

Europe - crisis - challenges for the left

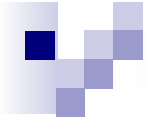
- Asuncion / Paraguay 2009-07-21
- Elisabeth Gauthier – Transform! -Europe



Six highlights on crisis (1)

- 1. World economic crisis - deep crisis in EU**
- 2. Global crisis and internal tensions in EU**
- 3. On the reasons of the crisis**
- 4. Specificities in eastern and central EU**
- 5. The crisis context: financial market capitalism**
- 6. Social divisions and challenges for the left**

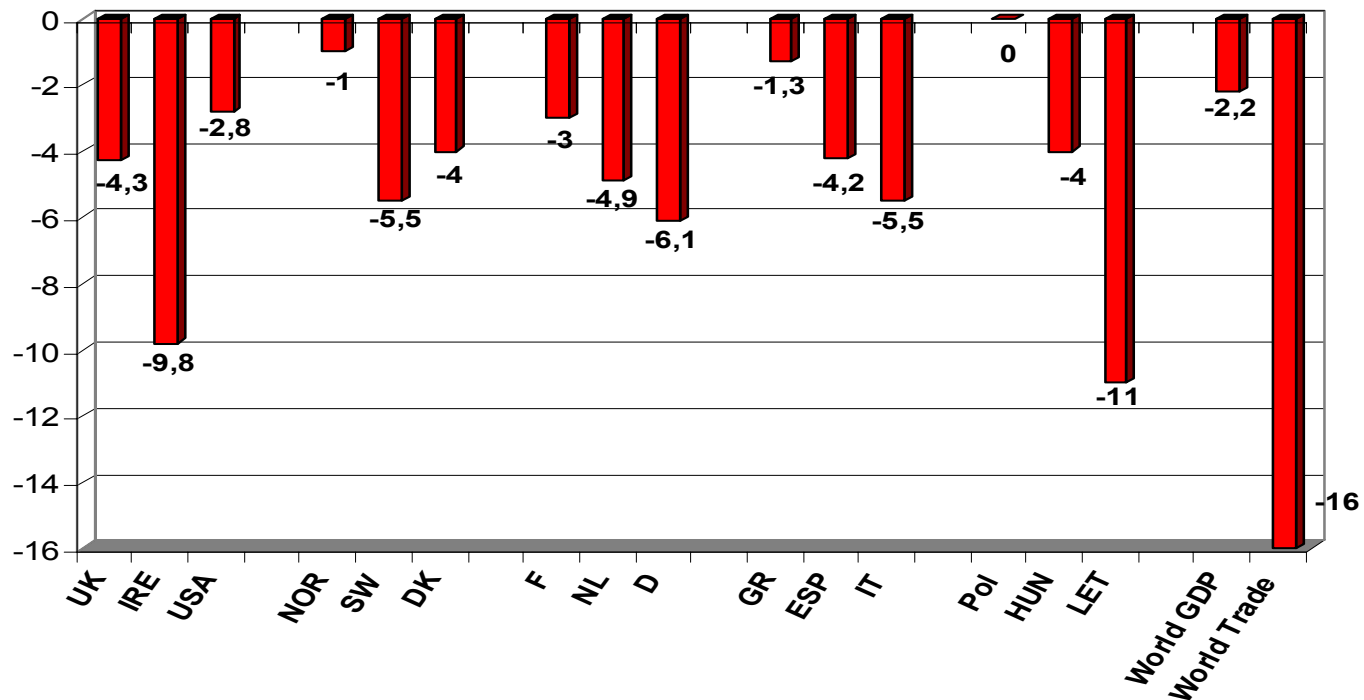
(1) This presentation is based in part on powerpoint presentations developed by Joachim Bischoff, Richard Detje, Jörg Huffschmid



1. World economic crisis - deep crisis in EU

The New World Economic Crisis 2009

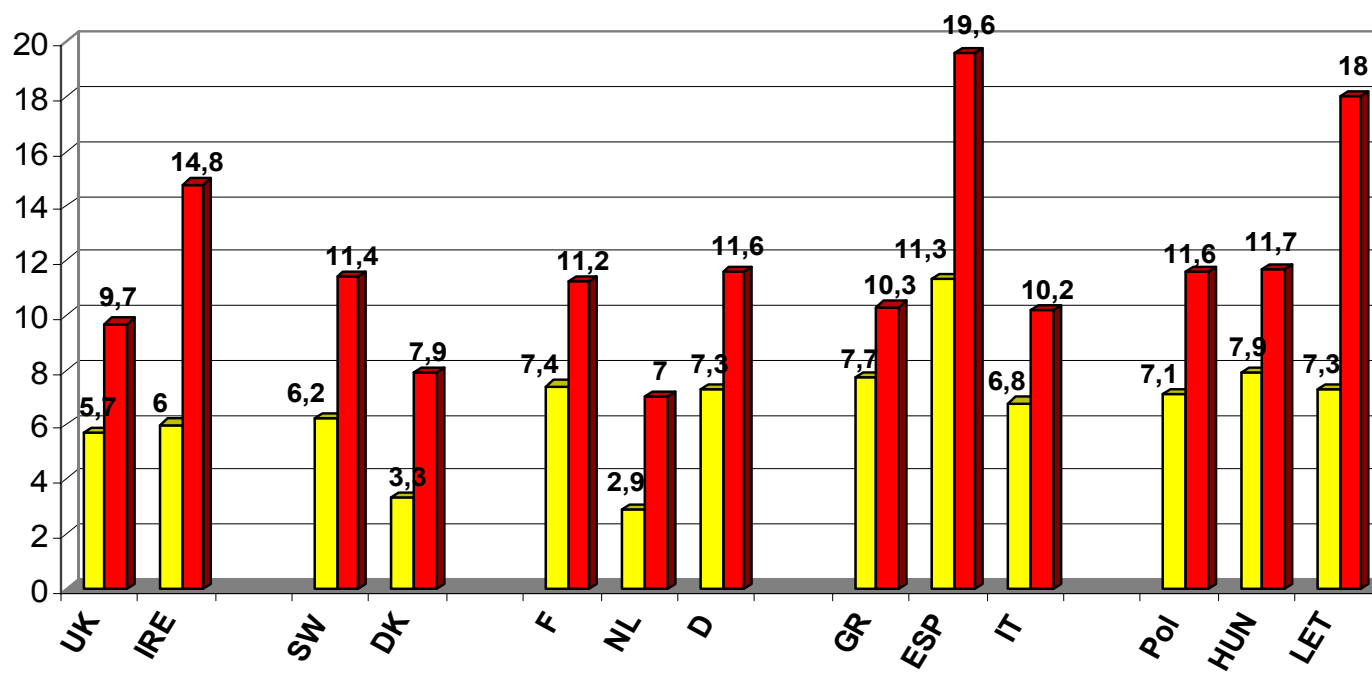
(OECD forecast 7/2009)



- US is the center – but Europe is deeper in
- worst case: Ireland (financial turmoil) and Baltic states (foreign capital)
- fall of the champions: Germany + Netherlands – crash of export strategy
- crisis of the Scandinavian model under neoliberal rule?

