



Untitled (The Disasters of War 9), 2007  
mixed media (oil & acrylic on canvas)  
125 x 187,5 cm

Impressum:

transform! european journal for alternative thinking and political dialogue  
Edited by transform! Europe, Brussels  
Editor: Walter Baier (V.i.S.d.P.)  
Associate Editor: Eric Canepa  
Layout: tyopthese.at

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transform! 30 Rue Parnasse, 1050 Brussels, Belgium  
Publisher: Karl Dietz Verlag Berlin GmbH, Franz-Mehring-Platz 1, 10243 Berlin  
Tel.: 0049 30 29784533, Fax: 0049 30 29784536  
e-mail: info@dietzberlin.de  
Print: MediaService GmbH, Franz-Mehring-Platz 1, 10243 Berlin  
Price: 10 Euro, Subscription: 18 Euro for 2 issues  
ISSN 1865-3480

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# Editorial

Three major events prompted us eventually to modify the focus of the long-planned third issue of our journal dedicated to the "European Social Model". One of these is the global financial crisis, which not only affects the financial markets and cannot even fully be characterised by its coincidence with the emerging global recession. In his contribution, Joachim Bischoff sums up the explosiveness of the economic crisis thus, "It can no longer be denied that unfettered capitalism has discredited itself through its inherent logic".

The left will no doubt be intensively involved in the ramifications of this change in the near future. In November transform! europe and several of its partner organisations held a series of seminars on the topic which will also be one of our priorities in the year to come. Bischoff's text on "The Capitalist Crisis of the Century" anticipates our spring issue (number 4, scheduled to appear in March) in so far as it is dedicated to the financial and economic crises and their consequences.

"We have had enough!", the declaration published by Jean-Luc Melenchon and Marc Dolez, in Paris which announced, at the beginning of November their defection from the French Socialist Party. While the English and German issues of our magazine are at press, the consequences of this step for the French Left cannot yet be gauged in all its implications. Jean-Luc Melenchon's article "Social Democracy Is Over – We Need to Build the Left That Comes After" comments on the fundamental and strategic aspects of this process.

The third important event which we want to reflect upon at rather short notice is the election of the new US president. Even though there are still many open questions concerning the new US-Administration headed by Barack Obama, a spotlight deserves to be turned on the coalition helping him to victory. In it the liberally-minded voters with a traditional affinity to the Democratic Party joined forces with the underprivileged social classes. The extent and depth of the process of politicisation prompted by the Obama campaign become apparent from the voting decision of women. Harriet Fraad, psychologist, psychotherapist and left feminist, analyses these aspects of the election from a feminist perspective.

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The Austro-Irish artist Gottfried Helnwein is responsible for the illustrations in this issue. With his hyper-realistic pictures, whose most common subjects are pain, injury and violence, Helnwein (born in 1948) is certainly one of the best-known and at the same time most controversial of German-speaking artists.



Frankfurt art historian Peter Gorsen spoke of the “maltreated child” as the core conception in Helnwein’s imagery which conveys the physical and psychic suffering afflicted by one man on the other. This is closely connected with the central aspect of his work, his engagement against authoritarian education, the arms race, environmental pollution and psychiatry.

Although Helnwein’s works are rooted in an Austrian tradition going back to the 18<sup>th</sup> century, elements of American pop-culture have also been integrated from the very beginning. In doing so, Helnwein uses motifs and forms of popular culture in part with a caricaturing, in part a grotesquely alienating intention. Brecht and Benjamin’s maxim of “not picking up the old and good, but the new and bad” has been determining his by now work since the 1970s which is world-famous by now.

In this context it is impossible to present a cross section of his numerous exhibitions on all continents, his stage designs, books and prizes that could be called representative.

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**T**he focus of this issue of transform! is the debate on the European social model. In twelve contributions by authors from seven countries the subject is explored from different perspectives.

With this issue, the magazine is appearing in six languages (English, Greek, German, French, Portuguese and Italian). We are currently working on improving the presentation of the magazine on the internet.

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**B**eginning in 2007 the transform! europe network was officially acknowledged by the Party of the European Left as the political foundation associated with it. At present, it consists of 16 member organisations from 13 countries. Some of its constituent organisations are close to national parties which are not members of the Party of the European Left. This is the case, among others, for the partner organisations in Scandinavia. Other members or observers of transform! Europe define themselves as independent of parties.

This specific feature of inner diversity makes it possible for our network to maintain working relations to extremely diverse forces within the social, political and cultural left and thus to contribute to the development of a common political culture of the European left. In this spirit, transform! took part in the European Social Forum in Malmö and is involved in the preparation of the World Social Forum in Belém (Brazil).

From 2009, and on the basis of the official acknowledgement by the Party of the European Left, transform! will receive an annual budget

from the European Union which will allow us to establish and maintain a small staff.

Its new status, and the continuous enlargement of the network as well as the increasing complexity of its tasks required the development of a new working structure. In the place of Michael Brie who directed the founding process of transform! europe as the Legal Representative, a three-person Management Board was elected consisting of Ruurik Holm (Left Forum, Finland) as the new Legal Representative, Elisabeth Gauthier (Espaces Marx, France) and Haris Golemis (Nicos Poulantzas Institute, Greece), who, together with its coordinator the writer of these lines, will facilitate the work of the network.

We hope you find our journal rewarding and useful.

**Walter Baier**

For further information on Gottfried Helnwein, please visit:

<http://www.gottfried-helnwein.com>

[http://en.wikipedia.org/wiki/Gottfried\\_Helnwein](http://en.wikipedia.org/wiki/Gottfried_Helnwein)

[http://de.wikipedia.org/wiki/Gottfried\\_Helnwein](http://de.wikipedia.org/wiki/Gottfried_Helnwein)



Lichtkind, 1972  
Silver Print, Grattage

# Social-Democracy is Over: We Need to Build the "Left That Comes After"

Jean-Luc Mélenchon

The call for social-democratic conversion was the privileged formula of a large part of French Socialist leaders as well as left journalists in response to the 2007 electoral defeat. However, none of them ever explained what they meant by "social-democratic model". In my book "In Search of the Left" (*En Quête de gauche*) I presented extensive research on the social-democratic government discourse and practice in the principal European countries from the 1990s on. The conclusion is unambiguous: social-democracy, as a strategy and as a programme that can offer people an alternative, is just as dead as state communism. However, the capitalism of our era is entering a phase in which it is once again unleashing financial, social and ecological catastrophes of unequalled scale. With the dramatic evolution of the ecological crisis, many are wondering if this time it is not human society itself that is at stake. In the face of this extraordinary situation we find ourselves without a political model, whence the importance of having a reliable compass of principles in order to map out new paths.

## A Theoretical and Strategic Impasse

Social-democracy, which dominates the European left, lacks strategy and an alternative programme because it has not taken full cognizance of the ways in which the nature of capitalism has changed in our epoch. It is in a theoretical and strategical impasse which is emphasised by its impotence in the face of the current financial crisis. For a long time now it has seen its methods as being the only alternative. Within liberal globalisation it has done nothing but reproduce the old 19th-century social-democratic strategy which consisted of wresting advantages for the workers within the framework of capitalism on a national scale. This strategy has been totally exhausted once capitalism changed its nature and its scale. The transnationalisation of capitalism and its radical reorganisation around the unique imperatives of the financialisation of all sectors of the economy are misunderstood and poorly analysed within the Socialist International. In effect, while in the

Shortly after writing this article, and considering the decision of the French Socialists who in their congress approved by 80 % the political positions of the outgoing majority of the PS, Jean-Luc Mélenchon made the decision to leave the PS and found a new party called *Parti de Gauche* (Party of the Left). In his declaration he observes that in the vote of his party's militants "the positions which are prevalent throughout European social-democracy have won out even though they have everywhere led to defeat. These positions support the Europe of the Treaty of Lisbon".

The Party of the Left defines itself as a project of breaking with capitalism and whose horizon is the "social republic" as formulated by Jaurès.

In the face of the dispersion of the forces of the alternative left, he proposes that it gathers in a single left front based on precise positions, and for a specified period of time. In this framework, the upcoming European elections take on a very special significance. Mélenchon has responded positively to the public appeal of the PCF to constitute a progressive European front of the left for the elections and to work for the success of this front in to show that the French people do not want the Treaty of Lisbon and want to see another Europe.



national context the industrial capitalist can have an interest in discussions with trade-unions and in weighing in on the definition of norms, in liberal globalisation, finance capital no longer needs to make any political or social compromises to balance what it gets from labour. The balance of forces in favour of capital that results from transnationalisation is all the greater that it is badly understood or is taken as a law of nature.

This form of capitalism weakens the possibility of grasping the whole picture. The financial sphere has subjected all areas of activity of societies to its norms. This state of affairs does not fall from the sky or from some spontaneous movement connected to the development of science and technology. Globalisation is first of all a political phenomenon. It functions as a new form of domination to the benefit of rent. It is the dictatorship of shareholders. We see therefore everywhere in the world a terrible pressure to grant the market sanctuary, to put it out of reach of collective decision. That is what the project of the European Constitution tried to do, proclaiming "free and not falsified competition" to be the central principle of the European Union to which all else had to be subordinated. This new age of capitalism is allergic to popular sovereignty. A dull tyranny is insidiously taking hold in the form of a generalised *laissez-faire*. The market can only have itself as regulator, so it goes. As a consequence, its principal adversary is a citizenry that meddles with it by establishing norms and laws that can be opposed to the impulse of the market. It therefore tries everywhere to roll back the norm based on the general interest, and the citizenry that expresses it, as the mode of conduct of public affairs.

In these conditions, the social-democratic creed of "regulation" of capitalism falls on deaf ears and cannot have any hold on reality. How indeed can we regulate a reality that does not submit itself to structures of deliberation and of public decisions? How can we regulate a system whose objective is precisely to free itself of all the constraints that could limit, direct or slow down its expansion?

This major contradiction of social-democratic discourse regarding regulation explains why social-democrats are so disarmed in the face of the current crisis of capitalism. Since they refuse to think of surpassing capitalism and to propose breaking with the present order, they are reduced to supporting at all costs the rescue and patching up of the system.

## **Social-Democracy Against the Social State: The European Example**

When one facilitates liberal globalisation one does not wrest any compromises and ends up by simply accompanying the movement of the world the way it is or even by taking the lead in the destruction of the

social state, for instance as the German, English, Swedish or Danish social-democrats did.

## The Dismantling of the Social State

The right to retirement is an emblematic example of this because it is an essential marker of the welfare state built by the left. On this point the social-democratic cave-in is universal in Europe. In all countries there are plans to raise the retirement age to an ever higher figure, up to and beyond 65. Tony Blair established a record in 2006, raising the age to 68. In Germany, starting in 2001, Schröder promoted private supplemental pensions through capitalisation. After this, the grand coalition, whose minister of social affairs is a social-democrat, decided to raise the retirement age to 67! It should be added that in order to get the full rate, one has to have paid contributions for 45 years. In this the German social-democrats surpass the French right-wing!

The conversion of most social-democrats to the liberal doctrine of "less state" has also been translated everywhere into severe cuts in public expenditure. Not only did Blair not reconsider the privatisations occurring in the Thatcher era; he himself attacked what remained of the public sector: air traffic control, prisons, nuclear, urban transportation... Likewise in Sweden the social-democrats have been the pioneers of liberalisation. Starting in 1993 they closed a record number of post offices such that Sweden now has the worst rate of accessibility of postal services in all Europe.

Redistribution through taxes, which was a pillar of social-democratic programmes, has also been abandoned. As the head of Denmark's government from 1993 to 2001, Poul Nyrup Rasmussen, current president of the European Socialist Party (PSE), did not hesitate to abolish the tax on wealth. Schröder also accomplished liberal feats in the fiscal department. Under his instigation, the highest tax rates on revenue went from 51 % to 42 % and the tax on profits from 40 % to 25 % ! And that was nothing in comparison to what his heir apparent Peer Steinbrück just did as the grand coalition's Finance Minister – he has just gotten the tax rate on profits decreased from 25 % to 15 %. Today Germany is the European champion of fiscal dumping.

## Alliance, Then Government With the Right

Blair and Schröder did not hesitate to negotiate adoption of the most controversial texts with the right. In Germany this was the case with the Hartz IV reforms, voted in 2004 thanks to the help of right-wing votes. And in March 2006 Blair got privatisation of the financing of secondary

schools passed with the help of the Conservatives.

Since social-democracy can no longer manage to be majoritarian alone, it has no hesitation in allying with right-wing, conservative or liberal parties, in the name of "a government of the better" and of "the only politics possible". Sometimes this alliance is even forged when a left majority is possible.

The most important example is that of the grand coalition CDU / SPD which has governed Germany since 2005. However, this is also the case in the Netherlands where the Workers Party has been in coalition with the right since the end of 2006, in Austria since January 2007, or in Finland where the Social-Democratic Party governed with the right up to the elections of March 2007. And even when this strategy ends in an electoral defeat and the advance of the extreme right, the social-democrats stubbornly persist as in Austria where they are renewing their grand coalition with the conservatives. There is a particular serious point to note: In almost all of these cases, the social-democrats are not leading the government. The Prime Ministers are right-wing: Angela Merkel in Germany, Jan Peter Balkenende in the Netherlands. That is, these are not coalitions in which the left takes the support it can get in order to govern and carry out, despite all, a part of its programme. On the contrary, it is the left that is giving a leg up to the right so that the latter can govern. And this strategy is speeding up the crisis of the social-democratic parties' relation to its electorate.

## An Electoral Disaster

The social-democrats have lost 13 of the last national elections in Europe. And even when they only barely succeeded, the reality of the results was calamitous. Thanks to the electoral system Labour has 55 % of seats in Parliament with only 22 % of the votes of registered voters ! Theirs is also the weakest score of a winning party ever recorded in the country's electoral history. Blair's party went from 13 million votes in 1997 to 9 million in 2005. And with him the people have largely fallen into abstentionism which has gone from 25 % in 1997 to more than 40 % in 2005, and even to 77 % in the European elections.

The collapse is all the more impressive for the German SPD which lost the last 12 regional elections. Therefore, if the left has remained a majority in the country since 2005 this is solely due to the score of the new party of the left, Die LINKE ! But the SPD preferred to govern with the right...

In Sweden, the first unhinging took place in 2003 when the Swedes rejected by 56 % the adoption of the Euro defended by the social-democrats. Then in 2006 the Social-Democratic Party was removed from power having its worst score since the adoption of universal suffrage in Sweden in 1921.

In Denmark, after having exercised power from 1993 to 2001 under the leadership of the moderniser Poul Nyrup Rasmussen, the Social-Democratic Party foundered with 25 % of the votes in the 2005 election.

## **The Impotence Experienced at the European Level**

Social-democracy's impotence was spectacularly displayed when from 1999 to 2000, it led 13 of the 15 governments of the European Union. The balance sheet is one of the most meagre. The facts showed that all of the talk of a social-democratic alternative benefiting from the European framework was without any concrete content. The lesson is that whether or not the parties of the PSE are in the majority nothing changes. For example, at the time of the European Convention preparing the Constitution project the PSE delegation was led by the Italian social-democrat Giuliano Amato, a former Communist. He proposed almost no concrete amendment to the project presented by Valéry Giscard d'Estaing's presidium, while conversely Christian-democrats and liberals had plenty of amendments. This episode makes plain how the social-democrats have given up being, however little, a political force for an alternative to the dominant model.

Closer to us, for two years now it is even the social-democratic leaders who, in the European Parliament, are the motor forces behind projects as frightening as the Great Transatlantic Market, through which the US government has found an additional way to bind Europe to its strategy. Atlanticism has become a constant in social-democratic discourse, which thus deprives social-democracy of any autonomous political strategy in favour of peace.

## **Social-Democracy Against the People: The Latin-American Example**

To confront the neoliberal hurricane which erupted early on in Latin America, it was at first to the social-democratic parties that the people turned. In Bolivia (MIR), in Brazil (PSDB), in Venezuela (AD) or in Peru (APRA), the social-democratic parties, often affiliated to the Socialist International, promised to reduce poverty (while modernising the economy" through neoliberal measures. Since that time, despite electoral alternations, the same economic policies continue to be pursued. The failure of these policies led to bloodbaths and the total explosion of the traditional political arena.

In these countries, the social-democrats did not content themselves with applying liberalism but also ferociously repressed the people themselves. In 2000, the Bolivian government, in which the social-democrats

of the MIR participated, responded by the imposition of martial law. In 2002-2003, the "gas wars" witnessed an attempt of the poorest population strata to blockade the country to impede the pillage of their resources. The government responded by dispatching the army against the insurgent neighbourhoods resulting in more than 100 deaths. In Venezuela, it was around the fall of purchasing power that the rebellion was built: on February 28, 1989 – says "Caracazo" – the crowd demonstrated peacefully in Caracas. It was encircled, then massacred by the army in accordance with the Avila Plan decided by the social-democratic president Carlos Andrés Pérez – 3,000 dead ! In Argentina, the repression of the popular movement by the social-democratic president De la Rúa caused 100 deaths, although the army refused to obey the order to intervene, which the president dared to issue.

The balance sheet for the traditional left was terrible at that time. In all of these countries the impossibility of answering the needs of the population while promoting liberalism in the national framework made clear for the great majority the impasse of social-democracy which was unable to launch an alternative and took responsibility for repressing those who tried. Under these conditions, the old social-democratic parties were quite simply eliminated from the political landscape, deprived of any social base (AD in Venezuela, MIR in Bolivia, Liberal Party in Colombia). Elsewhere, other social-democrats only managed to linger on by occupying the political space lost by right-wing parties in disarray. This is notably the case in Brazil and in Peru where it is the social-democratic candidates (Alckmin in Brazil, Alan García in Peru) who today are achieving the unification of the right.

## **From Social-Democracy to the Democratic Party: The Risk of the Disappearance of the Left**

The Latin-American experience shows that the liberal drift of the social-democratic parties can sometimes cause the left to disappear from the political landscape. One of the stages of this disappearance is the transformation of social-democracy into a mere "democratic" current. The original source of this swing to a kind of "post-left" is located in the US in the "modernising" turn that Clinton and the neo-Democrats imposed on the US Democratic Party in the 1980s. I demonstrate in my book "In Search of the Left" that the Blairites and other adepts of the "Third Way" in all countries draw from this one source. The Italian example is very revealing about this slide. In organising the realignment of social-democrats within a "great" Democratic Party open to centrists, Romano Prodi and Walter Veltroni have literally destroyed the Italian left. In the last legislative election, their strategy not only allowed Berlusconi to win with a 10-point lead, but, for the first time since 1895, there is not a sin-

gle parliamentarian elected as a socialist, nor, for the first time since 1946, as a communist.

The French Socialist Party (PS) is not safe from such a transformation. Prepared in small doses by Hollande during his 10 years at the head of the PS, this ideological transformation was incarnated openly for the first time by Ségolène Royal in the presidential campaign – with the defeat which was predictable from the beginning. Most leaders of the French party have learned no more lesson from this than the Italian leaders did from their defeat. During the current preparation for the PS's Reims Congress some will be content to change candidate while retaining the same line. I and my comrades in the PS left are explaining that the party should no longer be committed to this path. That is our first objective in this congress. We sum it up by saying that we want to prevent the final transformation of the SP into a democratic party. The outcome of the Congress will therefore be crucial for the future of the French left itself. If the old factions of the party's majority were to keep their positions it would mean a situation of total impasse for our party's left. It would once again be condemned either to agree to policies which would ruin the expression of its autonomy or to internal marginalisation. This situation will be all the more serious as it would be the third confrontation of this party with major events in the face of which it has either shown its impotence or shown its hostility to the popular will. Let's look at it without mincing words: In 2002 the candidate was beaten in the presidential election in the first round. In the following congress those responsible kept their positions. In 2005 the party came out for the "yes" in the European Referendum, and the people voted "no", especially in the left's working class zones. The leaders were kept once again; but the socialists who were partisans of the "no" were put into quarantine. In 2008, just before the greatest crisis of world capitalism, the party adopted a declaration of principle which praised the market economy. Then, during the financial crisis, the socialist groups in the legislatures settled for abstaining from the vote in favour of the bailout plan for the banks despite its total lack of measures to protect workers and the real productive economy. Thus, in the face of three major crises of French society, the PS had no other response but to support the status quo and align itself with the policies proposed by its right-wing competitor.

## **French Socialism's Originality: Social-Democrats and Social Republicans**

The democratic mutation of the PS would be all the more striking since historically and ideologically the French party has always distinguished itself from social-democracy by affirming an original model of "republi-

can socialism". It takes as its source an event preceding the emergence of the social-democratic movement: the Great Revolution of 1789.

For social-democrats in general, all moral and religious values are nearly equivalent and all are acceptable within the respect of the right of everyone to be different. The institutional forms of political democracy are judged according to their aptness to come to decisions in a reasonable manner. Social-democrats are not really concerned to know if these institutions are at the same time consonant with the declared principles of common life, as is the case in the Republic. On the contrary, French socialism, whose pillar was for a long time the social-republicanism of Jean Jaurès, always leaned on a more globalising vision of history: "At the very moment that the wage-worker is sovereign in the political order he is, in the economic order, reduced to a kind of serfdom", Jean Jaurès declared. In this vision, political action subjects the whole of social relations, including relations of production, to collective deliberation. Moreover, it needs ceaselessly to reconstruct them in order to perfect them according to an absolute requirement: the general interest. And the latter is not the sum of individual interests. That is why Jaurès states in the same speech to the National Assembly in November 1893: "socialism proclaims that the Political Republic must lead to the Social Republic". This is what I call historical socialism in France.

Therefore, in France it is not only the social state that the capitalism of our era threatens. It strikes at the very identity of France which is based on the existence of a sovereign political collective, a legal community one and indivisible, and of the definition of the general interest. Throughout the world, less strong national structures have already crumbled under the battering ram of the new age of capitalism. Before our eyes in Europe nations are undergoing fragmentation, as in Belgium, Italy or Spain...

In this context, a high price will be paid for the eclipsing of republican consciousness organised by the PS's "democratic" current and various sectors of the extreme left of the country. The dismantling of the basic supports of the republican form of our society is neither perceived nor fought against by them. The comprehension of what the right is aiming at is stunted and reduced to futile isolated protest, on a case by case basis, without the capacity to show the coherence of the liberal counter-revolution, nor its long-term implications for our society. It seems to me therefore urgent to re-establish the presence of the critical term socialist republicanism in the public arena of my country. And it is vital that it is from the left that the return of this goal of the republican refoundation of France and of Europe is launched.

## The Need to Reinvent the Left

The numbing of the left in France can lead to worse things, including an Italian-style collapse. The "democratic" line, at first developed by Clinton then Blair, is progressively spreading to all of the socialist left. Its essential principles are clearly identifiable: First, to reject the frontal opposition between left and right. Then to reject the strategy of gathering together the left – to the benefit instead of a political rapprochement with the "centre". Finally, to relativise the question of sharing the wealth as an essential issue of the social and political arena. One cannot but note that this line does not bear up under the impact of the electoral campaign nor that of opposition. Already the paralysis is reaching the whole organism of the main section of the left, and from there it is contaminating the whole space of the left. Tomorrow, if the PS's temptations to change alliances win out, the consequence will be a split and the encouragement of sectarianism, which could destroy the entire left.

For lack of combat watchwords, for lack of political organisation capable of carrying the counter-offensive, may engaged citizens are drifting or are being discouraged. The first duty of a left conscience is not, however, only to comment but also to act, to do something.

I think, as do many other socialist militants and, I think, as do the still more numerous socialist voters, that France has space for a programme and a party that is anchored in an orientation of historical socialism, for which our history has given us the means. This is the condition to dynamise all the left in its diversity. In the face of the current political void created by the ideological and practical breakdown of the PS which dominates the left, I think that the socially transformative left must respond to the need for a new political force. The question is to know from where this proposition has to start. I exclude nothing. The SP could make a choice. This would be the most convenient and would cost the least energy. A new popular front could be the new force, if it were open to all of the left without exclusions, and if its programme took up the great social and republican reforging which the country needs. However, I have no intention of deluding myself with hopes whose expiration dates are always postponed. I know that this question has to be resolved before the election of European deputies, for the latter will be the concrete response to numerous political questions raised on the left given the total enfeeblement of the social-democratic parties to the Treaty of Lisbon. There is no lack in the world of examples that show that a very audacious reinvention of the left is possible. The German experience of Die LINKE, as well as the Latin-American experiences of reinvention of the left, can permit the sketching out of axes to bring alive this proposal of a new force. Socialists, communists, Trotskyists, ecologists, republicans and altermondialistes – today we have the responsibility of opening up a path other than that of the disavowal which threatens the extinction of the left.



# Capitalism's Crisis of the Century

Joachim Bischoff

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There is still no end in sight to the global financial crisis that has been raging for over a year. The potential for crisis will continue to preoccupy financial markets and investors until well into 2009 and hover over the stock markets like the sword of Damocles. The capitalist world system is being shaken by the most severe turbulence in the financial system since the world economic crisis of 1929. Stock markets have lost around 40 % of their value<sup>1</sup> since their peak in October 2007, while fire sales have forced down the price level of many of the securities not traded in the markets. Ex-US Federal Reserve chief Alan Greenspan is right to call it the crisis of the century. Since the spring of 2007 a process of devaluation has been sweeping across the balance-sheets of financial institutions and still has the potential to gather momentum.

Devaluation means, starting with a rapidly growing number of mortgage loans, that homeowners can no longer afford to service through interest and principal payments, that almost all types of securities are downgraded from their nominal prices to current market listings. Shares too are sucked into the downward spiral. All previous records have already been broken: The value adjustments to September of financial institutions alone are estimated at around 600 billion dollars. Corrections in stocks and shares amount to over 20 trillion dollars worldwide compared to the highest level. In the USA, around 900 billion dollars of public money has so far been invested in an attempt to ease the financial crisis. The bank bailout plan for "distressed loans" and troubled stocks and shares was passed by the US Congress in the teeth of strong opposition – not just on account of the gigantic sum of 700 billion dollars, but also because of the terms.

The bailout package has been improved in several areas. It now includes more protection for savings and deposits, as well as additional measures aimed at stemming the wave of forced house sales. Politically, the modified bank bailout plan can be summed up thus: the initially dominant focus on "Wall Street" has been realigned through a series of components in favour of the average "Main Street".

The mortgage institutions Freddie Mac and Fannie Mae, which up until mid-2008 were only half state-owned, have been fully nationalised. The risks involved in this huge nationalisation operation have been largely underestimated. The key to the current crisis lies in a massive real-estate bubble in the United States, where there are loan agreements for

<sup>1</sup> On October 9, the Dow Jones Index reached an all-time high of 14,164 points; by 10 October 2008 it had fallen to 8451.

around 12 trillion US dollars. Because the prices of houses are now in chronic freefall, more and more people are defaulting on their mortgage loans, i.e. they are no longer able to service them through interest and principal payments. Almost 50 % – i.e. mortgage loans to a value of 5.4 trillion US dollars – are held through Fannie Mae and Freddie Mac. Despite their semi-nationalised status, these institutions quickly collapsed, because they could no longer sustain such a level of debt with equity of only 40 billion dollars and increasing depreciation. Even the planned recapitalisation of a further 200 billion dollars by the US government would not compensate for the expected losses. Overall, the average fall in real-estate prices is expected to be between 20 and 30 percent. The now nationalised mortgage institutions will have to adjust to a volume of losses amounting to more than one trillion dollars. It is therefore logical that most experts should remain unimpressed by the current rescue position for Fannie Mae and Freddie Mac. The dubious nature of the bailout package is also evident in another respect: Congress has approved 300 billion US dollars for the mortgage insurance broker Federal Housing Administration. As part of a government programme, distressed loans will be refinanced and backed by state guarantees. Containing the real-estate crisis will demand far more public money than this.

By coming to the rescue of the big banks and nationalising a large percentage of mortgage loans, the Bush administration hoped to have shored up the financial system. But that was before the collapse of the American International Group (AIG) smashed all previous records.

During the boom of the international financial markets, the insurance industry added a new business category to its repertoire, so-called “financial products”. These allowed financial institutions to insure themselves against credit risks and failures. At the height of the stock market bubble, AIG had taken on insurance for 441 billion US dollars worth of securities. Almost 58 billion dollars of these relate to the segment of subprime mortgage loans. The wave of insolvency and value adjustments dragged AIG inexorably down into the vortex of the crisis. At the beginning of October, the US Federal Reserve loan to AIG amounted to 122.8 billion US dollars. The group, which at the height of the asset bubble had a market value of over 190 billion US dollars, was left trading at just 7.4 billion dollars at the time it was rescued by the FED. The loan from the Federal Reserve is covered by securities, and the US government has taken an 80 % equity stake in the ailing concern.

The jury is still out on whether the measures taken so far will work. The US government has indicated that it is ready to do whatever it takes. It will use all the means at its disposal to stabilise the financial system. And that includes direct nationalisation of financial institutions. As in the United Kingdom, the US government is ready take over central banks and to get credit flowing again by injecting new capital into the frozen system.



The chain therefore looks like this: it starts with massively inflated real-estate prices – followed by mortgage loans that are not backed by adequate deposits. The collapse in housing prices drags mortgage loans, the banks and other financial institutions into the downward spiral. This leads to the drying up of credit transactions between the banks. Intervention from the central banks only escalates the loss of confidence. The price of some stocks is determined by fire sales and all types of securities suffer a major devaluation compared to their peak values. Insurance policies on loans are also drawn into the crisis. At another level, the life-insurance brokers have many of their reserves invested in stocks, bonds and securities. In Japan, one large life insurance company has filed for bankruptcy.

## The Shock to the German Banking System

Germany has not been exempt from the growing demands for a widening of the regulation and safety net. Owing to the specific consequences of reunification with the former GDR, Germany has had to assimilate a huge amount of real-estate stock, which has depressed prices over the last few years. For this reason Germany did not participate in the international boom in property prices (as Japan also did not). Moreover, Germany has a much stricter code of practice as far as property loans, etc. are concerned, and on the whole banks have a higher equity ratio. Not least, the extensive network of savings banks and cooperative banks contributes to greater stability in the financial system. On the downside, the majority of commercial and state banks were involved in the absurd financing of the asset bubble. In addition, Germany's specific export predominance makes it heavily dependent on developments in the international economy and on turbulence in the currency system. So the need for a bank and credit bailout plan exists in Germany too, to prevent the failure of banks and a collapse of the credit system.

The Federal Government has been working hard on a rescue plan for the troubled real-estate finance company Hypo Real Estate (HRE). Allowing this company to collapse would have massive repercussions for Germany's financial community. The bank is one of the largest sources of finance for government funds, regional authorities, the *Länder* and the commercial property market. Were no solution to be found for the Dax-listed group, this funding would be significantly affected. That would have consequences for the whole economy, while at the same time massively exacerbating the crisis of confidence in the banking community.

HRE got into difficulties because of liquidity problems with its state financing subsidiary Depfa. Depfa, which is based in Ireland, had problems refinancing on the capital market following the collapse of the US

investment bank Lehman Brothers. The credit crisis dried up the market, leaving Depfa with a huge liquidity gap.

The original bailout plan put together by the German government and the financial industry provided short-term credit of 15 billion euros and long-term refinancing of 35 billion euros into the second half of 2009. This rescue plan, of which the Federal Government was prepared to guarantee 26.5 billion euros with the German federal banks putting up 8 billion euros, fell apart. The reason was that HRE needed "significantly more" funds than had been assumed. Up to 50 billion euros would have been a more realistic estimate. This is because the situation of its subsidiary Depfa has deteriorated massively. The rescue measures for individual banks are – as in the USA and the other leading capitalist countries – merely stop-gaps.

## The Real Source of the Problem

So what is the reason for the ferocity and longevity of the financial crisis? We are facing more than just the consequences of some rather large speculative transactions. It is rather that for a long time now the financial system has been disengaged from the real depreciation of assets. Before the beginning of the crash in the early summer of 2007, the financial superstructure, the artificial construct sitting on top of the real global economy, was overvalued by as much as four times. However, you can't eat securities. All these products have a hard core: their owners have a claim (in the form of interest) on the results of total economic output. Forms of revenue not based on output had reached a multiple of the disposable annual results of the real economy. It was long overdue: the pyramid of claims collapsed before our eyes. The current corrections on the stock markets amount to a re-dimensioning or obliteration of titles of ownership (= claims on parts of society's wealth).

As we have said, the key to the crisis lies in a massive real-estate bubble in the United States, where there are loan agreements for around 12 trillion US dollars. Because house prices are now in chronic freefall, more and more people are defaulting on their mortgage loans, i.e. they are no longer able to service them through interest and principal payments.

Neoliberal policies have been encouraging consumers to go into debt for years. Now even true devotees of the capitalist system are observing the decline in middle-class values with bewilderment: "America has turned itself into a fiscally unbridled, irresponsible, short-sighted, debt-ridden society... Today we basically have a personal savings rate of 0% of available income, in some months even a negative savings rate, whereas 15 years ago this stood at around 8 or 9 per cent." (Peter G. Petersen, Chairman of the Blackstone Group, writing in the *Frankfurter Allgemeine Zeitung* on September 18, 2008). The (over-) indebtedness of

private households and the public sector is now experiencing a long-overdue and painful correction.

Yes, the middle classes in the USA have been living beyond their means. This can be seen from the mountain of debt accumulated by private households, a mountain that can no longer be sustained under growing pressure from conflicting attempts at (re-)distribution. The same can be seen in the public debt (over 10 trillion US dollars) and the USA's extreme dependence on the influx of capital in order to meet its many consumer demands. With the recognition that a re-proportioning of production, revenue distribution and consumption is now due, comes the hope that greed will disappear from economic life. However, the gross imbalance in the ratio between earnings and capital cannot be ascribed to the greed of the capital and wealth holders and their helpers. We are dealing with a rupture between the logic of "put your money to work" and the actual process of generating value.

