

M E M O R A N D U M

TO: Members of the General Assembly

FROM: A. Gilchrist Sparks, III
 Chairman of the Corporate Law Section
 Of the Delaware State Bar Association

DATE: January 15, 1988

RE: Resolution 11 of the AFL-CIO's Statement
 on the National Economy Adopted by the
 Delegates to the AFL-CIO's October 1987
 Convention in Miami, Florida

The diversity of opinion supporting the regulation of abusive tender offers is indicated by the enclosed resolution on the national economy adopted by the delegates to the AFL-CIO October 1987 convention in Miami, Florida. The AFL-CIO speaks for itself in the enclosed resolution. I would note the AFL-CIO's concern with the real problem relating to pension funds, i.e., that "the purchase of corporations should not be financed with pension funds or so-called surplus money withdrawn from funds."

Policies For Economic Growth, Stability and Equity
The National Economy Resolution Adopted By The Delegates
To The AFL-CIO's Biennial Convention In Miami, Florida
October 26-29, 1987

The activities of speculators and raiders who profit by targeting companies for takeover and inflating stock values should be curbed. Contracts entered into by a corporation, including collective bargaining agreements, should be made binding on corporate successors or new owners.

Purchase of corporations should not be financed with pension funds or so-called surplus money withdrawn from funds. Top managers of an acquired company must not be permitted to escape with "golden parachutes" at the expense of rank-and-file workers who lose their jobs.

Resolution Number 11, Section B, Paragraph 3.

Adopted by the AFL-CIO Convention
in Miami, Florida
October, 1987

The National Economy

Major economic problems threatening U.S. workers include high trade and federal budget deficits, growing foreign debt, high real interest rates, unemployment, falling real earnings, maldistribution of income, plant closings, corporate mergers and takeovers, inadequate protections against layoff, illness, and old age.

The Reagan Administration's failure to deal with these problems has been grimly reflected in the sharp drops in stock markets of the United States and abroad.

This fall not only affects wealthy investors, but also workers as it impacts on economic stability, and investment. While few workers own stock directly, most workers own stock indirectly through their pension and other retirement and benefit funds, through profit-sharing and stock participation plans, through life insurance policies, and through mutual funds. In these various ways, workers will feel the impact of the stock market plunge brought about by Reaganomics. Furthermore, employers who benefited from "paper gains" during the stock market's rapid rise should not now be allowed to transfer the penalties for the drop in the market onto workers and pensioners.

Unemployment continues high in most of America, and while jobs have increased, most have been low-wage and/or part-time jobs. Four years of slow growth have failed to produce a full employment economy or bring the jobless rate down close to the 4 percent target called for by the 1978 Humphrey-Hawkins Full Employment and Balanced Economic Growth Act, and the paycheck of the average worker buys less than it did 20 years ago.

The federal government's debt has mushroomed to \$2.4 trillion, almost triple the 1980 amount, as the 1981 Reagan tax giveaways, increased interest payments on the debt, and a rapid defense buildup caused unprecedented deficits in the federal budget. These deficits have distorted the economy, have been the excuse for shortchanging vital programs, are saddling future generations, and are stopping the federal government from using its taxing and spending authority to spur growth and fight the drift toward recession.

The U.S. merchandise trade deficit rose to \$170 billion in 1986, registering a fourfold increase since 1980. America, which as recently as 1982 was the world's largest creditor nation, has become the world's largest debtor. Millions of jobs have been lost, mines and factories shut down, families driven off their farms and the economies of many local communities ravaged.

The AFL-CIO calls for programs to enable all Americans willing and able to work to have a job at a decent wage, and for those unable to work to receive the support necessary for a decent life. Fair policies are needed to encourage economic growth, price stability, and a fairer distribution of income. Action is necessary to deal with the destabilizing impact of imbalanced international trade and international money flows. To this end we call for:

A. Policies for Full Employment and a Humane Society

1. Employment and training policies need to be expanded and

strengthened. Such measures include public jobs where private jobs are insufficient, reductions in work time, anti-discrimination protections, expanded job placement, education and training programs, effective protections for workers and communities from the closing of older plants, a minimum wage sufficient to maintain a decent standard of living, effectively enforced occupational health and safety protections, and a reformed workers' compensation system.