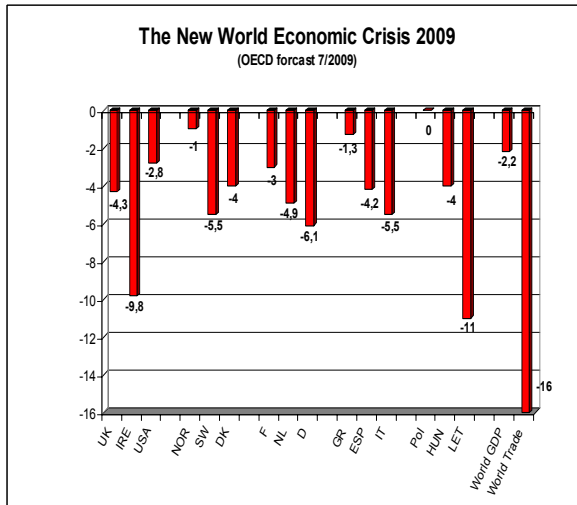
Unemployment 2008/2010: the old monster is back

(OECD forecast 7/2009)



- following the worst cases: Spain
- all over Europe: unemployment +50-80% in 2 years (DK+NL: +120%)
- even optimists say: it will stay there (productivity > growth rate)
- outcome: a vicious circle of unemployment – precariousness – demolition of the welfare state

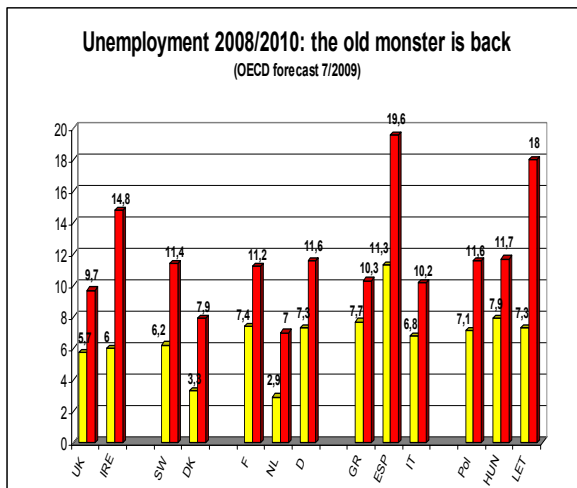
Getting out of the crisis – or into a 2. round?



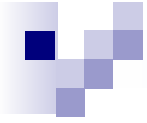
The hope: recovery in 2010 = V scenario

The perspective: crisis in 2. round = W

- rising unemployment weakens the internal market
- decline of industry and services - negative feedback loop between real and financial sectors
- credit crunch for companies and growing amount of toxic papers within banks
- more pressure on wages
- consumer credits become toxic
- negative feedback loop between wages and social security
- undermining the purchasing power on domestic markets leads to a general reduction in prices (deflation)

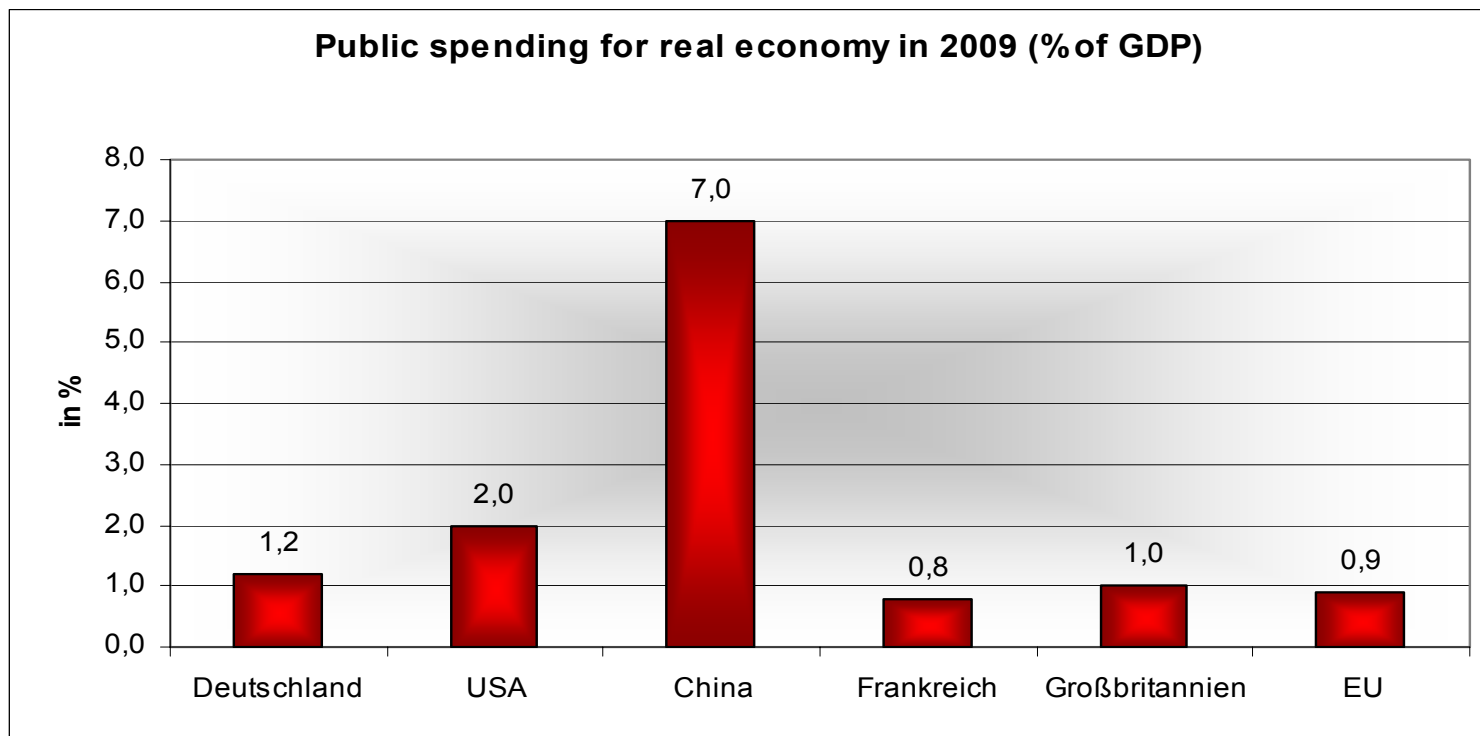


recession + deflation = depression



2. Global crisis and internal tensions in EU

1. insufficient + uncoordinated national stimulus packages – no European programme



- China: switch over from external to internal growth
- US: preparing a third stimulus package
- Germany: switch over from expansionary to austerity policy



Europe: on the way to a desintegrated continent?

The global financial and economic crisis leads to deep tensions between the EU countries.

1. The 1.time since the introduction of the Euro, bonds are payed more by Greece, Ireland, Spain, Italy, Portugal, and also France, than by Germany.
- 2 The interest rate differentials between countries (spreads) enlarge the gap between countries.
3. German way: dumping and beggar neighbours
„Angela Merkel, the German chancellor, and her economic officials have become the biggest obstacles to a much needed European rescue plan.“ (Paul Krugman)
- 4... Latvia, Estonia, Hungary, Bulgaria: becoming failing states or being pushed into deflation; forthcoming in Spain, France ...
5. GB, Ireland, Italy, Greece, Spain: forthcoming limits of deficit spending



EU: interior tensions are escalating

The sequence of **uncoordinated national responses** has revealed this weakness. At the same time the situation of the real estate, loan and bank sectors is highly different in all the member states to such an extent that only a concerted action and its implementation in the responsibility of the nations can lead to a step further.

The interior tensions are escalating, so that neither a crisis of the European institutions and of the Euro can be excluded nor a fundamental change of the European conditions as a consequence of the crisis.



Crisis of century - a new paradigm?

- State intervention is called by bankers and bosses as a efficient policy against the crisis
- The majority of elites interprete state intervention as a mere emergency, temporary measure
- The « EU economic relance plan » is part of the Lisbon neoliberal competition strategy (2000-2010).



