MEMORANDUM

January 7, 1992

To: William C. Doherty, Jr.
From: Richard L. Hough
Subject: Implementing Piney Point Policy Changes.

It is apparent from your remarks at the recent CPD Conference, as well as the two draft papers that are fall-outs of the Conference -- Policy Statement by AIFLD and New Priorities in the Americas -- that AIFLD staff in Washington and the Field must increase its collective knowledge of, or more modestly, its professional familiarity with, the relevant economic policies, concepts and schools of thought that are driving economic change in Latin America today.

Similarly, the ability of the Latin Labor and Agrarian leaders with whom we work to deal credibly with the economic and trade issues that impinge directly on the vital interests of democratic trade unions in this changed environment must be substantially upgraded.

I think you would agree that at this point in time neither we nor our counterparts have the requisite know-how to carry out the mission you outlined at Piney Point. If "we all must become economists" -- to use your language -- then some sort of staff retooling is in order.
II.

Within the "Neo-Liberal" school of economics that appears today to so dominate the macro-economic policies and programs of the International Financial Institutions, as well as those of the Latin American governments, there are significant differences of position in such major areas as fiscal policy, interest rate management and exchange rate practices. The Monetarists, Supply Siders and the Libertarians share the neo-liberal mystique of the "invisible hand" hovering over concepts of the free market, little if any planning, marginal regulation of the economy by a small public sector, and indifference or neglect of patterns of income distribution. However, monetarists likely will urge floating exchange rates; supply siders fixed exchange rates; monetarists may advocate increasing taxes as a budget balancing tool; supply siders are doctrinaire tax cutters; monetarists view interest rates as an instrument to control inflation - - to use flexibly for intervention/regulation of the economy; and contrary-wise, supply siders espouse low interest rates as incentives to investment and borrowing, severely limiting the role of the government as an interest rate regulator.

These are vital and often conflicting currents within the neo-liberal orthodoxy today. They are intimately related to the interests of organized labor in Latin American countries, particularly in those going thru the travail of economic restructuring. I suggest that AIFLD staff, especially field staff, should have at least a passing knowledge of these currents, being able to better comprehend why a government is following particular neo-liberal policies and how these impinge on the socio-economic status, programs and popular sector leverage of democratic trade unions. Similarly, they should be able to identify the ideological bent of the groups that are formulating these policies; i.e. whether they are monetarists, supply siders, or some hybrid.
III.

From a somewhat different but related perspective, and as alluded to above, the need for some upgrading of AIFLD staff in the "dismal science," or in things economic, is manifest in the recommendations of the two draft staff papers previously noted. For example, the "New Priorities" piece urges the establishment of an information clearing house on economic integration and labor code reform, to be facilitated by a special AIFLD task force which will liaison with the key players in the economic integration process, including officials of U.S. Government agencies, the World Bank, the IDB, the IMF, the ILO, and the OAS. The "Policy Statement" paper proposes the upgrading of AIFLD staff through specialized courses designed to keep ahead of the curve on economics...; and its recommendations "revamping...AIFLD's education program into the new environment" reflect the same professional thrust -- e.g. "reorient Meany Center programs to address economic, trade and restructuring issues in addition to the bread and butter labor training programs." The Policy Statement also quite rightly states that "effective advocacy of labors' views on worker issues requires a level of economic sophistication not always available to Latin American unions." And we should note not always available to AIFLD as well.

In fact, the requirement to increase our internal economic skills is ubiquitous to these staff papers and mirrors well the program focus that you gave to the Piney Point Conference. It should be added that I am not talking about turning our CPDs into economists. That obviously is not realistic or appropriate. Rather, the emphasis is one of adding a modicum of expertise, familiarization of concepts and policies, more sensitivity and quick up-take on economic issues, and effectively transferring this know-how to our Latin trade union counterparts.
IV.

The obvious question is how we might go about this retooling. I am not going to be too specific here. That can come later after discussion with other staff members. The condition precedent of whatever we do however cannot be overly academic. Rather we should be aiming for relevance and practicality, where the receiver of the information can directly relate the ideas and data provided to the real world of his problems and their answers. I have noted as starters a few proposals or suggestions below:

1. Prepare a package of reading materials on neo-liberalism for distribution to the AIFLD field offices. The selected articles, papers, speeches should be reasonably short and policy-oriented. A few tapes such as *Monetarism and Supply Side Economics* (The Audio Classics series, narrated by Louis Rukeyser) perhaps could also be included.

2. Develop a one or two day seminar for AIFLD staff in Washington on neo liberal doctrines and policies, and their alternatives, in Latin American nations today. The appropriate role of organized labor in the process of economic restructuring would be an integral element of the seminar’s coverage. (Jack Heberle could put this together. Jorge Daly would be a distinct asset given his knowledge of the subject. The AFL/CIO Economic Research Department might also play a role.)

3. Invite outside senior officials/economists to join us here in AIFLD for exchanges and discussions on economic and trade issues. The format should likely be informal, e.g. a luncheon forum or discussion. There are a substantial number of organizations to selectively choose from in this regard: the International Financial Institutions (the World Bank, the IMF and the IDB),
State, AID, the President's Trade Representative Office, and Think Tanks such as Brookings and the Overseas Development Council.

4. Develop regional seminars in the field on economics for the CPDs, joining an AIFLD/Washington contingent with the former. These meetings -- as I would conceive of them -- would be short, one or two days at the most, country issues oriented, involve careful pre-planning by Washington on the appropriate topics and format, and require preparation and presentation by the CPDs and/or their staffs as well.

5. The next CPD Conference in the Fall, 1992, should be set-up as sort of a culmination of the year-long learning process, perhaps involving papers by AIFLD staff, key outside speakers, a forum for contrasting views, and a review of how far we have come and what are future prospects and priorities should be.

cc: Friedman, Holway, Heberle, Douglas, Donovan, King, Estrada, Verdu, Rotondaro, Jessup, Oulahan.