However, we should not point the finger only at the USA, although it is certainly the epicentre of the tornado raging in the financial markets. In Ireland, the United Kingdom and Spain and other neighbouring European countries, property prices are also in decline. And on the periphery of the capitalist world system, other consequences can be seen: the annihilation of credit instruments and securities is the prelude to a shrinkage in the real economy.

What are the government bailout plans worth and what are the alternatives?

Financial experts mostly agree that the key challenge is to restore confidence. Only through state intervention, such as the 700 billion dollar bank rescue package now passed in the USA or the state guarantees afforded to banks in the UK, can confidence be restored.

Equally, these rescue packages only make sense if they also have a strong social component, i.e. they include affected homeowners and small savers and pensioners. On the other hand, much greater emphasis must be placed on the effects of the financial crisis on the economy. Because in many countries the crisis is already starting to have an impact on the real economy. The global financial crisis is being followed by a shrinking of the real economy, which will last all the longer if counter-measures are not taken.

Finally, we can say that the players in the financial markets have short memories. If the statutory regulators do not work together more closely worldwide and ensure better identification of transnational systemic risks, there is a danger that the expensive US bailout package and the measures taken by other states will be nothing more than "fast food".

Support measures – rescue plans for banks, more loans from the central banks, etc. – can prevent a major collapse, but no more than that. Not only are the banks urging that they be allowed to unload their depreciated stocks at "fair prices" on the central banks or on rescue com-

panies. They also want the central banks to guarantee the liquidity of the credit system. The financial institutions that have been hit are only partly asking for direct state investment. Last but not least, the banks would welcome it if the "market to market" rule were set aside or at least handled with more flexibility. This financial reporting rule currently forces them to value their own assets on quarterly balance-sheets at a level for which there is no pricing on the market or whose structures are massively distorted as the result of fire sales. All these efforts abstract from the fact that we have to reduce the debt pyramid of fictitious capital securities.

In Europe, too many banks are experiencing problems caused by the bubbles which are now bursting on the property markets in Spain, the UK and Ireland. The dip in house prices will prove more serious for some than in the United States. In Greece, Italy and Portugal too there will be trouble with loans on overvalued properties. Furthermore, a large number of European financial institutions have bought these toxic securities from the USA and have yet to acknowledge their loss in value. Many have debts that are much higher relative to their equity than even American banks. On top of that there are the credit losses, which are now being accompanied by recession. But precisely because of the wide variations in the starting conditions on national property markets, the differences in banking and mortgage systems, and the different extent to which national systems of social security are involved in capital markets, there can be no one-size-fits-all European solution, though there may well be agreement on the outline principles of a rescue plan (a kind of European New Deal).

The European Central Bank must cut interest rates. At the same time, governments should set about auditing the banks and deciding which they can allow to go bankrupt and which they have to save. We need a system in which all finance companies above a certain size are subject to the same rules on how much equity they must hold in relation to their debts, as well as reporting regulations. And these rules must be binding and not permit any new exceptions. The self-regulation that governments have relied on up until now simply led to there being no functioning regulatory mechanism at all by the end.

The purchase of "toxic", unsellable loan packages is only the first step. This must be followed by a programme of wholesale reduction in the volume of mortgage debt of private households. Very many households are practically insolvent, and can no longer afford the high repayments. If a country or a company is insolvent, their debts are written off so that they can continue to operate and start growing again. That is exactly the situation now for private households in some of the large developed capitalist countries: they are over-indebted and must be helped. In a third step, the banks must finally receive new capital, whether from private sources or from the state, if they are ever to start operating again nor-

mally. All three steps together could provide a solution to the credit crunch.

It is essential that homeowners are helped to reduce their debts and allowed to refinance the remainder at a low rate of interest. A very similar programme was used successfully by the US government to deal with the consequences of the Great Depression during the 1930s.

At present, the art of government regulation consists of:

1. Assisting in the long overdue process of a correction in title values in a socially responsible manner. Not all securities can be maintained at their nominal values, but on the other hand old-age pensions, social-security benefits and savings deposits must be protected;
2. Shrinking the capital superstructure while avoiding a collapse of the credit, monetary and currency system;
3. Finally, it must counteract a severe recession without entrenching all existing ownership and distribution structures.

Governments have completely taken their eyes off the massive downturn in the economy. Consumer spending has been falling for four months, and this makes up 70 % of total economic output in the USA. Even official data is predicting negative growth in the third quarter. And the same goes for all highly developed countries, be it in the eurozone or in the UK. We should prepare ourselves for a long, hard recession. Of course, some people made a lot of money during the boom, but at the final reckoning the crisis makes everyone a loser. Billions have been wiped out, and many people are also going to lose their jobs and income.

The real challenge therefore lies in the fact that the serious credit crisis is the prelude to a hard recession. What is likely to be many years of decline could be rendered less severe. The European Central Bank must cut interest rates further. We need a system in which all finance companies above a certain size are subject to the same rules on how much equity they must hold in relation to their debts, as well as reporting regulations. Some countries need a moratorium on mortgage loans. Finally, we urgently need to launch a comprehensive programme of public investment. All this must be accompanied by a reorganisation of distribution ratios, i.e. we must return to rigorous taxation of business and capital income.

Left-leaning or socialist alternatives must be based on national circumstances. For example, even politicians of the right acknowledge that the "Berlin Republic" has also allowed itself to be led up a socio-political blind alley by the EU Commission. The European Commission wanted the system of savings banks and cooperative banks also to be subject to the freedom of the capital market. This destruction was averted. We could encourage this further and – with some accompanying measures – not only give many people the protection they want for their savings, but at the same time lay the basis for a new focus within the credit system on the needs of small and medium-sized enterprises and regional economic and revenue cycles.

## What comes after neoliberalism?

The publisher of the *Frankfurter Allgemeine Zeitung* Frank Schirrmacher asks<sup>2</sup>: "Who will we have become when this is all over?" His answer: "For the acute threat currently facing our social order, 'greed' is the least harmful of all explanations... societies became civilised precisely in order to prevent what now seems possible: destruction through the reckless behaviour of individuals... But because millions of Germans over the past decade have been urged to reorganise their lives along neoliberal lines, to trust the financial markets and mistrust the state, this is now the position of every individual. They must now realise that the rationale of their most important life decisions was based on a purely speculative system."

The global financial crisis not only affects the financial markets and it is not solely about overcoming the looming world recession. More than this has broken down: Neoliberal ideology promised a reasonable and happy correlation between the individual and globalisation, which with the bursting of the asset bubble is now at an end, including on the economic level. It can no longer be denied that unbridled capitalism has discredited itself through its own logic. The virtues of the genuine businessman were writ small, while greed, arrogance and an absence of social and national loyalty were extolled. The obvious failure of the secular project of unbridled capitalism has not yet worked itself out.

The predominance of the financial markets was micro-economically converted into a hegemony of "shareholder value", which accelerated the reshaping of the business landscape and led to an expansion of financial transactions. Corporate governance in business is changing. It is all about streamlining the value-added chain, drastically reducing cross-subsidies between business segments, shortening the time-to-market process for new products and optimising innovations by buying up smaller companies. As a result of this concentration on core business, a reorganisation of business networks takes place. The hegemony of "shareholder value" leads to an accelerated reshaping of the business landscape in corporate enterprises, an expansion of financial transactions and a marked increase in enterprise value, which is also reflected in price increases in shares and investment securities. This system is not just broken in terms of its financial superstructure; its very foundations have been shattered.

Suddenly, fans of market control are becoming devotees of regulation. But this is about far more than banking supervision and a few limits on credit loans. The dominance of the financial markets over the real economy must be removed. We need progressive taxation of all capital and asset revenues and the control of financial transactions must also be accompanied by suitable taxation. Furthermore, the privatisation of social security must be reversed and all types of revenue must be brought in to finance public projects.



It is inevitable that Uncle Sam will rescue Wall Street, but we should already be thinking about more far-reaching questions: Who will rescue the rescuer? Government funds, which the USA wanted to use to stabilise its banking system, have already reached the astronomical sum of around 1.7 trillion US dollars, which must be financed on top of the existing deficit. There is a great danger that the US Federal Reserve will have to start printing money, which will lead to inflationary pressure. Whatever happens, the dollar is bound to be extremely volatile in the short term and in the longer term we must be prepared for more bad news and a much weaker greenback. Some financial experts believe that in the medium term this will lead to the creation of a strong bipolar international currency regime, in which more reserves and investments are traded in euros. But most financiers agree that there is no alternative to the dollar, at least in the medium term.

We are living through the beginning of the end of the American Empire, which in the decade following the collapse of the Soviet Union was the dominant power economically, financially, politically and militarily. Great powers, like the British Empire, have traditionally acted as the creditors to the rest of the world. The end began for Britain when it became a net debtor. The same is happening now with the United States.

The USA is the largest debtor nation in the world and is living with a gigantic deficit in its balance of trade, in other words, it imports more goods and services annually – over 700 billion dollars' worth – than it can sell abroad. Added to this is a government deficit that will soon amount to 1,000 billion dollars. The importance of the dollar as a reserve and trading currency will greatly decrease over time, as it is increasingly replaced by the euro and other currencies. The cleansing of the banking and credit system is not just about a fundamental renewal of the structures of the real economy, it also means establishing a new economic and political order for the global system.

# Post Bush America: A Site of Family Disintegration and Revolutionary Personal Change

Harriet Fraad

Post-Bush America is a land of personal suffering, family disintegration, and desperation for women and children. The US family has experienced a class revolution in family and personal life. In fact, that revolution in family and personal life is the only class revolution occurring. It is not recognised as such because class is the most repressed discourse in America. Race, gender and ethnicity are recognised, class is not.

Conditions for US women and families began deteriorating in 1970. Under Bush that deterioration increased dramatically. In 1970 real wages froze for the first time in more than a century. For the previous 150 years, between 1820 and 1970, every generation benefited from higher wages than the previous generation had. Even in the Great Depression, real wages increased because prices fell faster than wages. That was the basis of the "American Dream." All this stopped in 1970. From that time forward, workers' productivity kept rising while real wages froze<sup>1</sup>. The American family wage for white male workers had basically supported dependent wives and children until 1970<sup>2</sup>. Before 1970, every generation was able to increase their consumption. Americans' sense of self worth was in large part dependent on their increased ability to consume. Net worth and self worth were commingled. By the time Bush took over in the year 2000, Americans had become increasingly desperate. Their sense of personal value was cut with their salaries. Consumption was undermined and with it self worth.

What Produced the Crisis in Personal and Family Life?

Family desperation pushed women into the labour force to increase household income. Adolescents began to work to afford the ever-increasing consumption pushed by American culture. In 1970, 40% of US women were in the labour force, many part time<sup>3</sup>. By the year 2000, 77 % of US women were in the labour force, most full time with ever scarcer governmental support for day care, after-school programmes and elder-care social programmes<sup>4</sup> Women's work outside of the home helped, but it could not make up for what was lost. Women's work has its own costs:

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not only the obvious expense of additional clothing and of transportation, but also the costs of purchasing some of the goods and services that women produced at home, free of charge. The latest figures indicate that if a stay-at-home mother in the US were replaced by paid services the cost would be \$116,805 a year. The domestic services provided by a mom who works outside of the home would cost \$68,406 per year. (CNN, 2008, CBC News, 2008). Families were still financially hurting. Their standard of living sharply deteriorated. Working women were now unable to perform household and emotional labour full time and there was still not enough money for consumption. Families became dependent on credit card debt in order to live.

Since productivity increased sharply while wages froze, the wealthiest Americans were appropriating vast amounts of surplus labour for themselves. As one illustration of what that means, Americans went from being the Western nation with the most equal distribution of wealth in 1970 to the Western nation with the least equal distribution of wealth in 2008<sup>5</sup>. Basically, the capitalist class then issued credit cards in order to loan to the workers the money appropriated from their surplus labour. The interest on credit cards is from 17% to 22%<sup>6</sup>.

By the time Bush took power in 2000 there was a crisis of the volatile combination of reduced salaries and accelerated debt. Bush won the elections of 2000 and 2004 in part by selling the fantasy that the US was king of the world and the US male king of his household. This fantasy was offered when the US economy was no longer singularly dominant and the family was already falling apart. These fantasies are now much more difficult to sustain. Bush has cut many of the already hobbled social programmes that allowed families to survive. We are now losing two wars. The precarious house of credit card debt has fallen.

Families are in trouble. US family life depended on women's full-time domestic labour to physically maintain home life, and on women's emotional labour to emotionally sustain family security and emotional well-being. At present, three quarters of US women work outside the home. They return from work in the paid labour force to work a second shift of emotional and domestic labour<sup>7</sup>. Sixty percent of American women with children under two are in the paid labour force. Women with children under one year old who work full time are twice the number of those working part time (US Department of Labour, Bureau of Labour Statistics, 2005). Almost 80 % of mothers with children from 6 to 11 years old are in the labour force. Because there is no government support for American working mothers, 85% of US infants are in substandard day care while their mothers work. During these formative years the children may spend their days crowded into small spaces sitting in front of televisions in soiled diapers. They may have neither adequate toys, nor play space or supervision. The first two years are crucial years for brain formation<sup>8</sup>. There is no federal regulation of day care centres<sup>9</sup>. Only 15%

of US children receive quality childcare. Quality care is very expensive<sup>10</sup>.

Eighty-two percent of childcare and 70% of housework is still done by women alone. Because of their work at home, married women's work week is 7 hours longer than their husbands<sup>11</sup>. Married women who are employed outside of the home do, on average, more household labour than their unemployed husbands<sup>12</sup>.

The family as we knew it is over. American men cannot and do not sufficiently support their wives and children. Women are overworked and miserable. In a new development, US women are now rejecting marriage. For the first time in American history, the majority of women are single<sup>13</sup>. Two thirds of divorces are now initiated by women<sup>14</sup>. Half of first marriages and 60% of second marriages end in legal separation or divorce. This does not take into account all of the people who end their marriages outside of the legal system<sup>15</sup>.

Women are deserting marriage because the division of labour on which marriage was previously based, with women performing domestic, sexual and emotional labour in households economically sustained by men, has come to an end.

Women are no longer as willing to maintain men's domestic sexual and emotional lives as a "second shift."

In fact, now women are willing to take a financial hit in order to escape exploitation in the home. US women without children earn as much or more money than their husbands. They can and do leave marriages without financial privation. Women with children suffer financially. Alimony payments are rarely granted and full child-support payments are not delivered in full<sup>16</sup>.

What Does This Have to Do With A Class Revolution?

As we have said, Americans are overwhelmingly unaware of class, while these changes in households and family life represent the only class revolution occurring in the US.

What kind of class transformation is happening? In a nutshell, the celebrated and ostensibly "traditional" nuclear family consisted of a feudal arrangement. The woman produced domestic use-values – cooked food, order, cleanliness – and use-value services such as childcare, care for the sick, emotional services, and sexual services. Her husband, by virtue of his birth right as a male, was obliged to financially support his wife and children in this feudal household. The man, by virtue of maleness, had the right to appropriate and distribute the domestic use-values and emotional use-value services his wife produced. These patterns have changed. The women's liberation movement has eroded the legal basis of men's rights in the household. For example, spousal violence is no longer legally tolerated. However, male feudal privilege lingers. Domestic violence is still the leading cause of injury and homicide for women between the ages of 15 and 44<sup>17</sup> (97). Spousal rape is now illegal in all 50 states. However, even today there are lighter penalties for spousal

rape than for stranger rape. In 20 states it is still legal for a man to have non-consensual sex with his wife if she is mentally ill or physically incapacitated<sup>18</sup>. Laws have been passed that make it harder for divorced fathers to abandon their children financially. More fathers are now legally mandated to contribute to their children's support; however, women rarely receive even the full amount of the inadequate support granted to them.

As the feudal family slowly withers it is replaced by other family forms with other prominent class processes. The fastest growing family form is Marx's "ancient" form of household which I call the individual form in which an individual, a man, a woman or a person with dependent children, or unrelated individuals live in a household where each individual produces, appropriates and distributes her/his own domestic surplus. Twenty percent of Americans never marry. Individual households are America's fastest growing family form. Most children will spend at least part of their childhood outside of a family with their 2 biological parents. The individual family form is fast becoming the dominant form of US household. It is encouraged by American individualistic ideology, feminists stressing female independence and males who want an escape from financial obligations to women and children.

In addition, two other class forms of households are emerging. One is a communist household of adults and or adults and children. These households operate according to the communist precept "from each according to his/her abilities, to each according to his/her needs." Domestic tasks and emotional work are shared as is work outside of the home when appropriate. This family form is encouraged by many family therapists, feminists, progressive people, and working couples without children as well as some with children. It is a slowly growing family form.

There is another form proselytised and reinforced by forces that vigorously resist the collapse of the feudal household. They sustain a necrophilic romance with a dead family form. This is the family of the religious right which captures around 40% of Americans. It is what I call the fascist feudal family, so named because of its similarity to families in the Third Reich. In the Third Reich women were to preoccupy themselves with "Kirche, Küche and Kinder" – church, kitchen and children. They were denied control over their own bodies through the prohibition of birth control and abortion. The Führer was the leader of the man and the man was the leader of the woman<sup>19</sup>. Women were to remain as subordinate as they are within the Southern Baptist Convention on men and women in which God is the leader of men who ordains males to lead females. Women are in charge of hearth and home<sup>20</sup>. In the Third Reich women worked up to 60 hours a week in munitions factories but they earned low wages ostensibly because factory work was not their life mission. Taking care of men and children was their gender mission and was constant regardless of their long hours in labour outside the home. This

is the family model advocated by James Dobson's Focus on the Family, the Southern Baptist Convention and by fundamentalist churches throughout America. It is the family of Sarah Palin's financial backers and promoters. This model is difficult to maintain in today's world which is why the divorce rate in red states and amongst fundamentalists is even higher than it is in the less fundamentalist blue states<sup>21</sup>. American women are less likely to remain submissive while working to support themselves and their children along with a man who alone cannot provide for them.

Secure marriages belong to the past. Families and individuals are fracturing under the pressures of transformed landscapes of economic and intimate life. Secure families have been a basic personal support system for all Americans, particularly women. Women's emotional labour connecting with children, relatives and friends has meant emotional survival and sustenance for children, men and other women. It was these networks of women at home which, in hard times, allowed families to take care of an extra child when a woman went to work or to move in together in hard times, or bring over extra food when a neighbour, friend or relative lost a job or was ill. All of these crucial primary networks are breaking up. American women who try to keep their families happy and healthy must now work outside the home while there is criminally inadequate childcare for their children. Exhausted women return from their jobs to households needing domestic labour and to both men and children desperately needing attention. Men whose working conditions and salaries have deteriorated want women to take care of them when they return. They are reluctant to help with childcare. They want to be cared for as their fathers were which may explain why 70% of housework is still done by women. Women's lives are ever more demanding, exhausting and lonely. They initiate divorces to rid themselves of men's demands, feeling that the greater incomes men generate do not compensate them for the extra burdens men represent. Married women are now the most emotionally depressed people in America<sup>22</sup>. Their lives have become immeasurably more difficult. Their struggles are invisible both to their husbands and to their government. There is no acknowledgement of the unique and ravaging set of problems they face

The American left is not a unified vital alternative force. It presents nothing but action around particular feminist issues. It lacks a revolutionary programme addressing the interconnected issues of national priorities and family disintegration. The family and personal life, which are central parts of people's and particularly women's lives, are parts of life that the left has left alone. The religious right focuses on the family. "Focus on the Family" is one of the nation's richest, most powerful right-wing fundamentalist institutions replete with radio programmes, a publishing house, a church and a religious estate for the whole family to attend. Fundamentalist churches support women's traditional feudal domestic

producer roles in the home and reinforce the importance of women's jobs as child nurturers. At the same time, they passionately oppose every social support that women need such as quality child and after-school care, free health insurance, abortion rights and maternity and paternity leaves.

Sarah Palin's popularity is that of the impossible fantasy of fulfilling all of women's obligations at once. Palin presents herself as a hockey mom, doting on her children while running the state of Alaska and at the same time looking like a sex symbol. Women, and particularly the minority who remain married, want so badly to believe that they can do the impossible that many do not interrogate her impossible claims. A slight majority of married women voted for McCain/Palin. Even though Palin does nothing to address women's concerns and much to deny them, she vowed to break the glass ceiling holding women down, protect special-needs children and run the nation.

Unmarried women who reject the feudal family, who are suffering, and who want real change voted for Obama en masse. Unmarried women with children voted 74 to 25 in favour of Obama. Unmarried women without children voted 69 to 31 for Obama. Unmarried women gave Obama his victory with 12 million votes. They saw in Obama hope in the only nonsexist candidate America has ever had. McCain was enraged. He shook his fingers at the audience insisting that he had the answers. His platform relied on fear mongering and war. In contrast, Obama was quiet and thoughtful. He opposed the war in Iraq. He advocated negotiation, consideration and hope. Twelve million single women chose Obama and rejected the military swagger and impossible certainty of machismo.

What can the left offer to these 12 million women?

I will present some ideas that can serve as the beginning of a relevant left programme. We need to begin by elaborating the skills and knowledge involved in emotional labour. At present women's emotional labour is so undervalued that it is unrecognised. There is no vocabulary to define the knowledge and name the skills that enable women to anticipate and meet people's emotional needs from infancy through adulthood. There are no accessible definitions of that body of knowledge that emerges from attuning oneself to meeting other's needs, and caring for them physically while letting them know that they are valued and loved<sup>23</sup>. The left needs to design and explicate a way to reward skills of empathy and connection. We should also elaborate the jobs that domestic work involves, then cite their crucial importance and then create programmes to ease women's domestic labour burden.

A few ideas for platforms that stem from the recognition and amelioration of women's exploitation in domestic labour are providing:

- 1 low-cost nutritious family restaurants

- 1 options for healthy nutritious take out food
- 1 subsidised house-cleaning and laundry services
- 1 child-care provision modelled on the French Child Care System
- 1 quality after-school programmes in education, sports and the arts.

We also need programmes that could help ameliorate women's burdens of emotional labour in addition to acknowledging all the skills and labour involved in caring for others. Some ideas for programmes are:

- 1 providing extra income for jobs that require emotional labour and explicitly rewarding the emotional services provided. These are usually female jobs such as nursing, social work, and teaching infants, toddlers, and children from 5 to 8 years old. These are currently some of the least well paid positions in the US.
- 1 creating an explicitly acknowledged financial incentive to compensate service workers for the part of their jobs that requires emotional effort directed at the customer. These incentives might operate for such jobs as health care personnel, social workers, counsellors. Emotional helpers would earn a supplement for providing emotional caring on the job.
- 1 Creating free counselling centres for couples and families where the explicit labour of understanding and emotionally serving others is valued and taught.
- 1 Mandating that ubiquitous, popular 12-step programmes such as Alcoholics Anonymous, Adult Children of Alcoholics, Narcotics Anonymous, Overeaters Anonymous, Anorexics Anonymous, Bulimics Anonymous, Child-Abuse Anonymous, Sex-Abuse Anonymous, Gamblers Anonymous, and Relationships Anonymous all include a 13<sup>th</sup> step which looks at the conditions of existence of addictions in oppressive, authoritarian families and profit-hungry corporations such as the liquor interests, the diet and fashion industries, the pharmaceutical industry, the pornography industry and the industries producing junk food.

Other parts of a left programme built on the above analysis could be:

- 1 organising to end gender discrimination in all kinds of labour in both the home and the workplace.
- 1 mandating adequate and equal wages for men and women.
- 1 work to end hiring discrimination against all women and particularly mothers.
- 1 a comprehensive birth control curriculum beginning in the early grades stressing respectful honest decisions about creating a life for which men and women will share equal responsibility. Scandinavians already have comprehensive birth-control curricula that begin in the early grades with studying plant reproduction which can be stopped if any step in the process is eliminated. As children get into higher



grades the curriculum could stress personal relationships and sexual responsibility. In higher grades education might include teaching responsibility for the needs of the other person who may be created as well as the crucial importance of planning if one wants a family.

- 1 providing courses throughout people's life span for both children and adults to teach skills in working out difficulties in relationships with respect and consideration for the other whether that other is a child or an adult. These courses could give ample opportunities for discussion of strategies for creating egalitarian, communist emotional relationships.
- 1 In summary, it is crucial for the left to create a language for and an appreciation of women's domestic labour, our emotional labour and our labour in caring for other people. An explanation of what that labour entails is a crucial step in enhancing women's positions at home and in the workplace. The class analysis presented here is a basis on which to create such a language, awareness and action. Post-Bush America is a land of personal crisis and family disaster. Obama cannot address the hopes he raised. It is time for the left to address the problems, literally where we live.

#### Endnotes

- 1 Resnick, S. and Wolff, R. 2003. "Exploitation, Consumption, and the Uniqueness of U.S. Capitalism. *Historical Materialism* V.11 N.4.p.209-226
- Wolff, R. 2008. "When Capitalism Hits the Fan." Lecture video. <http://video.com/1962208>
- 2 Minority males never earned a family wage that could support dependent wives and children. White males were, in effect, granted a wage supplement for their white race and male gender.
- 3 Lee, M. and Mather, M. 2008. "U.S. Labor Force Trends." Figure 1. "U.S. Labor Force Participation of Men and Women 1970-2007. 5. *Population Bulletin*. V.63 N.2.2008. Population Reference Bureau.
- 4 In the year 2000, 77% of US women were in the labour force (Babcock, L. and Laschever, S. 2003. *Women Don't Ask: Negotiation and the Gender Divide*. Princeton NJ: Princeton University Press 2003, 41-62.) By the year 2006, the percentage of women in the labor force decreased to 75% because women's burdens of childcare and eldercare increased with the drastic cuts in social services for the elderly and children under Bush (Porter, E. 2006. "Women In The Workplace: Trend Is Reversing." *San Francisco Chronicle*. March 2, 2006.
- 5 OECD. [www.oecd.org/els/social/inequality](http://www.oecd.org/els/social/inequality).
- 6 Wolff, R. 2008. "When Capitalism Hits the Fan." Lecture video. <http://vimeo.com/1962208>
- 7 The term "second shift" is adopted from Arlie Hochschild's excellent book of that name (1989, New York: Viking.)
- 8 Fraad, H. 2008. "American Children- Who Cares?" *The Journal of Psychohistory*. p. 394-399.
- 9 The US demands licensing for manicurists, pedicurists and hairdressers but not for personnel in childcare centers and for day care workers.
- 10 The fortunate few who receive quality care are from privileged homes or are in

the one excellent national programme, Head Start. However, more than half of the preschoolers who qualify for Head Start are turned away for lack of places. Child care costs are unaffordable for most families. The average annual cost for placing one four-year-old child in day care ranges from approximately \$4,000 to \$8,500 per child per year, the equivalent of state college tuition. One out of three families with young children pays \$25,000 a year or more for childcare for their children. Most families have more than one child. Childcare costs for a single mother can consume up to 50% of her income ( Fraad, footnote 8, p.397).

- 11 The US Bureau of Labour (2006) in its survey of time use in households provides a chart showing that married women who were employed full time outside the household and had young children spent on the average an additional 3.4 hours per day on household activities and caring for household members. In a chart "Weekday Time Use of Married Women Living with Young Children, by Employment Status," the US Department of Labor reports in 2006 that married women who were full-time homemakers and cared for young children performed household labor on the average eight hours per day. Some female responsibilities were not counted in any of the surveys, such as the time spent in arranging children's schedules, taking them to play dates, dentists and doctors, preparing for school projects, arranging for sitters. We can assume that those activities would add, to give the most minimal estimate, one hour a week. According to the average given in the US Department of Labor statistics and in other studies, unemployed women spend at least forty-three and a half hours a week in household labor.
- 12 Uchitelle, I. and Leonhardt, D. 2006. "Men Not Working and Not Wanting Just Any Job." *The New York Times*, July 31, 2006. p.D1.
- 13 Roberts, S. January 16, 2007. "Most Women Now Live Without A Husband." *The New York Times*. <http://www.nytimes.com>.
- 14 Brinig, M. and Allen, D. 2000 "These Boots Are Made For Walking': Why Most Divorce Filers Are Women" *American Law and Economics Review* 2-1 (2000): p.126-169.
- 15 Divorce statistics are based on predictions and are not precise. However, all but the most politically and religiously conservative statisticians agree that 50% of first marriages and 60 % of second marriages will end in legal divorce "Divorce Rate USA" 2008. <http://www.divorcemagazine.com>). Of course many people separate without legalizing their separations or their divorces. Therefore the rate of de facto ended marriages is higher than the divorce rate. The above-cited article in *Divorce Magazine* provides the latest statistics on divorce based on the National Center for Health and US Census reports
- 16 Women's fears of losing economic security are well founded. It is remarkable that so many are willing to risk poverty in order to avoid domestic and emotional exploitation. After divorce, women's standard of living now is now declining at a rate between 29 percent and 36 percent, (Bennett, L. 2007. *The Feminine Mistake*. New York: Hyperion, 2007. 97-125; Grall, T. 2006, "Custodial Mothers and Fathers and Their Child Supports." *Census Population Reports*. United States Bureau of the Census. July 2006; Garrison, M. 2001."The Economic Consequences of Divorce". *Duke University Journal of Gender Law and Policy*.V.8. p. 119-126; 128, Hamilton, V. 2004."Mistaking Marriage for Social Policy." *Virginia Journal of Social Policy and Law*.V.11 p.306-362. The deterioration for mothers and children reflects the impact of no-fault divorce laws. These laws set new standards for alimony and property awards based on treating both sexes „equally" rather than taking into account the economic realities of women's and children's actual financial opportunities and needs. The laws ignore the impact on women's lifetime salaries of maternity leaves that are unpaid for almost all women and still damaging to the earnings of those who do receive some compensation. They also ignore the time spent on home and children which keeps women from opportuni-

- ties for advancement through overtime, after-work socialising and out-of-town or after-hours work assignments. They ignore the incapacity of older women who must return to the job market without up-to-date job training, skill, or experience. By the year 2004, 64.2 % of American mothers were awarded support. However only 45.2 %, less than half of them, ever received the child support that was legally granted. (Grall, 2006 cited above). Although there is improvement the situation is dire.
- 17 Centres for Disease Control (CDC) and National Committee on Violence Against Women. 2000. "Findings from the National Committee on Violence Against Women Survey, July, 2000." US Department of Justice, Office of Justice Programs. NCJ 181867 p.97.
  - 18 Stritof, S., and Stritof, B. 2008. "An Evolution of Law: Spousal Rape Recently Prosecutable." Times Standard. March 23, 2008. p.101.
  - 19 Koontz, C. 1987. Mothers in the Fatherland. New York: Saint Martin's Press.
  - 20 Baptist Faith and Message. June 13-14, 2000. "Southern Baptist Convention on Men and Women. Orlando, Florida.
  - 21 Belluck, P. November 14, 2004. " To Avoid Divorce Move to Massachusetts. The New York Times Week in Review.
  - 22 Americans are now in a period of intense misery. More than 11% of women and 5% of men are taking anti-depressants (Barber, C. 2008. Comfortably Numb: How Psychiatry Is Medicating A Nation New York:Panthon Books, 2008). This illustrates that more than twice as many women as men are desperate enough to seek psychiatric help.
  - 23 The closest thing that exists is in the scientific fields of mother-child attachment. And studies of the importance of connection in brain development and human well-being. Sterling new examples in the field are the following books: Daniel Stern 2004. The Present Moment in Psychotherapy and Everyday Life. New York: W.W. Norton, and John Cacioppo and William Patrick.2008. Loneliness: Human Nature and the Need for Social Connection. New York: W.W. Norton



Untitled, (The Disasters of War 16), 2007  
mixed media (oil & acrylic on canvas)  
180 x 128 cm

# The Impact of Finance on the European Social Models<sup>1</sup>

Jörg Huffschmid, PRESOM<sup>2</sup>

## 1. Introduction

The purpose of this article is to present some empirical data (section 2) and a conceptual framework (3) for the development of finance during the last three decades, to shed some light on the main groups of financial investors as the central actors in finance-led capitalism (4) and to show how their strategies affect economic stability, corporate governance and economic policy in Europe (5); finally, to make some brief remarks on the perspectives for resistance and alternatives to the transformation of the various social models in Europe into one increasingly uniform neoliberal pattern under the pressure of finance.

## 2. Private Financial Accumulation and Internationalisation – Mega-Trends and Their Causes

### *Mega-Trends in Finance: Accumulation and Internationalisation of Private Financial Assets*

The increasing role of global financial markets follows from two long-term mega-trends: The first is the extraordinary *growth of private financial stocks (WFS)* – equities, corporate and government debt securities, and bank deposits – over the last quarter of a century. Their amount rose from \$ 12 trillion in 1980 to \$ 167 trillion in 2006, i.e. by a factor of 14. By comparison, during the same time global gross domestic product (GDP) grew from \$ 10 trillion to \$ 48 trillion, i.e. by a factor of 4.8. In 1980 nominal GDP and WFS were of about the same size, by 2006 the latter had become three and a half times larger than the former.