The left: fight for an alternative paradigm

- **Public and State interventions**
 - **have to be steps towards**
 - a new economic system,
 - a new kind of development,
 - a new economic democracy
 - **have not to be a way to stabilize liberalisme.**

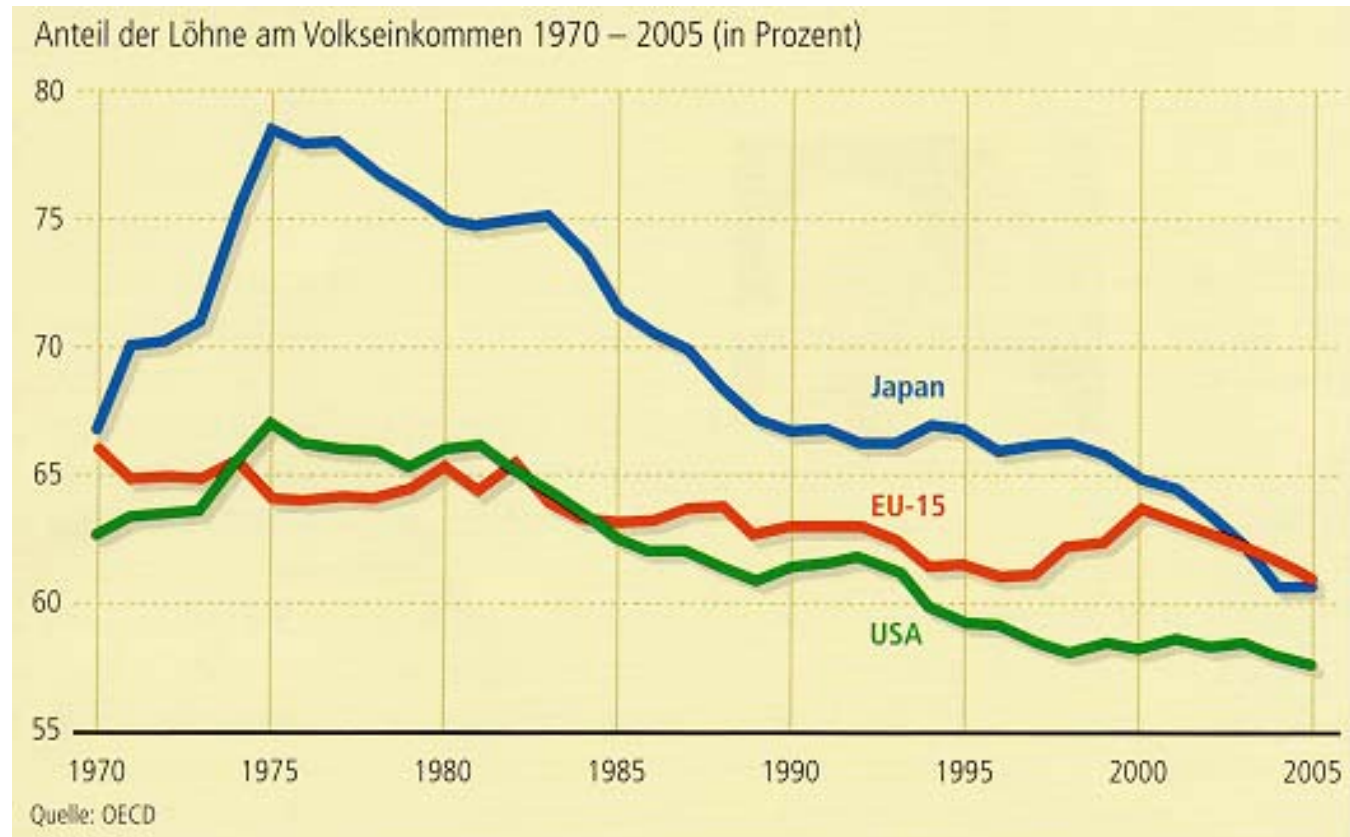


3. On the reasons on the crisis

- The errors and deficiencies of the EU in the crisis are clearly visible.
- **The pillars of the European construction** are being unhinged by the crisis (stability pact, ECB, Lisbon strategy, the principle of free and unhampered competition which charges the crisis is at the centre of the Lisbon Treaty.....)
- **The Lisbon treaty** is based not on a unifying vision, but the conception of deregulation, priority for the market, destruction of the social model.

