

George McGovern on class relations in America

# Democrats' liberal icon justifies wage cuts for workers, bonuses for CEOs

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23 May 2006

It would be hard to find more compelling evidence of the bankruptcy of Democratic Party liberalism and the fundamental hostility of this big business party to the interests of the working class than an opinion column published in Monday's *Los Angeles Times* under the byline of former South Dakota Senator George McGovern.

The column, headlined "The End of More," amounts to a brief for why American workers must accept ever-deeper cuts in their wages and benefits, and a justification for the lavish salaries and bonuses handed out to the CEOs who impose these cuts.

McGovern has been out of office for more than 25 years. As the 1972 Democratic presidential candidate, who challenged incumbent Republican Richard Nixon on an anti-Vietnam War platform, he has long been regarded as an icon of Democratic Party liberalism. The primary function of his unsuccessful candidacy was to channel the broad radicalization that was developing in the US over the war back into the confines of bourgeois politics and the two-party system.

His long abstention from electoral politics notwithstanding, McGovern's remarks are of great significance for what they say about the rightward evolution of the Democratic Party over the past three decades and the social interests that this party represents and defends.

Unfortunately for McGovern—who begins his piece by proclaiming that he has "always been a supporter of the labor movement"—his argument is structured around a glaring historical error.

He says he is "worried" about the state of labor relations in America, and writes, "I have been reminded of legendary union leader John L. Lewis, who was once asked what his miners were after. His answer? 'More.'"

McGovern continues: "It was a funny answer, and perhaps it was honest too. But these days, it's not a very effective strategy, and we are seeing some unfortunate and unintended consequences of Lewis' 'more' philosophy."

In point of fact, the "funny answer" was given not by Lewis, but by Samuel Gompers, who led the American Federation of Labor from the 1880s to the 1920s. The champion of craft unionism and representative of America's early aristocracy of labor, Gompers was a life-long opponent of socialism and advocated harmony between labor and capital.

Nonetheless, as a national reformist, he was capable of criticizing the social priorities of the robber barons who ran America during its last so-called "gilded age," even as he collaborated with them.

The actual quote which McGovern misattributes reads: "What does labor want? We want more schoolhouses and less jails; more books and less arsenals; more learning and less vice; more leisure and less greed; more justice and less revenge; in fact, more of the opportunities to cultivate our better natures."

McGovern's thesis is that the crisis confronting section after section of American industry is due to the unions' insistence on defending the wage and benefits gains of the past and demanding further improvements, à la Lewis, under conditions of a transformed world economy.

This contention, of course, ignores the actual record of the American trade unions, which for more than a quarter century have been demanding more concessions and givebacks from their members, rather than higher real wages and improved conditions from the employers. What McGovern is really saying is that the wage-cutting, health insurance/pension-gutting and speedup have to be vastly intensified.

As his first example, he cites Delphi Corporation. "[T]he biggest auto parts supplier in the country and the employer of 34,000 hourly workers is bankrupt," he writes. "One big reason is that the company's unionized workers earn \$64 an hour in wages and benefits ... more than twice what some of its competitors pay."

He advances this argument precisely as a bankruptcy court in New York is deliberating on the company's demand that it be allowed to rip up existing union contracts and slash its workers' wages from \$27 to \$12.50 an hour. The attempt to destroy wages and benefits won by previous generations in the auto industry—one of the highest paid sections of the industrial workforce—is part of a general drive to impose poverty-level conditions on working people throughout the economy.

He continues by pointing to bankrupt airlines like United, arguing that their crisis is "driven in large part by the compensation packages and work rules that unions have won for their members, which are too expensive" compared to lower-cost airlines.

McGovern's contention is that there is no alternative for workers but to accept the demands for sharp cuts in wages, benefits and

conditions. “‘More’ has, unfortunately, become ‘too much’ in a global and far more competitive economy,” he writes.

The former Democratic senator acknowledges, “It can be galling to hear companies argue that they have to cut wages and benefits for hourly workers—even as they reward top executives with millions of dollars in stock options.”

Indeed it can. The Delphi executives seeking to abrogate contracts and impose wages cuts that will result in workers losing their homes obtained a ruling from the same bankruptcy court allowing them to pay themselves as much as \$38 million in bonuses. United executives are looking to make more than \$146 million in stock options.