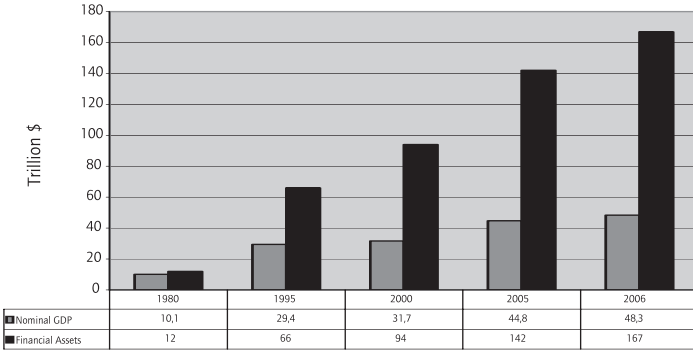
The second mega-trend is the *internationalisation* of financial assets, which also developed much faster than global GDP – and than international trade. (See figure 2)

During the 1970s the amount of internationally invested financial stocks corresponded to 50% – 70% of worldwide GDP; at the beginning of the current decade this ratio had risen to about 320% for industrial

1 Paper for the Transform Conference in Stockholm, June 13-14, 2008  
Transform Conference, Stockholm, June 13-14, 2008

2 The European Network "Privatisation and the European Social Model"

**Figure 1: Development of Nominal GDP and Financial Stocks Worldwide, 1980-2006**



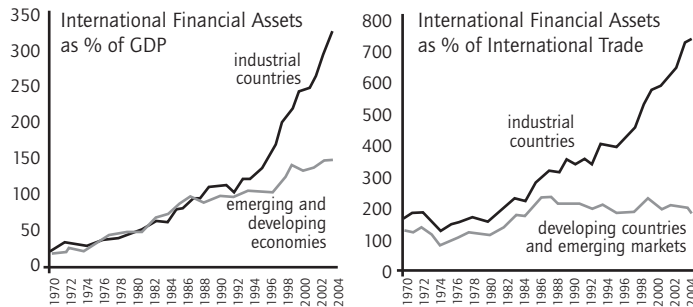
Source, Farrell/Fölsater/Lund 2008, p. 3

countries and to about 150% for developing countries and emerging markets. The ratio of internationalised financial assets to international trade was about 180% in 1970 and about 700% in 2004 for the developed world, and it rose from ca. 140% to about 180% in the developing countries. (see: Lane et al. 2004: 35)

There are mainly *four reasons* for these mega-trends:

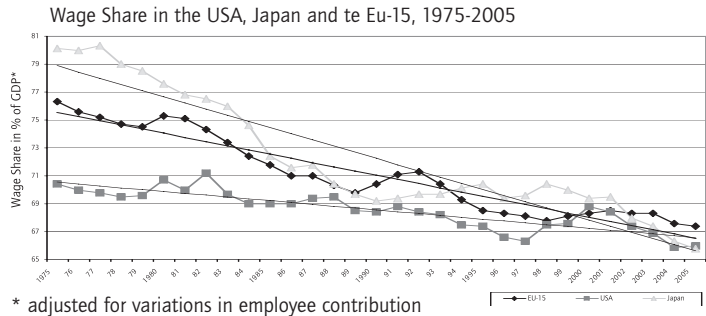
The *first* and probably most important one is the almost continuous redistribution of income and wealth from the bottom to the top, clearly reflected in the falling wage share (see figure 3) in the three capitalist centres: from 1975 to 2006 it fell by four percentage points (from 70,4 % to 66,3 %) in the USA, by ten percentage points (from 76,3 % to 66,2 %) in the EU-15 and by 15.6 percentage points (from 80,1 % to 64,5 %) in Japan.

**Figure 2: Internationalisation of Financial Markets**



Source: Lane/Milesi-Ferretti 2006: 35

**Figure 3: Background 1: Redistribution to the Top**

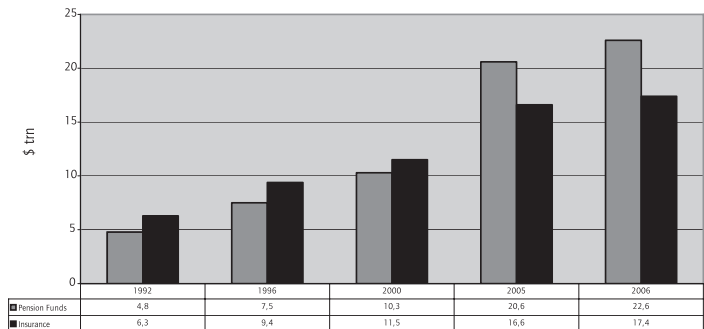


Sources: European Economy, 6/2002 and 6/2004, Statistical annex, in both places 32

This has led, on the one hand, to a massive concentration of financial wealth in a small group of individuals and firms and, on the other, a lag in salaries, wages and private consumption, and, as a consequence, a slow-down in economic growth as a result of weak final demand.

The *second* background for the growth of financial assets is the trend towards capital-funded pension systems. While this has for long been the dominant system in the USA and the United Kingdom and in some smaller countries, it was only in the last quarter of the century that the public PAYGO systems, which were prevalent in most other countries, came under attack by financial institutions like the World Bank and the OECD. This thrust toward "pension reform" channelled a larger part of pension contributions to the capital markets, where they were managed by pension funds and insurance companies. At the end of 2006, assets in pension funds (\$ 22.6 trillion) were almost five times higher than in 1992 (\$ 4.8 trillion) (figure 4)

**Figure 4: Background 2: Financial Assets in Pension Funds and Insurance, 1992-2006**



Sources: OECD, IFSL September 2007a:6

A **third reason** for the build-up of financial assets was the relatively generous loan policy of banks. Although credit developed in clear waves along the business cycles, its overall extension was stronger than the overall growth of GDP.

The **fourth factor** relates to the dynamic internationalisation of financial flows and investments. These could obviously not have happened without the shift from the regime of capital controls prevalent in the Bretton Woods world to a regime of *liberalisation of capital movements* since the mid-1970s.

These four factors which determined the movement of explosive growth and globalisation of finance were not a reflection of the "iron laws" and the inevitable "logic of capital". Rather they were the result of changing social power relations (wage share) and political decisions (pension reform and liberalisation of capital accounts) which in turn were responses to economic and political difficulties and pressures

### 3. Finance-led Capitalism – Conceptualisation of a New Configuration

The extraordinary long-term accumulation and internationalisation of private financial assets has begun to change the quantitative proportion between the financial and the productive sectors of the economies, and, as a consequence, the relationship between the leading protagonists and bottlenecks of capitalist development towards a more finance-driven pattern. (fig 5a-c).

**Figure 5a-5c: The Changing Role of Financial Markets: From Finance for Investment to Financial Investment**

#### 5a. Developing Capitalism



Financial markets are driven by enterprises who need money to finance their investments

#### 5b. Mature Capitalism

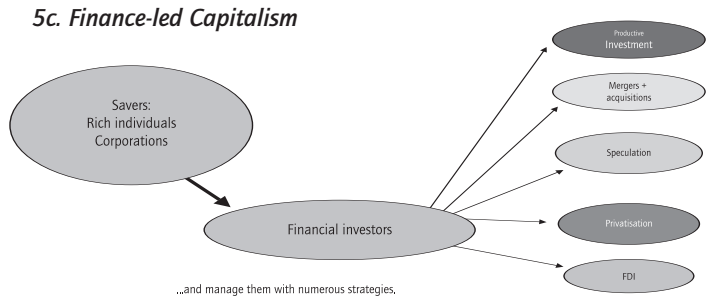


Financial markets are driven by firms and individuals who have much money and search for profitable investment opportunities – which become increasingly rare.

In the traditional pattern of capitalism the leading actors were individual *entrepreneurs* or corporate *managers* whose work was concentrated on the production and sales side of their companies. Finance was a bottleneck for corporate investment and economic development. (see figure 5a). This bottleneck was overcome not only through household savings but also and primarily through credit creation by the banking sector which was politically supported by the central banks. By contrast, in mature capitalist economies we have an abundance of financial assets for which profitable investment opportunities are becoming increasing-



ly scarce (see figure 5b) – while at the same time credit creation continues on a large scale as the source of profits for the banking sector. Under these circumstances of financial over-accumulation *financial investors* replace the individual entrepreneur or corporate manager as the leading actor. They collect and centralise large amounts of money from the ultimate asset owners and invest them in a broad range of activities of which production of goods and services is only one option. Capitalism becomes *finance-led capitalism*, at least in the developed centres. Privatisation is one prominent outlet for excess capital (others are speculation, mergers and acquisitions, FDI, etc.). (figure 5c)



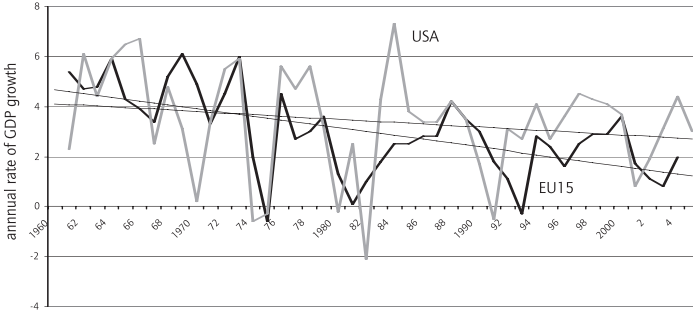
The gradual emergence of this new configuration of markets and protagonists does not change the basic nature of capital, which is the exploitation of labour via the production of surplus value and its appropriation as profits on capital. The new group of capitalists – originally a service industry for the management and enhancement of financial assets – is much further away from the concrete production process than the traditional entrepreneur has been and also much further than the technocratic management of large industrial or service corporations. In this perspective, one could say that finance-led capitalism is a further real mystification of the nature of capital: It eliminates all intermediate steps between money and more money ( $M - M'$ ) as the purpose of capital, whereas capitalist manufacturing still follows the visible formula  $M - C \leftarrow P \rightarrow C' - M'$ .

The rise of finance-led capitalism has been accompanied by a long-term slow-down of economic growth, at least compared to the growth rates of the post-war quarter of a century. (see figure 6).

With the continuous rise of profits despite slower growth a vicious circle of low growth, rising unemployment or precarious employment and further upwards redistribution developed. (see figure 7).

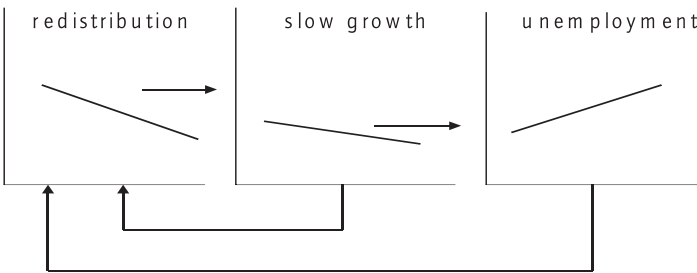
This pattern in turn fuels the robust growth of financial markets. Profits and high incomes are not completely used for consumption – at least not beyond a certain point of luxury consumption – or for productive in-

**Figure 6: Growth in the EU-15 and in the USA, 1960-2005**



Sources: European Economy 4/2003 and 6/2003, Statistical Annex, Table 10

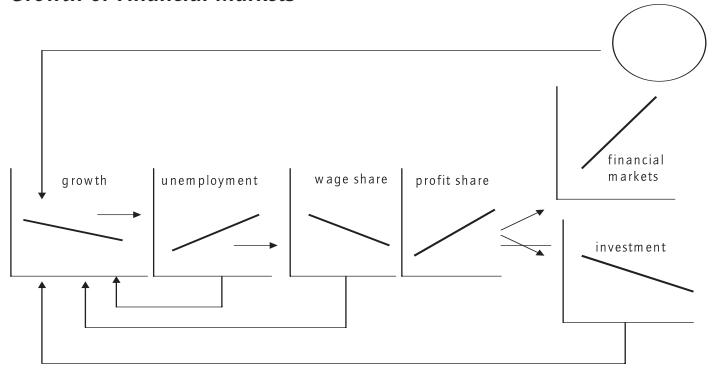
**Figure 7: Vicious Circle: Redistribution, Slow Growth, Unemployment**



vestment – because there is no market for additional final goods and services. Instead these resources are invested in the financial markets. Periodically they can temporarily boost economic growth through massive financial speculation. But when the speculative bubbles burst there will be massive negative effects on growth, employment and the social welfare of the majority of people. (see figure 8)

The transition to this pattern of finance-led capitalism is a gradual process which began 30 years ago and is by no means completed. It should be regarded, on the one hand, as a roll-back of the success and achievements of progressive reform-policies in the two decades after World War II, and, on the other hand, as a new form of over-accumulation of capital as an alternative to the traditional form of over-accumulation. Whereas the latter materialised in patent overcapacity (or under-utilisation of existing capacities) in the productive sector, it is now increasingly reflected in the accumulation of capital which is not invested in the productive sector but in the financial sector.

**Figure 8: Consequences of Slow Growth and Redistribution – Strong Growth of Financial Markets**



### 3. Financial Investors – The Leading Protagonists of Contemporary Capitalism

More detailed figures than those provided by McKinsey (see figure 1) are not available for all \$167 trillion of financial stock but only for private assets under professional management. The total amount of these assets reached about \$ 80 trillion at the end of 2006. More than three-quarters (\$ 62 trillion) were managed by institutional investors, one-fifth was privately managed (by banks or endowments, foundations etc.) and 2% by “alternative” investments, i.e. hedge funds and private equity. (IFSL 2007a: 6)

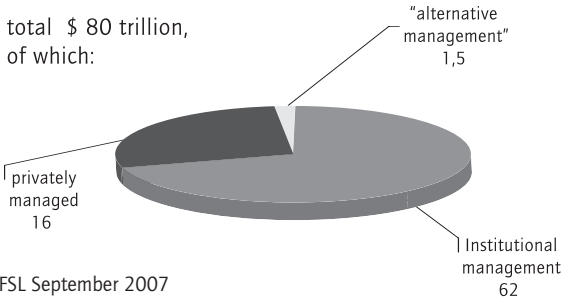
#### ***Institutional Investors: Pension Funds and Privatisation of Pension Systems***

Institutional investors are by far the most important traditional form of financial investors. In the last 26 years the assets under management by institutional investors rose from \$ 2.9 trillion in 1980 to 62 trillion in 2006, i.e. by a factor of 21. In the last four years assets under institutional or “conventional” management increased by \$ 26 trillion. They are now 50% higher than at the peak of the last financial market boom.(figure 11)

Institutional investors may be subdivided into three large groups: investment (or mutual) funds, insurance and pension funds. The group with most funds is pension funds (\$ 23 trillion), followed by investment funds (\$ 22 trillion) and insurance (\$ 17 trillion). The structure of institutional investors differs strongly across countries: While in France only 3.5% and in Germany only 5.7 % of all conventionally managed funds are in pension funds, this category covers 60.6% of all institutional assets in the Netherlands, 49.2% in the USA and 34.1% in the UK. In Germany more than three quarters of assets (77.5%) are managed by insur-

**Figure 9: Assets Under Management Worldwide, End 2006**

Assets Under Management Worldwide, 2006 – \$ Trillion



Source:IFSL September 2007

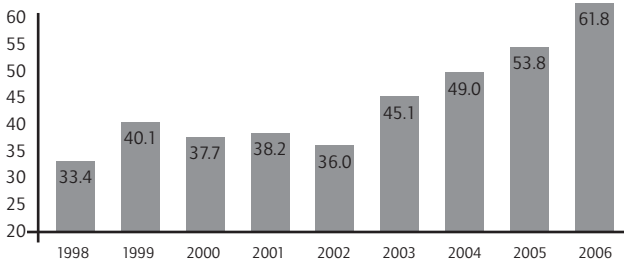
ance companies, which in the USA account only for less than one-fifth (18.6%). (see table 1).

**The industry is considerably concentrated: The four largest firms each have more than \$ 1 trillion under management and the ten largest manage 17% of total funds. (see table 2)**

The largest group of institutional investors – pension funds – is directly linked to the structure of, and changes in, pension systems. While in a few countries like the US and the UK pension systems have traditionally been based mostly on private capital stocks, most other countries have seen strong efforts for pension reforms aiming to complement or substitute the traditional public PAYGO pension systems through private capital-funded systems. This movement toward the (at least partial) privatisation of public pension systems is a worldwide phenomenon, starting in the 1970s in Latin America; the first changes occurred in Chile im-

**Figure 10: Global Fund Management of Conventional Assets**

Assets under management, \$ trillion



Source: IFSL estimates based on Watson Wyatt, Bridgewater, Merrill Lynch, ICI, SwissRe, CEA data

Source: IFSL 2007b: 5

**Table 1: Sources of Global Assets Under Conventional Management, End 2006**

	Pension funds		Insurance assets		Mutual funds		Total		
	trns.\$	%	trns. \$	%	trns. \$	%	trns.\$	%	% of total
US	15,893	49,2	6,012	18,6	10,414	32,2	32,319	100	52,3
Japan	1,16	27,4	2,49	58,9	0,579	13,7	4,229	100	6,8
UK	1,686	34,1	2,469	50,0	0,787	15,9	4,942	100	8,0
France	0,133	3,5	1,863	49,5	1,769	47,0	3,765	100	6,1
Germany	0,116	5,7	1,571	77,5	0,34	16,8	2,027	100	3,3
Netherlands	0,827	60,6	0,428	31,4	0,109	8,0	1,364	100	2,2
Switzerland	0,456	46,3	0,368	37,4	0,16	16,2	0,985	100	1,6
Other	2,376	19,5	2,19	18,0	7,607	62,5	12,174	100	19,7
<b>Total</b>	<b>22,648</b>	<b>36,6</b>	<b>17,392</b>	<b>28,1</b>	<b>21,765</b>	<b>35,2</b>	<b>61,804</b>	<b>100</b>	<b>100</b>

Source: IFSL 2007b: 6

mediately after the 1973 Pinochet coup. It then received a further boost from international financial institutions like the World Bank and OECD and reached continental Europe – East and West – in the 1990s. The powerful growth of pension funds during the last decade cannot be explained by the development of the traditionally private systems – the comparatively slow macroeconomic growth, even slower wage development and high unemployment also had a moderating effect on the development of individual contributions to pension funds – but results from the privatisation of ever more parts of pension systems. This has been in the interest of pension funds (and of insurance companies), which in many cases are – in Europe more than in the US – managed by outgrowths of large financial corporations like Barclays, ING, Allianz, Axa, Deutsche Bank, UBS, etc.

Institutional investors have developed quite steadily during the last 25 years. However, since the beginning of the current trend their assets have massively increased. This extraordinary growth made it more difficult for them to generate the attractive returns which they need to keep their customers (the ultimate money-owners) and maintain or enhance their competitive position in the markets. These difficulties have created space for various financial innovations and innovators, which have started to change the reach and impact of financial investors. Most prominent among those financial innovators are private-equity firms, which

**Table 2: Largest Global Investment Managers, End 2006**

Nr.	Name	Country	Assets
1	Barclays Global Investors	UK	1 623
2	State Street Global Advisers	US	1 534
3	Fidelity Investments	US	1 300
4	The Vanguard Group	US	1 050
5	JP Morgan Asset Management	US	898
6	Capital Res. And Management	US	850
7	ING Investment Management	NL	694
8	Deutsche Asset Management	DE	662
9	UBS Global Asset Management	CH	658
10	Credit Agricole Asset Management	FR	642
11	PIMCO Allianz Global Investment	DE	642
12	Northern Trust Global Investors	US	640
13	AllianceBernstein L.P.	US	625
14	Axa Investment Managers	FR	579
15	Prudential Investment Management	US	568

Source: IFSL 2007b: 6

open up new areas for financial investment, and hedge funds which introduce new strategies and benchmarks in corporate governance.

### ***Private Equity Firms***

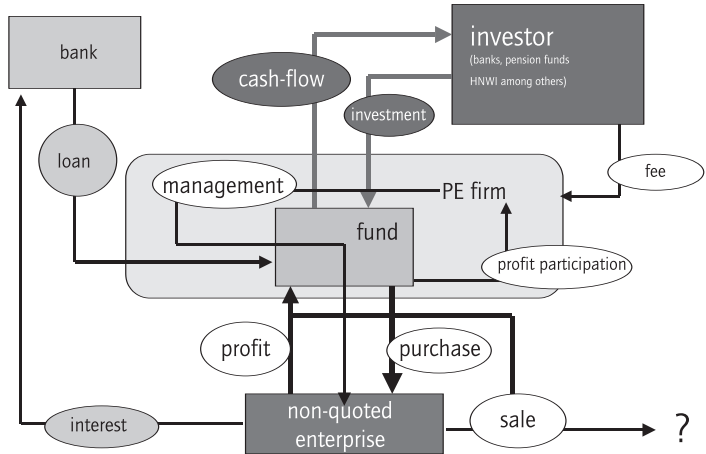
*Private equity firms* (PEFs) are businesses which collect money from banks, pension funds and "high net worth individuals" (HNWI), borrow additional resources from banks, use the money to buy – usually non-quoted – firms, restructure them and sell them with high profits either on the stock exchange, or to strategic investors or to other PEFs. (see figure 11)

Worldwide private-equity investment developed unsteadily in the last 10 years: it rose from \$ 60 billion in 1996 to \$ 200 billion in 2000, then dropped sharply to less than \$ 100 billion in 2002, and picked up slowly from 2002 to 2005. In 2006 it virtually exploded and reached \$ 365 billion – this is three times the value of 2005. In the first half of 2007 the strong growth continued before the sharp cut-back as a result of the current financial crisis.

The extraordinary growth of private-equity investments in 2006 is partly due to the fact that 2006 saw a number of mega-deals which had until then been rather the exception. Of the 10 largest transactions since

**Figure 11: Private Equity: How it Works**

Private Equity: How it Works"

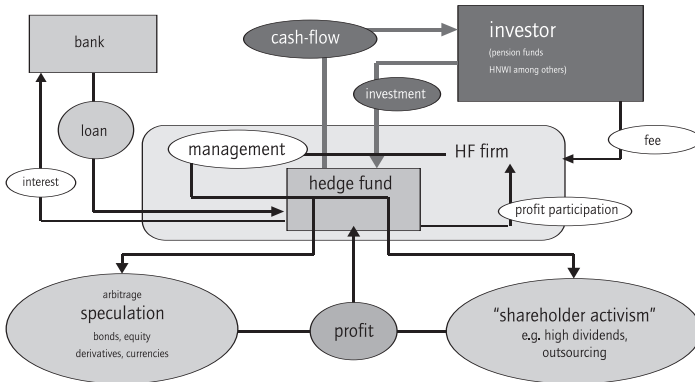


the end of the 1980s seven were carried out in 2006 or 2007 (see IFSL 2007a: 4). Although the large majority of PEFs is of US origin, Europe is catching up, rapidly in terms of funds raised (where the European share rose from 21% in 2000 to 44% of funds raised worldwide in 2006), not so rapidly in terms of investment (increase from 21% to 24%). (see IFSL 2007: 2)

### **Hedge Funds**

*Hedge funds* (HF) are assets which come from HNWI and banks, and increasingly also from institutional investors (particularly pension funds) and which are invested by the hedge-fund managers in high-profit – high-risk securities (*financial speculation*) or in quoted stocks where they develop *shareholder activism* to generate high dividend payments, to enhance market capitalisation or to boost takeover prices (see figure 13). It is estimated that currently there are about 9,000 hedge funds managing about \$ 1.5 trillion of private money (see IFSL 2007: 1). This figure is tiny compared to the \$ 62 trillion managed by “traditional” institutional investors. It should, however, be borne in mind that hedge funds operate on a highly leveraged basis and, with \$ 1.5 trillion private capital, can easily invest ten times this amount, i.e. about \$ 15 trillion, which is then far from tiny.

The majority of hedge-fund assets is still of US origin. However the US share declined from more than four-fifths (82%) to just under two-thirds (65%) from 2002 to 2006. Europe is rapidly catching up, with an increase of its hedge-funds asset share from 12% to 24% during these

**Figure 12: Hedge Funds: How They Work****Hedge Funds: How They Work**

four years. Asia's role as a region of origin of hedge-fund assets has also risen from 5% to 8%, but remains low (see *ibid.*: 2). More than half of all hedge funds (55%) worldwide have their legal domicile offshore (mostly in the Cayman Islands) and of those domiciled onshore about half (48%) are registered in the US (mostly in Delaware) (*ibid.*: 7).

#### 4. Strategies of Financial Investors and Their Impact on the Social Models in Europe

In the 1970s and 1980s a great majority of large European institutional investors followed a philosophy of passive asset management, i.e. they did not intervene in the strategic orientation or the day-to-day operations of the enterprises in which they invested the capital of their clients. Since the late 1990s this attitude is – under increased pressure of US investors, the growing volume of financial assets and more intense competition and the emergence of new forms of financial investors, particularly in hedge funds – increasingly replaced by a more active management to enhance the returns on investments. Fundamentally, there are three kinds of – mutually compatible and even complementary – strategies followed: financial speculation, shareholder activism and political pressure.

##### *Financial Speculation and Economic and Social Instability*

Financial speculation – i.e. the purchase/sale of future financial claims for a fixed price in anticipation of a change (or no change!) of the pres-



ent price of this claim – had originally been developed as an instrument to secure the incomes of buyers or sellers of commodities against oscillations of prices and exchange rates for these commodities. However, financial speculation developed a life of its own, increasingly separated from the world of commodities and other goods. This development was facilitated through the termination of the international regime of fixed exchange rates and capital controls and the subsequent liberalisation and deregulation of financial markets in large industrial countries. Therefore, the last three decades saw an increasing number of build-ups and bursts of financial bubbles and financial crises, starting with Latin America in the early 1980s until the most recent worldwide financial crisis originating from the US sub-prime mortgages market.

While financial speculation often was and still is carried out mainly by hedge funds, in recent years other financial investors like mutual funds and PEFs and particularly banks have been involved in this kind of activity. In the current crisis, banks have played a crucial role through their very generous policy of lending – not only to poor homeowners but also to hedge funds and PEFs who use the leverage effect of cheap loans to enhance the return on capital for their clients. In addition, banks circumvented the regulatory capital requirements by transforming their loans into securities which they sold to speculative investors, often to other banks who had no idea of the risks included in these loan packages.

When financial bubbles burst the effect is usually not limited to the financial sphere but triggers economic crises with severe consequences for growth, employment and income for the large majority of people. This has been very obvious in all financial crises in the developing countries, for example in the dot.com crisis of the late 1990s in the financial centres. The current crisis, too, seriously affects the growth and employment perspectives of the USA. Its proliferation to the non-financial sector in Europe has until today remained rather weak. One reason for this could be that in Europe most countries still maintain substantial barriers to speculative activities of their institutional investors, particularly pension funds. Therefore it is rather alarming that the European Commission regards such barriers as obstacles to one of the fundamental principles of the Treaty, the free movement of capital, and is determined to begin acting against these national regulations:

In a recent *White Paper on Enhancing the Single-Market Framework for Investment Funds* (European Commission 2006d:13) the Commission declares its intention to "examine the types of marketing and sales restrictions that should be removed in the context of the shift to conduct of business rules at the level of the investment firm..." In this respect it seems to follow the recommendations of two reports of expert groups on HF and PE (see European Commission 2006a and 2006b) which were published in July 2006. Remarkably, these expert groups who were appointed by the Commission consisted exclusively of representatives of fi-

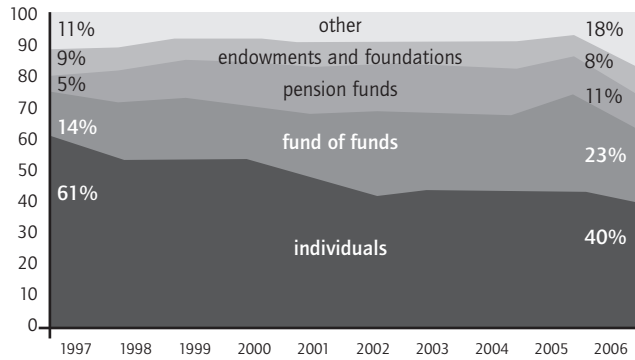
ancial institutions as if these were the only ones affected by HF and PE activities. Not surprisingly, they recommended a further liberalisation of the markets. In particular, they advocate the removal of the modest national limits to investment of institutional investors in risky asset classes (like HF and PE) "which entail a relatively high probability of very adverse investment outcomes" (European Commission 2006d:13.). With this, the *White Paper* reinforced the deregulatory approach in the Market in Financial Instruments Directive (MiFID) of 2004, (in force since November 2007) which "replaces crude restrictions on the sale of certain instruments to certain categories of investors with a system which places responsibility on the investment firm to ascertain, on a client-by-client basis, whether a particular investment is suitable or appropriate" (ibid.).

The removal of national protective barriers could and most probably will trigger a new stream of investment from pension funds into speculative hedge funds and thus destabilise the increasingly privatised pension systems in the EU. It has to be alarming that the share of assets which pension funds have invested in HF to raise their returns has already more than doubled during the last decade, from 5% to 11%. (see figure 13), increasingly exposing the pensions of employees to the risks of financial markets.

### ***Active Management and Corporate Governance – Shareholder-Value Orientation***

The *second* recently more emphasised strategy of financial investors is more "shareholder activism". The objective of this strategy is unambiguous: it aims at rapid and large cash flows for the shareholders, often at the cost of the long-term strategic position and performance of the firm. Its underlying philosophy is that a corporation is an undertaking of shareholders for shareholders and nothing else. All additional interests of different stakeholders must be disregarded. This strategic orientation differs substantially from the orientation vis-à-vis financial speculation: It is more realistic in that it acknowledges that profits are generated not in the domain of circulation through speculative trading but in the realm of production through restructuring, cost cutting and enhanced production of surplus value, in Marxist terms through enhanced exploitation of labour. This includes strong attacks on basic elements of corporate governance and employees rights which had been established during the first decades after World War II.

The problems of this more aggressive re-structuring and shareholder value orientation do not only pertain to the firms immediately affected by financial investor activity and pressure. At least as important, and on the whole much more dangerous, is the threat of *systemic contagion* through the proliferation of the aggressive strategies of PE and HF to

**Figure 13: Global Hedge Funds by Source of Capital**

Source: Hennessee group LLC

Source: IFSL 2007b: 3

traditional institutional investors, which are the largest pillars of financial investment and the management of financial assets, and from there to corporate governance in the economy at whole. The proliferation is based on the fact that institutional investors are – mostly – private firms which compete for the money of their investors or ultimate asset-owners. Their main competition parameter is the promise to generate high returns for their clients. In such an environment, hedge funds are *benchmark setters* for new profit and corporate-governance standards. If one institutional investor places a part of its assets in PE or HF and receives higher returns this almost inevitably pushes other investors, including pension funds, toward similar financial instruments in order to prevent the loss of clients.

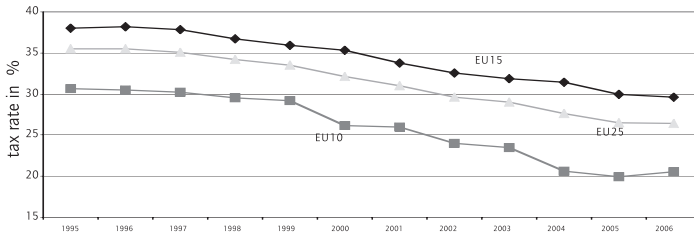
### ***Pressure on Governments for Tax Cuts and Privatisation***

A *third* strategy of financial investors is the exertion of pressure on governments and parliaments to make their particular countries attractive for financial investment. This pressure is buttressed by the threat to invest in other places if conditions are not shaped according to the interests of financial investors. One of the effects of this pressure is the almost obsessive *race* to the bottom for taxes on profits, interest and capital gains. It has led to a substantial lowering of rates for corporate taxes (see figure 14) and to the exemption of interest income of foreign investors from income tax in many countries of the EU.

Such a tax race undermines revenue bases and puts public budgets under mounting pressure, which makes it increasingly difficult to maintain public services at the traditional and necessary level. This budgetary pressure then becomes a condition favourable to the request by fi-

**Figure 14: Corporate Tax Rates in the EU, 1995-2006**

Corporate Tax Rates in the EU, 1995-2006



financial investors for the privatisation of public assets and public services. In the constellation of growing private financial assets seeking investment opportunities and growing pressures on public finances, privatisation appears as a solution to the problems of both the wealthy and the state: It gives the former a new area for investment while it relaxes the financial burden on the latter. This is visualised in figure 15. Reductions of taxes on corporate profits, capital income and wealth increase the burden on public budgets and at the same time increase the revenue available to the wealthy. The latter use the additional money to buy assets and service packages from the government. In a net calculation the whole procedure simply amounts to a gift to the top: Governments give money to rich individuals and firms and then sell them the public assets for this money. From the point of view of its social substance, the whole process is nothing other than the transformation of public to private wealth – with negative repercussions first of all for social cohesion but also for economic growth.

(However, it remains an open question whether this privatisation of public services under fiscal pressures actually reduces the fiscal burden on the state. This is obviously the case when, along with the privatisation, public responsibility for the maintenance of the previously public service is abandoned – with the expected and accepted consequence of a deterioration in the quality, affordability, accessibility, etc. of such services. However, in cases where government privatises services but maintains their provision as a public mission – organised via public regulation or PPPs (public-private partnerships) – the costs of regulation or of buying or leasing facilities and services from the private sector may in the long term be higher than public provision even if this must be financed through public loans.)

To summarise and broaden the perspective: From the viewpoint of political economy the main problematic accompanying the growing importance of financial investors and their strategies is the enormous shift of economic and political power in favour of capital. Financial investors are not only claiming ever higher economic returns for their assets; they are

changing the social framework and environment for all economic domains, and increasing social ones, placing them under increased competitive pressure and forcing them to subordinate every tradition, social relationship and activity under the imperative of rapid returns to investment. The – relative – balance of power between labour and capital, which had been achieved in the post-war period and was the basis for the continental welfare states in all their diversity, is increasingly undermined by the dominant role and strategies of the new generation of financial investors. Social security as an unconditional right of every member of society is increasingly replaced with insecurity and precarious perspectives; the wealth of the upper classes increases and so does the number of poor people, even among those with a job; social solidarity is replaced by individual competition – sometimes complemented by individual charity.

