> In terms of the Democratic Party what we will be discussing here this weekend is the mobilization of the broad liberal, left wing of the Democratic Party to challenge the leadership and ideas put forth by people like Paul Tsongas, Gary Hart, and John Glenn in response to the Reagan triumphant move to the right. And, to challenge Charles Manatt, the new national chairman of the Democratic National Committee, who has proposed cutting down the mid-term convention as far as possible. . . .
>
> If the [1982] convention is still down to nothing, we will . . . hold an issues convention for the liberal labor movement in the United States, whether the Democratic Party calls for it or not. . . . An issues convention sponsored by unions, by minority organizations, and others, dealing with the issues.

Conyers was even more explicit on how the liberal, left wing plans to regain power: "Inside the Democratic Party there is an even more immediate issue than the budget. That issue deals with what to do with at least 69 members of Congress . . . who decided to vote for this obscene budget that represented the Reagan administration's commitment to slash 83 federal domestic programs. . . . It's sad enough that we only have two parties in this country, but it's even worse when one of the two parties' leaders capitulate to make it even less than two parties.

"Two things must happen. One, the Congressional Black Caucus and those who voted with it should challenge the leadership of the Democratic Party with DSOC's gentle, tender encouragement. Two, resign and let the real Democrats run the Democratic majority of the House while it still exists, or before they run us out of the Democratic Party. . . .

"In studying the psyche of members of Congress there is one thing we have found that they value more highly than anything else and that's the full employment concept as applied to themselves."

Through DSOC's Democratic Agenda coalition, its planned issues convention, and, most importantly, by opportunistically using the monetarist policies of Volcker and Stockman to mobilize minority and urban layers, this broad coalition of the labor left with DSOC is preparing, as at no time since the 1930s, to assure that Reagan is "Hooverized" and that the left wing of the Democratic Party regains control over the party's institutions. DSOC and its cohorts will probably fail to dominate the 1982 and 1984 elections. But, under the direction of the Eurosocialist leadership, this new coalition is taking the requisite steps to create chaos in the United States, without getting DSOC's candidates elected.

Detroit totters on brink moves underway for a

by Stephen Parsons

A rather remarkable photograph appeared recently in the nation's syndicated press. It was a picture of a man dashing through the streets carrying passengers in a rickshaw. The photograph was not from China or any Third World country. It was taken in Detroit—Motor City, U.S.A.

That photograph encapsulates the near-term fate of what was once the transportation capital of the world and the premier industrial city of the United States. It represents the final stage of a deliberate plan to dismantle heavy industry not only in Detroit and the state of Michigan, but throughout the Midwest's industrial heartland.

The intent of this plan is to "restructure" the economy from top to bottom. Specifically:

- to increasingly replace large-scale manufacturing with small sweatshop establishments;
- to slash the standard of living of the population and destroy the union wage-scale;
- to force people out of urban centers and drastically curtail transfer payments, Social Security, and public assistance to the swelling ranks of unemployed;
- to generate massive financial speculation under the cover of "venture capital risk investment;"
- to reduce state and local governments to powerless, squabbling factions under the thumb of supralegal "independent financial agencies," such as New York City's Big MAC and its overseer, Felix Rohatyn.

The perpetrators of this conspiracy are allied with Federal Reserve Board Chairman Paul Volcker and his policy of industrial credit strangulation and high interest rates. That policy has caused a spiraling depression in the Midwest and decimated government budgets. Immediately, it is the fiscal crisis in Detroit, which will hit full force in July, that threatens to activate the entire scope of restructuring schemes.

# of bankruptcy: Big MAC city plan

Volcker's high interest rates have brought Michigan the highest unemployment rate in the United States—officially 12.2 percent—and that does not include the uncounted tens of thousands who have disappeared from the labor force statistics or emigrated to the Sunbelt. Over 200,000 auto and auto-related manufacturing jobs have been lost in Michigan, not to mention thousands of other jobs. Over 60 percent of Detroit's citizens how receive some form of public assistance.

The combination of plant and business shutdowns, rising unemployment, and ballooning public assistance have devastated state and local budgets. This year alone, business tax receipts in Detroit plunged $20 to $25 million, transportation funds $14.3 million, and housing $10.4 million.

Income-tax revenue is down $15 million, or 10 percent, from 1979 levels; in constant dollars, this is a 30 percent drop. In the past decade property taxes have fallen 50 percent in constant dollar terms. This is not even to mention the loss of federal monies, due to Stockman's budget ax in Washington.

In Detroit, there are now 20 percent fewer full-time equivalent employees than four years ago. Its workforce of 14,800 is *now less than at the height of the Great Depression!*

Police have been cut 27 percent, and public works and recreation 20 percent. The city hospital has shut down, throwing 1,500 out of work. Garbage crews have been cut by two-thirds, replaced by new, one-man "robot" trucks that constantly break down.

Thirty-five hundred, or 30 percent, of the teachers have been laid off since the 1960s, with hundreds more slated to go in September because of federal budget cuts. Expenditures for municipal plant and equipment have been cut more than 50 percent in constant dollar terms. And there is virtually no new municipal construction.

Detroit will end this fiscal year on June 30 with a $120 million deficit and projects a gap of at least $150 million for next year. With its bonds rated below investment grade, it has no means of financing the deficit, unless local banks step in. And no bank considers the city a viable risk at this point.

The current deficit is almost equal to the amount the city owes its employee pension funds, to which it has paid nothing for the last 15 months. By July, a court decision is expected to compel Detroit to make these payments.

At that point, it will face bankruptcy—owing nearly $300 million out of a general fund of $1 billion.