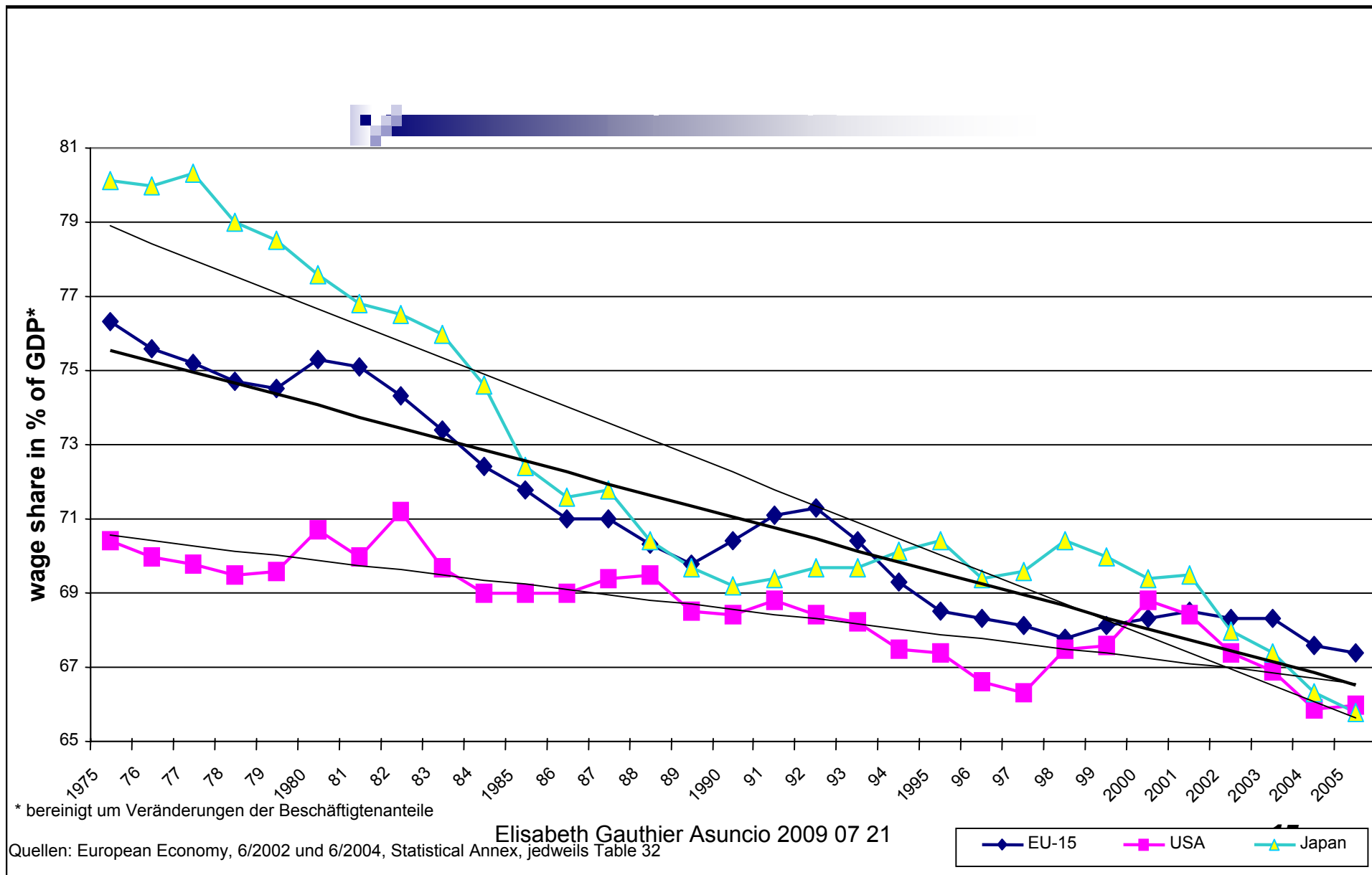
Reduction of the value of labor

share of wages in national income

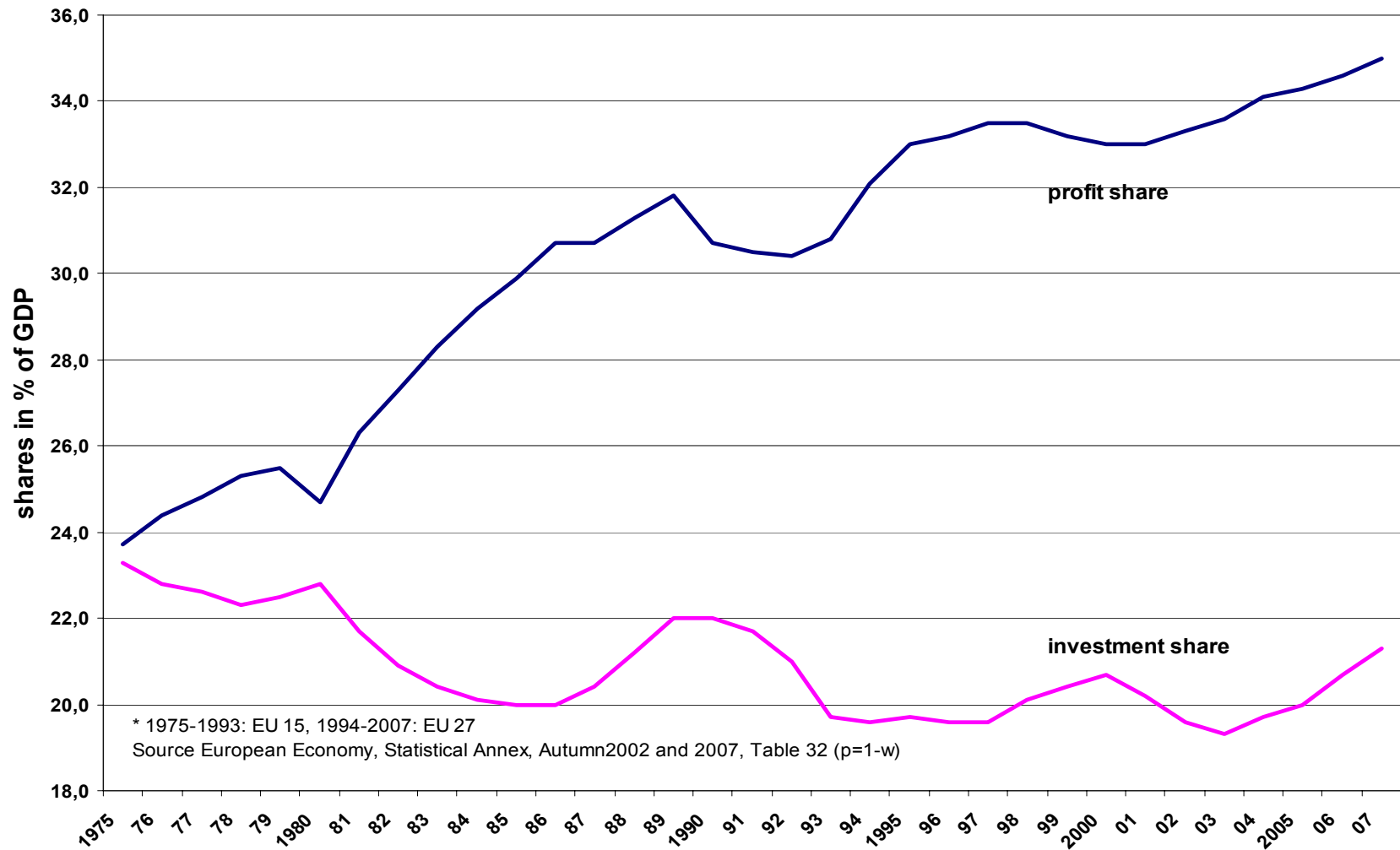


Wage share in GDP 1975-2005

source J.Huffschnid



Shares of profits and investments in the EU*, 1975-2007



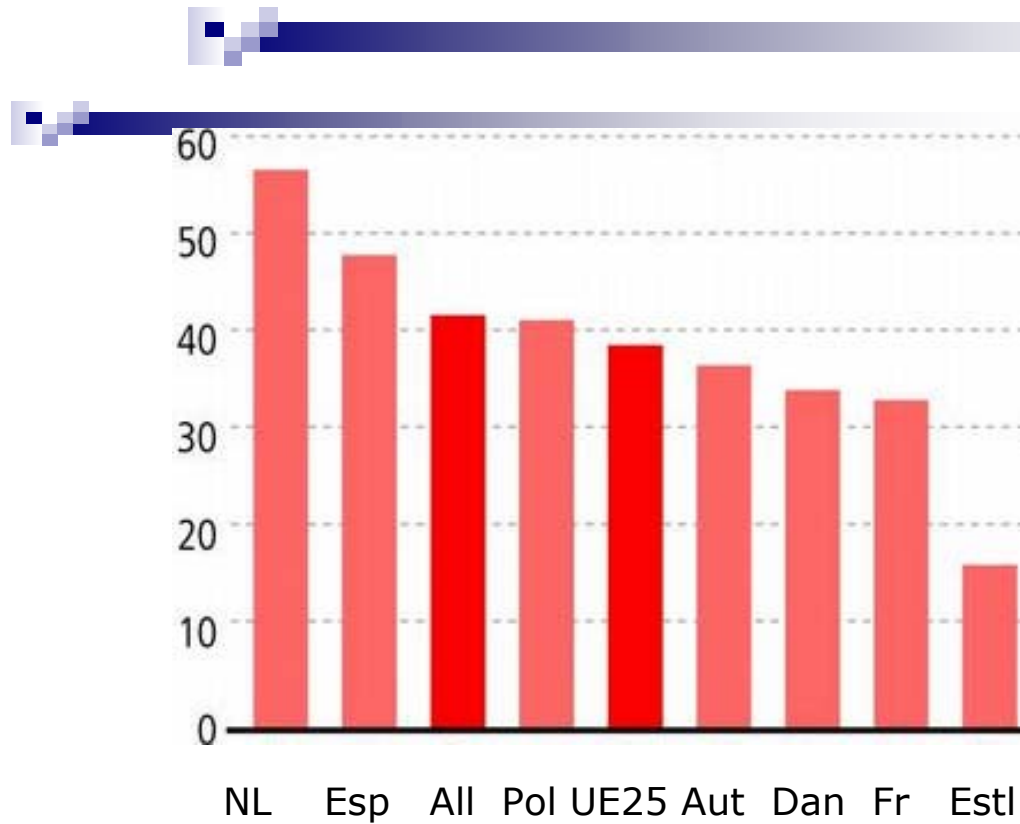
Annual Growth GDP 1960-2005



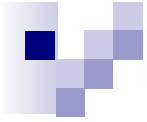
Sources: European Economy 4/2003 and 6/2007, statistical annex, Table 10

EU:

The share of atypical employment



Source J.Bischoff



4.