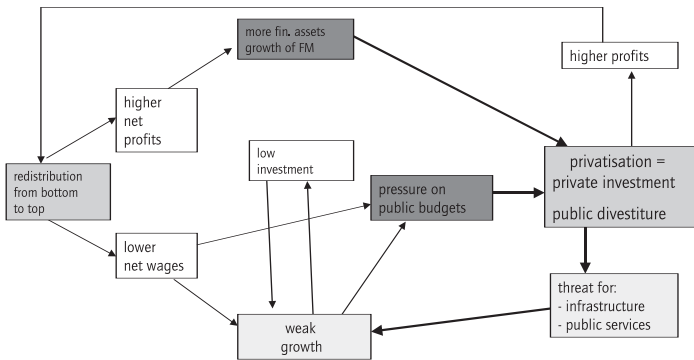
Against this overall characterisation it could be objected that one should not put the blame for all evils in the world on a limited number of financial investors whose power might be strongly exaggerated. There is certainly some truth in this objection. In a broader sense one could argue that the general trend of development in the last three decades is the increasingly powerful neoliberal counter-reform against the social and political achievements of the first two and a half decades after World War II. But then I would still insist that financial markets are the main medium of this counter-reform and that financial investors, and recently particularly HF and PEFs, are the main and very efficient executors of the general social and democratic roll-back which we are currently experiencing.

## 5 Perspectives for Resistance, Interventions and Alternatives

Following the structure of the problems generated by the strategies of financial-market protagonists the proposals for political resistance and countermeasures can be divided into three groups: restriction of speculation, protection of employees and firms, and reduction of financial over-accumulation.

The restriction of financial speculation could be approached through direct rules for financial investors, for instance through transparency requirements or limitation of their leverage. The problem is that many of the new financial investors are domiciled offshore and cannot be reached. On the other hand, traditional institutional investors are usually located onshore. It should in any case be the rule that pension funds and life insurance firms be strictly prohibited from investing in speculative financial instruments. This is still the case in some countries, but

Figure 15: Redistribution – Financial Markets – Privatisation



such rules are under heavy attack from the financial industry. Such attacks must be resisted to avoid exposing pensions to the incalculable risks of financial markets.

The limitation of leverage is also possible via rules for lending banks, either by setting quantitative limits or by imposing higher capital requirements – 300 or 500% – for loans to hedge funds and private equity. Also the securitisation and sale of loans to special-purpose vehicles should be prohibited or only allowed under special circumstances; after all, such trading is nothing other than the circumvention of credit restrictions set by the capital requirement rules. Further tools are taxation of capital gains, currency or other financial-market transactions – and of course the establishment of a more cooperative international (regional or global) exchange-rate system.

To protect employees and firms against harmful financial investor activities it is essential in the case of PE to prevent the transfer of servicing obligations for loans, which were taken to finance an acquisition, to the acquired firm or to withdraw money from this firm in the form of extra dividends or bonuses. To make quick hit-and-run strategies by hedge funds in large quoted firms more difficult, the voting rights of shareholders in such companies could be linked to the duration of their holdings – these rights could for instance only start one year after the acquisition of the shares.

The provisions in the existing European take-over directive to prevent hostile take-overs should be strengthened and not – as is envisaged by the European Commission – weakened. They should give employees of a target firm not only the right to full information but also the right to veto a take-over if employees interests are not sufficiently met.

**Reduction of financial over-accumulation.** Limitation of financial speculation and protection of firms against exploitation by financial investors are reasonable and – if carried out with sufficient political energy – efficient measures to stabilise financial systems and economic de-

velopment temporarily. But they will not take the steam and pressure out of the system and will not prevent financial investors, under enormous pressure from asset-owners seeking high returns, from seeking and developing new outlets and new methods of profit generation which will induce instability and polarisation in new and unexpected places and forms. A more comprehensive strategy to reduce the influence of financial investors in the economy and society must therefore address the roots of this financial pressure. The most important of these are located outside financial markets, namely in an increasingly one-sided distribution of income and wealth, and in increasingly capital-funded social-security systems. A long-term strategy to tame financial markets and to embed finance in a framework of reasonable and socially sustainable economic development must therefore reverse these trends: It must, first, initiate a redistribution of income and wealth from top to bottom through higher (minimum) wages and social expenditure and at the same time higher taxation of wealth, profits and high incomes. Second, it should base pension systems on public schemes which are de-linked from the dynamics and risks of financial markets. Both strategies would considerably slow down the accumulation of profit-seeking financial assets and therefore take much of the pressure out of financial markets. Such strategies, of course, go far beyond financial market policies. They are elements of a strategy for the comprehensive democratisation of the economy.

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EIPHANIE III (Die Präsentation im Tempel), 1998  
mixed media (oil & acrylic on canvas)  
210 x 310 cm



# Labour and Development:

## What Can be Learned from the Nordic Model?

### Asbjørn Wahl

Asbjørn Wahl,  
Adviser, Norwegian Union  
of Municipal and General  
Employees

The Nordic Model, or the welfare state, which developed in a very specific historic context. It can therefore not be assessed independently from its social and historical origin and the power relations which made it possible. If we really want to come to grips with the potential, the actual development and the perspective of the welfare state, a deeper and more thorough analysis and understanding of this particular model is crucial.

### The Political Economy of the Welfare State

Some level of social services (health, education, social protection, etc.) will inevitably arise in all countries as their economy develops, since the economy itself requires much in terms of the reproduction of labour, qualifications, public transport, and so forth. The organisational form, quality and level of these services, however, will reflect the real power relations in the concrete societies as well as the international configuration.

In the last resort, therefore, democratically managed, universally accessible public service, as opposed to profit-driven private-service markets, is a question of structural power – of economic, social and political power relations in society.

However, the welfare state as we know it was not only a product of power relations in general, but the result of a very specific historic development in the 20<sup>th</sup> century, including the Russian revolution (see below). Contrary to being the result of social dialogue and tripartite cooperation, as many in the labour movement would have it, the welfare state was the result of a long period of bitter social struggle and class confrontations.

Ever since capitalism became the dominant mode of production in our societies, it has developed and proceeded from boom to bust and from bust to boom. The relatively unregulated laissez-faire capitalism of the 19<sup>th</sup> and first half of the 20<sup>th</sup> century reflected extreme exploitation of workers in general, and caused extraordinary misery during its bust periods. The response of the working class became to organise and fight – at the workplaces as well as at the political level. Through this offensive

the labour movement gradually achieved better wages, better working conditions as well as high-quality social-welfare provisions.

In particular, the international economic depression of the 1930s led to increased popular pressure for political interventions in the markets. Mass unemployment, increased misery, fascism and war produced massive demands for peace, social security, full employment and political control of the economy. Thus, when the leaders of the victorious nations met at the Bretton Woods conference towards the end of World War II, the message from their workers and citizens back home was clear: The unregulated crisis-stricken capitalism had to come to an end. Under the then existing balance of power, it was the Keynesian model of regulated capitalism that won hegemony, and thus the social and economic foundation for the welfare state was created.

In this regard, it is important to note that labour's strength resulted not only in better trade-union rights and regulated labour markets. Much more important was the general taming of market forces. The power of capital was reduced in favour of politically elected bodies. Competition was dampened through political interventions in the market. Capital control was introduced and financial capital became strictly regulated. Through strong expansion of the public sector and the welfare state, a large part of the economy was taken out of the market altogether and subjected to political decisions. In short, public welfare is a question of power!

## The Social-Pact Policy

In the last century, the social struggle between labour and capital in many countries resulted in static warfare in which none of the parties were very successful in advancing their positions. The labour movement was not able to capture new power positions, and capital forces were not able to defeat the workers' organisations. As a result of this, the trade-union movement gradually developed a sort of peaceful coexistence with capitalist interests.

In the 1930s this cohabitation started to become institutionalised in some parts of Europe when the trade-union movement struck accords with employers' organisations, particularly in the Nordic countries, and after WW II in most of Western Europe as well. From a period characterised by harsh confrontations between labour and capital, societies entered a phase of social peace, bi- and tripartite negotiations and consensus policies. It was the balance of power within the framework of this social pact between labour and capital which formed the basis on which the welfare state was developed – and working and living conditions, as well as social provisions, were gradually improved.

One important factor in the post WW II period was that international capitalism experienced more than 20 years of stable and strong eco-

conomic growth. This made it easier to share the dividend between labour, capital and the public sector.

An important feature of this context was the existence of a competing economic system in the Soviet Union and Eastern Europe. As the British historian Eric Hobsbawm (Hobsbawm 1994) has pointed out, this was instrumental in making Western capitalists accept a compromise. It is also important to note that, before its creation, the welfare state, in the form of regulated capitalism, was never a goal of the labour movement. The stated goal was socialism. It was in fear of socialism – after the Russian Revolution and a reinforcement and radicalisation of the labour movement in Western Europe during WW II – that owners of capital in Western Europe gave in to many of the demands of the labour movement.

The fact that the welfare state was not the expressed aim of the labour movement, but the result of the specific historic compromise between labour and capital, is also reflected in the mixed character of the welfare state. On the one hand, parts of it represent the seeds of the labour movement's vision of another and better society (social insurance, child benefits, redistribution, free welfare services, universal rights); on the other hand, parts of the welfare state function more like a repair workshop in the face of, and within, a brutal and inhumane economic system, to compensate for its deficiencies (e.g. unemployment benefits and different pension schemes and benefits linked to work-related disabilities, occupational health problems and labour-market exclusions, etc.).

We should also not forget that along the way there were ideological and political struggles within the labour movement. The more radical or revolutionary currents wanted to socialise, or democratise the ownership of the means of production, while the more moderate or reformist currents aimed at limiting the power of capital through political regulation and reforms. It was precisely the strength of the more radical currents that made capitalist forces attempt a class compromise in Western Europe.

In any case, the policy of the social pact, which in reality became the development of the welfare state, resulted in enormous improvements in living and working conditions. In the labour movement this led to the common understanding that a way had been found to a society which brought social progress and a relatively fair distribution of wealth to ordinary people – without having to make all the sacrifices connected with class struggle and social confrontations. Settlements between labour and capital were made in rather orderly and peaceful ways at the national level. The dominant understanding was that society had reached a higher level of civilisation.

For the trade-union movement the social pact in reality represented acceptance of the capitalist organisation of production, the private own-

ership of the means of production and the employers' right to direct the labour process<sup>1</sup>. In exchange for gains in welfare and working conditions the trade-union confederations guaranteed industrial peace and restraint in wage negotiations. Put simply, the welfare state and the gradually improved living conditions were what the rather peaceful labour movement achieved in exchange for giving up its socialist project. Today we can conclude that it was a short-term achievement in a very specific historical context.

Now, more than 50 years later, we have to admit that this capitalist strategy has been largely successful. Due to important achievements in welfare, wages and working conditions, the social-pact policy received massive support from the working class, and the more radical and anti-capitalist parts of the labour movement were gradually marginalised. The dominant parts of the labour movement also started to understand social progress as an effect of social peace and cooperation with more civilised capital owners. To many of the trade union leaders of the time, social confrontations actually became undesirable features which had adverse effects on workers' conditions and were therefore to be avoided. Combined with the prevailing notion that free-market capitalism had been defeated, this development led to the depoliticisation and deradicalisation of the labour movement and the bureaucratisation of the trade-union movement. It became the historic role of the social-democratic parties to administer this policy of class compromise.

## The Turning Point – The Neoliberal Offensive

As the reconstruction and rebuilding of the economy after WW II came to an end, the post-war Keynesian economic model encountered ever more difficulties. Stagnation, inflation and profit crises became prevalent. Spurred on by these international economic crises, market forces went on the offensive and ushered in the current era of neoliberalism. Social-pact policies thus reached their point of maximum development in the 1970s. After that point, capitalist forces changed strategy in order to restore profitability, withdrawing gradually from the social pact and introducing more confrontational policies against labour.

Most of the complex system of regulations, which was used to tame market forces and thus create preconditions for the development of the welfare state, has simply been dismantled. This deregulation policy has led to the development of a wild speculative economy, in which more than 90 % of international economic transactions are speculative, mainly currency speculation, and to an unprecedented redistribution of wealth from public to private, from labour to capital and from the poor to the rich. Public as well as private poverty is growing alongside ever greater and more visible private wealth among the elite. The redistribu-

<sup>1</sup> This was, of course, only seldom, partly and indirectly expressed by leaders of the labour movement. Socialist rhetoric was regularly used, especially during the first years of class cooperation, although more in the trade unions than in the Labour Party, since socialist feeling was still strong at the grassroot level.

tion model of the welfare state has, in other words, been turned upside down.

An important part of capital's strategy has been the restructuring of capitalist production at the global level. Global production chains, lean production, outsourcing, offshoring and relocation of assembly lines as well as of supportive services are central features of this development. Workers and social models are being played off against each other as a result of this ever more unbridled freedom of movement of capital, goods and services. New Public Management has introduced private-sector models in the public sector. Market freedom and the ability to compete in increasingly deregulated international markets have been the guiding principles behind the present policies. As a result, competition is increasing in the labour market, and a rapid growth of precarious work is undermining trade-union and workers rights. A widespread brutalisation of work<sup>2</sup> is one of the more serious adverse effects of this development.

This capitalist offensive did not meet much resistance. The labour movement was not well prepared for the new economic and social situation. The trade unions found it difficult to act under the changed economic and social conditions as their policies and activities were mainly suited to their experience in a period of economic prosperity. In addition, the process of depoliticisation and deradicalisation which had taken place during the social-pact era made it easier for owners of capital to try to solve the crisis by attacking working conditions, trade-union and workers' rights, public services and social rights and provisions.

Through informal and unaccountable power structures like the G8, institutions like the International Monetary Fund (IMF), the World Bank and the World Trade Organisation (WTO), regional institutions like the European Union (EU) and the North American Free Trade Agreement (NAFTA) and other bilateral and regional trade agreements, neoliberal policies are being pushed through and institutionalised on an international level. In short, an immense shift in the balance of power between labour and capital has taken place, and this time in favour of capital. The big multinational companies have been in the forefront of this development – with their newly achieved freedom from democratic regulation and control.

The fact that the power base of the welfare state is eroding, does not, of course, mean that there is the risk of a return to a pre-welfare-state condition, in which social spending constituted a considerably smaller part of GDP than it does today (Lindert 2004: 11ff.). Society has developed far beyond that stage, and the current economy is completely dependent on a number of social and public services. It is therefore not only the size of the public sector that is decisive in this regard, but also, and even more importantly, the power relations within it.

The undermining and weakening of the welfare state will first and

<sup>2</sup> The author of this article introduced the notion of brutalisation of work in Norway some years ago.

The notion is now in common use in public debate.

foremost be reflected in the organisational forms, the stratification, the quality and the level of the social services – through privatisation, increased use of competitive tendering, increased poverty and inequality, more and higher user fees, the transition from universal services to means testing, through the increased commodification of labour (Esping-Andersen 1990:35 ff.), and so forth. Due to bolstered market forces, many people will also experience reduced access to decent housing, deteriorating working conditions and health services.

Accordingly, we can conclude that the weakening and deconstruction of the welfare state is still proceeding, but the potential of the new power relations are not exhausted. Institutional sluggishness, the existence of universal suffrage and democratic institutions, although weakened, and sporadic social resistance, slow down the process of deconstruction. Whether or not this development will be allowed to continue will therefore depend on the scope and strength of the social resistance which is mobilised in defence of the achievements won through the welfare state – and subsequently for more offensive social and political goals.

## The Shift from Consensus to Confrontation

The trade-union movement was taken by surprise by this development. The shift from consensus to confrontation on the part of capital was incomprehensible within the labour movement's consensus-oriented social-pact ideology. The breakdown of the historic compromise therefore also led to a political and ideological crisis in the social-democratic parties and in most of the labour movement. With a depoliticised and passive membership, and an increasingly self-recruiting leadership which was moving into the elite of society, social-democratic parties rapidly adapted to the dominant neoliberal agenda, although in the form of softer alternatives than the original right-wing version.

In this context, globalisation, instead of being understood as the concrete form of the current neoliberal offensive, became interpreted as a necessary phase of development of the new world economy. "Globalisation has come to stay" has been the mantra of dominant parts of the labour movement, and larger parts of the trade-union movement in developed countries have therefore also come out in favour of a narrowly focused policy of strengthening the international competitiveness of their own companies (business unionism). Increased flexibility, including in its new, dressed up version flexicurity, which means the weakening of working conditions and labour regulations, has been embraced in the name of increased competitiveness. Competitiveness, in turn, is being construed as the one and only way to secure jobs.

Deregulation and economic liberalisation in general have also been widely accepted, provided they are accompanied by labour standards (or

social clauses). Thus, a focus on real power relations and limitation of market forces through enforceable regulations have been replaced by a sort of legal formalism – both at the national level, within the European Union and in international institutions like the WTO and the World Bank. An entire academic industry focusing on corporate social responsibility (CSR), in the form of voluntary ethical standards, has emerged in this vacuum created by the crumbling power of trade unions and social movements – and with an army of well financed and well intentioned NGOs and research groups to throw this ideological smokescreen over the immense shift in power relations in favour of capitalist interests occurring in the real world.

These policies do not aim at fighting the liberalisation of the economy itself, but are directed against the negative effects of liberalisation on workers. However, liberalisation without negative effects on workers does not exist. It is the liberalisation process which is the problem. If trade unions and social movements want to reduce the negative effects of liberalisation, they will therefore have to fight liberalisation itself, since liberalisation means deregulation and privatisation, which is precisely how the ongoing, enormous shift in the balance of power in society is being carried out.

## The Brutalisation of Work

One important effect of the new balance of power is an extensive brutalisation of work. An increasing number of workers are being excluded from the labour market and declared unable to work. We are witnessing an all-time high in sick leave, as well as an increase in occupational injuries and accidents. A growing number of workers are experiencing increased stress and so-called chronic fatigue syndrome at the workplace. In many industries and sectors, workers are experiencing degradation of work, with less control over the work process. In short, there are many signs that something dramatic is about to happen to our labour market and to our whole relationship to work.

Many people in recent years have thus experienced an intensification of work pressure, a frequent undermining of labour laws and agreements which are daily ignored at the workplace and an increase in insecurity and uncertainty. A rapidly growing number of workers are being excluded from the labour market altogether. In Norway, almost 15 % of the total population between the ages of 16 and 67 – 67 being the normal retirement age – are now in early retirement or receiving disability benefits or some kind of rehabilitation. The figure has doubled over the last 20 years. At the same time, trade-union and labour rights are being weakened and undermined. There is no doubt, then, that serious brutalisation of work is occurring.

This represents a major break with the golden years of the welfare economy. In that era, we, at least in the industrialised world, experienced a gradual improvement of working conditions over many years – a development which included dampened competition, shorter and better regulated working hours, longer annual leave, better job security, the introduction and improvement of sick pay, a reduction in work intensity, less stress, the closing or transformation of many hazardous workplaces, and the development of better legislation regulating the work environment. This developed alongside a high level of employment, improved trade-union rights, increasing co-determination in the workplace and in the companies, etc.

This does not mean that we had an ideal work environment – far from it. Many problems and challenges still remained. What it means is that we had a positive development. Working conditions and environments were gradually improving. This is no longer the general trend. The shift in direction is formidable – workers' human dignity is under severe attack.

In particular, new management methods, new work processes, new organisational structures and increased competition within the markets have had immense effects on working conditions and workers' health. Workers are being excluded at an earlier stage than before. Due to increased competition, more rapid restructuring of companies and public undertakings and changing working relations, less control over the work process and more precarious work, the demand on workers is becoming more and more intolerable. At the same time research and experience confirm that measures taken by politicians and public authorities to stop and reduce this exclusion from the labour market have failed all over Europe, as demonstrated by the European Foundation for the Improvement of Living and Working Conditions.

If one does not analyse – or denies the existence of – the power structures and the driving forces which lay behind the ongoing brutalisation of work, one will never be able to fight it.

The increasing gap between rich and poor in society is adding to these adverse effects on peoples' health and well-being. Vicente Navarro concludes that the growing inequalities we are witnessing in the world today are having a very negative impact on the health and quality of life of populations. He demonstrates that it is the inequality itself – that is, the distance among social groups and individuals and the lack of social cohesion that this distance creates – which is the problem (Navarro 2004, p. 26.) In other words, as neoliberal policies increase the poverty gap, and as increased inequalities lead to health problems, we can conclude that neoliberal globalisation is a health hazard.

The social-pact ideology is incapable either of explaining or developing counter-strategies to oppose this development. Under the welfare economy there were direct connections between economic growth and



better living and working conditions. These connections no longer exist – the economy is growing but this leads to setbacks rather than to progress. The entire concept of the welfare state is breaking down.

The welfare state, and particularly the Nordic model, represented enormous social progress for the great majority. What then went wrong? Why is something that, despite its weaknesses, can be characterised as one of the most successful social models in human history now being attacked and undermined? To summarise the most important reasons:

First, the social pact was not a stable situation. It was a compromise in a concrete and very specific historic situation, and the main economic and social characteristics of the capitalist system were still intact. Second, something which could have been considered an important short-term tactical compromise from the point of view of the labour movement became the long-term, strategic aim. Rather than being seen as a step towards a more fundamental social emancipation, the class compromise, and its natural offspring, the welfare state, gradually became the end of history. Thirdly, and linked to the previous point, the ideology of the social pact proved false. Democratic control of the economy was never fully achieved, crisis-free capitalism was not created, and the class struggle was not over. Fourth, the labour movement was taken by surprise by the neoliberal offensive. Rather than mobilising socially to defend the achievements won through the welfare state and moving the social struggle forward, a large part of the leaders of the trade-union and the labour movement were pushed to the defensive, clinged to the social-peace and social-dialogue model, negotiated concessions and themselves adopted a surprisingly large part of neoliberal ideology.

## The Need to go Beyond Keynesianism

The most important lesson to learn from the history of the welfare state, from today's vantage point, is that it did not go far enough in establishing democratic control of the economy. One of the most successful effects of the welfare state was income redistribution. However, it the state was still dominated by the basic relations of capitalist production. The strong concentration of the ownership of capital, of the means of production, thus formed a solid power basis from which an attack on the relatively equal distribution of goods and services in welfare societies could be launched. This is exactly what we are witnessing today, in the form of the ongoing global neoliberal offensive.

A new social model will therefore have to go beyond the Keynesian welfare state. Emancipatory social policies will presuppose a more fundamental shift in the balance of power. To achieve it, one has to understand and focus more sharply on power – and ownership. It is not a question of good intentions, good will or a high moral level (or of “cor-

porate social responsibility", as some call it), but of power relations, of the balance of power between labour and capital, between market forces and civil society.

In the long run, in order to fight for another social model in the interest of the great majority of people, we will thus have to confront the economic, political and social interests which are behind the attacks on public services and the welfare state. Power structures and power relations will have to be changed. Structural reforms such as a currency exchange tax, capital control, increased taxation of multinational companies, local control of natural resources, and progressively increased democratic control of the economy should therefore be the entry point and direction of our future struggles.

## The Immediate Tasks

The following are among the most important, immediate tasks which the labour movement faces:

### **a Defending the achievements which were won through the welfare state.**

This is our first line of defence. It is a defensive struggle, and we have to realise that we are in a defensive situation. This means fighting privatisation, deregulation and attacks on our social-security provisions, opposing the undermining of the universal social systems which have been built in many countries and preventing them from being replaced by means testing and other humiliating needs tests. It also includes fighting for a financing model based on a progressive tax on the haves rather than on individual user fees for the have-nots.

### **b Confronting the institutionalisation of neoliberalism at the international level.**

An important part of neoliberal strategy is the attempt to institutionalise its policies at the transnational level. In this way, the interests behind these market-oriented solutions are able to avoid and overrule democratic structures and processes at the local and national levels. Markets are thus being forced open through legislation at the EU level (the Services Directive being one of the most recent), or through agreements within international institutions like the WTO. The General Agreement on Trade in Services (GATS) is, for example, being used not only to give market competition priority over social or environmental regulation, but also to make this kind of privatisation and deregulation irreversible. Broad international networks of social movements and NGOs have been developed to mobilise against such corporate trade and investment policies. The Our World Is Not For

<sup>3</sup> See [www.ourworldisnotforsale.org](http://www.ourworldisnotforsale.org)

Sale network (OWINFS)<sup>3</sup> is the most important of these, and should be supported by all who want to defend the achievements of the welfare state.

**c Democratising and further developing our social services/institutions in a user/producer alliance.**

Although popular support of public services is broad and comprehensive, there is also widespread discontent with many aspects of them, such as limited access, bureaucratic structures, lower-than-expected quality, etc. Under-financing in order to weaken and discredit public services, to then pave the way for future privatisation, is a familiar strategy of neoliberal politicians. It is important not to deny or explain away these deficiencies, but to acknowledge them, to correct them and to formulate a policy to improve their quality, responsiveness to users and accessibility. Democratic and organisational reforms are decisive in this regard and can, if successfully managed, provide stronger barriers to future privatisation and political attacks.<sup>4</sup> Developing social and political alliances between the users of the actual public services and those who produce them is of great strategic importance for the more decisive social struggle which must occur.

While all these immediate struggles are important in their own right, they must nevertheless be developed in a way which strengthens our longer-term, strategic aims. Our concrete demands and struggles should therefore:

- 1 contribute to shifting the balance of power from capital to labour, from market forces to civil society;
- 1 be linked to the experiences, the problems and the interests of the social groups in question, since this is a precondition for effective mobilisation;
- 1 contribute to building the broad social alliances which are necessary to win social power.

<sup>4</sup> The Norwegian Union of Municipal and General Employees has developed the so-called Model Municipality Project which has proven quite successful in this regard. It is an alternative to privatisation and marketisation, a bottom-up project based on the knowledge and experience of the workers involved. Further information can be found here: [http://www.fagforbundet.no/Modules/KB\\_Publish/ShowPage\\_WYSIWYG.asp?PageID=107](http://www.fagforbundet.no/Modules/KB_Publish/ShowPage_WYSIWYG.asp?PageID=107)

A significant shift in the balance of power can only be achieved through a broad interest-based mobilisation of trade unions, social movements and other popular organisations and NGOs, which is strong enough to confront corporate interests and put them on the defensive. Continually larger areas of our societies have become victims of the current neoliberal offensive, and it is exactly these affected social groups which will have to be united in new, untraditional alliances.

In particular, it is important to develop the alliance between the trade-union movement and the new global-justice and solidarity movement which has developed over the last few years. Even though its grasp of class relations is rather poor, this movement has been decisive in revitalising popular resistance and has – with its dynamic, its insistence on

independence and democratic control from below, its radicalism and its militancy – raised hopes and inspired people. Some of their features could also help revitalise many old-fashioned and bureaucratic trade unions. If the relationship is managed constructively and correctly, these two movements could reinforce each other and take the struggle to a higher level.

International cooperation between, and coordination of, these alliances and movements are important, but in order to coordinate across borders, there have to be strong and active social movements at the local and national level in the first place. There is no such thing as an abstract global struggle against neoliberalism. Social struggles are being globalised as and when local and national movements realise the need for cooperation across borders in order to advance their positions against internationally operating and well coordinated counter-forces. Even though a global perspective and international coordination is necessary, the primary task is therefore to organise the struggle and to build the necessary social alliances locally.

In Norway, over the last few years, the so-called Campaign for the Welfare State<sup>5</sup> has been quite successful in mounting an opposition. The alliance includes trade unions in the private as well as the public sector, women's organisations, student organisations, a retired people's association, a small peasants' organisation, organisations of users of welfare services, etc. It is not yet a real popular movement, but this broad alliance represents the political, social and organisational infrastructure which is necessary if the aim is to stop the policy of liberalisation, deregulation and privatisation – and make another world possible.

## In Conclusion

The welfare state is not only a sum of social institutions and public budgets. It was made possible by concrete power relations permeating all social domains. Its features were:

- 1 a policy for full employment,
- 1 regulated markets and dampened competition,
- 1 increased influence of employees and trade unions at the workplace,
- 1 redistribution of wealth and eradication of poverty,
- 1 universal services as opposed to means testing.

The shift in the balance of power between labour and capital over the last 25 years has had an impact on all these features (increased unemployment, exclusion, poverty, health problems and so on), and the welfare state is in danger of withering away along with its power base.

The most important lessons to be learned from the Nordic model are (1) that fierce social struggles and the enormous shift in the balance of

<sup>5</sup> See [www.velferdsstaten.no](http://www.velferdsstaten.no)

power between labour and capital were required to achieve the social progress represented by the welfare state, but also (2) how fragile the model is, and how unstable and vulnerable the power base of the welfare state has proven to be.

Based on the experience of the last 25 years, the perspective must now be that of going beyond the welfare state – to a socially and democratically organised society where peoples' needs and the environmental limits become our guiding principles. The main aim of the labour movement in the north as well as in the south today must therefore be to limit the power of capital and to make the economy subject to democratic control. This will not be achieved through social dialogue and tripartite cooperation, but through class struggle and social confrontations. History tells us that power never steps down. It has to be brought down.

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# From Universalism to Selectivism?

## The Rise of Anti-Poverty Policies in Finland<sup>1</sup>

Susan Kuivalainen & Mikko Niemelä

Welfare states everywhere are changing. Over the past decades, many states in the western world have entered a phase of rethinking, retrenchment and reconstruction. A number of studies have examined and explained these changes. Recently, scholars have turned to study ideas in the explanation of policy change in the welfare state (e.g. Campbell 1998; Cox 1998; Blyth 2001; Schmidt 2001; Béland 2007). They have outlined the importance of studying agendas, frames and policy paradigms for a fuller understanding of policy change. This article seeks to analyse when, how and why the policy paradigm regarding to poverty changed in Finland.

The principle of universalism is one of the most important ideas in the Nordic welfare states, which are characterised by a low degree of selectivity, high coverage of social protection and universal, publicly provided services. In the universalistic countries, selective policy measures have had only a marginal role in providing social benefits and welfare services. Targeted anti-poverty policies, for example, have not been considered as specific aims of social policy in the Nordic countries (Korpi & Palme 1998).

The situation altered in Finland in the 1990s, when as the result of a deep economic recession lasting from 1990 to 1993, GDP declined by 13 percent and unemployment rose to 18 percent. In 1994 the Finnish economy started to recover from the recession. However, in spite of the recovery, the country was not the same as before the economic slump. Persistent unemployment and widening inequality emerged as new problems. Income poverty measured by Eurostat standards increased from 6% to 12% during the period 1994-2004 and child poverty increased from 4 percent to 12 percent during the same period.

As John W. Kingdon (1995) has noted, policies are often changed in major ways within relatively short "windows of opportunity" during which conditions are temporarily ripe for increased attention and action. During the 1990s various actors placed poverty on their agendas, and new ideas about how to deal with the problem of poverty emerged. The paradigm has undergone a stage-by-stage change, and there is now a

<sup>1</sup> Earlier and more extensive version of the paper was presented at the 4th international conference on welfare state change: policy feedback, the role of ideas and incrementalism. St. Restrup Herregård, 30 January – 1 February 2008.

new element in the Finnish welfare state that can be called “anti-poverty policy”. It can be understood as supplementing or replacing policy whereby measures – contrary to the idea of universalism – are targeted at the poor.

In this article we focus on the ideas put forward by different key actors with regard to poverty from the mid 1990s to 2007. The overall aim of the paper is to describe the rise of anti-poverty policies in Finland. It includes an empirical analysis of the documents produced by various key actors. The key political actors studied are government, political parties, church and nongovernmental organisations.

## The Rise of Anti-Poverty Policies in Finland

### *The Church and the Non-Governmental Social Welfare Organisations*

In Finland, it was the Lutheran church and the non-governmental social welfare organisations who first took up the issue of poverty. The church in particular started initiatives to deliver food aid and organised other measures for people in the most vulnerable positions during the economic recession. The church has tried to influence political decision-makers, by setting an example by its own activity. It also took the initiative to call together an expert group to discuss the issue of poverty. A group known as the “Hunger Group”, established in 1997, had a broad and influential representation from various institutions, such as parliament, labour market organisations, and the Association of Finnish Local and Regional Authorities. Also, it had an advisory board consisting of researchers, civil servants and members from non-governmental organisations. The main purpose of the group was to spark debate on poverty. Its message was targeted at state authorities and, above all, the incoming government after the parliamentary election of 1999. The group argued that the incoming government would have to draw up and carry out a programme to fight poverty by addressing the question of poverty and social exclusion in the government programme.

The non-governmental social welfare organisations also took an active role in raising the issue of poverty during the 1990s. The Finnish branch of the European Anti-Poverty Network (EAPN-Fin), established in 1994, has been a chief actor in this field. Its goal is to act against poverty and social exclusion and to serve as a platform for various actors. EAPN-Fin has over the years issued a number of statements on poverty – alone and with other non-governmental organisations – and has proposed many means to combat poverty.

The inadequate level of basic security benefits and the unsatisfactory functioning of these schemes were identified by the church and the non-governmental organisations as the most important reasons for poverty.



Moreover, they have strongly criticised the policy practiced and have asserted that Finland has compromised the principles of the Nordic welfare state and that Finnish society is moving from the universal social policy model towards the residual model.

The church and the non-governmental social welfare organisations have emphasised the importance of upholding the legacy and principles of the Nordic welfare state model. They argue that the primary aim of social policy is to guarantee a decent standard of living for all citizens. Nonetheless, they also make a case for targeted measures, but for slightly different reasons. The church considers the increase in the use of targeted measures to result from diminishing resources; hence, the resources must from now on be targeted more carefully at fewer people. The non-governmental organisations favour targeting in cases where individually planned measures are needed. Both delivered concrete assistance during the deepest recession of the early 1990s, and then, in the latter half of that decade, made the issue of poverty part of their official agendas. The clearest evidence of their dominant role is the report by the "Hunger Group", which influenced the poverty-related policies contained in the programme of Prime Minister Paavo Lipponen's second government.

## Government

The new government (1999 – 2003), headed by social democratic Prime Minister Paavo Lipponen, released its programme in April, in which it stated that "the Government's key area of emphasis is to promote activities which prevent and reduce serious poverty problems, social exclusion and the accumulation of deprivation". The programme represents a turning point in Finnish policy. For the first time in history, poverty was mentioned in a government programme. The government programme is a key policy agenda in Finland, and as such it addresses the issues and problems perceived as significant at a given time. Every government programme after Prime Minister Paavo Lipponen's second government has given particular attention to poverty. This underlines the importance of poverty as a significant issue that merits serious attention and can also be seen as a sign of continuity in the changed policy.

