



Three Resolutions on the Economic Crisis: Towards a New Political Economy for the U.S.

The goals of these three resolutions are: (i) to create an adequate supply of well paying jobs to achieve full employment and lasting economic security and prosperity for all Americans; (ii) thus transforming the low wage sector of the U.S. economy by providing jobs at a living wage; (iii) while expanding the U.S. public sector by professionalizing and increasing publicly funded human and social services work; and (iv) supporting increased private investment in a high value added, globally competitive, tradable (green technology or other) goods to achieve trade balance.

Resolution No 1: A Permanent Jobs Program for the U.S. to Meet Social Needs

The federal government should enact a permanent long-term jobs program with the goal of creating and/or supporting living wage social/human service, infrastructure, and new green technology jobs. There are several sources of funding for such a program, e.g. increasing the progressivity of the Estate Tax, a surcharge on family incomes over \$350,000, cuts in military spending, etc. However, the single most important source of funding should come from the financial sector through a financial transactions tax.

For details on the size of the program and some estimates of funding sources see “A Permanent Jobs Program for the U.S. Economy in 2009: Economic Restructuring to Meet Human Needs” by the Chicago Political Economy Group (CPEG) at: <http://www.chicagodsa.org/jobs.pdf> . Additional information on this type of program can be found in Kuttner’s *Obama’s Challenge*, 2008. On political economies that function without low wage sectors see Huber and Stevens *Development and Crises of the Welfare State*, 2001.

Resolution No. 2 Ending the U.S. Trade Deficit and Raising Wages in Low Income Countries

For more than two decades the U.S. has run a current account deficit. Much of this deficit had been driven by the migration of manufacturing abroad, resulting in stagnant or declining incomes as lost manufacturing jobs are replaced by low

wage service jobs. Under Article 12 of the WTO, countries that run persistent and unsustainable trade deficits may apply emergency tariffs as a remedy. The U.S. should invoke this Article to cap and gradually reduce its trade deficits. Revenue from these tariffs should be used to support raising real wages and consumption in low-income trade surplus countries.

For background on this strategy see Wm Greider, *Come Home America* 2009, (Chapter 6). Also see “Solidarity Trade” policy in Baiman “Unequal Exchange” paper in the *Review of Radical Political Economy* 38(1) 2006, or “Socialist trade policies” in Schweickart’s *After Capitalism* 2002.

Resolution No. 3 Reindustrializing the U.S.

Existing tax policy contains incentives for companies to move production off shore. This is counter to the long term interests of the U.S. population and is part of the reason for our persistent trade deficits. The federal corporate tax code should be changed to provide tax deductions for domestic value-added production and tax penalties for off-shore production. The tax can be implemented in a gradual fashion over some number of years to allow a transition to domestic production.

For background on this economic strategy see Greider Chapter 7. This policy is closely connected to the Ending the Trade Deficit resolution above.

We have called our three resolutions “towards a new political economy” because they are rooted in our desire for an economy that meets the need for growth that is both sustainable and equitable. Through these three resolutions we have sought to create a vision of a political economy that reconfigures the four sources of economic demand. We are seeking (i) consumer spending that satisfies broad consumer needs and desires, (ii) government spending that adequately supports public infrastructure, and universal, high quality public services such as health care, education, pensions and other transfer payments to those in need, (iii) investment to enhance productive potential in an environmentally sustainable way, and (iv) exports that can be sold to pay for imports,

Respectfully Submitted by,

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