McGovern, however, dismisses CEO compensation as besides the point. “The chief executive of Wal-Mart earns \$27 million a year, while the company’s average worker takes home only about \$10 an hour,” he writes. “But let’s assume that the chief executive got 27 cents instead of \$27 million, and that Wal-Mart distributed the savings to its hourly workers. They would each receive a bonus of less than \$20.”

This argument is as fraudulent as it is reactionary. Decent wages, health care and pensions can no longer be afforded, and workers just have to get used to it. Salaries, bonuses and stock options totaling in the tens if not hundreds of millions of dollars for American CEOs, on the other hand, aren’t even worth mentioning.

But the fact is that CEO compensation has risen astronomically. Between 1980, the year McGovern conducted his last, unsuccessful run for the US Senate, and 2001 the ratio between CEO compensation and the salary of an average worker increased more than tenfold. While the wages of 42 workers would cover a CEO’s salary a quarter-century ago, by 2001 it took the equivalent of 449 workers’ paychecks.

When the salaries, bonuses and stock options paid out to all senior executives, as well as those awarded to Wall Street financiers trading the companies’ stocks, and the accumulated wealth of the top 1 percent who make up their principal shareholders are all factored in, you are dealing with a vast sum of money whose social redistribution would indeed have a significant impact upon living standards.

According to the Federal Reserve Board’s most recent report on the distribution of wealth in America, covering the year 2004, the net worth of the top 1 percent stood at \$7.775 trillion, or fully 30 percent of the total net worth for the entire population. Meanwhile, the bottom 50 percent of the population accounted for only \$763 billion, or 3 percent.

McGovern overlooks the immense and socially destructive impact of the basic fact that every US corporation and the economy as a whole are subordinated to the drive for profit and the accumulation by a financial aristocracy of obscene levels of personal wealth.

Only a politician and a political party with very direct interests in defending these profits and this wealth could brush aside the grotesque levels of social inequality in the United States as irrelevant. McGovern’s arguments only serve to spell out the obvious: the Democratic Party, no less than the Republican, is a political instrument of America’s ruling elite. Its basic constituency is to be found in the corporate boardrooms and Wall

Street finance houses.

McGovern tacks onto his demand that workers surrender wages and benefits won through previous struggles a call for “universal healthcare.” Support for this supposed reform, however, is predicated on its “relieving hard-pressed businesses of one of their highest cost burdens.” In other words, any system of minimal healthcare benefits is to be paid for not by taxing corporate profits, but by imposing the burden on working people.

Concluding his column, the former Democratic presidential candidate writes: “Liberals must never abandon their core principles of justice and equality. But union leaders who still see American businesses as the enemy must update that vision.”

The first part of this assertion is merely laughable given the entire content of McGovern’s argument—a naked defense of injustice and inequality. The second is absurdly at odds with reality. Gompers’ demand for “more” has long since been replaced by the agreement of the AFL-CIO to assist corporate America in imposing “less.”

Capitalist globalization has undermined the old national reformist policies of the unions—a fact made painfully obvious by the decline of union representation to less than 8 percent of the private sector workforce. The union officialdom has responded to the movement of production abroad in search of cheaper labor by surrendering to the demands of the corporations for ever lower wages and benefits, while preventing any resistance to the wave of plant shutdowns that have wiped out millions of industrial jobs.

What is outmoded and must be abandoned is the illusion that any rights of the working class can be defended through the Democratic Party and the AFL-CIO which supports it.

The old trade union reformist demand for “more” must be supplanted by an independent strategy of the working class to put an end to the two-party political monopoly exercised by the corporate elite, and end the subordination of social and economic life to its profit interests. Basic industry, the major corporations, transportation systems and banks must be transformed into public enterprises organized to meet social needs, rather than expand the fortunes of a tiny elite.

Against the insistence by McGovern and other big business politicians that workers must accept poverty in order to compete with workers in China, India and elsewhere, American workers must adopt an international and socialist program aimed at uniting their struggles with those of workers all over the world against the multinational corporations and banks that exploit all workers.

This is the perspective that the Socialist Equality Party is fighting for through its intervention in the 2006 elections.



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