The present government programme of Prime Minister Matti Vanhanen's second government (2007 – 2011) declares on page one that "the individual's basic social security must be strengthened. Social services and aid should target people in greatest need of assistance". Poverty and social exclusion receive more attention than in the previous programmes. The principle underlying the programme is the strengthening of citizens' basic social security. In the economic strategy section the government defines as its key goals the spreading of the benefits of well-being to all and the slashing poverty. Similar to the other programmes,

work is seen as the most important tool in the fight against poverty. The goal is to increase work incentives and to decrease disincentives. The government's key initiative is to reform the social protection system. The goal of the social protection reform is to offer more incentives for work, alleviate poverty and provide an adequate level of social protection in all life situations. A commission on social security reform was set up in June 2007.

The government has laid out persuasively its premise in social policy, which is the preservation of Nordic welfare society. More than in the government programmes, this premise appears in the Finnish National Action Plans on poverty and social exclusion. In the National Action Plans it is frequently stated that the Finnish social security system rests on the basic principles of universal social welfare and health services and a comprehensive income security system. A key tool in the prevention of social exclusion is adherence to the principle of universality. It is strongly stated that policies aimed at combating poverty and social exclusion will rely first and foremost on the development of the universal system.

Nonetheless, the government has also put forward targeted measures. Specially targeted measures were seen as critical owing to the increase in problems stemming from social exclusion. By targeted measures the government mainly refers to the measures taken in accordance with the Government's budget proposals for 2002, 2006 and 2007. Measures labelled by the public as "packages for the poor" were new measures to improve the well-being of families and the status of persons with the lowest incomes. The increase in the child maintenance allowance by approximately EUR 6 per month per child is an example of such measures. These targeted measures diverge considerably from the core idea of universalism, in which benefits are intended equally for all citizens and benefit levels in general are to be kept at a high enough level to obviate the need for targeted measures.

## Political Parties

It was not until the end of the 1990s that poverty was first mentioned in political party programmes. Improving employment was seen as the main objective for each party in the mid 1990s, and poverty or social exclusion were scarcely mentioned in the documents.

Some differences can be observed between the parties in terms of the timing of the addition of poverty to the policy agenda. The first party to put poverty on its policy agenda was the Centre Party. In 1998, it issued a report that began with the following statement: the goal of the reformed policy is to bring about a new society where poverty and social exclusion are eradicated. The party was in opposition from 1995 to 2003, during which time it strongly criticised the practiced policy. The opposition position allowed the party to present alternative solutions to

the issue of poverty, such as a guaranteed basic income. The Left Alliance introduced its own anti-poverty programme in 1999. Like the Centre Party, it too saw the widened income inequality as the core of the poverty problem. The Greens refer to poverty for the first time in their family policy programme of 1999. The Social Democratic Party and the Conservative Party addressed the issue of poverty in 2002. A statement issued by the Social Democratic Party congress called for special attention to be paid to preventing and alleviating poverty and social exclusion. The growth of social exclusion was regarded as a future challenge. Unlike the Social Democratic Party, the Conservative Party has not assigned any significant role to poverty in its later programmes. All in all, it is worth noting that poverty has – somewhat predictably – been given more emphasis by the left-wing than the right-wing parties. The Centre Party, though classified as a rightist party, has a strong tradition in stressing the issue of poverty. Poverty has been a central political issue among the parties that took up the issue in the first place. In the parliamentary election of 2007, poverty was a key theme for the Centre Party, the Left Alliance and the Greens.

During the latter part of the 1990s each party under consideration in this paper regarded unemployment as the main societal problem and the key goal was thus to decrease the unemployment rate. All proposed measures (mainly means of active social policy) were geared towards that goal. Work is considered as the best way to reduce poverty. Concerns over the level of social security became more widespread at the turn of the decade. Each party put emphasis on the principle of the Nordic welfare model, all being in support of it. However, emphasis on the means to be employed varied. While the rightist parties stressed the role of services, the parties of the left underscored the role of social transfers and the adequacy of benefits. The first expression in a policy agenda of the need to target benefits thus occurred at the beginning of this decade. On the whole, the measures proposed largely correspond to those outlined in the “packages for the poor”. The proposals were small and incremental and were designed to help people in the weakest position. They were, first and foremost, targeted improvements.

## Conclusion

We have described above the rise of anti-poverty policies in Finland. The programmes such as the National Action Plans against poverty and social exclusion themselves indicate that there is a new and separate element in the Finnish social policy. The paradigm has undergone a stage-by-stage shift, and there is now a new element in the Finnish welfare state that can be called “anti-poverty policy”. It can be understood as supplementing or replacing policy, so as to target it to the poor, contrary to the principles of universalism.

The most fundamental symbols of Finnish antipoverty policy have been the legislative “packages for the poor”. They have included a selection of measures which made minor improvements to the level of certain allowances. From the ideational perspective of policy-making, it is important that these packages illuminate the core of the paradigm change from the idea of universalism to the idea of selectivism – packages for the poor were targeted “to the neediest”. The packages for the poor have meant reforms which take categorical rights and target them at a select sub-set of the group. In addition, from the “ideas as frames” perspective, “packages for the poor” are the most obvious examples of how political actors have framed policy alternatives in order to justify targeted and selective policy measures.

In response to rising social spending, many countries have turned towards more targeting. As the demands for sustainability and affordability increase, targeting of benefits becomes appealing. Targeted benefits are favoured for the benefit of greater efficiency and lower costs. They are defended through the well-known argument that targeting benefits to those most in need is more effective and efficient at closing poverty gaps than universal payments, where there is a spillover to those who do not need benefits (e.g. Whiteford 1997, 45). As the resources available to the welfare state shrink, the argument that higher income groups can look after themselves becomes more appealing; resources should be used to help the needy rather than lavished indiscriminately on all citizens.

Targeting usually through means-testing involves, however, many questionable aspects. Because benefits are targeted at the neediest groups of society, benefits easily become labelled as services for the poor. Applying for these benefits, a person factualises his / her insufficient resources, and hence portrays him/herself as poor. And this indicates deviance from the norms of society. Partly for these reasons, stigmatisation is often associated with targeted and means-tested benefits. This can lead to a situation where people do not want to apply for benefits even though they would be entitled to support based on their income. Low take-up rates also characterise these benefits. The rules governing such assistance and determining entitlement can be complicated and unclear, which may lead to a situation where people are unaware of their entitlement. Some people may have difficulties in securing their entitlements because of infirmity or low education. From a social rights point of view, an important requirement is that those who are entitled to benefits know what their rights are and that they are able to lay claim to them. High administration costs and high effective marginal tax rates are also associated with targeted benefits. Because need-tested benefits always involve a test of means and need, administrative costs are high. Means-tested benefits also encounter problems with respect to work and can create poverty traps. Most often, earned income reduces the amount

of benefit paid. The more earnings are taken into account the higher the effective marginal tax rate is.

There are many who argue that targeted benefits are not necessarily the most efficient method of reducing poverty, quite the contrary. The well-known study by Korpi and Palme came to conclusion "*the more we target benefits to the poor...the less likely we are to reduce poverty and inequality*" (1998, 681-682). Because targeted benefits are directed at the low-income people, there is no rational base for a coalition between those above and those below the poverty line. Targeted programs thus have a narrower support and political base, and the amount transferred via targeted programs is likely to be much lower than via universal programs. According to the middle-class inclusion thesis, programs that respond to the demand for income security among the middle- and high-income groups promote support of the overall system to allow the provision of high levels of economic protection to lower income groups as well.

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Song of Deputies, 1986  
Fotografie

# The Dualities of the Swedish Welfare Model

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## Framing the Problem: Viability vs. Effect

In the prevailing political and scientific discussion on welfare states in general and the Swedish welfare model in particular, the focus is on the question of the viability of the different welfare models (in light of demographic changes, globalisation, multiculturalism, citizenship etc.). By contrast, I believe that the basic question is not whether the Swedish model is viable – but whether it works. In short, the model should not be evaluated on the basis of whether it will survive (i.e. on the basis of its specific features) but on the basis of whether it works (i.e. on the basis of effects or outcomes). Within a socialist perspective these outcomes can only be evaluated in light of socialist “values” such as equality (both in terms of classes, gender and ethnicity) and freedom as social control, peoples’ power (“democracy”) etc.

In the conventional understanding, the Swedish welfare state model is seen as a prime case of a “reformist socialist” strategy for socialism: “a democratic socialist regime”. The problem with this is not only that Sweden remains a capitalist welfare state but rather the misnomer “reformism”. The opposite of reformism is usually described as revolutionary (“undemocratic”) socialism. However, these concepts only make sense as different strategies for achieving the same perceived goal (i.e. socialism).

However, the real bone of contention within the left, to my mind, relates to different ontologies of capitalism, socialism and hence the welfare state. The welfare model in Sweden is therefore not primarily a reformist strategy, but an ontological understanding of capitalism and socialism as class collaboration, i.e. the idea that socialism grows from within capitalism with the socialisation of consumption and large-scale production. Socialism is seen as the “rational” outcome of capitalism, as the “full” or “radical” realisation of the hitherto failed liberal ideas of freedom and equality. “Socialism” can hence be realised together with capital rather than in opposition to capital. In this light, the opposite of class collaboration is not revolution but the ontology of class struggle, i.e. the idea that socialism can only be realised against capital – as the total overthrow of capitalist social relations. This is the real division of opinion within the left today, as regards the role of the welfare state.

## The Social-Policy Road to Socialism

In regard to the issues outlined above I would emphasise that the uniqueness of the Swedish welfare model does not lie in the model itself but in the political self-image of the model. The Swedish welfare state in the post-war era was seen as a particular strategy for socialism ("the Peoples' Home"), what I have dubbed "the social-policy road to socialism". This political project consisted of the following:

- a. Class collaboration and "consensus": the idea that the welfare state is the rational, gradual transformation of capitalist society – which in the end (almost invisibly – but inevitably) will lead to socialism. This is attained through:
  - b. The socialisation of consumption – rather than socialisation of production. The Swedish model is one in which private capital owns the means of production, but where strong unions and a strong (social-democratic) state, through wage-bargaining and taxes, social-security systems and "the socialisation of the family" (day-care, social services), socialise consumption. This is seen as the road to the gradual realisation of economic and social equality. Socialism is described as "fair distribution" (and we know what Marx thought of that slogan!).
  - c. The primacy of the government sector: i.e., since capital owns the means of production, the government sector is seen as providing the prime institutions to realise socialism. The social-democratic conventional wisdom talks of this as "states against markets" and of the idea that "the market is a good servant – but a bad master". Hence the state is placed in the ontology of class collaboration – as something neutral – which can be democratically embraced by the working class parties to achieve socialism.
  - d. The national solution: Since the welfare state is the road to socialism in this perception the nation-state, as the locus of welfare, becomes the solution to socialism. A rhetoric of socialism as class politics and workers' power is replaced by a vision of socialism as the realisation of the "full citizenship" of every citizen (see T.H. Marshall). In Sweden socialism is described in gradualist terms: first "political", secondly "social", and eventually "economic democracy".

## Not One Swedish Welfare Model – But Three:

In most conventional wisdom, the Swedish welfare model is described as a prime case of an "institutional welfare state", or as a decommodified welfare-state regime (Esping-Andersen). In the Swedish political debate it is often referred to as "general welfare". However the Swedish welfare model consists of (at least) three different systems with different logics:



- a. Social services: tax-funded and part of citizens' social rights. This comes closest to the idea of a universalist welfare model. However in terms of outcomes these social services in Sweden have found it increasingly difficult to prevent growing regional, class and income-based differences in the model.
- b. Social security is for the most part wage-labour-based and a form of "workfare" rather than "welfare" – both in terms of qualifying to enter the system and of payments from the system. It is a national system financed through "social payments" ("sociala avgifter") deducted from the wage. "Arbetslinjen" ("the work line") is the prime feature of this part of the model.
- c. Marginal/selective welfare, which consists of means and needs testing. It is tax-funded – but usually administered and financed at the local level. In terms of costs this remains a very small portion of social spending.

### **The Limits of "Decommodification"**

Within the Swedish left and social democracy, Esping-Andersen's ideas of "welfare" as "decommodification" and "the social-democratic welfare regime" as the most decommodified model are very popular. However, I argue that this decommodification only relates to the individual level of distribution. At the level of collective production, Sweden is a deeply commodified society inasmuch as Swedish welfare provisions, both in terms of financing and qualification, are dependent on ever more (re-)commodification of labour power at a collective level. "Commitment to full employment", the war-cry of Swedish social democracy, implies a fully wage-labour society.

### **The Limits of the Neo-Marxist Critiques of the Welfare State:**

The received neo-Marxist critiques of the welfare state can broadly be divided into three different perspectives:

- a. The welfare-state bribe: i.e. the idea that the welfare state fulfils the function of legitimising capitalism and hence buys the working class into the system (correlated to the idea of Fordist production regimes and ideas of "mass consumption").
- b. The fiscal crisis of the state (e.g. James O'Connor). The idea that the welfare state is contradictory in the sense that the "legitimation function" is crowded out by ever increasing state expenditure through under-balancing of the state budget, leading eventually to a fiscal crisis of the state (the idea of "profit squeeze").

- c. The marginal welfare critique: i.e. the New Left trend of criticising the welfare state as repression of the margins of society (e.g. on the basis of gender, ethnicity, sexual orientation) or at the level of the margins of the system (criminal policies, drug policies etc.). This is often the consequence of the belief in a. above, i.e. that the broad majority benefits from the welfare state and hence accepts capitalism... (Variants of the "humanist", alienation critiques, so popular in the 1960s and 70s, are a subgroup here.)

I argue that for all their partial merits, all of these perspectives provide a weak basis for a contemporary Marxist critique of the Swedish welfare state: As regards a. (what I call "Hyena Marxism") the history of the labour movement points in the other direction: the more welfare reforms the working class has achieved the more radical and anti-capitalist we have become. As regards b., Sweden and the rest of the social-democratic welfare regimes have extremely stable state and government budgets. There simply is no "fiscal crisis" of the state. As regards c., this form of critique of the welfare state has relegated both the critique as well as the Marxist left to the margin of society at best; at worst it leads to a specific form of "Salvation Army leftism", which transforms the social critique of capitalism into a view of society in which the "well off" feel "empathy" for "the poor" and "unfortunate" – rather than a working-class based solidarity.

Which leads me to strategy.

## Current Strategies on the Left to Meet the Challenge of the Welfare State

Here I outline the varieties of strategies in three groupings:

- a. "The Third Way" (Giddens – Blairism, "Neue Mitte"...) This strategy adapts its "socialism" to what is perceived possible in the era of globalisation, sometimes under late modernist/post-modernist catch phrases such as "pluralism", "civil society", "community work", "empowerment"...
- b. "Global social policy" (including its EU versions – "social Europe"). A form of pseudo-internationalism, which in its most well-known form finds its philosophical basis in Hardt/Negri's Empire, but which is also common in much globalisation literature and the ideas of global citizenship (e.g. Ramesh Mishra, David Held...)
- c. Delinking and "rehabilitation" of "the national welfare state" (e.g. At-tac, Tobin Tax, anti-EU left...), which is the most common form of "defence" of the Swedish model within the left in Sweden...

To make a long story short, I argue that all these strategies suffer from the limits of accepting the theoretical and political foundations of “the social-policy road to socialism” – but fail to move beyond them. That is, all three current strategies are implicitly or explicitly trying to answer questions of how to achieve a stable and robust form of “welfare state” for the future. That is also why the discussion has come to focus so much on the “viability” and “stability” of the welfare-state model in Sweden (and elsewhere in Europe?...). More seriously, all of these strategies tend to build on two exaggerations in the perception of the Swedish model. First, the exaggeration of the idea of equality – actually Sweden never was an egalitarian society (just a bit less unequal than the rest), nor was it ever on the road to becoming one. Second, there is the exaggeration of the current “systematic changes” (“systemskiftet”) in the model. However, as most research on the matter, both in Sweden and the rest of Europe, has shown (see Francis Castles, Paul Pierson, Leibfried et al., Heikilä et al., Palme et al...) surprisingly little has happened in the way of systematic changes in the European welfare models. Moreover, divergence rather than convergence seems to be the rule.

But what if the question is wrong? What if there is no “viable” or “stable” welfare-state model under the current phase of capitalism?

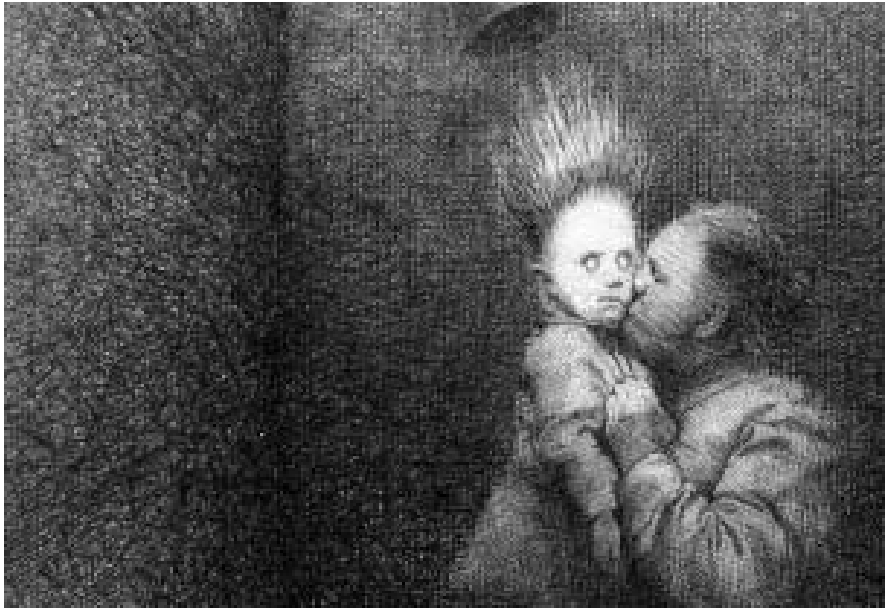
## Outlines of an Alternative to the Prevalent View of the “Welfare” – Socialism Relationship

I argue for two distinctions here – to try to break the impasse of the debate within the Swedish left and the labour movement:

1. The welfare model in Sweden is NOT socialism; it is not even a road to socialism. However, current welfare struggles in Sweden are vital for the movement towards socialism as a whole, not least because these popular struggles to defend the institutions of the Swedish welfare model are almost spontaneous and have a unifying social/political function.
2. There is no stable welfare model to achieve socialism or even socialist values such as equality and social security. The data on the Swedish model suggests the following paradox: As a model, the Swedish welfare state remains quite stable and viable in achieving some socialist goals such as equality and social security. However, the welfare model is quite clearly failing. Income inequalities, social insecurity, “flexibility” of the labour market etc. are ever clearer features of Swedish society, despite the stability of the model. As a viable model the Swedish case remains a success; as regards outcomes, however, it is failing.

This leads me to the political conclusion – or rather a change of viewpoints:

The left's political strategies and the correctives it proposes to the current trends (or crisis?) of the Swedish model should not depend on how we perceive a possible, stable welfare model in the future (there isn't one, anyway, so we can stop looking!) – nor even on what we perceive socialism ultimately to be. The connection established by the ontology of class collaboration and "the social-policy road to socialism" between current welfare models and our vision of a socialist society of equality, freedom and peoples' power can thus be broken. That is, the current politics of the left regarding welfare models do not even have to resemble what we believe to be the features of socialist society – the only measuring rod to have in mind is the unification and strengthening of the labour movement and the left as a whole – the ultimate condition for socialism. It is only to this end that current welfare struggles have value for socialism – especially in Sweden. If this is granted, then strategies to defend and build upon the achievements of the Swedish welfare model also become independent of locus or level (a discussion in which much of the debate on the left has reached an impasse). No place of struggle becomes unimportant, superfluous or impossible, since our aim is not the creation of a stable model at the "right level" (national, European, regional etc.) but the unification of the socialist movement wherever it defends previous welfare achievements.



JUDASKUSS 1, (Detail) 1985  
Drawing, india ink on paper  
80 x 60 cm

# The Scandinavian Model and the Labour Market

Jan Lelann

The Scandinavian countries play a key role in the European social harmonisation process. Within the social representation at the European level, there is a sort of informal division of labour, with Denmark serving as the point of reference in terms of employment and Sweden as the model for consideration of different retirement systems. Why are European institutions so infatuated with the development of the Scandinavian model?

Our hypothesis is that the European institutions' appropriation of the Swedish and Danish reform experience is attributable to common agreement on the need to develop market mechanisms. Far from viewing the social state as a way of structuring relations of production antagonistic to the rules of the labour market, the aim of the social-state reforms in Scandinavia is the creation of institutions that allow the logic of the market to thrive. In this sense, we believe there is an "elective affinity" between the development of the Scandinavian model and "Social Europe", as far as the latter is built on "common-market" principles.

This conclusion leads us to a re-examination of the characteristics of continental systems<sup>1</sup> which, too often, are perceived as archaic vestiges of a pre-industrial logic (e.g. medieval corporations). In this regard, G. Esping-Andersen's use of the term "corporatist" to describe these social-state systems is particularly symptomatic.<sup>2</sup> Our objective is not to engage in a defence of continental-type social-state systems, but rather to analyse how the importing of Scandinavian reforms into so-called corporatist models would threaten existing, hard-won social gains specific to this institutional area.

To do this, we must try to show that the Scandinavian model has been developed in relation to the imperatives of the market, while some European social states try to maintain a de-commodification of labour. Consequently, we will focus on the analysis of two reforms that illustrate a return to the process of individualisation of labour relations: the reform of labour institutions in Denmark and the reform of the retirement system in Sweden. These two political experiences and their exploitation by the European Union require a reappropriation of the history of the social state as a political product antagonistic to the market.

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1. "Continental," "Nordic" and "Scandinavian" are, of course, reductive terms, in the sense that they reduce social differences to spatial ones. We use these terms for want of better ones while we wait for typologies to be established that do not assume systems that protect workers' rights to be archaic.

2. G. Esping-Andersen, *The Three Worlds of Welfare Capitalism*. 1989.

## The Political Exploitation of the Scandinavian Model

Enthusiasm for the Scandinavian experience has become – in France, at least – a commonplace of the public debate. However, the development of this interest in the Nordic states is built on a double denial: of the historical logic that led to the emergence of these states and of the way in which these models have evolved.

### *The Scandinavian Model: An Expanded Social Compromise*

The first problem for a comparative approach aimed at promoting the Scandinavian model is that it reduces Scandinavian social policies to an accord on the world of labour. Continental analysis focuses on the similarities of the Scandinavian and continental labour markets without taking into account the fact that the integrationist dimension of social compromises is constructed in relation to citizenship, which permits the establishing of rights at a level prior to that of the world of work.

The blindness of continental or Community analyses in the face of key elements of the Nordic compromises makes it possible to present Nordic policies as importable to other member-states. Disregarding social contexts, the Open Method of Communication (OMC) foregrounds “good practices” to adopt, chief among them being the social policy of the revised Scandinavian model. However, the Scandinavian social state can be used as a model only if the institutional particularities of its construction are denied. In the framework of European “benchmarking,” social protection policies are transformed into a strategic choice completely removed from any historical context. Good practices should be applicable everywhere. Fascination with the Nordic experience in the context of the European process supplants any analysis of the link between protection and the injunction to turn to the labour market inherent in the revised Scandinavian model.

In contrast to this reductionism, Nicole Kirschen in “Another View of the Danish Model” invites us to take into account “security in its broader dimensions”.<sup>3</sup> To use Beveridge’s phrase, the Scandinavian systems aim at guaranteeing their citizens social benefits from “cradle to grave.” These rights (and the responsibilities that come with them) are directly attached to individuals, labour-market relations being, of course, reintegrated into a relationship to specific social rights. The Scandinavian system of social protection exists within the framework of a requirement for “individual responsibility” that implies strong participation in the labour market, compared with other countries.

3. Nicole Kirschen, “Pour une autre approche du modèle danois”, *Travail genre et société*, April, 2008.

### *The French Version of “Flexisecurity”: Between Oblivion and Implementation*

Attempts to promote Nordic systems take many forms in the French public arena. They can be found in the reports of experts as well as in politi-

cians' declarations. All of these intellectual products share, for example, the same refusal to acknowledge the social context that has allowed the "Danish miracle" to emerge. The attraction that the evolution of the Nordic social states holds for the French elite can be explained by the difficulty of having to re-appropriate a social state that they themselves have helped to dismantle and by the existence of a popular majority that still rejects a minimalist state. These two constraints allow the Nordic experience to be presented as a renewal of the social policies that modernised post-World-War-II social policies without destroying them. At the same time, the political presentation omits the specific connection in the Nordic model between the labour market and the social state.

As an example, to illustrate our point, let us look at the movement to stir up support for Danish employment policies in France. The "golden triangle" of Danish-style flexisecurity often loses an angle when it is imported to France. Flexisecurity consists of three parts: a free ("liberal" in the European sense) labour market, an unemployment compensation system, and, above all, and this is the key point, an active employment policy. But here's how the point of conflict is partially attenuated whenever continental politicians call for the application of imported Nordic prescriptions: flexisecurity is reduced to a trade-off between better unemployment compensation and greater flexibility. And yet there is an enormous difference between continental and Scandinavian traditional employment structures and rates of employment, which is an obstacle to any direct incorporation of Nordic systems.

During the French presidential campaign, the Socialist candidate tried to build a movement in favour of "flexisecurity", without integrating it into a system to activate the unemployed or the retired, which is inherent in the Nordic experience she used as a reference. Ultimately, whether we like it or not, we have inherited a specific legacy. The specificity of continental models that attempt a disconnect between access to resources and participation in the labour market implies a rejection of activating people to enter the labour market. The antiseptic version of flexisecurity is presented as a "miracle-working concept" without the political elite needing to ask how it is tied to the structure of employment. The movement toward a tripartite flexisecurity presages a liberalisation of the the relations of employment that part of the political establishment does not want openly to espouse.

This avoidance is not part of the Cahuc Kramarz report.<sup>4</sup> For its authors, flexisecurity is only viable in the framework of a profound overhaul of public employment services. The objective of these services from now on should be to encourage the fluidity of employment, which implies the establishment of a public employment service that reinforces incentives/injunctions to return to the job market. But, in the context of this report, flexibility is achieved through reduced opportunities for legal recourse by workers who face being laid off. Far from being a dead letter,

4. Cahuc P., Kramarz F. *De la précarité à la mobilité: vers une sécurité sociale professionnelle*, Report to the Minister of the Economy and the Minister of Labour, Paris, La Documentation Française, November, 2004.



the report serves as the basis for a series of reflections on the part of governments and societal protagonists. It was notably important in establishing the French First Employment Contract (CPE)<sup>5</sup> as well as the agreement on modernisation of the labour market. These two radical modifications of the world of work in France provide for reduced opportunities for workers to seek recourse in case of cancelled work contracts, opportunities which had gone far beyond anything that could have been implemented in Nordic countries.

Finally, between the use and the denial of Scandinavian reality, the political instrumentalisation of the Nordic experience at present serves more to deregulate the world of work in France than to de-commodify it. Still, we cannot remain fixed on the idea that the Scandinavian model is merely distorted by politics or experts. Rather, the importance of the Scandinavian model in the debate over the public policies of European member-states obliges us to interrogate the concept of work peculiar to the renewed Nordic model, and the reasons for its connection to the Europe of the "common market."

## The Renewed Scandinavian Model and the Market

The new significance of the reformed Scandinavian model derives its alteration of the connections between social protection and the labour market. The Nordic experience creates an institutional context that permits the development of the liberal logic promoted by the European Union.

### *Selected Affinities with the European Process*

In his analysis of the Green Paper,<sup>6</sup> J. V. Koster has shown that flexisecurity and the Scandinavian experience were in part adopted at the European level because they correspond to the liberal bias which is at the origin of European Union policies.<sup>7</sup> After dismissing the Keynesian paradigm, the European Community developed a market orientation characterised by:

- 1 a redefined public-private frontier, with a weaker role for the state and the revival of private enterprises as market protagonists;
- 2 a new articulation of the social and the economic, whose crucial new norm is the limiting of social expenditures.

It is striking to see the extent to which these concepts have been incorporated into the common principles of flexisecurity. In fact, the European Union considers, in the first place, that member-states should give highest priority to competitiveness as well as the ability of companies to adapt to global market conditions. Community doctrine, furthermore, urges member-states to consult the social partners and other interested parties (e.g. temporary employment agencies) as protagonists of the

5. Contrat Première Embauche (CPE). Proposal for a work contract for youth under the age of 25 with a trial period of up to two years. Dropped in 2006 after massive social opposition. Agreement signed January 11, 2008, providing, among other things, for cancellation of the contract by "mutual agreement."

6. Green Paper *Modernising Labour Law to Meet the Challenges of the 21<sup>st</sup> Century*. November, 2007.

7. J.V. Koster. *Green Paper Modernising Labour Law to Meet the Challenges of the 21<sup>st</sup> Century. Building a context around flexisecurity*. 2007.

labour market, in order to take their requirements into consideration as much as possible.

As far as the "re-articulation of the social and the economic" is concerned, it is clear that even if European reports on employment recognise that adoption of flexisecurity could generate additional expenses, "*flexsecurity policies must be fully compatible with healthy and financially viable budgetary policies.*"<sup>8</sup> Public spending, therefore, is limited, reflecting the philosophy behind the Pact for Stability and Growth (PSC) and making the control of public spending the measure of efficient economic policy. What is more, financing and payment of unemployment benefits, for example, should, according to the current advocacy of flexisecurity, take into account the totality of their social effects, notably their effect in creating incentives to get jobs.

The connection between flexisecurity and European policies rests on a common agreement that market forces are to have priority. The "renewal" of the Scandinavian model around an imperative to enter the labour market is largely reducible to the Community idea of "a Common Market". In fact, the main objective of the Scandinavian model, as coopted by the European Union, is ultimately to create an anthropological situation compatible with the market.

#### *The Marketable Individual and the Scandinavian Model*

The cleverness of the renewed Scandinavian model resides in its understanding that the social state is indispensable to the market (especially to the job market). Starting around the time of the liberal turn, the Nordic social state established the goal of creating a functioning market, in contrast to the Anglo-Saxon notion of a minimal social state that is supposed only to limit the social consequences of the capitalist logic.

In order that the atomised nature of market relations does not result in poor participation in the labour market, the state must intervene to manage part of the process. The failure of the Anglo-Saxon model may be explained by the inadequacy of public education systems and child care. The fact that the Anglo-Saxon model considers the labour market as having been established before the intervention of the social state leads to a definitive "exit" from the labour market of, and radical kinds of exclusion for, certain populations deemed of no use to capitalism. In the renovated Scandinavian model, the state keeps control of the distribution of a share of resources, in order to maintain the individual sovereignty of citizens, which needs constantly to be re-established. The level of spending for the implementation of active employment policies in Denmark is an example, but it is through Swedish pension reform that the renewal of the connection between the state and the market is most obvious.

Swedish retirement-fund reform is the type of "systemic reform" that obviates the need to modify pension parameters, which would be likely to stimulate a political debate that liberal governments prefer to avoid. To

8. Green Paper *Modernising Labour Law to Meet the Challenges of the 21st Century*. November, 2007.

structurally overhaul the pension system, the Swedish reform freezes the contribution rate at 16% of gross salary (with a ceiling of 1.5 times the average salary). It definitively integrates increased life expectancy into pension calculations: During his/her working life, the worker accumulates contributions in a so-called "notional" account. At the time of retirement, at a freely chosen age, the accumulated contributions are divided by the life expectancy of the worker's population group in order to determine the amount of the pension. Clearly, increased life expectancy increases the size of the denominator, so workers are motivated to delay liquidating their pensions in order to preserve the amount they will be paid: the connection between life expectancy and the length of working life is thus systematically assured, and makes it unnecessary to change a single parameter.

The rupture that this reform represents does not seem to be clearly recognised, so far, in the political and scholarly arena. And yet it constitutes a fundamental shift in the relationship between the state and the individual that goes against the very idea of politics. The state is no longer the sovereign capable of legitimately distributing economic resources after political deliberations. It is the social actor that establishes the individual as a "responsible" entity – and without abolishing their individual sovereignty – in the face of the one institution capable of putting individuals into a collective group: the labour market.

The Swedish pension system's activation of older people represents an attempt at creating an individual whose resources are no longer determined by his/her participation in a political community but solely by the degree of integration in the labour market. The current reforms turn principles of sovereignty upside down in favour of individual logics compatible with the expansion of market logic. Creator and victim of this development, the social state is involved in a re-conversion that aims at reducing its role to the permanent establishment or re-establishment of an individual whose access to resources is subordinated to his/her participation in the labour market. The strict proportionality between the length of time of the pay-in and the amount of the pay-out leaves the salaried person with no choice under the Swedish retirement system. Working longer (i.e. longer participation in the labour market) is the only way to protect himself from a reduction in the rate of compensation. By making the individual responsible under this system, the social state abandons its role as the institution able to deliberate and act in order to provide a financial response to collective needs.

This trend does not mean that market relations rule all social relations. Rather, it means that the "public sector" is organised to provide a series of goods and services such as retirement insurance or certain services to the individual. However, in the context of the reformed social state, the distribution of public resources is systematically oriented toward improving participation in the labour market. By integrating two usually contradictory propositions into political thinking – the market is

socially constituted, and the market must be hegemonic – the Scandinavian model achieves a synthesis of liberalism and pragmatism that is particularly difficult to deconstruct for those who would like to seek the emancipation of labour from commodity logic.

## The Social-State Model and Class Logic

The importation of the logic of Scandinavian systems to continental countries does not represent “a modernisation” of pre-capitalist logic. It is, rather, aimed at attacking the emancipatory spaces that workers have achieved against the commodification of labour. The Scandinavian reforms affirm the primacy of an individual whose access to resources is subordinate to his/her participation in the labour market, while, by contrast, certain continental experiments have tried to achieve a disconnect between income and job categories.