Specificities in eastern and central EU



Eastern and central EU integration is marked by:

- Radical capitalist restauration
- Privatisation and generalized commodification
- Lack of additionnal UE budget in favour of integration
- Fall of the part of direct wages and social wages (housing, services...) in the GNP
- Spectacular growing of inequality



Growth and debt

The growth is marked
by surge in loans and current imbalance

- 2006

	Lituania	Estonia	Lettonia
Growth GNP	7,8%	10,4%	12,1%
Growth loans	35%	53%	52%
Current balance	-9,5%	-14,6%	-21,3%

(in% of GNP)

BRI (banques des réglementations internationaux. C.Samary, Vers un tsunami bancaire et social Est/Ouest européen. Transform! 04/09 ed. en français



Part of foreign banks in the bank assets in central and eastern EU

- Estonie 98%
- Bulgarie 90%
- R.tchèque 90%
- Lithuanie 90%
- Hongrie 61%
- Roumanie 55%
- Lettonie 53%
- Pologne 51%
- Slovénie 35%

Die Bank,2006. Catherine
Samarly. Vers un tsunami
bancaire et social Est/Ouest
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UE: competition

Minimum wage per hour

- Slovakia: 2,4E
- Tchequia: 3,0E
- Hungary: 3,2E
- Germany, Belgique, France, Nederlands: between 16,5 and 20E

Productivity: écart de 1 à 3 or 4

The socialdemocratic partis develop policies in order to maintain this 'competitive' differences

- (1) J.Sapir, Cinq leçons d'une élection. Juin 2009.



EU – crisis – eastern Europe

- EU rescue fund (proposed by Hu + Austria) refused
- Eastern countries abandoned to the IMF like a peripheral region
- Package of 24,5 billion euros announced by the « Eastern Bank » and the World Bank – but in order to remain entirely within the logic of short-term relief measures



IMF in Europe

- **Baltic countries: - 25% wages in public services**
- **Hungary: no help for stabilisation of hungarian banks**

S



In the past 30 years the relations between labour and capital have worsened dramatically within the entire EU.

In the EU 15, the proportion of wages on the national income has decreased from an average of **67% in the first half of the 1970s** to **60% at present**.

Although in some countries the labour/capital-relation is **60/40**, this proportion is **the other way round in some of the new member states**, which means that should there be any growth, capital is the one benefiting from it.

While new budgetary means have to be raised in **Eastern European** countries for supportive measures, the colonization of these regions by banks, markets and large corporations in the name of 'free and unlimited competition' has to be stopped.



5.

The crisis context:

**financial market
capitalism**



Financial market accumulation

Accelerated accumulation of money capital if chronic over-accumulation. The money capital accumulates at the expense of the Industrial and Commercial sectors.

Increasing weight of fund- or asset managers. Financial actors dominate more and more production capital

Even large companies are considered as commodities, i.e. production, research, wage earners are maltreated; investment declines

Deregulation policies, cross-border capital movements. Priority for the capital owners. Neoliberal policies and ideology

Degradation of the redistribution. Devaluation of the labor force

Decoupling financial sector and real economy. Emergence of the conditions of the crisis.

The EU is a driving force behind this remodeling

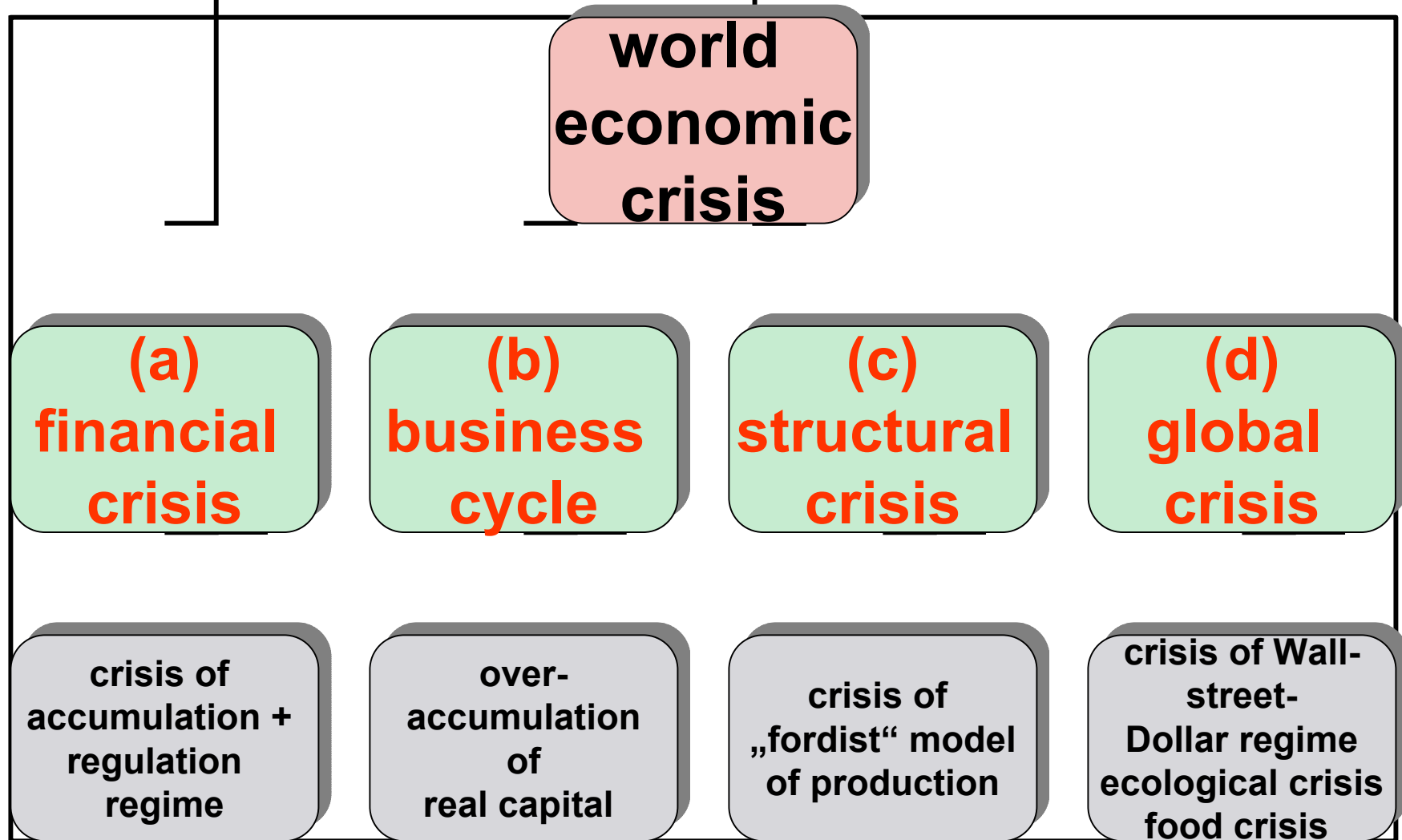


The EU is undergoing a double crisis.

The neo-liberal content of European integration – combined with militarisation and transatlanticism – has made the EU a major protagonist of the neoliberal offensive while it is the cause of the Union's fragility under present conditions.

The fierce resistance of peoples in recent years had already led to a profound crisis of legitimacy which is heightening in the face of the slump of Neo-liberalism.

