from Wall Street. It passed two resolutions on the banking crisis, but had nothing to propose about halting the tidal wave of home foreclosures, restoring the savings and retirement accounts of millions of families, blocking plant closures and layoffs, or providing serious relief for working people devastated by the impact of the economic crisis.

The complacent functionaries basking in the Florida sun offered no proposals for government public works projects or any other measures to address the growing social crisis. This comes as no surprise to millions of workers who have been abandoned and betrayed by the official unions and the servants of big business who control them.

The absolute solidarity of the AFL-CIO with corporate America was highlighted by the AFL-CIO's tribute to Paul Volcker. "We commend President Obama," declared the resolution on financial regulation, "for convening the President's Economic Recovery Advisory Board, chaired by former Federal Reserve Chair Paul Volcker, author of the G-30 report on global financial regulation, and we look forward to working with Chairman Volcker in this vital area."

Volcker, as Fed chairman under Democratic President Jimmy Carter and Republican President Ronald Reagan, was also the "author" of the deepest recession, prior to the present crisis, since the 1930s. Volcker launched the three-decade ruling class offensive against the working class by jacking up interest rates to nearly 20 percent in 1979 in order to create mass unemployment and precipitate a wave of plant closures. He played a central role in dismantling large sections of basic industry and diverting social resources into financial speculation, creating conditions for a vast enrichment of the ruling elite and an unprecedented growth of social inequality.

Volcker famously declared that the single greatest contribution of Reagan to quelling inflation in the US was his role in breaking the 1981 strike of the PATCO air traffic controllers.

The very fact that the issue of nationalization has arisen testifies to the failure of the capitalist market system, which is unalterably defended by the union bureaucracy. All of the various schemes proposed to bail out the banks, including temporary nationalization, seek to make the working class pay for the breakdown of the profit system.

The question is: In whose interests is government control to be exercised, under whose control, and for what purpose?

The crisis requires not a temporary government takeover to bail out the bankers, but a socialist policy directed against the economic stranglehold of the financial aristocracy. What is required is the nationalization of the banks without compensation to the big shareholders and bondholders, the transformation of the banks and financial institutions into public utilities under the democratic control of the working class, and the redirection of financial policy to meet the needs of the people for good-paying jobs, housing, education, health care and a secure retirement, rather than the drive for profit and the accumulation of personal wealth by a privileged few.

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