

result of the enjoyment and confidence in the future that an advancing economy instills in a family.

Fourth, despite the official claim, that the purpose of putting the money into the stock market is to “make solvent” the Social Security system, in reality, it would bail out the stock market bubble. The Wall Street financier sharks want to have that new money in the stock market to prevent the its decline and to churn the market higher. They have been pushing for the trust fund’s money to go into the stock market for years. The speculative U.S. stock market bubble is wildly out of control. It will pop, and will lose perhaps 50 to 75% of its value. The OASDI trust fund is now invested in Treasury securities, which, following upon the proper changes in broader economic policymaking, are a reliable investment.

## Labor says ‘No’ to Social Security privatization

On Jan. 19, AFL-CIO President John Sweeney applauded President Clinton’s Social Security plan, saying that it provided “a positive blueprint for aggressive, progressive action by the nation.” “We are especially pleased with the President’s strong opposition to replacing the nation’s most important family protection plan with private accounts and his commitment to strengthen Social Security for the next century first and above all,” Sweeney said.

In other words, the AFL-CIO opposes privatization but has compromised on the question of putting some Social Security funds into the stock market, under government supervision. In its recent paper, “Options to Strengthen Social Security for Working Families,” the AFL-CIO supports changing the “investment mix” for Social Security funds by “moving a portion of the money into stocks to generate a higher rate of return” — which is what Clinton did. The labor federation claims, “This is a very different approach than individual investment accounts,” because “having the overall fund invest in stocks would minimize risks for individuals.”

The labor federation has launched a series of nationwide town hall meetings on Social Security, to create pressure from trade unionists across the nation on Congress, which will be debating Clinton’s proposals this year. Hopefully, in the course of nationwide debate, the dangers inherent in putting any portion of the trust fund into the market bubble will become clear. Such compromises are not necessary and should not be made with the future of America’s elderly population.

—Marianna Wertz

## Lugar hearing misses the mark on cartels

by Suzanne Rose

The Senate Agriculture Committee hearing on Jan. 26, to examine the effects of concentration, specifically the proposed merger of Continental Grain and Cargill, offers clinical proof that holding onto certain ideas such as free trade and freedom of the marketplace can make you crazy when the economy is in crisis. Senate Agriculture Committee Chairman Richard Lugar (R-Ind.) convened the hearing, which is intended to be the first of a series on the subject of mergers and concentration. The Jan. 26 witness list was composed so as to give the appearance of hearing from “all sides”—including Cargill and the American Meat Institute representing “Big (Agri) Business,” and farmer organizations representing farm families. But the clinical fantasy of belief in “free markets,” when markets are in various states of collapse, was present throughout the proceedings.

The producers panel, featuring what passes today for farm organization leadership, Leland Swenson of the National Farmers Union and Dean Kleckner of the American Farm Bureau Federation, demonstrated that they have so accepted the dogma of “free trade,” that they are incapable of mobilizing their membership to get out of the path of the freight train, even as it is mowing down their members. Faced with record-low livestock prices, and record farm bankruptcies, these leaders could only call for more studies of the train, the giant food monopolies like Cargill, and the beef cartel company Iowa Beef Processors (IBP), which have the power to crush farm prices because they dominate the marketplace. At the same time, the markets are disintegrating under the impact of the global financial crisis. Nevertheless, these farm leaders continue to worship at the altar of the free market.

Swenson, whose organization has taken action in the past to defend farm incomes, refused at this hearing to even reach a conclusion on whether concentration negatively affects the income of producers and the supply of food, preferring to call for further impact studies. “We urge a moratorium on further mergers until an impact study on income and whether they enhance or eliminate competition is done,” Swenson said. This, despite the fact that he himself produced the figures to make the case that cartelization enriches the cartels, while destroying producers.

Swenson reported that just four firms control 79% of the

U.S. beef-processing market, and that after the acquisition of Continental's grain division, Cargill will control 40% of U.S. corn exports and 45% of the global grain trade. If you add Cargill's "sister" cartel company, Archer Daniels Midland (ADM), into the equation, Swenson said, with ADM now controlling 30% of the global grain trade, then just two entities will control 75%! Swenson pointed out that consumer food prices are rising by 2-3%, while prices to producers are falling.