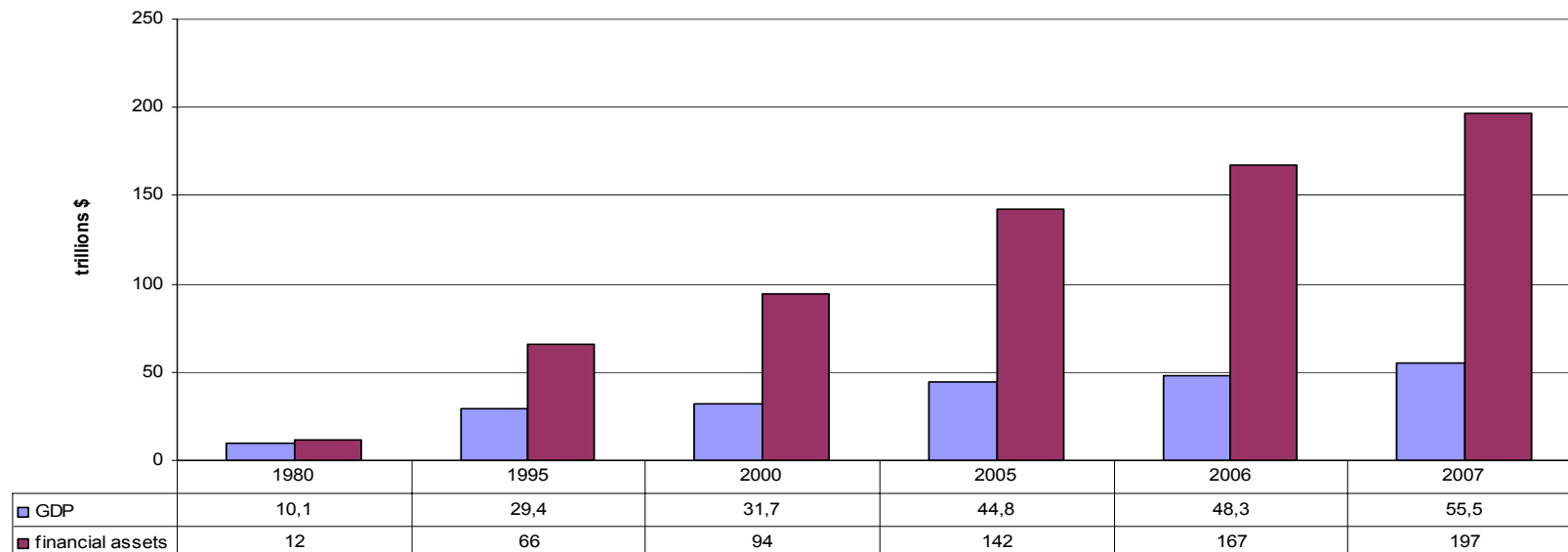
Anatomy 1. trouble spots of a systemic crisis



(a) Origins of „financial market capitalism“



**Growth of financial assets four times as fast as GDP-growths
world wide 1980-2007**



neoliberal revolution: „asset based accumulation“ for some
= dept based accumulation for most

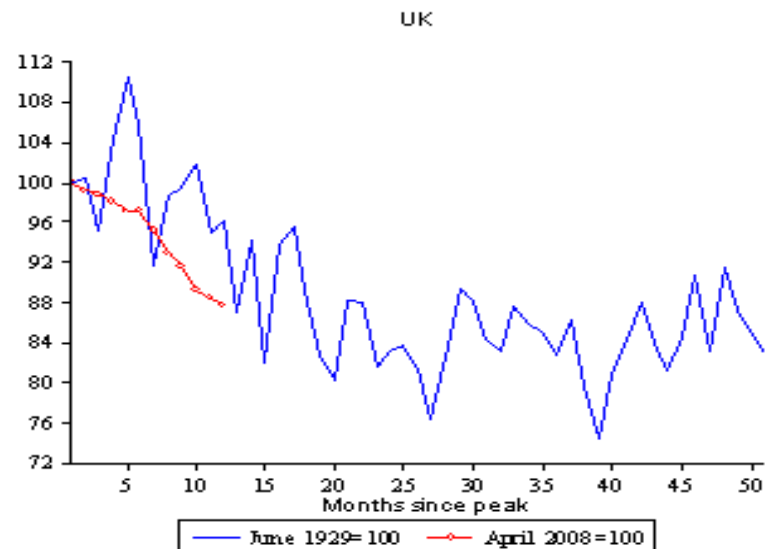
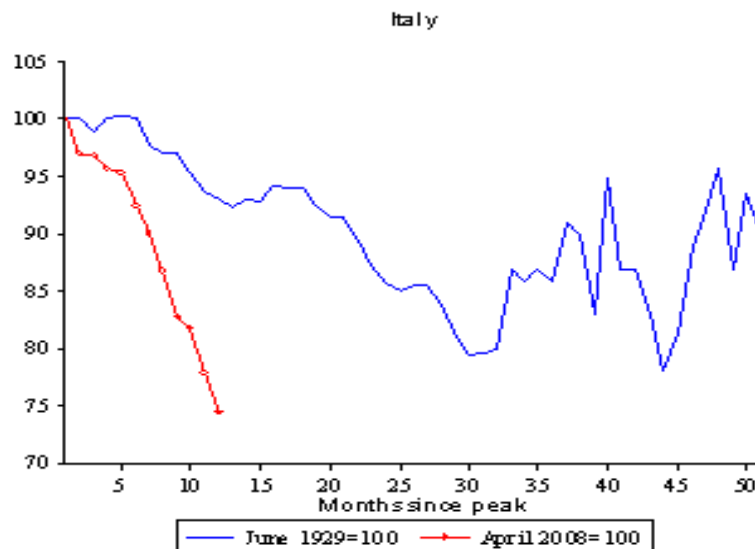
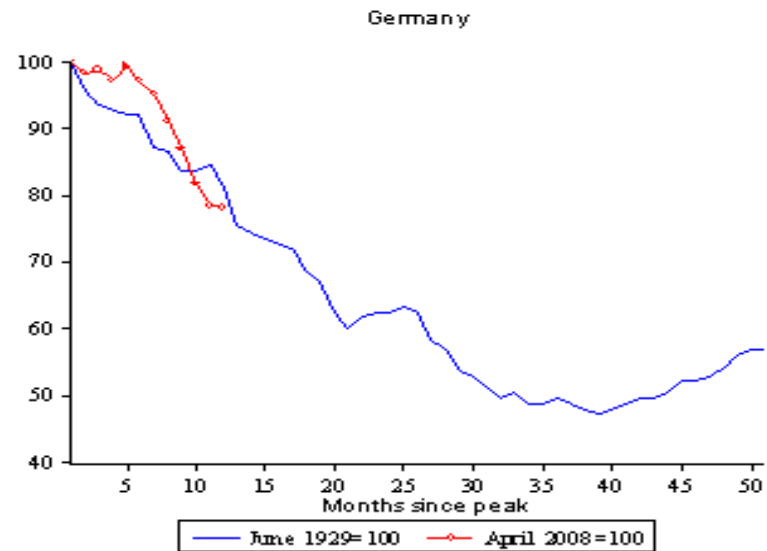
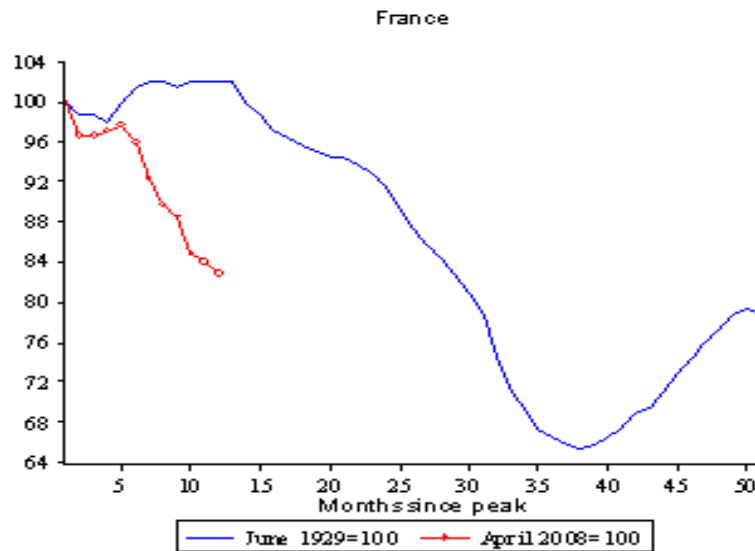
- 1980ies: indeptedness of the „Third World“ – their „lost decade“
- 1980/90ies: growing public depts in advanced capitalist world
- end of 1990ies: new economy boom
- 2000ff: speculation on property markets (US, UK, IRE, Spain etc)