Mayor Coleman Young's plan is to place a referendum on the June 23 ballot to raise city and commuter income taxes by $100 million. He has already unilaterally deferred a contracted 6 percent pay hike for city employees and wants workers to take a further 5 to 7 percent wage cut, thus saving the city $91 million. He hopes these desperate measures will be sufficient to persuade the banks to finance the balance of the 1981 deficit.

Yet it is unlikely that Young's balancing act will work. If last November's tax revolt is any indication, the tax issue is hardly a sure bet to pass, and it is not clear that the employee unions will accept even the deferred wage increases, let alone the pay cuts. Even if these moves do go through, the city will still be short tens of millions of dollars.

Prelude to restructuring

All this provides the setting for the Volcker-Rohatyn restructuring plans.

The project was set in motion last January when the state, facing a cash-flow problem, borrowed $500 million from Wall Street in exchange for having Rohatyn—hailed by *Monthly Detroit* magazine as the "emperor of urban America"—hired as Detroit's financial consultant. Simultaneously, the state's financial, speculator, and technocratic elite apportioned themselves into several blue-ribbon advisory panels—the seed forms of the new governing structures for Detroit and the state. These include:

- a governor's task force charged with revamping Michigan's heavy-manufacturing sector by bringing in high-technology "sunrise" industries;
- a legislative advisory committee to control all major business and economic decisions in the state capital;
- a Budget Stabilization Committee for Detroit that has been drawing up draconian austerity recommendations and is preparing to evolve into a Rohatyn-style emergency financial control board.

Besides the presence of Rohatyn himself as the designated pointman for Volcker and the New York banks, the local control center of these operations is the New Detroit/Detroit Renaissance/Detroit Economic Growth Corporation nexus featuring Republican Party king-maker and real-estate speculation czar Max Fisher. Included are such luminaries as former Carter administration Treasury Secretary W. Michael Blumenthal, now president of computer manufacturer Burroughs Corporation; the chairmen and presidents of Detroit's largest banks; the chief officers of the auto giants and largest corporations in Michigan; and key labor leaders from major unions, like the UAW's Irving Bluestone, a German Marshall Fund operative (see p. 53).

Lowering the boom

Dean Richardson, the chairman of Manufacturers National Bank and a member of the Budget Stabilization Committee, is pessimistic that Mayor Coleman Young will come up with a financing scheme in time to avert a default next month. Richardson emphasizes that unless new funds are combined with further austerity for Detroit, banks will not extend credit to the city. "I cannot see a way of being repaid," he said.

He advocates, however, that as in New York City, the Detroit employee pension funds put *their* assets into the bottomless pit of city debt. "They created the problem; let them solve the problem."

"We've got the guy here who did it in New York," Richardson chuckled, referring to Rohatyn, and acknowledged that some kind of Big MAC control board is becoming more and more likely for Detroit.

"The problem in the state of Michigan," he continued, "has been the whole damn labor fight for high wages." He was echoed by a spokesman for Max Fisher's New Detroit real-estate combine who said that a sharply reduced wage scale in the state would open up tremendous investment opportunities for "venture capital," a buzz word for investment in sunrise industries.

"We're talking about growth industries. Not heavy industry," the spokesman stressed, "but smaller firms with fewer employees. And the risk has to be shared by many parties," especially the employees and their pension funds, "which won't be worth anything in 10 or 20 years without investing in these areas."

Either union members and the workforce will in general cooperate and retrain for these low-paid jobs, he said, or "they'll just have to move to where the jobs are. They'll have to go, because there won't be any more welfare, unemployment compensation, or anything else. It's survival of the fittest. If they don't want to take a risk, they can get out."

Encourage speculation

Key to this transformation is changing the tax laws to provide substantial incentives for the "risk ventures," and to pump in enormous amounts of defense money to replace the lost production of consumer durables like automobiles. Rohatyn and the New Detroit crowd have been working with Detroit congressmen like Rep. James Blanchard and Sen. Donald Riegle to sponsor a variety of legislation that has no immediate chance for enactment, but which could be activated as the economy deteriorates.

Riegle, for example, is sponsoring S. 602, a bill to create a refundable income-tax credit that will apply to businesses and individuals across-the-board. While the rationale for the bill is to provide needed investment capital for depressed industries that have no profits against which to apply tax credits, the Treasury refund check could go anywhere and be a boon to pure hot-air speculation.

Said a Riegle aide, "Obviously, we can't control what companies do with the cash, but that's a danger with any cash redistribution."

Along with Sen. John Heinz, a Republican from the similarly depressed Pennsylvania steel belt, Riegle has also introduced the "Urban and Rural Revitalization Act," which was recently merged with the Kemp-Garcia bill for urban enterprise zones. The bills provide fantastic tax breaks and incentives for cheap labor—a vital component to the speculative bubble.

James Blanchard, Riegle's counterpart who chairs the House Economic Stabilization Subcommittee, has introduced a parallel piece of legislation which throws in the creation of an urban development bank, based explicitly on Rohatyn's Reconstruction Finance Corporation (RFC) boondoggle which has received so much press coverage.

As the depression deepens, Volcker and Rohatyn are counting on the expected proliferation of local Big MACs, financial control boards, budget stabilization committees, and so forth to get the precedents for a national, supralegal RFC or similar structures. This will give the New York financial elite fingertip control over the direction of the economy and who will and will not survive. In the words of Rohatyn crony Bertram Gross, the author and proponent of a book entitled *Friendly Fascism*, "What is needed is selective intervention through cooperative action."

"Competition did not make this country great," the New Detroit spokesman underlined. "It was cooperation."

However, he added, if this restructuring is not adhered to, and the unions or population do not play ball with Rohatyn, then Detroit's fiscal plug may simply be pulled. "The city will be faced with looking to the state for a bailout it cannot give—and then calling out the National Guard.

"But I don't think anybody really wants to make things worse than they are."