Swenson's proposals to alleviate the crisis condition in which this monopoly has left U.S. farmers, amount to asking a patient to cure his cancer by describing it. Swenson called for mandatory price reporting by the livestock packers (who set the price for producers, and often refuse to disclose the price they are offering, all the better to manipulate desperate farmers), and for the adoption of country-of-origin labeling of beef imports (in the expectation that Americans will boycott imported beef).

Swenson also called for a restoration of the farm safety net, without specifying what emergency measures should be taken in order to stem the rapid loss of farmers. Perhaps he didn't want to alienate Senator Lugar, the author of the infamous 1996 Freedom to Farm Act, which eliminated any government price protection.

### **'Oversupply' myth persists**

For his part, Dean Kleckner of the Farm Bureau expressed concern about the "over-capacity of grain," harkening back to the folly of policies adopted in the 1930s Depression, when low grain prices were deemed the result of "oversupply," and farmers were advised to plow under their crops, kill every third pig, and similar measures. This is a supremely uninformed policy, truly suicidal for U.S. farmers, and insane for national interests if it is adopted today in the midst of widespread famine in Asia and Africa, and the food crisis in Russia and elsewhere (see article on Russia, p. 14).

Representatives of three other producer organizations spoke, from the National Pork Producers Council (the pork promotion agency funded from farmers' pork receipt check-offs), the National Cattlemen's Association, and the chief executive officer of Premium Beef of Kansas, an entity which is both producer and packer.

The representative from the Pork Producers demonstrated that the so-called laws of "supply and demand," are not operating in the current crisis. Pork prices have collapsed, even though exports expanded 27% in the period from October 1997 to October 1998. She attributed the problem to under-capacity to process the pork as a result of packing-plant closings.

Paul Hitch from the Cattlemen asked rhetorically whether consolidation was causing the low cattle prices. He answered by affirming that the problem could be explained by the laws of "supply and demand." He said there has been

a loss of demand for beef which has caused a 12-14% drop in the price per hundredweight (cwt), accompanied by an increase in supply because of the closing of so many packing plants. His solution? "Independent producers need the information they need to relate to a rapidly changing world," he said.

Chairman Lugar put a happy face on one of the significant changes brought about by the cartelization of the food supply over the past 30 years, namely, the *contracting* of formerly independent producers to their buyers, as prices collapse in the marketplace, a form of enslavement. "Are we headed toward contracting for special qualities?" He asked. "And how does this affect small producers?" Kleckner replied that he didn't like it, but this was the way the world was moving, and they could survive by cutting their costs and producing for a "special quality" niche.

### **The free marketeers**

The hearing concluded with presentations from two representatives of the so-called market, Frank Sims, president of Cargill's North American Grain Division, and Mr. Boyle of the American Meat Institute, which represents the cartel-controlled meatpacking industry. They performed the remarkable feat of presenting arguments for how concentration actually benefits producers and consumers.

Sims said that the combined business of Cargill/Continental is too small to affect prices to producers, that they were merely responding to forces of change in the grain handling business, where a more "complex" domestic market is replacing the previous export pipeline down the Mississippi (i.e., the export markets are collapsing due to the financial crisis). Sims defended the expansion of Cargill's operations through the acquisition of Continental Grains, as bringing "greater efficiency" to the marketplace. Cargill intends to complete the merger next month sometime, by the end of the first quarter 1999.

Boyle of the AMI said that concentration results in a net gain for producer prices according to a University of Nebraska study. He denied that there is a growing price spread between the producer and consumer, claiming wholesale prices have dropped dramatically. He also claimed that there has been a "partial recovery" in producer prices since December 1998. He railed against any form of government intervention to protect producers, even the cosmetic proposals made at the hearing on labelling and price reporting, never mind the emergency measures mandated by the depth of the crisis.

Lugar concurred, claiming that if you increase government regulations the marginal packers go out of business. Boyle reiterated that the current crisis was nothing more than a temporary glut of demand caused by a decrease in processing capability (closing of packing plants). Lugar concluded by inviting the panelists to submit arguments for or against price reporting.