### *The Social State on the Continent: Corporatist or Wage-Based*

The current talk of the archaism of continental-type systems of social protection is an obstacle to the evolution of the struggle for labour’s emancipation. If we consider continental social-protection systems to be manifestations of corporatist solidarity, we cannot clearly discern the de-commodification effected by these social-security systems. Rather than pitting one social-state tradition against another, it is a question of perceiving the extent and limitations of social gains in the context of the class struggles rooted in each country. Social Europe, as a concept that breaks with the Common Market, cannot be achieved without a mutual understanding of different experiences of social struggle.

The wish to import the Swedish retirement-reform model to France is part of an ongoing liberal reform of the French pension system. Historically, the system has been based on a prolongation of remuneration for so-called “inactive” periods. “Salaire à la qualification”, and its continuation throughout retirement, has been set up, in part, *against* contractual relations that subordinate income access to the actual job position one occupies. In France, the wish to dilute shared-contribution pensions, as prolongations of salary, revolves around three complementary axes:

- indexing of pensions on prices instead of wages;
- a ceiling on the rising rate of pension contributions;
- extension of the contribution period.

The Bozzo/Piketty proposal, which aims at installing a Swedish-type system in France, is, finally, nothing more than the culmination of all the attacks formulated by Socialist and rightist governments alike against

the idea of pensions as the prolongation of wages.<sup>9</sup> For Bozzo and Piketty, pension contributions are the same as deferred wages – in other words, savings guaranteed by the state. By contrast, the French social-protection is based on socialised wages. The principle of actuarial neutrality inherent in the Swedish reform is a direct attack on the collective dimension of a wage system organised around making resources collectively available.

The continental social state, and especially the French social state, is the result of a class struggle that does not reflect a struggle between pre-capitalist (family, corporation) and capitalist forms of production. Rather, it is the result of an antagonism built in to capitalism which structures a conflict between the bourgeoisie and wage-earners. Any freedom won by wage-earners in continental systems is not a return to the corporation, but rather an attempt to access resources that are antagonistic to the capitalist system. The conflict between the will of capitalism to reduce labour to a commodity and the attempt of wage-earners to liberate themselves from this commodification explains the contradictory nature of the wage form. It is at once individual and social, that is, defined respectively by a contract and by job category (qualification). In fact, the form the wage takes is the central issue of a struggle that allows us to identify the capitalist or anti-capitalist nature of the reforms that affect it.

By eliminating the collective dimension of the wage-earning class, the importation of the Scandinavian model of social protection wipes out everything that from now on would conflict with market logic. The denunciation of continental systems as archaic is not the result of exasperation with pre-capitalist forms that the hegemonic market has destroyed in any case. Rather, it comes from a desire to restrict anti-capitalist spaces by relegating to the past anything that has been built out of a desire to surpass the logic of the commodification of labour.

### *Class-based Society and Social Models*

Extension of the “renovated” Scandinavian model means that the elements that it structures will have to be imported as well, specifically a relationship to labour that is primarily contractual. Developing a theory of the social state means understanding not only how class struggle has led to the creation of such a state, but also how such a state has established class relationships by legitimising or de-legitimising the spaces that favour the emergence of the working class as a class antagonistic to capitalism.

The disconnect between access to financial resources and the quantification of work attempted by certain continental experiments cannot continue in the face of policies designed to activate workers to turn to the labour market. Higher rates of employment, which are the goal of European labour policy, are not compatible with the de-commodification

9. A. Bozzo and T. Piketty, *Retraites: pour un système de comptes individuels de cotisations* (Pensions: For a System of Individual Retirement Savings Accounts). 2008.

of labour attempted by certain tendencies of the continental social state. By making the resources of individuals dependent on their participation in the labour market, the renovated Scandinavian model reinstates market relations in the world of work. Analysis of the development of the social state should not be done with the tools created by Community free-market liberalism: unemployment rates, compulsory contribution percentages, etc. We should be undertaking a critique of current social policies in order to understand the social state in relation to the emergence of a working class seeking, through its struggle against the commodification of labour, to liberate itself from capitalism.

If we wish to bring forth a theory of the social state that is based on the contradiction of social classes, we should lean on those extant experiences which illustrate a partial emancipation from the logic of capital. The counter-reform directed against workers' gains shows that pro-free-market organisations have identified the wage arena as a space to take charge of again. In the face of their offensives, it is necessary closely to examine the reconstruction of the world of work around the figure of the worker as "self-entrepreneur". By denying the collective dimension of the wage-earning class, liberal reformers are organising the occlusion of the class structure of society. Any critical analysis of the hegemony of the renewed Swedish model should be based not on the idea that national traditions should be protected, but rather on using and bringing forward the particular indigenous continental approach to the de-commodification of labour, one which tries to unify wage-earners as a class.

The debate over social models plays a special role in the classist structure of society. The desire to agree on a necessary development of commodified forms of labour is an attack on the emancipatory spaces won through wage struggles. The growing reference to Swedish and Danish models is tied to the newly discovered complementarity between the social state and the market. The aim is to guarantee distribution of the resources of a social state that establishes market domination by denying the class structure of society in order to lead the world of labour toward an individual logic of wage compensation.

Constructing a labour market has one pre-requisite: transformation of the worker into an entrepreneur, in the sense that each worker does nothing other than valorise a capital, his/her "human capital." To achieve this objective, it is indispensable to get rid of a politically determined salary, along with any opposition to the commodification of labour. We, therefore, must identify the relationship between the salary form and the emergence of a social state antagonistic to market forces as one of the most fundamental issues in opposing the logic of capital.



# The Welfare State, The European Union And The Future.

Erik Meijer

## Origins

People are not equal, but all people need to be accorded equal value. And it is just this equal value that is permanently in danger, not only for traditional reasons like natural disasters, wars and slavery, but also as a result of a colonial history, geographic differences and, last but not least, today's free market.

In modern history, the state began as what Karl Marx described in the 19th century as "the ruling class's instrument of suppression". It included military defence, police force and tax collection and everything to defend the interests of the privileged minority. This state was of no use to the majority of its population. Since then, the social struggle of the working class combined with the opportunity for all adults to participate in political elections has created a different type of state. Even if it was still a bourgeois capitalist one, an important aim was to make capitalism more viable for the majority of the voters.

If you support the equal value of all people, the welfare state is the most moderate avenue of organising civilisation and solidarity. Different kinds of welfare state can be promoted, created and defended for various reasons. I do not opt, to begin with, for a limited definition of the ideology, instruments and aims of the welfare state, or for the social forces which support it. It is not so useful to describe exactly which models of welfare state we can consider, or which we eventually have to exclude. More important is a general description of the results we expect.

In my view, the welfare state is a universal patchwork which can contain every measure to correct capitalism in the interest of broad layers of the population. It resists or limits practices of the capitalist ownership of the means of production and the accompanying striving for maximum profits in private companies. It provides continuity in jobs, income, housing, care and education for all, which is especially important in times of crisis or when a tendency to growing differences in income prevails, but not only then ! It is also a way not to conform to what has developed in the most important capitalist country of the world, the United States of

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America. There, with the exception of the relatively short period of the "New Deal" under the Democratic President Roosevelt in the 1930s and 40s of the 20th century, the equal value of people is constantly abused, as many US citizens have no guaranteed income and lack sufficient public-service provisions.

The aim of welfare states is always to protect those people who do not have real control of economic ownership and profits, people at risk of poverty or who lack provisions.

It can emerge as a result of class struggle, supported or organised by trade unions, but it can also be a response of the ruling powers to revolutionary agitation and uprisings. It can be part of the reform policy of a social-democratic government, but in other cases it is an attempt of sections of the political right to prevent any kind of class struggle and change in industrial ownership relations, as occurred in the period of the communist alternative. It can even be a part of ideologies which themselves are not at all left. In the middle of the 20th century conservative Roman-Catholics and even the fascists practised some elements of the welfare state as a way to make capitalism more viable for the broad masses who could not participate in it.

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So the reasons why a welfare state has been built can vary widely, and their histories can differ. They can include a range of different things, centred on income, provisions, protection of labour and other kinds of protection and taxes. I will try to describe the different elements it can include, and what they have in common. To that end I divide the welfare state into five categories, to distinguish them clearly:

### 1. For income it can at a minimum mean:

- a. Guaranteed income for older people who cannot continue to work after the age of 55, 60, 65 or 70;
- b. Guaranteed income for people who cannot get paid work due to a lack of available jobs;
- c. Guaranteed income for people who are temporarily unable to work because of illness;
- d. Guaranteed income for those who cannot work due to a handicap;
- e. Contributions for raising children, especially if parental income does not suffice to give children a fair start.

### 2. For provisions it can at a minimum mean:

- a. An educational system that tries to give all children and young people access to all the benefits of society;
- b. A health-care system that provides everyone with what is needed

to stay healthy or recover from illness: the care of a general practitioner, hospital or rehabilitation institution;

- c. A housing system which provides everyone – the poor and better off, young and old, large families or handicapped people – with permanent dwellings of acceptable quality, so that no one lives in slums, much less goes homeless;
- d. A combined system of special housing and care for the elderly who cannot live without professional help;
- e. High-quality public services, such as good inexpensive public transportation, including urban and long-distance rail and full-schedule bus systems for less densely populated rural areas.

**3. In terms of protection for working people it can at a minimum mean:**

- a. Protection against being fired without just cause and without compensation for lost income during the subsequent transition to a new job;
- b. Protection against low wages, unsafe working conditions, excessively long work weeks and dangerous jobs;
- c. Creation of jobs for disadvantaged groups or regions in general, using Keynesian instruments, not depending on companies with vested interests but using sources of tax revenue.

**4. In terms of other kinds of protection it can mean:**

- a. For housing, protection against the loss of a rented dwelling;
- b. Consumer protection, including product safety, food safety and the right of withdrawal from transactions using unfair selling methods;
- c. Insurance regulation to prevent private insurance companies charging premiums when they do not pay claims;
- d. Protection of the environment against pollution or neglect, instead of the creation of clean and green zones only for the rich who are able to distance themselves from endangered areas.

**5. In the area of taxes it can mean:**

- a. Progressive taxes, and thus the complete opposite of a “flat-tax” in which everybody pays the same amount regardless of income. If you have high income or major assets you have not only to pay proportionally more, but you must pay a much higher percentage of your income in taxes than those with less income and assets do;
- b. The tax system can even be a tax-credit system and thus be used to reimburse you for health insurance, child-raising and study expenses or health care insurances;
- c. The level of taxes as a whole has to be high enough to make it possible for the authorities or other bodies which receive this revenue to pay for all the income guarantees, provisions and protections mentioned above.

All those measures together also constitute the main basis for what has been, for a long time now, the demand for a “Social Europe”, expressed mainly by trade unions and social-democratic politicians. Later I shall explain why this “Social Europe” is in serious danger, especially after the EU Lisbon summit in 2000. It is in danger as a result of neoliberal ideology; however, there is resistance at all levels.

## Undermining

On the one hand, the development of welfare states in Europe has been influenced by general processes in society, like global colonial expansion outside Europe, the transition from an agrarian to an industrial society, urbanisation, crises, poverty, and economies changing from being self-supporting to export-oriented. On the other hand, the countervailing power – depending on the ideology inside the working-class movement and the way trade unions organised themselves and attract a high number of members – reacted on these processes.

These factors are in turn important in the struggle for the defence and the continuation of existing welfare states. To continue and to improve the welfare state we need on the one hand a large section of the population fighting for it, and on the other hand a situation in which those forces promoting pure undisturbed capitalism are relatively weak.

The last thirty years have not favoured the maintenance of those elements of the welfare state constructed in the preceding period. A vast propaganda offensive was aimed at convincing us that the welfare state is an expensive old-fashioned restriction of personal freedom, which ought to be abolished in favour of liberalisation and a global market. Especially since the more radical alternative of communism collapsed nearly 20 years ago, for the political right and for enterprise owners the welfare state no longer has to be accepted as the lesser evil, all the more so that at the same time there was the rise of neoliberalism and neo-conservatism under Thatcher and Reagan. In their view, the number of workers in social institutions or for collective interest has to be sharply reduced, to make up the lack of workers in the employ of private companies and to promote economic growth for new sectors.

Indeed, if the economy is strongly affected by globalisation, and there is fear of immigration and of Islam, and if fuel prices and tax-reduction dominate national politics, it becomes very difficult to unite the population to fight for the maintenance of positive past achievements. This situation can arise if the workers are relatively content as a result of a high and growing level of national income, if their ideological awareness is relatively low, if the working-class organisations are relatively weak and if everyone thinks only of what seems profitable today instead of considering tomorrow’s needs. Then traditional right-wing politicians and new

right-wing populists can temporarily attract an electoral mass base for their political objectives, including far-reaching reductions in the welfare state.

## Diversity Inside Europe

The rise and fall of welfare states inside Europe is a process that exhibits considerable diversity. It was and is a result of struggle and opportunities at the national level, although the developments inside one country highly influence the situation in neighbouring states.

The welfare state was never created by the European Union or by the three preceding European Communities which contained at an earlier stage only a small number of states. The welfare state cannot be improved or abolished by the European Union, although it incessantly tries to interfere in it.

Inside Europe, welfare states have risen and fallen in very different ways in different regions. Generally, the welfare state is considered to be more or less a "northern" invention with less influence in the southern-most part of Europe. In the matter of the welfare state and the claim of a "Social Europe" we may divide the continent into five regional areas:

- I. The northern area, highly influenced by long-lasting social-democratic rule and by well organised but politically moderate trade unions. They had the greatest success in reforming capitalism. Sweden, especially, was for decades the great inspiration for other parts of Europe, for both the moderate left and the moderate right. But Norway, with its big state economic sector, and Denmark, with its well organised small-scale trade unions, also played a role in this model. These models partially influenced areas II and III. But they had little influence in areas IV and V.
  
- II. The centre-west area, consisting mainly of West Germany, the Netherlands, Belgium, Luxembourg, Switzerland and Austria, but in some respects also Ireland, France and Italy. Beyond social democrats and liberals a third power exists here, those who today call themselves Christian-Democrats, often making up the strongest political formation. Its social policy during the 1940s, 50s and 60s was dominated by Roman-Catholic ideology, originally strongly linked to its own trade unions. At times they shared government power with social democrats; at other times they were in competitive struggle with them to attract or maintain workers allegiance. For decades they espoused an essentially corporatist, Catholic social doctrine of the reconciliation of, and harmonious cooperation between, capital and labour. Sometimes these ideas were fed by a militant right-wing populism

which did not represent big capital but small shopkeepers and farmers in fear of falling to the condition of dependent workers. Especially in the Netherlands, they created organs, half-state and half under the control of trade unions and employers associations in control of the economy and the social system. In the main, social democrats and the top trade union officials supported this kind of solution.

- III. Great Britain. Great Britain reacted to the shortcomings of capitalism somewhat later than the USA did in the 1930s. The Labour government of the late 1940s introduced, alongside nationalisation of steel and coal, a system of free health care which exists to this day but has been systematically undermined. For a very long time trade unions dominated the Labour Party and strongly resisted any variety of what some interpret as modernisation and flexibility. The notion of a wide gap between the social classes and the necessity of permanent class struggle was more rooted here than it was in the north and centre-west, and was more comparable to the situation in the south of Europe. However, in Britain, first the aggressive right has beaten Labour and the trade unions; subsequently "New Labour" under Tony Blair adopted neoliberal ideology. Today we call the state of affairs in Great Britain the "Anglo-Saxon model", since it is closely related to that of the US. Nevertheless, the rank and file within the Labour Party and the Trade Unions Congress want to defend the remnants of welfare state. And even inside the US we see growing resistance against the social and economic models of Reagan and Bush.
- IV. The south, that is, the countries bordering the Mediterranean. There the trade unions have a relatively low level of membership, but they are the most militant and class-conscious of Europe. They reject corporate models of structural and harmonious cooperation between capital and labour. However, they are somewhat isolated from political influence, chiefly because the communist parties allied to them in their countries have lost their traditional mass base. The social democrats who inherited most of the communist electorate lack the strong organisation, creativity and coherence of the analogous parties in northern Europe. Besides, the southern countries have a lower standard of living, and some of them suffered under fascist dictatorship until the 1970s. As a result, the welfare state there is underdeveloped or in some respects barely exists. However, as a consequence of their specific history they have a greater state influence on the national economy, an average lower age of pensions and many religious institutions in the field of care.
- V. The east. During the first half of the 20th century the East of Europe was less developed than the West. Its countries mainly provided the

more wealthy countries with cheap mining products and agricultural products, and they themselves had to import expensive products of foreign industry, although there was some modern industry in Czechoslovakia and Hungary. This was a sure way to remain poor and backward. Moreover, many of the countries in question were governed by dictators and lacked freedom for trade unions or left-wing parties. The small left was revolutionary but isolated. After 1945, and only under the influence of the enormous victory of the Soviet Union in World War Two, they were able to take state power. In the period of state power it was the concept of collective ownership of the means of production, the limitation of private luxury consumption, forced industrialisation and separation from the world market which enabled them to introduce many aspects of a welfare state. The economic model they adopted made this affordable even with their lower per capita national income. Under capitalist circumstances they had never been able to afford this. However, notwithstanding their relative autonomy vis-à-vis the world market, they finally did make themselves ever more dependent on foreign patents, foreign loans and international trade. Along with the final collapse of their socialist economies nearly all aspects of the welfare state were abolished. Nowadays the east is, at is were, the "American Sector" of Europe. These countries are mainly characterised by having the most uncontrolled free-enterprise system conceivable, with an enormous lack of collective responsibilities. The region contains more poverty than in any other part of Europe today, but also more shamelessly opulent wealth for the happy few.

## The European Union

Does the EU play a positive or a negative role in regard to the concept of the welfare state? The three original small European Communities of only six member states, which preceded today's EU, comprised mainly area-II countries; the later expansions took in areas II and IV. The two areas with the most anomalous systems, on the one hand area I in Sweden and, on the other, area V in the east, only joined the EU in the most recent period.

Since the 1960s social democrats and trade-union leaders within the smaller Europe of that time have held the view that the European Community could better strengthen and defend the system of welfare states than could their national governments. A united Europe was to become the main weapon against the power of multinational companies, the influence of US investors and Japanese expansive economic systems grounded in a more radical exploitation of labour. This was the origin of an intense identification with the European Union, including the contin-

uing uniformity and centralisation within the EU. In the 1960s, the main slogans of the moderate left were "For a social Europe!", and even "More Europe!".

The moderate left was not prepared for the possibility of the EU having a further and very different stage of development, that is, becoming an instrument of the free market and the interests of multinational companies. And even the far left's aspirations did not fundamentally differ from those of the moderate left. There was only a difference in the degree of optimism. Social democrats and trade-union leaders were more or less sure of a positive outcome that did not necessitate social conflicts, as a result of their great influence on government. By contrast, the far left held that only a clear victory in a continuing and international class struggle would in the end guarantee such a result. However, the far left also felt ever more firmly that EU membership would positively influence the final outcome.

During the 1980s and especially the 1990s this situation changed dramatically. In parts of Western Europe the neoliberal ideas promoted by Reagan and Thatcher were advocated. In the eastern part of Europe the system dominated by the Soviet Union collapsed. Since that time, a radical alternative to the welfare state has ceased to exist, and so capitalist interests no longer need to accept the welfare state as the lesser of two evils.

Although social democrats continued to wield great influence in the governments during the ongoing process of European integration, it was the right and the big enterprises which took over the initiative. The European Round Table of Industrialists, the Bilderberg meetings and a range of transatlantic think tanks were the locuses in which the right developed its alternatives. Their alternative was: do not focus on income distribution, collective provisions and social protection, but only pay attention to forced economic expansion; and therefore grant more freedom to multinational companies, foreign investors, and reduce labour costs. This means: withdrawal of the state, and especially withdrawal of the state in the form in which it had been influenced by the working-class movement of the 20th century. Since the 1990s a range of EU decisions have tended in the direction of economic growth by means of a large-scale free market. The result is forced liberalisation, abolition of the freedom to change society in a more socialist direction.

Four examples of this tendency follow:

1. The Lisbon Summit of spring 2000 was announced as aiming at a "Social Europe". This summit, dominated by social-democratic prime-ministers, concluded that the striving in all recent years for a "Social Europe" is reducible to economic growth and more jobs. In order to achieve the world's most competitive economy by 2010, public transport, energy and postal services will have to be privatised. So, in the end, their "Social Europe" is a copy of neoliberal Europe.

2. As a part of this Lisbon Strategy, in the summer of 2000 the European Commission proposed the introduction of a Europe-wide obligation to offer public transportation services for tendering by private companies. The existing monopolies of state-owned and municipality-owned services are to be eliminated. An important goal was a far-reaching reduction of labour costs, since the salaries of truck drivers or drivers of passenger buses working for private employers are lower. When the European Parliament appointed me as its rapporteur on this issue, I had the opportunity to help mobilise trade unions, national unions of local communities, consumers and environmental organisations and the governments of the larger cities. We needed to struggle for seven years before we could establish a situation in which there is a kind of free choice between tendering and so-called in-house production.
3. The European Parliament accepted proposals to reduce state pensions in favour of company pensions and individual agreements with an insurance company, using the argument that the money thus saved is needed to finance private companies who take an entrepreneurial risk.
4. The European Commission tried introducing a ports directive to abolish the protection of skilled and well-paid workers in our ports and to replace them by low-paid seamen from abroad. Only as a result of the broad resistance of the port workers did the European Parliament in the end, surprisingly, reject it.

In this climate, it is clear that if trade unions continue using the old slogan “More Europe” to support their demand for a “Social Europe”, they are committing a grave error. Most experience has shown that we cannot in general win improvements at the European level if we cannot win them at the national level. The European Union is a distant government with low voter participation and less opportunities of influencing the final results. At this large-dimension level only the big international companies are well placed to lobby for their interests. We need to resist this. Yes, it is true that we can sometimes win the struggle, but it is always only on a defensive level and always more difficult than waging the struggle at home.

## The Bolkestein Directive

In the EU, the welfare state is under a further attack in which the leading forces in the EU are trying to achieve their main economic objective: “the free market for goods, capital, services and persons”. The attack on



the welfare state or, to put it in another way, on “Social Europe” continues along two fronts:

First, the free market for services. Until 2006 the chief steps to expand the free market occurred in the area of free markets for goods and capital. In 2004 the European Commission launched its proposal for a free market in services. Services make up 70 % of the EU's economic activities. After important public sectors like energy, postal services, television, telecommunications, transportation and railways were liberalised and privatised in the 1990s and at the beginning of the new century, the European Commission proposed in 2004 the so-called Bolkestein Directive, officially called the Services Directive. Underlying it was a more far-reaching idea: European competition between national laws for social protection, and competition between national collective agreements. So one does not need to abolish good laws and good agreements. They can simply be defeated by having bad laws and agreements compete with them, on the basis of the rules obtaining in a “country of origin”.

The Services Directive was finally adopted, but due to the opposition of left-wing parties and trade unions – with huge demonstrations in Brussels and elsewhere – it was realised in a more moderate form. Services of general interest – including social and health services – and labour-law rulings, such as the country-of-origin principle, were exempt. The European Commission promised to come back with separate proposals on these sectors. But the main goal, the free market in services, was achieved.

In 2007, the European Commission presented, as it had promised, the finishing touch: to liberalise the last areas of welfare-state services involving health and social services of general interest. The new proposals cover sectors like social housing, childcare and support for persons and families. Only a few sectors are excluded, such as police, the judiciary and some statutory social (not economic) services. All other social services of general economic interest are going to be subjected to the internal market's competitive rules. What will happen to those services when they are subordinated to the dynamics of competition and free market has partially already been seen in the Netherlands – in health and care services and in the liberalising of social housing.

The second front is the creation of one united, flexible, liberal, deregulated European labour market. On the one hand, by the free movement of persons – they can work where they want to work – and, on the other, by companies which are dispatching workers where services are provided. Several proposals were made by the European Commission in the framework of the Lisbon-Strategy agenda aimed at developing Europe into the world's most competitive, innovative knowledge-based economy. To improve the supply of labour and increase productivity the labour market has to be modernised. In 2004 the Commission proposed the White Book on modernising labour markets. Modernising was under-

stood as follows: in this globalising world it is no longer possible to have work on a basis of normal stable contracts; labour relations on an individual basis are thus attacking the position of unions, collective agreements and the right to take industrial action. Because of the huge opposition mainly from the United Left GUE/NGL, the advocates in the two biggest parliamentary groups EPP and PSE had to retreat on this issue. The European Parliament decided in 2006 that normal full-time and stable labour contracts are to remain the standard.

In 2006 the second proposal for a more flexible labour market was tabled: the flexicurity approach. Its main principles are: employment protection and the right to find another job in a fast-changing working environment, supported by labour-market measures like life-long learning, are exchanged for legal job protection rights. This flexicurity approach was adopted by the European Parliament and the Council and incorporated in the Employment Guidelines for the New Lisbon Strategy 2008-2010. These new labour-market policies are accompanied by other directives like a new working-time directive adopted this week by the Council with proposals for more flexible and longer working life (up to the age of 67). All these proposals are the basis of the national Labour Market Reform Programs for the member states.

The effect of internal market rules laid down in the EC Treaty on labour legislation was shown by the rulings of the European Court of Justice in *Laval*, *Viking* and *Ruffert*. Those judgments involved the right to take industrial action against wage dumping, against flag of convenience, and against the right of the German federal state of Lower Saxony to lay down rules of sub-contractors in public-building contracts. Fundamental union rights, like the right to enter into collective agreements, the right to take industrial action or to strike, and more generally to decide on one's own national system of labour relations and social model, are now under attack by the internal competitive market rules.

The debate on the Social Model is predictably growing. That is why the European Council proposed adding the special Social Clause to the Reform Treaty and also why the European social democrats, always defending "Social Europe", decided in April to propose a Social Clause. The problem is, however, that these Social Clauses do not serve as real protections against the internal market rules, since the clauses refer to the Charter of Fundamental Rights as included in the Reform Treaty. It was the European Court of Justice rulings which demonstrated that the only defence would be a new horizontal Social Progress Clause that is enshrined in the Reform Treaty, recognising the right of member-states to decide on their social model with fundamental rights – the rights to provide for higher standards – on social policies and industrial relations and public services, as a part of the Treaty in effect regarding internal market rules.



Untitled, 1995  
mixed media (oil & acrylic on canvas)  
153 cm x 380 cm

# Fighting Plant Closures – The Latest Challenge for Unions

Results of a Study from Germany<sup>1</sup>

Richard Detje/Wolfgang Menz/Sarah Nies/Dieter Sauer

The crisis on the international financial markets has had a powerful impact on the real economy. The explosive nature of the situation is produced by two crises coming together and to a certain extent reinforcing each other: asset losses, indebtedness and the credit crunch on one side, and faltering accumulation processes in the economic downturn on the other. When profit margins sink and demand falls, the pressure on businesses grows. And that sets in motion a further critical process of capitalist restructuring: jobs are cut, business units or even whole sites are shut down. To get an idea of the realtive dimensions of this: even while the economy was still booming in 2007, 27,500 companies in Germany filed for bankruptcy, and 440,000 blue- and white-collar workers lost their jobs. In 2009 the curve of bankruptcies and therefore crisis-related closures is expected to rise steeply.

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## Plant Closures in Financial Market Capitalism

In financial market capitalism, plant closures and in particular offshoring – in other words closing a plant in order to continue production more cheaply and profitably elsewhere – are only expressions of critical underlying processes. Our study shows that a large number of the businesses that are closing factories are doing so not because they had been losing money, but because their profits did not fulfil the expectations of the financial markets. Here are three examples of international conglomerates in which a radicalised profit strategy proved to be the undoing of the local workforce, in spite of bitterly fought strikes and disputes:

- <sup>1</sup> AEG's owner *Elektrolux* belongs to the listed Wallenberg-Holding with the telling name of *Investor*, which also has a stake in Saab, Scania, Ericsson, ABB and the SEB bank. If the utilisation demands of "investors" are not satisfied, the stock in question risks being dropped

<sup>1</sup> In an ISF Munich and WISSENTTransfer project commissioned by HBS on the subject: "Conflicts and Closures – An Inventory", we have documented over 50 cases in the metal and electrical industry in the period 2000-2008. <http://www.wissenttransfer.info> We would be interested to hear of similar empirical studies from other countries: [buer0@wissenttransfer.info](mailto:buer0@wissenttransfer.info)

from the portfolio. *AEG* was a financially sound business. Production was profitable. However, the capital yield earned in Nuremberg was not sufficient to keep driving the share price higher and to pay out ever higher dividends. For a financial-market-driven management team, that was reason enough to pull their investment.

- 1 *Otis Elevator* based in Farmington (Connecticut, USA) is one of the world's leading manufacturers of lifts, escalators and moving walkways and since 1976 has been part of the United Technologies conglomerate based in Hartford, CT. In 2001, Otis Deutschland recorded a return on sales of 14.8%. But headquarters in the USA stipulated that profits had to rise by one percentage point every year. In 2002 they were 16.3%. For 2003 the expectation was 17%. "We are a company that operates on the principle of shareholder value," said Otis chief Ari Bousbib when he took office in April 2002, adding: "My focus is on closing production sites in cost-intensive regions."
- 1 The Finnish *Kone Corporation* is the fourth largest producer of escalators and elevator systems and is listed on the Helsinki Stock Exchange. When the group management announced back in March 2005 that it was closing all escalator production in Hattingen, the plant was in the black. But the yield wasn't in double figures as demanded. "Because the Finnish group management under Mitta Alahuchta is only interested in creating value that produces dividends for shareholders, the escalator plant has to close despite being in the black, and production will be moved to China and the UK," assesses Otto König, head of the union delegation at IG Metall. An alternative proposal, which would have created a European centre of excellence for escalators, was rejected by the group. Production jobs at Kone in Hattingen became another victim of the shareholder value strategy.

The plants mentioned above stand out from the constant process of "bleeding" capital from the accumulation process. These were not loss-makers, but profitable factories, operating with good profit margins. Many of them were "quality producers". A well-qualified and experienced workforce made high-quality products for a domestic and international market with guaranteed sales. But still the business was either closed down or relocated offshore.

Today decisions on where to locate production are taken in the context of financial-market-driven capitalism. Since the mid-1990s, shareholder value has developed as the benchmark of corporate management – and not just among listed corporations. The business portfolio is no longer judged primarily on the potentials of real value-creation processes, but on earnings indicators, expectations of rising shareholder value and above-average cash flow.

This process of financialisation of corporate management is basically indifferent to the real structures and cycles of production and operating

processes. Any sector or company that achieve high yields with high added value, such as for example in the premium segment of the motor industry, is definitely on the high road to industrial development. However, in the high-volume business sector, management by financialisation tends towards a policy of permanent cost reduction which can end in a low-road strategy with no regard for skills or brand names. The argument that these types of strategy often fail to take off in highly developed buyers' markets does not have much weight with the protagonists.

Under these conditions, plant closures – even with a view to offshoring – have become an instrument that is increasingly being built into the calculation when putting together a portfolio and is now an integrated part of corporate restructuring policy.

We therefore describe these as *plant closures of the financial-market-based type*.

Under financial market capitalism, plant closures and offshoring are therefore both crisis- and profit-driven restructuring processes. For the workers it means living under constant pressure.

## Pressure on Workers

Plant closures are by far the worst-case scenario for the interests of the workers affected. In no other case is the threat to social existence as palpably felt – in places where production, sales, research and development cease the labour force is no longer in demand and unemployment looms, which in Germany leads to official impoverishment after one year. The ever-present nature of this threat has allowed plant closures to become one of the most powerful tools in the corporate armoury.

Management's calculation, taking into account a defensive union representation of interests, means that sermons about participatory business management are quickly forgotten. Negotiations with workforces over location prospects are often not even taken into consideration, even elementary rights of information are ignored. What occurred at *Nokia* in Bochum at the beginning of 2008 had already happened four years earlier at *Otis* in Stadthagen: The construction of a parallel plant in Romania or the Czech Republic was initially sold to the workforce as an expansion of capacity – until the site's closure could no longer be concealed. According to a study by the Economic and Social Institute (WSI) of the union-affiliated Hans Böckler Foundation, it is mainly businesses in the medium-sized category (100-499 employees) in which workers and works councils are kept fully informed of the facts.<sup>2</sup> The wind of an authoritarian regime is blowing across the business landscape, in which reconciliation talks are initially refused, as at *Bosch* in Leinfelden in 2003, or as in 2006 when the management of *Panasonic* in Esslingen issued temporary injunctions against works meetings and threatened

<sup>2</sup> See Elke Ahlers/ Fikret Öz/Astrid Ziegler: Standortverlagerung in Deutschland – einige empirische und politische Befunde, Hans Böckler Foundation, Düsseldorf 2007, p. 53.

employees with sanctions. At the same time, the structural limits of company co-determination in transnational corporations become only too clear when local negotiations with managers who are not authorised to take strategic decisions lead to farce: at escalator producer *Kone*, decisions on location policy are taken in Helsinki and not in Hattingen, and at the construction vehicle producer *CNH* they are taken at Fiat headquarters in Turin, not in Berlin.

Site closures become the worst-case scenario not least in terms of political publicity. The large amount of media attention that accompanied the closure of *AEG* in Nuremberg is the exception, not the rule. For the most part, publicity is restricted to the immediate regional locality, if not to the plant itself. That is also reflected in a highly fragmented publicity machine within the unions themselves. It is therefore no wonder that the terrain is occupied elsewhere. Sovereignty of interpretation in media reporting is held by management and employers' associations, whose market and competition strategies are accepted without question, along with consultants and economists, who play an important role in the "ideological foundation as well as the scientific legitimization"<sup>3</sup> of location policy.

"If you fight, you *may* lose..." – that seems to apply only too well to union battles against plant closures.

