



International
Labour
Organization

Executive Summary

Confronting finance

Mobilizing the 99 per cent for economic and social progress

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As the financial crisis has advanced with persistence, governments and policy-makers have debated at length the most effective ways to save those countries whose economies have collapsed under the pressures of bailing out the financial sector and to prevent the crisis wildfire from spreading further. In doing so, they arrive recurrently at the same conclusion: combine austerity measures with labour market deregulation and flexibilization. Trade unions and progressive economists have consistently argued that this approach merely stifles economic growth, and more and more institutions have joined this consensus. Meanwhile, hundreds of thousands of people have taken to the streets to protest the austerity measures. And yet, the same crisis response model persists.

Are governments and politicians too closely tied to finance to make the policy decisions that are necessary to put out the crisis fire? The apparent lack of responsiveness of governments to the protests, and to growing evidence that the measures taken are failing to stimulate growth, would indicate so. From the financial crisis to the economic crisis, we now have the emergence of a social and political crisis. Work is deteriorating, bringing an alarming additional number of people, particularly developed countries, into unemployment, underemployment, precarious employment and poverty. The spread of inequality into unexpected sectors of society has triggered massive social unrest, leading to the uprising and increasingly organized mobilization of the 99 per cent.

These mobilizations around the world show that people are seeing through the game plan and feeling the results. They have witnessed the bail-out and survival of banks and the continued overcompensation of CEOs, while being asked to work longer hours, for lower pay, with fewer bargaining rights and a receding social protection floor. The figures, too, speak for themselves: in the United States, since the 1970s the top 1 per cent of annual income has

tripled, while the incomes of the bottom 90 per cent have remained essentially stagnant. Inequality has clearly reached levels at which it harms not only personal well-being and freedom, but also democracy, productive investment and economic growth itself, making the reduction of inequality not only a moral imperative, but an economic necessity.

Ideas for sustainable policies to reduce inequality are not lacking, but there is a shortage of power to establish and implement them. Can labour harness the power of the 99 per cent to shift the balance and revitalize democracy? While finance operates in a virtually borderless world, trade unions are still rooted geographically. Trade unions will have to dare to adopt new modes of decision-making, mobilization and solidarity. A labour-led response must hinge on building a firewall between politics and finance, working towards greater economic democracy (see the essay by Richard Hyman in this volume) and greater controls over finance. Whether this is called “decent work” or “decent capitalism”, the critical need now is to think in the medium to long term and across borders.

Since their beginnings the Global Labour University and the Global Labour Column have contributed to an open debate about policy alternatives and to supporting trade unions in building the analytical capacity and the global networks for effective policy responses. The annual Global Labour Column anthology represents the analysis and perspectives of trade union and labour experts on just such policies. This third collection provides an analysis of the European economic and financial crisis – currently the most dramatic focus of the global crisis – and includes the responses of the labour and social movements, suggesting alternatives to the failed neoliberal economic paradigm.

The essays in *Confronting finance* cover a broad range of alternative policy responses: quality employment as the prime objective of fiscal and monetary policy; public investment to provide high quality public services and universally accessible public infrastructure; public development banks to provide funding for productive investment in the real economy; central banks committed to being lenders of last resort to counter speculative attacks against sovereign states; a financial transaction tax to downsize the financial sector; redistributive tax and welfare systems; industrial democracy to counter shareholder dictatorship; institutional and policy support for coordinated and centralized collective bargaining; minimum wages and full application of international labour standards to stop workplace exploitation; and a universal social protection floor to safeguard against extreme poverty.

As 2011 saw many European countries falter into deepening crisis, Part I focuses on the frustrations of labour and of countries hit hard by the crisis. It includes highly critical reviews by Bernadette Ségol and Frank Connolly of the path taken by the European Commission

in cooperation with the European Central Bank and the International Monetary Fund. The authors in this section argue that the European Union (EU) project is failing on its intent because surplus countries such as Austria, Finland, Germany and the Netherlands are not willing to actively help to rebalance Europe. Elmar Altvater and Birgit Mahnkopf go so far as to question whether the EU and the Eurozone are likely to survive this crisis, as does Jacques Sapir. While protests rage on, the trade union movement has found it difficult to identify a clear strategy to counter the neoliberal approach the EU seems to have adopted. Vasco Pedrina provides a sketch of the challenges and frustrations of organizing in a European context, arguing that the trade union movement must think beyond national borders and be willing to cooperate with other interested movements and political forces.

Clearly, there is a political dimension to this. Connolly brings to the fore the Irish experience of the “growth through austerity” package proposed by Germany and other surplus countries, and how these measures are being taken during a period of centre-right and right-wing dominance of Europe – a political climate that is also seeing the rise of right-wing militancy. Dan Gallin gives a reverberating account of the rise of ideological hatred leading to killing of young socialists and the assassination of effective socialist leaders in recent European history.

The essays in Part II expose how interventions based on neoliberal ideologies, many of which have now been in place for decades, have led to the economic collapse of entire countries, with fatal consequences in some cases. The impacts of capital flight in Africa are examined by James K. Boyce and Léonce Ndikumana, who warn of the unaccountable and even corrupt growth of debt on the African continent, while Milford Bateman provides harrowing insights into the failure of microfinance schemes in India, amongst other countries.

Labour has not been silent to this continued slide into inequality, but the authors in this volume also place a call to trade unions: in the face of these challenges, new strategies must be adopted to revitalize labour in order for it to reclaim an influential seat at the decision-making table, be it at the corporate, national or international level. Steven Toff and Jamie McCallum urge trade unions to seize the long-awaited opportunity of the energy behind the occupy movement to strengthen the US labour movement. Andreas Bodemer and Ellen Ehmke identify the ILO discussions on setting a social protection floor as a campaign opportunity. Indeed, as Frank Hoffer argues, the deeper engagement of trade unions with the ILO will be essential in actualizing the ideas behind the decent work agenda.

But while labour has its part to play, so too do governments, who need to consider new approaches to reducing inequality. As co-editor Nicolas Pons-Vignon points out in his introduction, the global South is no stranger to the imposed austerity of the sort experienced

by Greece, and the essays in Part V propose progressive policy initiatives. Hein Marais makes an argument for a universal income in middle-income countries. Richard Hyman pleads for economic democracy and Toby Sanger provides an argument for taxing finance. Malte Luebker demonstrates the scope and need for a more redistributive tax system. Change will require a shift in policy focus and a more inclusive economic paradigm. Christian Kellerman's "Plan B" urges that any new approach must be ecologically sustainable, and rather than lead to bubbles, inflation, deflation or excessive debt, it should lead to prosperity and social progress for all. Edward Webster closes the section by evoking a new labour paradigm that is emerging in the global South that situates decent work at the heart of a new development path.

This compendium of essays leaves readers with an energizing and firm conviction: fundamental change is possible and necessary; it is up to the 99 per cent to make it happen.

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