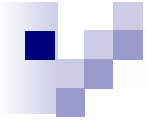


... and getting out

- transparency rules, closure of tax havens, limitation of bonus-systems for management etc. does not get into the center of the crisis
- a new regulation system requires:
 - banks with systemic risks must shirk or taken into public ownership – bail out and recapitalisation only with public ownership – strengthening of public and cooperative banks
 - regulation of interest rates according to the needs of real economy and public = banks as servants = new rules for ECB
 - redistribution of assets and profits – higher property tax
 - control of capital + currency transactions – Tobin tax
 - bail out for the people (e.g. real estate credits)

(b) from recession to depression?





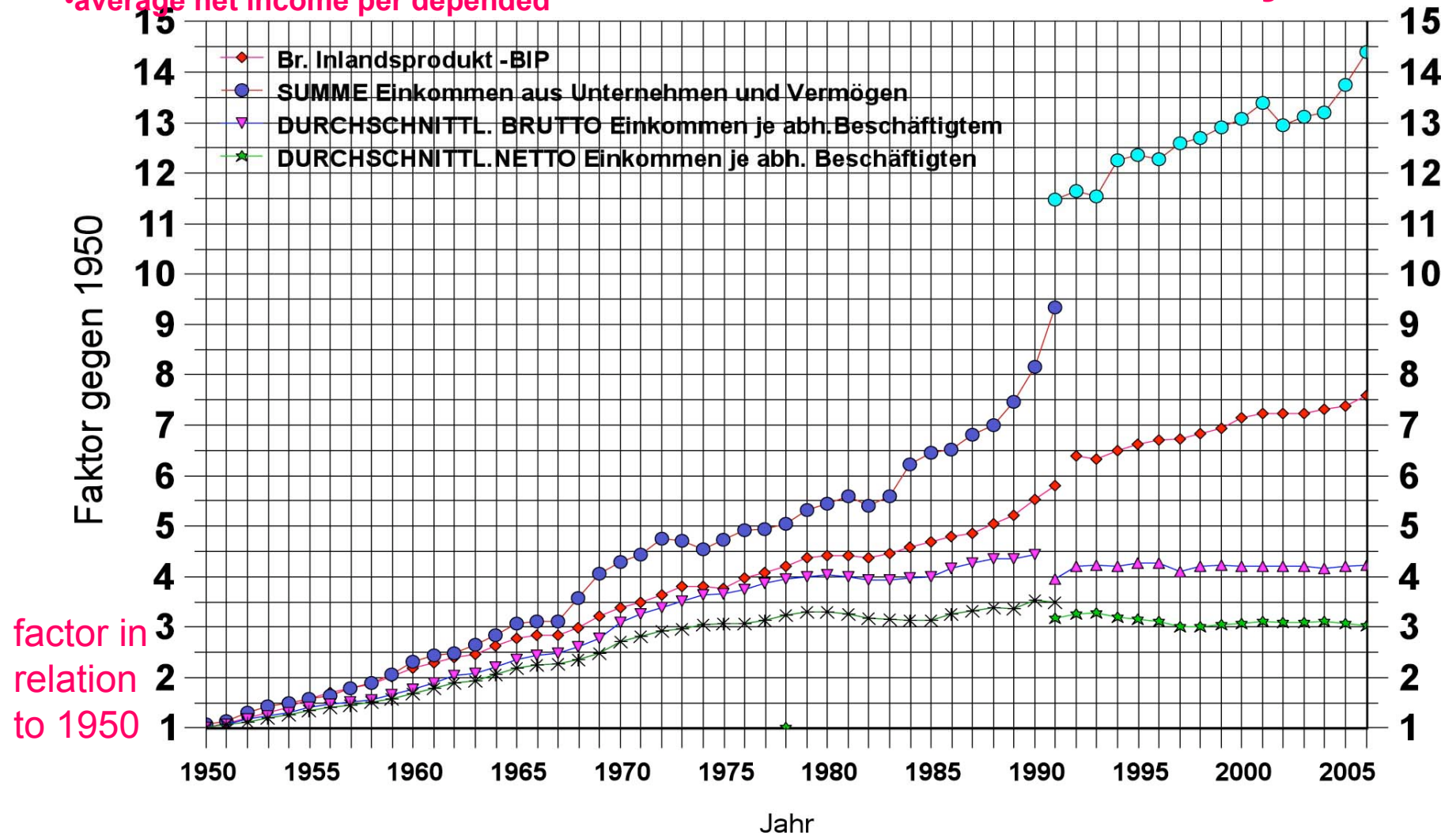
5. Social divisions and challenges for the left



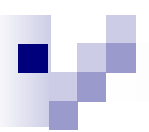
- GDP
- Total income from corporate and capital
- average gross income per depended
- average net income per depended

Die Spaltung der Gesellschaft der Bundesrepublik

The division of society



factor in relation to 1950



Neo-liberalism has lost its social basis and its power to convince politically.

The “crisis of the century” of finance driven accumulation from 2007 onwards creates the necessity and the possibility of a fundamental political change, under difficult conditions.

Overnight the majority of the political class has turned from advocating a policy of deregulation, privatisation and flexibility to manifest state interventionism the content of which turns out to be extremely problematic and capital-friendly

The **strategies of the dominating forces** aim at securing the system with extraordinary political measures of interference in the economy (cf. the conference in January 2009 in Paris with Merkel, Sarkozy and Blair on the topic “A New World, A New Capitalism”).

While the burdens of the crisis are loaded on the shoulders of the people and the wage earners, **left forces have to orientate themselves**

- towards fighting both the causes and the consequences of the crisis
 - at the same time with the perspective of a different logic.



The European Social Democracy

has actively contributed to neoliberal change, has refrained from meeting the growing power of financial market protagonists with measures of resistance and alternatives.

Crucial parts of the “milieux populaires” have turned away from them and their policies advocating neo-liberalism and social-liberalism.

The present crisis of Social Democracy is the result of their collaboration in the neo-liberal project of restructuring society.

The majority of Social Democratic governments in Europe in 1999/2000 has been replaced by a hegemony of the Right who have themselves moved further to the right in some countries or have entered coalitions with the populist and extreme Right. The Right profits from the shortfalls on the part of the political (Social Democratic and critical) Left.



Challenges for the left

The forces left of Social Democracy did not succeed in stopping the neo-liberal offensive accompanying the formation of finance market capitalism and the dismantling of the European welfare-state model.

The difficulties in finding alternative concepts and strategies of transformation in the face of contemporary capitalism and neo-liberal ideology have not been overcome in spite of interesting experiments at joining different forces and groups of the population. Active trade unions, social movements and the critical Left searching fundamental alternatives – all of them are striving for social and political mobilisation.

Various social movements stamped the last months (Greece, the Baltic countries, Belgium, Spain, Italy, Bulgaria, France, United Kingdom, Iceland, Germany ...). The far-reaching process of precarisation meets heightened levels of resistance in particular among the youth who – as “crunch generation” – are facing strongly hampered living conditions and perspectives. While ever higher dividends are cashed, the slogan, “We refuse to pay the bill!” finds growing approval.



