



MWV Union Council

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Bernanke's Unfinished Mission

Ben Bernanke, the Federal Reserve chairman, recently had some downbeat things to say about our economic prospects. The economy, he warned, “confronts some formidable headwinds.” All we can expect, he said, is “modest economic growth next year — sufficient to bring down the unemployment rate, but at a pace slower than we would like.” Actually, he may have been too optimistic: There’s a good chance that unemployment will rise, not fall, over the next year. But even if it does inch down, one has to ask: Why isn’t the Fed trying to bring it down faster?

Some background: I don’t think many people grasp just how much job creation we need to climb out of the hole we’re in. You can’t just look at the eight million jobs that America has lost since the recession began, because the nation needs to keep adding jobs — more than 100,000 a month — to keep up with a growing population. And that means that we need really big job gains, month after month, if we want to see America return to anything that feels like full employment.

How big? My back of the envelope calculation says that we need to add around 18 million jobs over the next five years, or 300,000 jobs a month. This puts last week’s employment report, which showed job losses of “only” 11,000 in November, in perspective. It was basically a terrible report, which was reported as good news only because we’ve been down so long that it looks like up to the financial press.

So if we’re going to have any real good news, someone has to take responsibility for creating a lot of additional jobs. And at this point, that someone almost has to be the Federal Reserve. I don’t mean to absolve the Obama administration of all responsibility. Clearly, the administration proposed a stimulus package that was too small to begin with and was whittled down further by “centrists” in the Senate. And the measures President

Obama proposed earlier last week, while they would create a significant number of additional jobs, fall far short of what the economy needs.

But while economic analysis says that we should have a large second stimulus, the political reality is that the president — faced with total obstruction from Republicans, while receiving only lukewarm support from some in his own party — probably can't get enough votes in Congress to do more than tinker at the edges of the employment problem.

The Fed, however, can do more.

Mr. Bernanke has received a great deal of credit, and rightly so, for his use of unorthodox strategies to contain the damage after Lehman Brothers failed. But both the Fed's actions, as measured by its expansion of credit, and Mr. Bernanke's words suggest that **the urgency of late 2008 and early 2009 has given way to a curious mix of complacency and fatalism** — a sense that the Fed has done enough now that the financial system has stepped back from the brink, even though its own forecasts predict that unemployment will remain punishingly high for at least the next three years.

The most specific, persuasive case I've seen for more Fed action comes from Joseph Gagnon, a former Fed staffer now at the Peterson Institute for International Economics. Basing his analysis on the prior work of none other than Mr. Bernanke himself, in his previous incarnation as an economic researcher, Mr. Gagnon **urges the Fed to expand credit by buying a further \$2 trillion in assets. Such a program could do a lot to promote faster growth, while having hardly any downside.**

So why isn't the Fed doing it? Part of the answer may be political: Ideological opponents of government activism tend to be as critical of the Fed's credit expansion as they are of the Obama administration's fiscal stimulus. And this has probably made the Fed reluctant to use its powers to their fullest extent. Meanwhile, a significant number of Fed officials, especially at the regional banks, are obsessed with the fear of 1970s-style inflation, which they see lurking just around the bend even though there's not a hint of it in the actual data. But there's also, I believe, a question of priorities. The Fed sprang into action when faced with the prospect of wrecked banks; it doesn't seem equally concerned about the prospect of wrecked lives.

And that is what we're talking about here. **The kind of sustained high unemployment envisaged in the Fed's own forecasts is a recipe for immense human suffering — millions of families losing their savings and their homes, millions of young Americans never getting their working lives properly started because there are no jobs available when they graduate. If we don't get unemployment down soon, we'll be paying the price for a generation.** So it's time for the Fed to lose that complacency, shrug off that fatalism and start lending a hand to job creation.

Paul Krugman

December 13, 2009 Edition

Union News



AFL-CIO News Service, graphic(s) added

House Passes Tough Financial Reform Bill: The U.S. House of Representatives today took a big step toward reforming the risky and reckless practices on Wall Street that created the global financial crisis. By a 223-202 margin, lawmakers passed the Wall Street Reform and Consumer Protection Act of 2009 (H.R. 4173), a package of reforms that would help protect Americans from a laundry list of practices from predatory lending to unregulated derivatives. Introduced by Rep. Barney Frank (D-Mass.), chairman of the House Financial Services Committee, the bill is the most sweeping overhaul of the financial industry in more than 70 years. It would create a Consumer Financial Protection Agency (CFPA) to enforce consumer protection and civil rights laws that existing federal regulators have largely ignored. It also would provide increased transparency and regulation in financial derivatives such as those that brought down AIG and helped create the housing bubble.