## Resistance Perspectives

But if you don't fight, then you've already lost, say many workers – not for the sake of banging their heads against the brick wall of a cemented system of property ownership, and not without any prospect of success. Although it is true to say that in only a few cases were they succeeded in keeping the local plant open: at *Peterswerft* in Wewelsfleth in Schleswig-Holstein, which was even rescued from bankruptcy; at *Bosch-Siemens-Hausgeräte* in Berlin, although here the cutting of about a third of the jobs along with hefty reductions in staff costs led to massive conflict with a large part of the workforce; at *Kaltenbach & Vogt* in Leutkirch through a management buy-out, and at *Drauz Nothelfer* by selling the Ravensburg production site; and at automotive supplier *Lear* in Gustavsburg, Hessen, whose relocation to the Polish city of Tychy has been postponed to 2012 at the earliest – to name a few examples.

If the primary goal of preventing a plant closure is not achieved, there is a second criterion of success: the, at least, temporary protection of reproduction conditions through redundancy payments and/or the funding of an occupation and training organisation by the company. Internal union mobilisation has succeeded in improving these conditions in all cases.

Our case documentation shows that there is a third criterion of success: achieving a perspective of resistance at a time in which the social partnership of co-management has been abrogated on the employer side.

3 Geny Piotti: Why Do Companies Relocate? The German Discourse on Relocation. MPIFG Discussion Paper 07/14, Cologne, p. 23.

- 1 Every plant closure has a prehistory. In more than a few cases this includes the breaking or undermining of, or the pressure to renegotiate, agreements on securing the production location. Only through the workers' resistance can we enforce the rule of law that binding agreements must be kept.
- 1 Where shutdowns are considered to be disinvestment decisions by the company, the workforce must fight to enforce negotiations with the works council and union and compliance with basic rights of co-determination.
- 1 Siemens is not the only case in which a company-funded and company-owned internal "worker-representative" organisation (AUB) was established in an attempt to drive the union out of the factories and out of the company. Winning recognition for an autonomous unionised representation of interests will require a return to social conflict and worker mobilisation.
- 1 And finally, it is only through tangible and visible resistance that we will be able to find out whether the announcement of a site relocation is part of genuine reorganisation plans, or whether its main purpose is to enforce wage cuts, longer working hours and poorer working conditions locally.

## Innovative Practices

The development of resistance perspectives includes innovative practices. Examples are: at automotive supplier *Norgren* in Großbottlingen, Swabia, where the works councils succeeded in mobilising the top management of their most important customers (Daimler, Volvo, MAN, ZF) to intervene against plans to relocate to Eastern Europe; at the *Alstom* power infrastructure company in Mannheim, where instead of strikes, ever more painful economic pressure was exerted on the company through shopfloor meetings; at *Infineon* in Munich-Perlach, where under the most difficult conditions – a mostly unorganised workforce in diffuse departments, labyrinthine factory premises, a divided works council (AUB) and a strike-breaking strategy on the part of the employer – they were able to suspend chip production with three warning strikes and eight days of total strike; at *Bike Systems*, where the workforce not only de facto occupied the plant, but as a symbolic act of resistance organised production under their own regime, thereby raising their public profile across the region. At *Opel*, where in response to the location strategies of an international conglomerate they managed to organise a transnational network of works councils which devises alternative strategies as part of the global sourcing process.

We encountered innovative practices not just in the area of social conflict, but also in the representation of interests. "Internally" on the one hand, by overcoming "representative" or "proxy" politics and developing



new forms of participation-based management and union policy; and “externally” on the other, by creating counter-publicity in civil society, however limited and fragile its extent.<sup>4</sup>

And last but certainly not least, innovative practice involves a change within the institutional power arenas: the legitimacy of industrial action for so-called “collective agreements”. In Germany – where the right to take industrial action over wages exists, but not the right to strike on issues unrelated to wages policy – it means that industrial conflicts are likely to escalate. There is certainly potential for expansion of the collective agreement instrument. So far these have been about enforcing redundancy payments and setting up occupational and training organisations. But why not use them to demand redundancies by collective agreement for a longer period (say five or six years)? Legally that is currently still a grey area. This type of demand would in our view constitute an additional contribution to an innovative practice of demands that would make plant closures and relocations much more difficult.

## Learning Perspectives

Even though union battles against plant closures have had some success, they are predominantly an expression of a defensive perspective. They aim at mitigating the social consequences of plant closures and aiding the transition to new employment. The price that companies have to pay is driven up, although in most cases not so high that they abandon the idea of closure or relocation.

We can break through the defensive character of these battles if we attempt to exert influence over core company policy at an early stage. With plant closures of the financial-market-based type, to a certain extent this has better prospects of success than in obvious cases of crisis, since the workforce can mobilise options for exerting economic pressure and – backed up by public pressure – also attack the legitimacy of the company’s policy. This works best when works councils and unions go into a dispute with alternative proposals for the company and perhaps even for the industry, whereby the issue is no longer simply *whether* production is relocated, but also *what, how, and how much*. We call these campaign perspectives “getting corporate”. Using alternative expert reports as the basis, it can be shown that a future for the location or the region definitely exists. This strategy with its offensive perspective goes beyond traditional co-management, especially if it does not confine itself to the level of technocratic “proxy politics”, for the strength of a negotiating position depends on the extent to which the workforce and public are able to exert pressure. Furthermore: this strategy works best where it can be combined with an industrial or economic policy strategy, and therefore where the demand for influence over investment policy can be put on the agenda not just for a single company, but for the

<sup>4</sup> See also Mario Candeias/Bernd Röttger: Betriebsräte in der Zivilgesellschaft, Manuscript, Jena 2008.

<sup>5</sup> See for example Bruno Trentin: Arbeiterdemokratie. Gewerkschaften – Streiks – Fabrikräte, Hamburg 1979, and Bruno Trentin: Die andere Gewerkschaft. Vom traditionellen Syndikalismus zur politischen Bewegung, Hamburg 1982.

whole sector. This strategy was followed in Germany in the 1980s and in Italy in the 1970s.<sup>5</sup> It still has relevance today.

Here we can see that in the campaigns against plant closures, there has been movement in the traditional structure of relations between workers and their management and union representatives. It also points to a new quality in the conflict of interests: new forms of resistance, mobilisation and politicisation of workers' interests is one side, a new form of "getting corporate", an expansion of demands for co-determination, exertion of influence over investment and product decisions are the other side.

Political explosive force and an effective strengthening of workers' positions arise when both sides come together: if resistance and mobilisation have a content perspective and if alternative product and production proposals are backed up not only by the argument of "economic sense" in itself, but also by a workforce that is ready to fight, and by public awareness.

The cases we looked at reveal that this is not so easily achieved. But they have also shown that as an approach, it could work, and above all that much can be learned from the struggle. They can be used as encouragement, to intensify learning processes and so help to ensure that the struggles experienced by employees and their representatives will be drawn upon in future battles and thus improve the chances of success.

# Reality and Outsourcing in India

Krishna Murthy Padmanabhan

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In India outsourcing has two aspects. Generally, we are talking about India, which is developing, and in which an economic boom supported by information technologies is in process. This is the reality, but only an elite is benefiting from it.

All the foreign companies, American or European, have branches in India where new cities are emerging. These are cities outside the cities, known as "High Tech Cities". They are not being built in the image of India but of America, or in the image of a Europe that does not perhaps even yet exist in Europe.

Admittedly, these companies pay "well". Compared to the young Europeans who earn 1700 – 2000 Euro per month, a young man or a woman in India readily agrees to work for 300 – 400 Euros per month.

These jobs require a mastery of English, "English" English or "American" English, but not "Indian" English which is synonymous with absence of skill. When one wants to get a job in a company, it is thus necessary to take courses in "English" or "American" English, and these are very expensive. It requires almost six months of ones parents' salaries, who invest everything in their child in order to provide him or her with a certificate of "good" English. Not all Indians can afford it.

In India, given the caste system, only persons belonging to the higher castes, who are already rich, can benefit from the right to participate in this new world. It is not Dalits, the untouchables, or the poor who will take part. In a caste system based on classes, it is the top class which sends their children to this new world.

Once selected, they live in a world of MacDonald, of Pizza Hut, etc., because those who work in the new world only get meal tickets for eating at MacDonald or Pizza Hut. It is necessary for both boys and girls to dress in European clothes. The *saris* and *salwar kameez* worn by Indian girls are not allowed. They must change their first name; when they receive a call from the United States or from London in the call centres, they must say: "I am Mary" but not "Laxmi, Savitri, or Kamla".

Work at the call centres is geared to American working hours. The day starts here at 10 p.m. and continues up to 4 a.m. in the morning. All the young people work at night. They live in a complete time lag. They are cut off from Indian social life and from their families. They refuse to come back and live in their parental home. Small European and western-

style buildings, with swimming pools, are constructed for them. They prefer to live in groups of 3-4 persons, in these new sites, within an imaginary world.

But only one social class has access to this world. They are trained to think of themselves as an elite, such that they reject trade unions. Unlike Europe where unionisation exists, these young people do not want to raise questions as workers, since they do not want to be recognised as workers. They think of themselves as part of an aristocratic lineage.

But there is also the other type of outsourcing – in the textile, clothing and shoe-making industries.

There, all is tragedy; it is another world, the world of the poorest. People come to obtain goods against money. They then work on the premises of the factories. Clothing work is paid at piece-rates. The workers are not paid from day to day but at the end of the week. If they are paid at the end of week, so much the better; otherwise it will be the following week. It is possible to install six electric knitting machines under a tent; twelve women work at them in relay, cutting and assembling. At the end of day, fifty to hundred pieces, finished in the evening, are sold to the companies. Clothing is then labelled according to the companies which will market them. Trade Mark, Noida, Surat are centres of this kind.

These workers are paid neither the minimal wages of the company, nor that of the country. They are unceasingly put in a situation of competition. The whole family works, the children, mother and father. In this "macho" society, the husband does the cooking if the woman must make the pieces to be sold.

The example of Honda is interesting to note. It is a large company located in Gurgaon, in the state of Haryana, less than 10 km from New Delhi; it employs nearly 4,000 workmen. One signs a statement before entering into a contract that no attempt will be made to form a trade union. In the event of problems, there is thus no recourse. Any attempt at unionisation involves the loss of employment.

However, on account of the difficult work conditions and particularly low wages, the salaried employees dared to create a trade union and to organise a petition. Seven members of the employees' trade union were laid off. A spontaneous strike, mobilising the workers of the entire company, took place. It asked for a reinstatement of their trade union leaders as well as the improvement of work and wages, the second demand coming almost immediately after the first. Management reacted by a lockout and had recourse to the intervention of the state and its police force to intimidate the strikers and their families. The leadership systematically refused to dialogue. Attempts at mediation made by the government to find a solution failed. The police force created terror in the entire city, and a police shooting killed seven workers. Finally, all the strikers had to sign a promise to give up any trade-union organising before being reinstated in their jobs.

This kind of situation exists in all the special economic zones (SEZs). They are zones of slavery where the multinationals deal with people in a deplorable manner. The majority (60%) of workers are girls and women. The laws of the country, either those related to work or to living conditions, are not in force there.

It would be an error to counterpose political and economic democracy to participatory democracy. It is an error made in the European trade-union movement because there all is working out too well. After the Second World War, the workers of Europe, in great majority, acquired many rights and advantages thanks to the trade union movement which, through all their economic agitations, retained a political vision. With the rise of reformism, the trade-union movement started to work inside the system for economic gain, isolating the worker from the real world where he/she is confronted with rising prices, with bankfailures, wars, etc. The unions were content to highlight the economic aspects of these crises while refusing to explain them in their political context as problems of capitalism. This was responsible for a drift of the trade-union movement in Europe and for a mistrust of the word "politics" which frightens people who do not understand that all economic crises have their basis and their causes in the politics of the system. There is a fear of dealing with politics as if it were something "untouchable". However, the economy does not function without politics, and vice versa. To create a wall between the two is artificial, and doing so has led to the collapse of trade unionism which still hesitates to face the new problems confronting it.

Today, we the workers of the developed or developing world are all victims of the rapacity of imperialist globalisation. Unemployment, casualisation, privatisation and all the other allied problems are a result of the politics of the free market, euphemistically called, "neoliberalism", i.e. capitalism.

# Building Class Consciousness

Christine Mendelsohn

The struggle of the workers at the Renault Dacia plant in Rumania has clarified how competition between wage-earners in the Eastern and Western parts of the European Union works. Their resistance to blackmail through the threat of delocalisation has had an impact on the morale of people in the West by putting an end to the idea that wage-earners in Europe can be exploited indefinitely.

As representative of the European Left Party (ELP), I met the Renault Dacia union leaders at Pitesti last April. Work had already been resumed the week before. The exchange of views showed to what extent the interests of the various European populations and wage-earners do not automatically converge: political work consists of taking the existing divergences into account, overcoming them by way of a class analysis.

Extremely low salaries and the inflation of food prices had sparked the strike – neither the workers nor the engineers could live on their pay although they were providing their company with a high quality and very profitable product – the Logan. Despite the blackmailing threat of delocalisation outside the European Union, and the declarations by the firm's bosses that the strike was illegal, 70% of the wage-earners struck for three weeks and won an increase of 97 euros resulting in an average wage of 250 euros, with the addition of an annual bonus. Initially, a worker's wage was 150 euros, and an engineer's 300. A recent law requires that a strike be adhered to by at least 50% of union members or 30% of all the employed wage-earners. This is to be calculated on a daily basis during a strike. The law was passed by Rumanian politicians and members of parliament at the time of accession to the European Union, on the pretext that it was a requirement of the European Community. The Rumanian union (BNS) referred the matter to the ILO, as this law was more restrictive than what their national constitution already provided. They asked the ELP to intercede with the Rumanian government on this issue.

Two press conferences, one at Pitesti and the other at Bucharest, show that the issues discussed in Rumania are similar to those raised in France:

"Workers in the West want to keep their jobs, and workers in the East want those jobs to come to them. How do you handle this contradiction?"

"Isn't it fair that wages drop in the West so as to rise in the East".

"How can Rumanian wage-earners remain attractive if they continue to demand wage increases?"

Local representatives of the Socialist Alliance stressed that Rumanian's joining the E.U. two years ago created a dynamic in favour of jobs

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– but also made it very difficult to live on one's salary. What is most noticeable since its entry into the European Community is the increase in the number of banks (e.g. Société Générale), of supermarkets (Carrefour) and retail pharmacies. They also pointed out that German radioactive wastes have been buried in a plot of land near the Dacia plant over the last 15 years. The Rumanian government has recently been asked to accept household refuse from Naples. The refusal of the European Union to allow Rumania and Bulgaria to enter the Schengen area, in contrast to the conditions established for the first Eastern European countries which had joined, provoked an outburst of anger amongst Rumanian citizens who do not want to become colonised or second-class citizens.

The example of Dacia, and the demonstrations of those sectors of the population completely dependent on their own work, belies the theory that the law of the market will even out living conditions throughout Europe and even throughout the world. Demonstrations are now taking place in the West, in the East and even in the South where there are hunger riots. This is clear proof that the cleavage is not a North-South or East-West one but is between wages no longer enabling a decent standard of living and the firms that are delocalising so as to benefit from increased exploitation. The motivation of all this is increased profits for the shareholders – fuelling speculation on basic foodstuffs and raw materials. This is the choice that the heads of government of our European countries have made through their treaties and directives.

Neoliberal policies reduce the wage-earner to a resource, the cost of which must be reduced. Simultaneously, they push him to be the consumer that capitalism needs in order for it to function. This contradiction is reaching an unacceptable threshold – witness the number of demonstrations for wage increases throughout Europe. However, while the rights of capital are fully detailed, the right to strike is not yet recognised as a Community right, either in the Lisbon Treaty or in the Charter of Fundamental Rights. Responsibility for this is relegated to the national level – this is a political battle that we must wage at the European level as well as in every individual country.

When the Rumanians joined the European Community their hopes were based on catching up to Western European standards of living. They see, in fact, that the present policy of the European Union is only based on the exploitation of the wage-earners of the East so as to permit greater exploitation of Western wage-earners.

We must attack this way of constructing Europe, which has altered the conditions of its enlargement. Spain, Portugal, Ireland and Greece enjoyed substantial structural funds when they joined to make it possible for them to catch up to the standard of living of other Europeans. The last ten countries to join have been granted less funds, and their wage levels are used for a policy of social and fiscal dumping – creating a low-cost region in the very heart of the Common Market.

The European Left Party is in favour of increasing the European budget to support its enlargement policy. Otherwise, as a Hungarian comrade said at the ELP's Summer University, the feeling Eastern European people have of being colonised could lead to a sharper rise of the extreme right in these countries – with consequent destabilisation in all of Europe.

The situation in Rumania strikingly demonstrate the truth of Jack Ralite's remark: *"Poverty is a social and political structure"*. The neoliberal leaders of the European countries have knowingly constructed this policy in each of their countries and have consolidated it at the European level in treaty after treaty, even though the populations have voted "NO".

It is against these choices that the European Trade Union Confederation organised, last April, a demonstration in Ljubljana in which we took part. In reaction to all these problems, the ELP has decided to run a campaign against job insecurity. The European Left Party is struggling to ensure that policies are no longer subordinated to those who are only interested in the accumulation of profits for shareholders. We are fighting for policies aimed at quality of life – for human beings and for the planet. These are the trends that ought to become the pillars of the economic and social policies of the European Union. The Transform! Europe network was present at the seminars on immigration and at the general assembly of immigrants during the European Social Forum (ESF) at Malmö via the Réseau International Frantz Fanon (International Frantz Fanon Network), one of our partners. Together we initiated a seminar "Frantz Fanon: A Contemporary Alternative to the Clash of Civilisations" and also took part in a seminar on the International Conference Against Racism, also known as the Durban Conference.

## What is our analysis of this?

Firstly, we note that the question of "immigrants" was hardly present at this Forum, unlike in preceding Social Forums. The seminars devoted to this question were, nevertheless, of high quality, making even more evident the discrepancy between the internal weakness of this Social Forum and the central, indeed strategic, place of the "immigrant" issue in European policies. The Migrant Forum held in Madrid, a short while earlier, had been a great success and mobilised many associations and movements, both European and African.

However, for us the weakness of the Social Forum on this issue cannot be explained by an apparently sufficient attention paid to it elsewhere in European politics; the importance of the link between immigrant issues and all the social, democratic, political and cultural issues that was central in Madrid should have found an echo at Malmö.

The immigrant question is certainly a solidarity issue, but it goes far beyond this – the quality of our democracy, i.e. the relations between peo-



ples, is reflected in it. It is at the heart of the clashes between visions of society, the neoliberal concept of Europe and the concept of "another world". Witness the signature, after Malmö, of the "Immigration-Asylum Pact" by the European countries and the Council of Europe less than three months after the European Parliament had passed the "return" directive. The measures taken by the European states are part of the whole logic of criminalising and locking up foreigners. Detention is established as a system in the context of a frightening European "harmonisation" of the internment of immigrants. As the Migr'Europe network has stated: "*Camps for foreigners are at the epicentre of a multitude of attacks on fundamental rights. Do not let a curtain of silence be drawn over them*".

We note, unfortunately, that only the GUE/NGL Group carried out a coherent struggle against the very principle of this "return directive" – in fact from the presentation of the first draft. Their actions and speeches against "Fortress Europe" are, indeed, to be welcomed.

The appeal of the Migrants assembly at the Malmö edition of the European Social Forum, ratified by the social movements' assembly, must be communicated in all our countries. It is available on the ESF web site. The success of the "citizens' counter summit" held in Paris on September 17 reinforces the timetable of initiatives passed.

The seminar on Frantz Fanon also was a success. We conclude that the work undertaken must continue, that it is a highly pertinent, useful subject. It is, indeed, a necessary one for the altermondialiste movement itself, so as to deepen understanding of what anti-racism must be: the multicultural struggle against withdrawal into communal identities, against the phony theory of "the clash of civilisations". Our pamphlet "*Letters of the South to the North*" was distributed, confirming in Malmö the success it enjoyed at the *Fête de l'Humanité*.

It is very interesting that during our seminar, as well as the one devoted to the Durban Conference, many people shared the same questions, the same desire to see in the history of slavery, the deportation of blacks and the triangular trade, the social roots of racism and discrimination in today's globalised world. It seems that, though many European countries have dealt with the history of fascism (although even here, this is not quite true) most of them do not deal with the five-century-long dominion of slavery and then colonialism.

The preparatory committee for the Durban International Conference on Racism, which took place in Geneva from October 7 to 17, 2008, underscores the central importance of these questions.

In conclusion, it seems to me that we have to strengthen coordination on these issues in the Transform ! network. We must look toward a European-level meeting.



# The EU and Hungary: Colonisation, De-industrialisation, De-structuring

Judit Morva

Judit Morva is a teacher.

With the accession of Eastern European countries, EU leaders, without warning and formal declaration, changed the project of European integration. Instead of putting in place a programme of development and economic integration with long-term funding, EU enlargement created a lasting territorial division into two kinds of countries. The countries of Eastern Europe – which still represent 100 million people – are trapped in the role of underdeveloped countries. Without saying it openly, it is a free-trade area that the Commission has imposed, and our countries no longer have any control over their own evolution. In the name of competition and efficiency, the Union has demanded a speedy privatisation, open borders and liberalisation, even beyond that which has occurred in the old EU countries. In general, as descriptions of the situation of Eastern Europe, the words colonisation, de-industrialisation and de-structuring are not at all exaggerated.

In Hungary we had to privatise agriculture and industry. The new owners – usually the multinationals – have been primarily interested in opportunities, not production, which led to the closure of many factories. Thus, after the privatisation of sugar (with six plants in the country), there is no longer a single sugar factory, and we have to import all the sugar we consume.

The social situation is equally dire. Hungary is a country of ten million inhabitants, and since the early 1990s, we have lost 1.4 million jobs, which represents more than a quarter of previously regular jobs. In return, unregulated work represents 1/4 to 1/3 of economic activity in the country. Hundreds of thousands of workers do unregulated work, without any protection. Their working conditions and hours are not regulated, and they do not pay pension contributions and social security.

The direct consequence is a shortfall in revenue from taxes and contributions, and we are in a negative social spiral. In the name of balanced budgets, the EU is pressuring Hungary drastically to reduce benefits and privatise without end while poverty is increases each year.

Industrial outsourcing, which is creating competition between Eastern European workers and those from the oldest countries of the Union, is based on this combination of low wages and illegal work. Multinational companies hire under regular conditions, but subcontracting takes place

at the unregulated labour market. De-industrialisation, a result of privatisation and the dismantling of social services, has created an economic environment that is establishing our countries as suppliers of cheap labour. Make no mistake, this does not create a viable and coherent industrial structure and offers no prospect for our people. It is a dead end for development.

In our country, the welfare state has disappeared or is disappearing. The socio-economic structure is unstable, a source of permanent tension, but it is also a lasting instability in the sense that the dynamic of development is not going to take our country out of this dead end. The gap in living conditions between the two parts of Europe creates tensions and destabilises the construction of the Union. The financial crisis is further aggravating the budgetary situation of each country with no solution in sight, not even in the long term. This open systemic crisis calls for reflection on the very project of the Union as an region of stability and well-being.

# Having your Cake and Eating It

## The “Open Method of Coordination” and the EU’s New Social Agenda

Lutz Brangsch

The EU’s Open Method of Coordination (OMC) seems to exist in a world of its own, outside of the real social welfare debate. Proven ineffectiveness in its core area – combating poverty – is combined with an apparently naive faith in the power of consensus and the need to set a good example.

One might see it as a straightforward case of manipulation designed to divert attention from the dismal reality of social welfare in the EU. This is no doubt partly true, but it would be a fatal misperception and underestimation of the project to reduce the OMC to this aspect. The fact is that the OMC signals a new, complex way of shaping policy. It is a new mode of combining inclusion and exclusion, of establishing a new political culture underpinning a broad social alliance for the EU area. This makes it a procedure that, regardless of the details of what it actually does, is a challenge for left-wing politics.

„It was conceived as a flexible governance method... It is based firmly on the principle of subsidiarity and has the stated aim of "helping Member States to progressively develop their own policies". It involves the following features:

- 1 fixing guidelines for the Union ...
- 1 establishing, where appropriate, quantitative and qualitative indicators and benchmarks against the best in the world ...
- 1 translating these European guidelines into national and regional policies by setting specific targets ...
- 1 periodic monitoring, evaluation and peer review organised as mutual learning processes.

These features have to be understood as a framework for the application of the Open Method of Coordination in various areas. It remains to be defined in a more detailed way in the context of each application which features and working methods will be applied and how the work will be organised.”<sup>1</sup>

Over the past few years the vision and thrust of EU social policy, and hence also the factors determining the shape of the OMC, have been continually developed.

<sup>1</sup> COM(2003) 261, p. 10-11

A Communication from the EU Commission on the Social Agenda of 2005<sup>2</sup> states:

„The task now is to improve the implementation of the measures foreseen by the Social Agenda, on the basis of principles that have proved their worth. These principles should make it possible to:

- 1 pursue an integrated European approach guaranteeing positive interplay between economic, social and employment policies;
- 1 promote quality – of employment, social policy and industrial relations –, which, in return, should make it possible to improve human and social capital;
- 1 modernise systems of social protection by adapting them to the current requirements of our societies, on the basis of solidarity and by strengthening their role as a productive factor;
- 1 take account of the ‘cost of the lack of social policy’”

The Commission is concerned, this document continues, with “strengthening citizens’ confidence” and creating better conditions for “employment (under the prosperity objective) and, linked to that, equal opportunities and inclusion (under the solidarity objective)”. Thus, increasing importance is being given to the struggle for acceptance.

The Social Agenda of 2 July 2008 marked a further upgrading of the OMC. In the “renewed Social Agenda” itself we read: „Open methods of coordination (OMCs) are key to the EU Social Agenda, having helped Member States to develop a shared vision of social challenges, fostered a willingness to cooperate and learn from each other’s practices, created a new dynamism in furthering and implementing reforms, and promoted more knowledge-based policy making, geared towards openness, transparency and participation.”<sup>3</sup>

This places the OMC among the instruments of the Social Agenda,<sup>4</sup> on a level with community law, the Social Dialogue, the provision of EU funding, measures for the development of partnership, dialogue and communication as well as the orientation of all EU political measures toward the promotion of opportunity, access and solidarity. In assessing the OMC it should be remembered that it treats ends and means equally (at least in a formal sense) as part of a single political strategy and that it was introduced as an instrument for making the interrelationship between ends and means a flexible one. It should also be noted that it was intended not to replace the Social Dialogue, but to extend it.

## Critique

The recognition of an active role for social welfare in politics, of the necessity for shaping social relations as a guarantee of economic development, does not necessarily establish social welfare as a premise for policy. A comment by the European Anti-Poverty Network (EAPN) under-

2 COM(2005) 33 final  
COMMUNICATION FROM  
THE COMMISSION Social  
Policy Agenda

3 COM(2008) 412 final  
COMMUNICATION FROM  
THE COMMISSION TO THE  
EUROPEAN PARLIAMENT,  
THE COUNCIL, THE EURO-  
PEAN ECONOMIC AND  
SOCIAL COMMITTEE AND  
THE COMMITTEE OF THE  
REGIONS Renewed Social  
Agenda: Opportunities, Ac-  
cess and Solidarity in 21st  
Century Europe, p. 16

4 Ibid., cf. section 5

scores this aspect and calls for the goals to be attained via the OMC to be made more binding.<sup>5</sup> EAPN advocates a "democratically negotiated social progress pact". This is not only a justified demand, but also one that goes well beyond the approach described in the extended Social Agenda.

In the changed understanding of social policy at the EU level outlined above social welfare is not seen as an end in itself, but as an instrument, as an investment, as capital. The renewed Social Agenda is seen as a way of "helping workers to adjust to change."<sup>6</sup> Social policy must keep pace with the changes brought about by globalisation, demographic factors and technological development; it must be flexible and able to react to changes. This is a challenge that has to be faced at all decision-making levels.<sup>7</sup>

The German sociologist Stephan Lessenich has described this political approach as follows: "The 'social investment' is as it were the premium segment of an activating social policy – and among its main clients are ... 'the' women and children who for various reasons are not (quite yet) gainfully employed and hence not fully paid-up members of the social productive community, but who can potentially attain this status at some future date with public support. In keeping with this new way of thinking about social welfare policy, they should not be left to their own devices, but be put in a position to commit themselves and their (human) capital in a socially productive manner."<sup>8</sup>

Thus the Open Method of Coordination is a reactive instrument to be used for the application of standards set from "outside" (via the Lisbon strategy). This means that there is a strong link between the OMC and the other instruments of the renewed Social Agenda with workfare concepts. The former gives the latter an expanded framework. As the process in itself has no binding character, there is still scope for the continued use of social welfare as a competitive arena, as a place to search for national solutions to contradictions in the area of social welfare. If we were to accept this classification, the OMC would have to be regarded as no more than a conservative instrument.

The real political innovation, however, is the incorporation of the OMC in the relationship between governance and subsidiarity, which can probably be regarded as a central political premise for the further development of EU social policy. Ideas are being applied to EU social policy that were developed in other fields and other regions in the last two decades. Such tie-ins are mainly to be found in the policy of the World Bank in connection with development projects, in the notions of "welfare economics" (Amartya Sen, U.S.), and in the concepts for the development of "civic commitment". As a point of reference in this connection we may cite the 2001 White Paper "European Governance",<sup>9</sup> which was reflected in various versions of it at the national level. The problem description it contains deplores the fact that people consider the EU to be

5 A stronger OMC, but not enough to make the difference! EAPN Response and Proposals for Reinforcing the OMC. 16 September 2008

([http://www.eapn.eu/images/docs/eapnreinforcingtheomc2008\\_en.pdf](http://www.eapn.eu/images/docs/eapnreinforcingtheomc2008_en.pdf))

6 COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL: Solidarity in the face of Change: The European Globalization Adjustment Fund (EGF) 2007 – Review and Prospects, Brussels, 2.7.2008 COM(2008) 421 final, p. 2

7 Cf. COM(2008) 412 final, p. 3

8 Stephan Lessenich: Die Neuerfindung des Sozialen. Der Sozialstaat im flexiblen Kapitalismus, Bielefeld 2008, p. 98

9 COM(2001) 428 final

incapable of taking action where it is needed, as in combating unemployment.<sup>10</sup> This document names five principles which are also to be found in the OMC: openness, participation, accountability, effectiveness and coherence, going on to say that: "The linear model of dispensing policies from above must be replaced by a virtuous circle, based on feedback, networks and involvement from policy creation to implementation at all levels."<sup>11</sup> Priority is given to "improv[ing] the involvement of regional and local actors".

The OMC is aimed at achieving this goal in relation to social welfare. But who are the "actors" or, as they are now called, the stakeholders – and what does "involvement" mean in this context? From a sober perspective this approach should be seen as a reaction to the above-mentioned decline in the role of the traditional social partners: the widening of the debate beyond the traditional constellation of employers' associations/trade unions in order to achieve the desired social consensus. The use of the term "stakeholder" should not just be regarded as an attempt to keep up with current usage, but as a term that extends the range of those addressed while at the same time aiming at an apparent depoliticisation of the process. Stakeholders as partners, who may not have a legally defined but certainly a legitimate interest in dealing with a given problem, are accepted only in so far as they are diffused throughout society, not in their ability to take political action. Power imbalances are not directly made visible, but just remain intact. Other actors/stakeholders are the national governments or civil services and those who pay for the social security systems themselves. Supra-state regulation cannot be all-embracing – civil services, social security systems, etc. tend to overshadow the economic interests which an inclusive concept has to take into account.

The OMC does this at different levels, having been deliberately conceived not as a mere catalogue of aims, but also as a "learning project". In the OMC the EU has developed a procedure that initiates, perhaps for the first time with this degree of complexity, an international learning process "from above" which can exert a major incorporating effect. It is a new way of producing governance skills, supported by a broad resource basis. Not only the knowledge possessed by academe, applied research institutions and the civil service, but the knowledge of a large part of engaged civil society can be incorporated in decision-making processes. This gives the cant phrase "knowledge is power" an entirely new meaning. A governance skills are generated that is immediately shared and that can exclude system-jeopardising factors through the way it is generated. Although it draws upon democratic traditions and procedures, the OMC is only democratic in a limited sense. Tying the process to the Lisbon Strategy means expropriating society of social knowledge – a form of socialisation forced into the straitjacket of capitalist exploitation. The effectively non-public nature of what ought to be

10 COM(2001) 428 final  
p. 9

11 COM(2001) 428 final  
p. 14



a public process indicates that this contradiction constricts the effectiveness of the OMC.

The learning takes place in various ways. Particular mention should be made of the various forms of consultation, such as transnational exchange programmes, meetings of those affected by poverty, the PROGRESS Programme (Community Action Programme for Employment and Social Solidarity), and the peer review.

The peer review<sup>12</sup> combines mutual control and pooling of experience. The procedure is also termed the "key element" of the OMC. In it a country presents what it considers to be the experience in the field of social policy that is of interest to decision-makers, specialists and other relevant parties. At present, the circle of independent experts comprise representatives from all 27 EU member states and from three other candidate countries. The network itself is managed by four consulting firms commissioned by the relevant EU General Direction: ÖSB Consulting GmbH (Austria), CEPS/INSTEAD (Luxembourg), The Institute for Employment Studies (United Kingdom), and Applica (Belgium). The tasks, the sequence and the ways of selecting the focal areas are laid down in a guideline.<sup>13</sup>

In 2008 peer reviews were carried out in Belgium, Germany, Denmark, Poland, Slovakia, Spain and Austria. Experts from six to ten countries took part in the processes. The resultant documents describe the practice followed in the given country in relation to the question under examination and offer an evaluation of how far the approaches, institutions or regulations can be transferred from one country to another. The formulations contained in the documents are often not very conclusive, although this does not seem to be important. From a political point of view the comments of the experts and the "stakeholders" from the countries involved are much more important.