New alliances, overcome divisions

Fundamental political change: build alliances between 'milieux populaires' and 'middle classes'

Wages as factor against the reasons and consequences of the crisis, as a way to overcome divisions



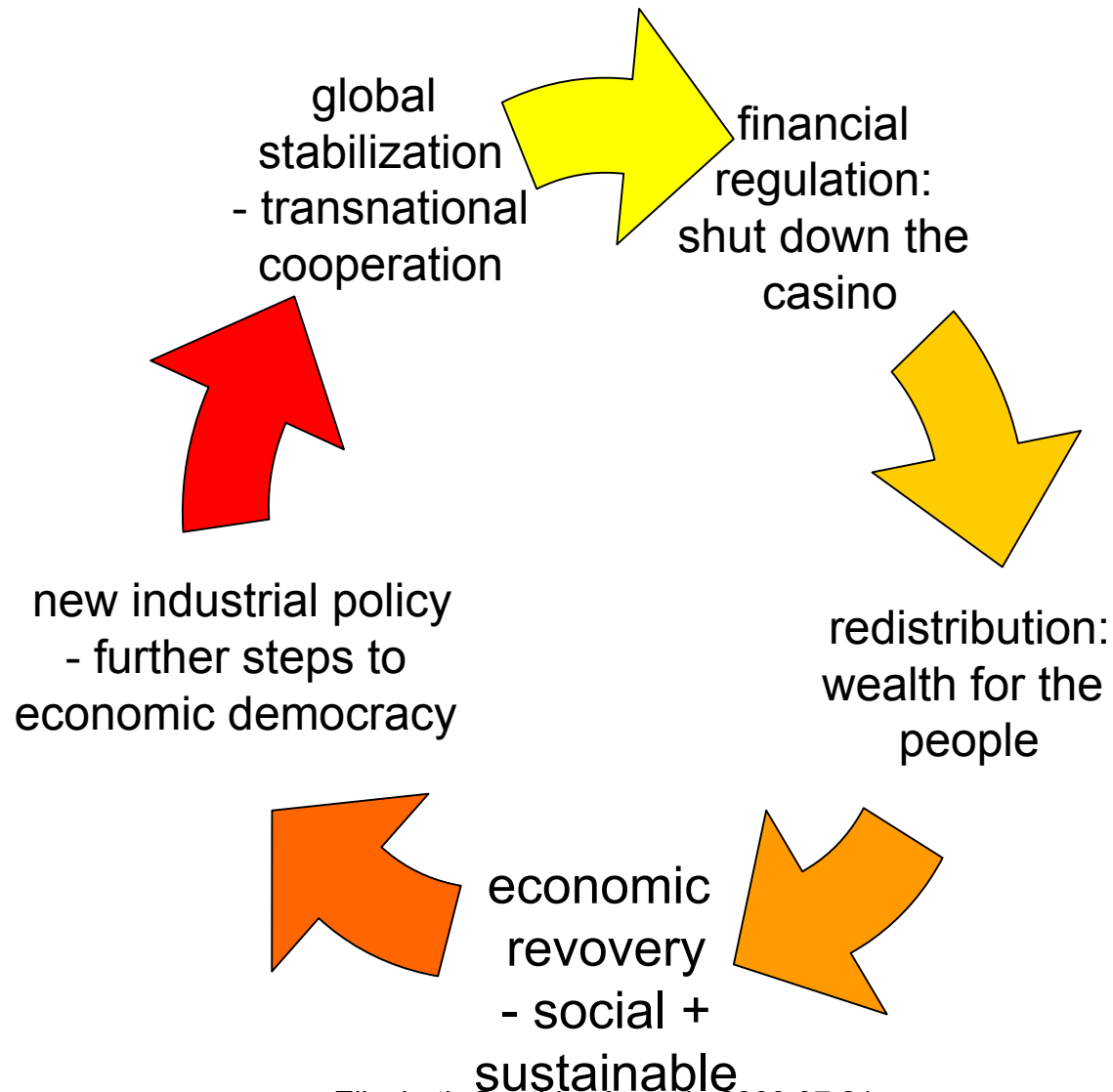
The global crisis seems to enhance a process of consciousness

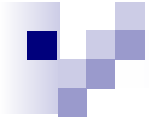
The first consequences of the crisis which are felt by ever more groups of the population are creating new conditions for the development of social, political and ideological struggles.

The convergences between sectors, demands and struggles become ever clearer as the confrontation with the dominant logic goes on.

The challenge consists in bringing together as many as possible in the common struggle – **in preventing and overcoming the split among victims – in order to be able to confront the consequences of the crisis as well as its reasons and thus to reduce the effects as much as possible, to prevent an authoritarian way-out of the crisis and at the same time to create the conditions for new relations.**

Five steps for a change (R.Detje)





Appendice



(1) financial regulation: shut down the casino

1. 1. public ownership: not only as rescue action

- bailout and spending public capital only with public ownership and control
- strengthening of the public and non-profit banking sector

1. 2. regime change: control and regulation

- full transparency on all banking transactions – ban of the shadow banking system
- shrinking of investment banking (state of the art)
- ban of uninhabited leveraging – higher capital requirement rate (8 to 20%)
- controlled certification of financial products; public control of rating agencies
- regulating hedge funds and private equity

1. 3. Who pays for the crisis?

- tax on higher financial assets
- tax on cross border financial transactions

1. 4. closure – at least discrimination – of tax havens

Conclusion: determined steps to the end of finance driven capitalism



(2) redistribution: wealth for the people

- **higher wages and a new wage regime with enlarged minimum wages, decent jobs and reduced working hours**
- **higher progressive taxation on capital, assets and inheritance**
- **welfare reform: especially pensions and unemployment benefits**
- **no tax cut policy**
- **Coordination of collective bargaining (instead of competitive moderation)**
- **European minimum wage – stop poverty on the labour market**
- **No dumping polic by European Court (and Commission)**



(3) economic recovery on a social and sustainable basis

- public investment programme: 2% of GDP at least
- additional „European Investment Programme for Sustainable Development, Employment and Social Inclusion“: 1% of EU-GDP
+ increased credit lines of European Investment Bank and European Bank for Reconstruction and Development
- common EU-fund (Euro-bonds) should help weaker members to deal with the crisis – revoking the Stability and Growth Pact (state of the art)
- public investments in
 - education: child care, schools, universities, training, lifelong learning
 - infrastructure: public transport, roads, bridges, public places
 - environment: redevelopment in urban centers, housing, sustainable energy, sewage system

This means: more public regulation in the real economy – more inbuilt stabilizers



(4) new industrial policy – steps to economic democracy

- **in case of public surety, bailout and public capital for companys: full voting rights in the board of directors to safeguard employment**
- **strengthen employees representation – enlarged rights for employees and trade unions in case of dismissals and relocation concerning**
- **encourage long tern investment - „marry investors to their assets“ (Keynes) – drive back shareholder value-management**
- **labour policy on a high road: investing in „good work“ and skills**
- **restructuring of branches, eg. car industry**



(5) global stabilization - transnational cooperation

- **new Bretton Woods – end of the Dollar-Wall Street regime**
„The dollar-based global reserve system is already fraying ... We need a global reserve system. Keynes called it his **Bancor**. This is an idea whose time may have finally come“ (Joseph Stiglitz)
- **Central Banks: not focused on inflation alone but also paying attention to employment**
- **commitment that no country be allowed to become insolvent**
- **international taxation rules**
- **fair trade – stop trade liberalization (Doha Round) – a worldwide recovery plan**