Delivering Letters—and a Message to Congress on Health Care: This week, union leaders and activists visited more than 100 members of Congress to deliver thousands of letters from union members with a simple message: Pass real health care reform now—without a new tax on workers' benefits. Mark Whetstone and Gloria Kortum, two AFGE members, flew in from Nebraska on Wednesday to ask Sen. Ben Nelson (D-Neb.)

to support real health care reform. Kortum and Whetstone say they're concerned about the effects of the health care crisis on families and small businesses in Nebraska—and they hope that reform will be fairly financed, not by taxing benefits. Whetstone said: *One of the prime concerns for federal employees is the tax in the bill. It will have ramifications well into the future. We want to make sure Sen. Nelson knows we're concerned about legislation that contains an excise tax. We know he's a pivotal vote and he needs to hear from his constituents.*

Union: Wendy's Robs Bakery Workers of Hard-Earned Health Care, Pensions:

Wendy's New Bakery Co., part of the Wendy's/Arby's Group fast-food chain, has illegally implemented concessionary contract terms proposed in bargaining at its Zanesville, Ohio, plant, according to federal unfair labor practice charges filed yesterday by Bakery, Confectionery, Tobacco Workers and Grain Millers (BCTGM) Local 57. The 150 workers at the plant have been in negotiations for a new contract since March. The union says the unilateral action by company guts the current health care plan, eliminates the pension plan and takes away workers' rights guaranteed under the previous contract. BCTGM President Frank Hurt calls the action by the Wendy's/Arby's Group "a disgrace." For nearly three decades, members of Bakers Local 57 have taken pride in the quality products they make for Wendy's stores and customers. The New Bakery workers have sacrificed much over the years in order to secure a quality contract with good health care coverage and a solid, guaranteed pension for themselves and their families. We will not quietly stand by and watch this company rob our members of their hard-earned benefits.



Barbara Easterling to Seniors: You Continually Amaze Me:

Alliance for Retired Americans President Barbara Easterling looks at the fight for health care reform and other battles union retirees fought in 2009 and tells Alliance members: "You continually amaze me." *As 2009 draws to a close, I want to say thanks for all you did this year to educate and mobilize your fellow union retirees on state and national issues. No matter how long the day, or how tough the fight, you consistently*

rose to the challenge. It was an honor and a privilege to become president of the Alliance for Retired Americans earlier this year. For me, the Alliance is a constant reminder of how people can accomplish great things when brought together around a common goal.

A Call to Arms for Civil Rights Activists: In this cross-post from the **United Steelworkers (USW)** website, **USW Vice President Fred Redmond** challenges civil rights activists to volunteer to help fill the needs of those communities hit hard by the recession. Nationally, activists will come together for a day of service during the annual AFL-CIO Martin Luther King Jr. Day observance in Greensboro, N.C., Jan. 14-18, 2010. *Today, I issued a call to arms to the civil rights activists of the United Steelworkers union. This was no summons to warfare, though. To the contrary, I challenged USW civil rights committee members to shield the downtrodden in society, to aid those felled by the current economic crisis, to serve as their brothers' and sisters' keepers, not just for labor union companions, but for all fellow community members.*

Bill Would Create Agency to Protect Consumers from Big Banks: The global financial meltdown demonstrated how vulnerable workers and consumers are to abuses in consumer lending practices and Wall Street's recklessness. A package of reforms now on the House floor would help protect Americans from a laundry list of risky Wall Street practices from predatory lending to unregulated derivatives. In a letter to House members, the AFL-CIO urged lawmakers to pass the Wall Street Reform and Consumer Protection Act of 2009 (H.R. 4173). The letter said, in part: *The bailouts of major banking institutions reinforced the idea that workers and consumers must fight for protections they rightly deserve. Once signed into law, this package of reforms will work together to address the plethora of causes from predatory lending to unregulated derivatives that led to last year's meltdown.*



Got a Question on the Jobs Crisis? Ask Richard Trumka: Per-plexed wants to know: *What ever happened to those infrastructure jobs? Not the supposedly shovel-ready ones but the long-term ones. The ones that were going to help rebuild our roads, bridges, storm and sewages water systems ad nauseum? You know, WPA, CCC, TVA style.* Tim in Sacramento says, "Green jobs present an enormous opportunity for our future."

However, *there's concern that federal funds are subsidizing a low-road green economy. How do we ensure that green jobs are good union jobs that will help rebuild America's middle class?*

Shuler: Unions Need Young Workers—and Young Workers Need Unions: AFL-CIO Secretary-Treasurer Liz Shuler spoke at the winter conference of Union Plus, where she focused on the special challenges faced by young workers who are at risk of becoming the first generation to be worse off than their parents. Shuler's speech was webcast live, and you can watch her speech, and her conversation with attendees at the conference, [here](#). Shuler will host a summit for young workers next year, and she's reaching out to youth organizations, online communities and young people across the country to engage young people about their needs, hopes and expectations in this tough economy and for the future. Shuler talked about the ways the union movement is working to demonstrate our relevance to young workers and to the growing portion of the working population who are women. She noted that many workers don't have access to a union—and to the benefits that come with bargaining for a contract—in their workplaces, in part because they're operating in a new model of the workplace: *That's a challenge for us: to change our movement to match the evolution of work—and as we know, the workplace is changing. There's more contract [work], there's more part-time [work], there are more freelancers out there, and those are some of the positions that young people are holding.*

UNIONISTS RALLY AGAINST TAX ON HEALTH BENEFITS

With the Senate's version of health care revision apparently going from bad to worse for workers, unionists on December 10th rallied and lobbied against one of the worst ideas in it: Taxing their health benefits.