2. Social programs should help the unemployed, the aged, disabled and poor. The nation's unemployment insurance system is failing to provide income support to over two-thirds of the nation's jobless. Improved funding and fairer standards are necessary. We believe in strengthening the social security system, not in weakening it as the Administration has proposed. We support welfare reforms and funding to effectively fight poverty, homelessness and hunger. Significant spending increases are needed for new public housing, particularly for the elderly and handicapped and the home ownership program for moderate-income families. And we call for national policies to reduce health care costs and broaden access to quality health services for all Americans, including the unemployed.

B. Policies for Economic Growth, Stability and Equity

1. Federal tax and budget policies should support economic expansion, meet needs for public services and facilities, complement private sector investments and provide for the national defense. The tax structure must be fair and capable of funding government budgets that are responsive to the nation's needs. We urge speedy action to keep the promise of tax reform by closing loopholes and imposing rates on higher-income people that reflect the principle of taxation based on ability to pay.

Inequities must not be created by excise taxes or user fees paid by consumers. We also remain firmly opposed to across-the-board federal consumption taxes—such as a value-added tax or a national retail sales tax—which are contrary to the goal of tax justice and unfairly affect low- and moderate-income working Americans.

We remain vigorously opposed to attempts to mandate a balanced federal budget through constitutional amendment.

2. Interest rates and monetary policies, in addition to promoting price stability, should support economic growth and encourage investment in productive machinery and equipment, housing, small business, farm, and essential infrastructure improvements. The nation's roads, bridges, water and sewer facilities and transportation systems must be maintained and improved. Upgrading public works would attract private-sector investment, which would raise productivity and create jobs. Standby credit control authority

should again be authorized to be used when needed to curb excessive financing for low priority purposes and hold down interest rates.

3. The activities of speculators and raiders who profit by targeting companies for takeover and inflating stock values should be curbed. Contracts entered into by a corporation, including collective bargaining agreements, should be made binding on corporate successors or new owners.

Purchase of corporations should not be financed with pension funds or so-called surplus money withdrawn from funds. Top managers of an acquired company must not be permitted to escape with "golden parachutes" at the expense of rank-and-file workers who lose their jobs.

The Congress should appoint a broad-based tripartite commission made up of labor, management and public representatives to assess the impact of the stock market decline on pension funds and other forms of retirement and insurance funds and to recommend appropriate actions.

4. An industrial policy involving labor, business community and government representatives should be established to help modernize, revitalize and enhance the competitiveness of the American economy. A National Development Bank that would invest public funds and attract private funds in necessary reindustrialization projects should be included. The bank should have authority to use loans, loan guarantees, and other tools to encourage industries to secure financing. The bank should channel investments to revitalize depressed geographic areas.

C. Policies for a Global Economy

1. Trade policies should lead to a fair trading environment that supports an advanced and diversified economy, promoting full employment and rising living standards. Trade law should be tightened and streamlined to provide timely, effective and predictable relief and to counter unfair trading practices. Policies are needed to reduce the nation's trade deficit and related growing indebtedness. Tax and tariff code incentives for moving U.S. production overseas must be removed. Legislation should also address the problems of such specific industries as textile and apparel, shoes, telecommunications, printing, maritime and steel.

U.S. trade law should authorize the federal government to act against nations that deny internationally recognized worker rights, including the right to bargain collectively. Such rights are needed to secure a more equitable income distribution and balanced economic growth in the world economy.

2. International economic policies need to be coordinated to mitigate the wild swings in exchange rates and encourage worldwide growth and expansion. Living standards throughout the world must be raised and a better balance struck between productive capacity and purchasing power. Improved monitoring is needed to track the global movements of money and monopoly power among multinational corporations. The effects of international economic activities must be addressed to assure the future well-being of the country. The accumulated debt burden of less-developed countries is a continuing drag on the world economy and should be eased by banks reducing interest rates and partially forgiving principal owed.