"We don't need any more taxes on the working class. It's just unfair," declared Jim Huber, 59, a 42-year Steelworker -- and his union local's benefits manager -- at the longtime Bethlehem Steel mill and its successor plants at Baltimore's Sparrows Point.

Huber's comments and those of other speakers focused on one of the two worst sections of the Senate health bill: A plan to tax workers' health benefits worth more than \$8,500 for an individual and \$23,000 for a family. Unionists vehemently oppose that, arguing they have traded away raises and pensions over the years to preserve health care -- care which is far from the "Cadillac plans" its foes criticize.

Huber was joined by CWA President Larry Cohen, AFL-CIO Executive Vice President Arlene Holt Baker and other workers at a Capitol Hill rally organized by Sen. Bernie Sanders, Ind.-Vt. Sanders originally planned to again push his plan to trash present dysfunctional expensive private-insurer-run health care in favor of a federal-run single-payer health care system. Single-payer rallies also were held December 10 near dozens of senators' field offices in cities nationwide, the same day.

But the Senate killed single-payer weeks ago, and Senate negotiators dumped its weaker substitute -- a government-run "public option" to compete with the insurers -- on December 9th. So speakers and statements focused on stopping the tax on workers' benefits, though the public option is also a key cause for labor in health care revision. Sanders has a pending amendment to the health care revision to dump the benefits tax.

"We need a strong public health insurance option to keep insurance companies honest and fair financing -- with employers shouldering their responsibility and no new taxes on health benefits," AFL-CIO President Richard L. Trumka said December 9th.

"Instead of taxing those who already provide benefits, those employers who don't pay, should pay," Cohen added at the Capitol Hill rally.

That includes Wal-Mart, according to CWA, UFCW, the Teamsters, the Steelworkers, the Farm Workers and UAW. In a full-page newspaper ad, they declared the world's largest private employer -- notorious for its low wages, rabid anti-unionism and high-cost

health care -- would be virtually unaffected by the Senate's health care revision. "The Senate wants to make the Wal-Mart model into law," their ad stated.

The tax on workers health insurance will hit 30 million families in the first five years of the plan, Cohen said. He also cited a new poll commissioned by CWA that finds 70% of voters surveyed strongly oppose taxing health benefits.

The Teamsters, who also support Sanders' move to kill the tax on workers' health insurance, noted it would be a 40% tax on any insurance over the minimums. "Millions of working Americans will pay thousands of dollars more in taxes under the Senate's proposal to finance health reform," said Teamsters President James Hoffa. "Millions more will have their health benefits cut, even if they don't belong to a union." Sens. Sherrod Brown, D-Ohio, and Al Franken, D-Minn., are Sanders' allies.

Hoffa cited a Mercer Consulting survey showing two-thirds of firms would cut benefits instead of paying the tax, and another 23% would load it onto their workers.

After the rally, CWA members from nine states, and other unionists, lobbied lawmakers both to vote against taxing their health care to pay for everyone, and to vote for the House-passed health care revision bill's way to accomplish that goal: Tax surcharges on the rich.

CWA Local 2204 member Valerie Castle-Stanley, an AT&T worker from Norton, Va., said that "when I heard that some senators want to tax our health care benefits, I just couldn't believe it. It will hurt families like mine.

"We're not rich. We're average middle class Americans. We need quality health care. There's no question that companies will look for ways to pass on this tax – they're sure not going to pay it. That means my benefits will be cut and my costs will go up. I support health care reform but I can't afford this tax," she said.

"Imposing an excise tax on health insurance plans would be a disaster for millions of middle class Americans," Sanders said. "Some of my colleagues would have you believe the tax only falls on 'Cadillac' health care plans, but the truth is that the plans this bill will tax are more like Chevrolets."

The AFL-CIO came out strongly for Sanders' plan to kill the tax. "Taxing workers' health benefits is just plain wrong," Holt Baker said. "A tax on benefits would mean higher premiums for workers already struggling to make ends meet. And it would ask workers who already have it so hard to pay more for the health care they have now. "Union members know firsthand that a tax on working class families is the wrong way to pay for health care reform. They have fought hard for their modest health care benefits and they know there's nothing 'Cadillac' about them. But this is not just a union issue. Taxing benefits would hurt all workers. In fact, one in five workers would be hurt by this tax. It would be another blow to middle class families," she said.

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