The dynamic emerging from this modus operandi of incorporation, of creating common viewpoints within the framework of social conditions, and the closely associated creation of a special "closed world of social experts", with its own language and its own rules, is the really important result. For the further development of this instrument the following are required: better background information, a more stable analytical basis, a comprehensive dissemination of the results, and closer integration of civil servants at local and regional level.<sup>14</sup>

„The PROGRESS programme<sup>15</sup> offers support for the testing of new tools for mutual learning and exchange of best practices, e.g. projects for temporary pooling and transfer of expertise between member states; training on strategic planning, mainstreaming, coordination, involvement of stakeholders, monitoring and evaluation in the Social OMC process.“<sup>16</sup>

The programme "can also help the development of "social experimentation" as a way to test innovative ideas before engaging in large-scale

12 cf. <http://www.peer-review-social-inclusion.net/>

13 [http://www.peer-review-social-inclusion.net/peer-reviews/Operational%20Guide%202008\\_DE.pdf](http://www.peer-review-social-inclusion.net/peer-reviews/Operational%20Guide%202008_DE.pdf)

14 COM(2008) 418 final, p. 8f.

15 [http://ec.europa.eu/employment\\_social/progress/index\\_de.htm](http://ec.europa.eu/employment_social/progress/index_de.htm)

16 COM(2008) 418 final, p. 8f.

social programmes, for example in the area of minimum income, child benefits, or long-term care; the programme will support the study, the dissemination and evaluation of social experimentation projects."<sup>17</sup>

The combination of peer review and such a novel programme needs to take place in a way that can eliminate the functional weaknesses of the former. Above all it should be designed to expand the basis of strategy development into the public sphere. With the testing of certain social policy arrangements, private providers or social insurance systems, for example, will be tied much more closely to strategic policies and forced to identify with political decisions they themselves have participated in. The narrow framework imposed by the politicians favours the reformulation of highly political questions as organisational and technical ones. The actors in the national welfare states are held in high esteem and have common problem-related interests (often apparently "only" of an organisational or technical nature) in a globalising world, passed on to them by supra-governmental structures, which for their part are forcing through their own interest as enshrined in the Lisbon Strategy. This makes it possible to avoid awkward questions of legitimacy in relation to expertocratic decisions – such as those of the commissions in Germany that proposed crucial restructuring measures in the fields of labour-market and pension policy, although only a small section of those affected were involved (which exposed the real interests at work). It reinforces the emergence of a separate culture with its own view of what a human being is, a process already promoted by the peer review. Thus the Lisbon Strategy has come full circle. The EU could successfully square the circle by adopting a common social policy without an elaborate common legal basis, without giving governments instruments of coercion to use against each other, and with a high degree of legitimacy, at least as regards those professionally involved in social policy.

## Consequences for Left Movements?

Little attention is paid to the OMC in the literature, especially in left-wing literature. And yet the political actors are in fact taking up a discussion, which at the turn of the 19th and 20th centuries foreshadowed the beginnings of a split in the working-class movement. In a polemic against Bernstein during the debate on the basic thrust of Social Democratic policy Rosa Luxemburg put forward the thesis that emancipatory politics was also a matter of "how", of the way in which political action was taken. And it is a fact that many of the EU's social policy goals and projects taken by themselves are not wrong. But their quality as social policy is derived from the manner in which they are enforced and how they interact with other policies. Seen against this background, the close linkage in the instruments of the OMC between goal-formulation, knowl-

edge production, pooling of experience, and learning, represents a challenge.

This new challenge raises the question of how knowledge and strategy are currently produced in the left-wing movements and to what extent the ways in which knowledge is produced include organisational and activating elements. Another question is the extent to which action is taken (or statements made) on an exclusive basis or how much real general accessibility there is. The presentation here of the various aspects of the OMC suggests the following directions for ongoing discussion:

1. Social welfare means interrelationships between people who always enter into them as social beings. If one regards left social policy as being aimed at emancipation for the whole society and for each individual, it can only be a process consciously supported by the masses. This in turn opens the way to an alternative social policy as a deliberative (and in this sense democratic) process on a society-wide scale. It must begin by providing society with information, which has to be processed within a deliberative process in a barrier-free social space to produce consequences for social policy. If academics and movement activists want to advance social policy, they must find their specific place in (and not "above") such a space. In other words, they too must see themselves as part of the problem and accept the cognitive powers of the masses. This is the only way of facilitating learning processes that will contribute to lasting acceptance of a different social policy. In this sense left-wing social science is like any other form of cognition, as in the constitution of empirical knowledge or "folk wisdom".
2. Account must be taken of the fact that the subjects of political action, and hence the addressees of social policy, have changed considerably in recent decades. A wealth of political experience has been amassed, the level of education has risen considerably, and concern with social problems today extends to broader strata than in the past. The OMC is oriented to the use of this resource. It uses it by expropriating it. How can this process be reversed by activating social knowledge as a resource for resistance and emancipation? Clearly, the way left movements are organised needs to change.
3. Actually, the idea of social forums is an adequate and alternative emancipatory response to the question posed by the OMC: networking, pooling of experience, consensus-building in a space that is (partially) free of hierarchy and barriers – all these things address problems similar to those addressed by the OMC. Perhaps the social forums should reprofile themselves as places where an Open Method of Coordination is systematically practised "from below". Important points of contact would include the experience of poverty conferences, social reporting, and the local Agenda 21. After all, modern

left-wing movements began with analyses of the social condition and discussions of such reports; we need only recall Engels' *The Condition of the Working Class in England* of 1844/45 and the references to the British factory reports in Marx's *Capital*. In 1867 Marx proposed to the emerging International a great "international work", a "statistical investigation of the working class of all countries, undertaken by the working class itself". If they were to be successful, he argued, they would have to know the material they meant to work on."<sup>18</sup> This ought still to be valid today. Social reporting "from below" could be an activating and legitimating project, including many opportunities for forming alliances.

4. An important demand in the sense of a positive approach and the reversal of the OMC would be for a democratisation of social security or, in Germany's case, for a revitalisation and renewal of self-governing social insurance. This would not be just a rehash of the representative, democratic approach (which would be its basis), but also introduce participatory, direct-democracy elements. Such a political demand would be valid in one form or other in all EU member states.



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<sup>18</sup> Marx, Karl: *Instructions for the Delegates of the Provisional Central Council: The Different Questions*, in MEW (Marx-Engels-Werke), Vol. 16, p. 191

General Intellect:

# The Left and the New Workforce

This text is an English translation of a chapter of the book "Left is Looking for Work" (Like Publishing Ltd. 2008, 292 p). The book is the result of a project organised by Left Forum (Finland) and the research co-operative General Intellect.

Capitalism transforms itself in order to control crises and instability and in order to secure the functioning of market mechanisms, and these transformations involve all functions of society, institutions, property, work and the different forms of wealth.

Capitalist economies are dynamic systems which launch structural reforms and innovations and in which history is being made. Present-day capitalism – which we call knowledge-ability-capitalism because it tends to make use of those general human capacities involved in knowledge, interaction and communication – is about the transmission of "information" and investments in the producers of knowledge and their education, health and culture, as the economist Robert Boyer has suggested in his book *The Future of Economic Growth*.

## Capitalism as a Dynamic Historical System

Each of the stages of capitalism can be seen as having a subject that is differently constituted or produced on the basis of its relation to the mode of production of wealth and to the production organizations, and it conditions the existence for left politics – the subject is that worker whose position in the organisation of production is essential (not coincidental or marginal) in terms of the functioning of capitalism and accumulation of capital, and in whom the core of labour is crystallized within the contradiction between capital and labour. Thus, for example, before Fordism and the Taylorist organization of production, the key position was held by a worker who had suitable knowledge and in whose work the different stages of labour were present. There, the worker's appropriate knowledge and personal experience made him a master who worked in a workshop. In the relationship between human and machine, it was the human who held the key position in which the worker's skill, his personal ability, was crucial to the outcome.

On the other hand, industrial Taylorist production organization dismembers the master's skill and creates a mass worker who works in a factory and has to adjust to the pace of the assembly line and from whose work the worker's personal knowledge has been rooted out as completely as possible.

In knowledge-ability-capitalism which prevails now in the North the worker who is most essential to production can be called an information worker who works in "projects" and has to adjust to the constant change

of tasks, offices, times and workmates. By “information worker” we do not mean workers who have had a specialized education, or particularly learned workers, but workers who have to use their rudimentary information skills, to talk, to listen, to watch, to read and maybe write a little rather than expend physical energy.

In our view, one of the crucial problems of the left is its inability to examine these changes. Instead, it has opposed the mass worker to the knowledge worker and seen in the former the unchanging basis for its own politics. This has been especially clear in the antagonism between regular and precarious work.

Taylorism increased the productivity of work through division of labour at the same time as it increased the size of factories in order to benefit from economies of scale. Production was concentrated in large companies and the growth in (factory workers') employment corresponded to the growth in production. Continuous payment of wages was a crucial component of Taylorism, which guaranteed the availability and constancy of the labour force – labour-intensive large-scale industries could not rely on daily wages and occasional labour. Strict hierarchies and discipline prevailed in workplaces as well as a division of tasks (between planning and execution, mental and menial work) and work. Gendered division of labour was also essential: the woman at home reproduces, maintains and provides care; the man in the factory produces and creates new wealth. It was a society of discipline with closed spaces in which all had their place: prescribed things at a prescribed time in a prescribed place.

It was possible to reach a new compromise between labour and capital based on the division of the return on investment. In other words, it was possible to increase both profit and wages by sharing the growth in productivity between wages and profit. The price of work was not dependent on the level of unemployment (i.e. on the labour market) but on the dynamics of productivity: if productivity increased, the workers' purchasing power had to increase as well, so that a demand could be created corresponding to the growth in productivity. The task of the state was to secure the cycle of growth in production and consumption, not merely by acting as a judge in collective agreement negotiations but also through infrastructure investments and indirect social-income transfers (education, home and health care). As a result of this compromise, relatively stable social and economic control mechanisms were created on which the behaviour of the most important economic interest groups was based.

## The Crisis of Fordism and Taylorism

This economic growth model has been in crisis since the 1970s. One critical reason is that productivity has ceased to grow. On the other hand,

the discontent of new generations with factory discipline, the desire and opportunity to study (the creation of a mass intelligentsia) and the increase of social conflicts made it more difficult to obtain the necessary labour force. This subjective element, people's desire to get away from the factories and their discipline, played an essential role in the transformation of capital. In a sense this did away with the idea of the factory even before the factory buildings came down and the industrial cities were re-zoned as society became more financially driven and production more de-localized. Neoliberal "deregulation" is for its part also a result of the workers' struggle which the trade-union movement was unable to control within the limits of the Fordist contract.

Another vital factor of the crisis was the rise in raw material prices, especially in the case of the oil crisis, and the growing instability of the international financial markets caused by the dollar no longer being tied to the gold standard. In addition, the demand for durable goods showed signs of drying up. Production was poorly differentiated and too standardized. The decrease of international demand due to the volatility of international relations ("the Cold War" and the division of the world into two camps) added to the crisis.

Capitalist countries have begun establishing a series of strategies to systematically overcome these aspects of the crisis arising from the level of the organization of production. These strategies have a direct effect on the Fordist compromise and the functioning of the regulation systems as well as on the role of the state (for example in the creation of money) – all issues to which the left has been unwilling to react.

First, we can mention the challenge to the power of the trade-union movement. If the workers' ability to consume, and if wage increases, no longer had a positive effect on capital accumulation, the trade-union as a collective-agreement partner lost its previous significant function as the guarantor and controller of continued wage development and the supplier of the workforce.

"Outsourcing" of economic tasks not directly related to the production process (cleaning, maintenance, advertising, quality control, research and development, logistics) was initiated. In addition, flexibility of production could be used to increase the possibilities of customizing the products; new versions can be made of the same product (age of "individualism"). There were efforts to combine flexibility with automation which would guarantee growth in production. In addition, mechanical, inflexible, standardized and repetitious work were replaced by flexible information techniques which were introduced into production (the transformation from mechanical to information techniques which took place in the 1980s and 1990s, the golden age of ICT consultation).

Thanks to the new information techniques, companies became technologically more flexible. They became less dependent on a particular mechanical technology. At the same time, they were able to carry out

flexible production and get a better hold on demand. Large corporations started to scale down and concentrate on their "core knowledge". Currently, new investments no longer create jobs but make them scarce. New forms of relationship between large-scale and small-scale enterprises are also created. Flexible labour is expanded, and new types of job contracts proliferate.

Different forms of work flexibility can be identified. In the first place, flexibility is expanded through dismantling traditional work methods and creating new organizational forms. Enterprises tend both to out-source parts of their activities and to establish new forms of work internally, such as projects and teams where the workers' personal responsibility and work commitment play a more significant role. Secondly, there is the creation of the so-called "atypical" work contracts such as part-time, fixed-term, indenture, and trial-period work. The trial-period practice has spread to nearly all occupational groups, and in the trial period the worker is not protected by the contract. A host of new types of job contracts have arisen occupying a place between permanent and fixed-term jobs. Thirdly, there is a growing number of independent workers who are economically dependent on the company. These new "entrepreneurs", who run their companies for a year or two, are a blind spot in the research on work conditions as well as in statistics, as they are neither in a permanent nor a fixed-term contract. They are often de-facto subcontractors to one company.

If the types of job contracts vary, so do work times. Nowadays production is nonstop – also in small-scale companies. The amount of overtime has increased. The worker often experiences a concrete enmeshing of work time with his/her whole life since he has constantly to be available and be able "to check just one more thing". Work-commitment time and official work time increases despite the fact that time spent in the office seems to be on the decrease. In other words, work time and production time are different from each other, production time being considerably longer than the work time that is the basis of calculating wages.

Wage systems become more flexible, with wages defined "individually" and not according to the tasks performed. At the same time, automatic, built-in features and benefits disappears from wage development (wage increases, seniority raises, etc.), and wages start to vary. Wages also become separated from the overall development of productivity and they are defined more and more in relation to company interest. There is also a return to the pre-Fordist situation when wages lose their status as an independent variable and come to be defined in relation to the levels of unemployment in the labour markets (partly due to the changes in work). The flexibility of labour also emphasizes the role of individual agreements at the expense of collective agreements.

The increase in flexibility has a host of general and partly contradictory effects. For example, the ties between the growth in production and



employment and between the growth in productivity and the income generated from work disappear. From the late 1970s onwards, workers have known that new investments do not increase employment. The significance of different international factors increases as the economy becomes globalised and, correspondingly, the meaning of the nation-state weakens. As a result, Keynesian and welfare-state politics do not work, and at the same time the various localisms gain in significance. Income distribution in general becomes more obscure. As the comparability of work disappears, new forms of discrimination on the basis of gender and "race" may increase, and these conflicts no longer are directly tied to "race" as much as to "who you are", i.e. to personality and opportunities in life more generally.

### **"Second-Generation Autonomous (Independent) Work"**

Following Sergio Bologna and Andrea Fumagalli, we call the new forms of work "second-generation autonomous (independent) work" and the workers "knowledge workers" because in their work the society's general knowledge capacities, interaction and networks form the basis of the worker's subjectivity or "culture".

This second-generation autonomous work – as opposed to traditional craftsmanship and small-scale entrepreneurship – arises when the factory turns into an enterprise, that is, when the factory as a production plant dissociates itself from the confines of a particular space and time as a result of new automation and a reduction in the workforce. The factory was bound to a place, and work and production happened in a certain space at a certain time. For its part, the company aims at transforming itself into an environment of production and economic value, which makes use of the entire status state of development of society and the people's – the entrepreneurs' – whole life time. When the immediate production process loses its meaning, when work is outsourced as services and when it is more difficult to anticipate demand, the factory and its typical demand for labour is replaced with a new kind of labour market which bring the different "company-to-company services" together with the factory's demand for labour. Factories are replaced by companies that spread throughout the region and the society and are interconnected and in contact with one another. These – often one or two-person companies – offer services to other companies. "The entrepreneurs" or rather the workers have long workdays, the customers exploit them without obstacles, they have no unemployment security, they completely lack political representation and they have to imagine themselves as successful little capitalists. Their work has not necessarily changed from what it was they used to do, for example, in the factory, but now they have as "entrepreneurs" a totally different formal position in relation to their employer.

The new knowledge workers, the second-generation autonomous workers, are not a coincidental and exceptional category in the world of labour; aspects of independent labour and work done for others are mixed in their work. Rather than an exception, their work must be regarded as the ideal type of work today, which in its real status is often subordinate to someone else but which has disguised itself with the mask of independent work.

"Intellectuality" increases in second-generation autonomous work, but the growth in intellectualism does not mean that the work requires more qualifications or special skills. The difference between qualified and strong-position labour and unqualified and weak-position labour with varying tasks becomes rather vague. As a result, from markets that used to be divided into qualified and unqualified labour, we move on to precarious labour markets that will have an effect on all categories of the labour force and also change the job contracts. The second-generation autonomous worker can be well educated as well as precarious. His work has often to do with general human knowledge skills. Intellectualism and the role of communication are more visible than before and the work often consists of information processing (e.g. in service chains). "Information systems" have a key position in work, that is, in the networks of information flow, in which the worker is situated both inside and outside work. Therefore an important role is assumed by the relationship between that information (the ability to choose information and decide how to use it) that the worker is able to autonomously control and the "alienated" information that requires only reaction and is not autonomously controlled. A crucial question for struggle from the point of view of the worker is how much he/she has the right to know about the activities of the whole company, since the amount of information increases his/her autonomy and emphasizes the worker's own powers of judgment. At the same time this ought to be a considerable advantage to the firm because the worker is then able to estimate and share the company's risks.

Especially for the left, it would be erroneous to see second-generation autonomous work merely as the negative consequence of outsourcing and changes in enterprise forms. If the creation of this kind of work is fed by the large corporations' needs to take advantage of the positive external effects (the workers' increased responsibility for the production process and ability to better share in the company's risks and to work with more commitment), on the other hand, one has to acknowledge the workers' strong desire to be autonomous and take control of their own lives, and to shape their own personality and way of life. The dream to "be on one's own" and "have a better life than we have", the dream for which the earlier generations saved and put their children through school, is also the dream of new working class generations. In other words, the new second-generation autonomous workers, that is, the

knowledge workers, do not necessarily look back at a lost paradise of wage labour. For them, the increase of autonomy, the possibility of independent action and their own knowledge are at the core of their professional skills and at the same time are their means for earning a living. In order to earn wages with a job contract you have to do what the employer tells you to do; at the same time the dominant trend in education is to suit it to whatever the current needs of the labour market happen to be.

If the development and maintenance of one's skills involves participation in education that does not serve the needs of the current job, if it involves maintaining networks that cannot be reduced down to the networks needed in the current job, if it involves cooperation with the personnel of e.g. a competing company, one should have the right to undertake all these things. Professional skills should always be more than what the performance of the current job requires. Each task carries with it the possibility of doing things differently and not as they have been done. Otherwise work is just a mechanized activity and the actor himself does not give anything of himself in the work process. In other words, the worker must have information that surpasses the carrying out of a simple instruction. The worker's information, or the state of free activity mentioned by Marx, is increasingly important for the production process. The new post-Fordist kind of labour needs skills and information that do not pre-exist and are not already found coded in the machine; it needs information that has repeatedly to be created and always to be renewed. We should be able to respond to this wish through concrete political initiatives.

The employer increasingly interferes less with the actual content of work, the skills and information needed to perform it. Neither does the employer actively control the work stages (for those working in projects and teams, control and orders come from "the project manager" and other colleagues who are not those with the express right to control, a fact that makes control horizontal and social). Work and productivity in work have rather become an independent ability to combine data and material "resources", tools, relationships to the other employees and information and skills according to a certain goal. It is expected that the worker is a kind of capitalist who creates the whole social organization of production, the machinery needed in it and both controls and manages himself, such that he becomes an efficient producer.

## **A New Subjectivity Is Evolving**

The communicative aspect of work, the ability to work in a team, take others into account, the ability to disseminate information etc. as the basis for productive cooperation radically changes the internal composition of the enterprise. Theories on enterprises and capital are usually

based on the idea that enterprises require three components of production and their corresponding social actors: capital, i.e. the investor who invests in starting the company, management or organization of work and production, and the living workforce. The enterprise is thus a social organization, a system of cooperation, whose significance is not only in bringing the goods to the market, but in how well it succeeds in creating surplus value through cooperation and especially the organization of work. In particular, it produces surplus value by making the use of labour more efficient, for example by calculating the cost and price of the reproduction of labour. The setting changes when the worker aims at defining himself as the organizer of the means of production and when the capitalist's task is not the social organization of the means of production (the organization of time, space and tasks), these tasks having been transferred to the worker and to his ability to put himself and his colleagues to work. The multiplication of the forms of enterprise and individualisation – and the fallacies of labour statistics – as well as theories of human and social capital are based on the fact that work is identified with capital. As the difference between labour and capital is obscured, capital is specifically identified as a person, as his characteristics, and the person as a sort of a human machine who produces capital; as a machine that organizes skills and abilities as the factory and its machinery earlier used to do. At the same time the goals of education also change because now instead of particular skills, the aim is to "increase aptitude" or potentialities. There are no other means to estimate aptitude or learning ability or adaptability than through the assessment of the workers' personality, the assessment of whether he is ready to subjugate himself to the carrying out of the set goals, or whether he is a risky case who may try to set his own goals, or whose goals are other than the ones connected to his work performance. The debate on women's labour-market participation tells us something about this: women are less committed to work than men because they also think about their family and children; therefore they agree to worse working conditions, and in the end women's entrance in the labour markets weakens the traditional one-breadwinner model and brings precarisation into the workplace.

Following Marx, we could talk about the collapse of the law of value. In the *Grundrisse*, in the section "Contradiction Between the Foundation of Bourgeois Production (Value as Measure) and its Development. Machines etc.", Marx puts forth the idea that abstract knowledge, above all scientific knowledge, but not only, is about to become the most important force of production. In addition, one reason for this change is the autonomy of knowledge, its independence from the production of goods.

Abstract knowledge replaces compartmentalised and repetitive labour, i.e. industrial labour in its traditional form. As a result the imme-

ciate work performed by people – and not even work but simply “the development of the social individual” and the fact that people exist “as social bodies”- appear as “the great foundation-stone of production and of wealth”.

Marx speaks above all about materialized knowledge that becomes fixed capital which fossilizes into automated systems of machinery. They are “materialized powers of knowledge”. In this connection he uses the term “general intellect” – understanding and intellect in general: “The development of fixed capital indicates to what degree general social knowledge (Wissen) has become a direct force of production. To what degree, hence, the conditions of the process of social life itself have come under the control of the general intellect and been transformed in accordance with it. To what degree powers of the social production have been produced, not only in the form of knowledge, but also as immediate organs of social practice, of the real life process?” Marx’s term “general intellect” thus indicates the totality of knowledge that forms and pre-organizes the new centre of social production. Knowledge has stepped directly not only into the production process but also into the whole life process. However, general intellect above all indicates the general capacities of thinking and interaction, knowledge capacities that form the real centre of knowledge-ability-capitalism and from whose struggles a new “Putilov plant” emerges with the new capitalism and its new workers, workers who are able to challenge capital. In this plant the machines are those with which people know, feel and communicate, and their operators are knowing, feeling and communicating human bodies.

The primacy of general social knowledge in production means that “the theft of alien labour time on which the present wealth is based, appears as the miserable foundation in face of this new one.” In other words, labour in its “direct form” ceases to be the fountain of wealth and “exchange value ceases to be the measure of use value”. At the same time, the boundaries between work and non-work, action and thinking disappear. Now “the worker no longer inserts a modified natural thing as middle link between himself; rather, he inserts the process of nature, transformed into an industrial process as a means between himself and inorganic nature.”

The current development profoundly changes the way in which work has to be thought of. As a consequence, we have to ask: what is the relationship of leadership, management and supervision to the traditional industrial labour in which work was bound to time and space and particular tasks? Now self-organization and the coercion of oneself to work replace the factory’s organization and management. Instead of the worker battling external supervision he feels the contradiction as a struggle over his own abilities and time. In other words, the relationships between independence or autonomy and subordination are redefined,

and this in turn defines the political subjectivity of the “information workers” – or the second-generation autonomous workers – in ways that differ from the subjectivity of “the mass labourer”.

## Conclusion

We can list very briefly some of the characteristics of second-generation autonomous work in relation to time and space, characteristics that to our mind affect or should affect left politics.

First of all, we note the change of work space or production space. As examples of this change we can cite the need to anticipate changes in demand, the building of service chains, the outsourcing of certain activities, the overall scaling down of the production process, the possibility offered by the new technologies of breaking up the chronological time of the assembly line, and the opportunity to perform the various stages of work simultaneously or randomly.

The factory has broken down into a network organizing different horizontal and vertical components. Today we can talk about the spatial limitlessness of work. For example, outsourcing and restructuring are ways of turning cleaning or municipal services into activities that are independent of a particular place. There is also a tendency within enterprises to change work communities in terms of spatiality and organization through projects and team work. As a result of all these changes it is difficult in the end to tell where a certain product is made, where the work actually takes place. The limitlessness of production, the break in its spatial structure, manifested in this de-localisation of production, has removed a great part of the nation-state's a capacity to regulate the relationship between production and consumption and its possibilities of influencing income distribution.

What is more, the spatial limitlessness has eroded the division between the workplace and home which used to be important in industrial society. The new relationship between life and work can be seen in the workplace-home relation where work has started to resemble homework in its organization of different and contradictory pieces and in the organization of work time within living time. At the same time, the division between productive and reproductive work has become contentious.

The organisation of work time and the regulation of the work day were an important issue in industrial capitalism. Collective agreement negotiations dealt with the compensation received for the time spent in waged labour. Today work time penetrates all the pores of life, and living time is mixed in with work time in education, self-access. The blurring of the boundaries also pertains to the work itself: work tasks become vague and people have moved away from explicit work performance and toward carrying out projects, taking care of service chains, processing different types of information and controlling contexts; the work

is done in teams and projects and the tasks within them may vary from job to job.

One more element of change or indefiniteness can be cited the constant change of work tasks, work space and work time: the worker whose subjectivity varies or becomes ambiguous. It is hard to say who the authentic actor is when production consists of ever-changing compositions or schemes of space, time, action and subjects (people) scattered all over the society.

These changes alter the labour markets and the field the ways in which politics now has to operate as well as its goals.

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**Vasemmistifoorum ry.**





# The Attack on the Welfare State in the Name of the Welfare State

José Casimiro

Discussion of the welfare state and the European social model has intensified in the last years. This is of vital importance, not only for European workers and citizens, but also in terms of the role Europe is to play in the world.

After World War II, a social contract was established in Europe, founded on four basic values:

- the right to work in life-long jobs based on full employment,
- the eradication of poverty by granting a minimum income and public assistance to prevent social exclusion;
- protection against social risks;
- promotion of equality of opportunity supported by public investments in health care, education, transportation, culture, leisure, etc.

The destruction of this heritage presents new difficulties for all who fight for effective improvements in civil rights or social conditions. Any struggle to defend and to improve the social security systems in Europe is therefore a real contribution to building a new world social and economic order, with more dignity, justice and humanity.

The public welfare system, universal and solidary, is under strong attack due to intense capitalist globalisation, transformations in labour conditions and in the international division of labour, global competition and the general social and labour deregulation. The pressure for the "Minimum State" and "Minimum Rights" is defining the future of the welfare model.

In Portugal, features of the most advanced capitalist opulence exist alongside the main characteristics of social and economic underdevelopment. Portugal can derive great social benefit from participation in a European Union that resists both the brutality of neoliberal politics and an economy that depends on international speculative financial transactions. This benefit can only exist if Europe compromises and builds into its future the best of its historic civil conquests.

It is generally understood that the Portuguese welfare system is still incipient compared to those of other European countries. There are several indicators of this: the ratio between social protection expenditures

and the GDP is much lower in Portugal than the European average; similarly, pensions and other social payments, as a proportion of GDP, are lower than in most European countries.

The welfare system in Portugal is of very recent origin (unemployment compensation only began in 1975) - it was built in the last 30 years (only after the Revolution of 1974). The low degree of this country's industrialisation led to few and only localised processes of urbanisation and proletarianisation before 1960.

Before 1974, labour organisations were subjected to extreme repression and political parties were outlawed; on the other side, capitalists were organised in corporate structures, in a way resembling dictatorial government, allowing a few families to take control of the Portuguese economy. In the two years after the Revolution, left-wing majorities gave union structures their social and political legitimacy, ensuring the representative rights of workers and launching the basis for a welfare state.

The Portuguese constitution recognised these labour and social achievements, and strategic sectors of the economy were nationalised (the privatisation of these - and other - companies was to start in the 1980s and is still continuing; this includes the health and education sectors, to the benefit of the old families who had controlled the economy before 1974).

The popular conquests achieved after the April Revolution were to be halted by a new balance between the political forces that emerged from the 1976 elections, benefitting two parties (the Socialist and the Social Democratic Parties), which would retain hegemony until today (despite their names, both parties have neoliberal orientations).

In the early 1980s, the Communist Party (PCP), with 41 deputies, and the Popular Democratic Union (UDP), with 1 deputy, were the anti-capitalist forces represented in the Parliament (with 250 deputies). At present, the PCP has retained 14 deputies and the UDP has joined the Left Bloc (BE, Bloco de Esquerda), which has 8 deputies. Together, these two anti-capitalist forces comprise 10% of the Parliament, not enough to contain the large-scale liberal wave that is being promoted by the two major political parties in Portugal.

The current system reproduces a deeply inequitable social structure (social inequalities in Portugal are the most acute of any country in the EU) and imposes miserable conditions on the people: of the 2.7 million persons depending on social security benefits, 2 million live under the poverty limit (less than € 366 per month). Recent developments in the Portuguese social-security system, promoted by the Socialist Party in government, do not face this problem. On the contrary, some measures were introduced (like a new "sustainability factor" or the lowering of the "substitution tax") to decrease pensions and to increase the retirement age: people have to work more, for more years, to receive less.

Despite the measures enacted by the government, the social security

budget shows that the sustainability of the system is not at stake, at least in the short-run, considering the positive results consistently achieved in the last years: € 784 M in 2005, € 706 M in 2006 and € 1148 M in 2007.

The non-contributive and unemployment benefits cannot ensure any sort of emancipation from the labour market: there is no “de-commodification” of labour when these benefits only reach 50% of the population in question, with revenues under the poverty limit.

Portuguese industrialisation, based on low labour costs, created new problems within global competition: relocation of foreign companies, higher unemployment, job precarity and growing informalisation of labour and economic relations. The new European orientation established by the “Lisbon Strategy” legitimises the acceleration of privatisation processes in the EU, stimulating the destruction of Portugal’s weak welfare system.

This degradation of social protection has occurred simultaneously with the tendency to growing precarity of labour relations (2.1 millions, in a total of 5.5 million active workers, have precarious work conditions) and a lack of collective labour contract negotiations, which worsens the social conditions of the Portuguese working class.

In Portugal, where it is easy “to hire and fire” (despite the government rhetoric), with weak social protection and institutional labour representation, union influence has been reduced with the ending of collective negotiations. The imposition of principles of “flexicurity” in the labour market will have dramatic consequences over the living and working conditions of Portuguese workers.

In the social concertation processes, the revision of labour legislation and social security reforms have been agreed between the government, the employers and one of the union structures (General Workers Union (UGT) close to the Socialist Party, the Social Democratic Party and the Popular Party) in general against the positions taken by the General Confederation of Workers (CGTP-IN) linked to anti-capitalist forces and greatly influenced by the Communist Party.

Eighteen to 20 % of Portuguese workers are members of trade unions, concentrated mainly in the two major organisations CGTP-IN and UGT. New social movements are emerging now, which are struggling against unemployment, labour precarity or restrictive and security-oriented immigration policies. Ensuring and reinforcing the sustainability of the social security budget is a basic question. Portuguese society suffered several structural transformations in the last decades, with demographic changes, young people taking more time to enter the labour market, and the early exit of many people from their jobs, as a result of runaway shops, the collapse of traditional industrial sectors or the restructuring of the Portuguese economy.

Portuguese society is changing and we are seeking a new approach to

ensure social rights and the sustainability of the welfare system. To face the current challenges, the welfare system should focus on citizenship rights and seek new financial sources. The current method of calculating contributions to the social system arose in a context of labour intensive industrial organisation. Now, with rapid technological evolution and growing globalisation of activities, the labour intensive industries are losing their importance due to the emergence of work processes based on capital and information. The latter sectors do not contribute as they should to finance the social security system.

In Parliament, Bloco de Esquerda has presented proposals to confront these changes in Portuguese society, with proposals for a concept of social protection based on citizenship and financed by funds from work and capital contributions. Some examples of these measures are:

- adaptation to the technological changes at the enterprise level, calculating the contributions to the system not according to salaries (which penalises the labour-intensive companies), but according to the value added by each company;
- the creation of a Solidarity Fund, with contributions from the large fortunes and capital transactions in the stock market.

These proposals are intended to ensure sustainable coverage for social risks and achieve decent levels of pension, while mobilising Portuguese society and respecting the essential rights of citizenship. The Portuguese welfare system is farther away from this goal than any other welfare system in Europe, and its reform implies not only popular mobilisation in defence of achieved social rights, but also the struggle to conquer new citizenship rights.



# The Case of Austria: A European Test Case?

What's wrong with the Austrians? In the elections which took place at the end of September, the two parties who ended up on the right margin of the political spectrum, the "Freedom Party" FPÖ and the "Austrian Future Alliance" BZÖ (Haider) together got 28.2 % of votes, which made them the second strongest political formation in parliament. They are therefore at the level of the Social-Democrats (29.3 %) and the Christian-Conservatives (26%), both of whom had for decades dominated political life. The pompous funeral ceremonies for Jörg Haider, the Carinthian governor who died just two weeks before in an automobile accident, made plain another aspect of the disconcerting political situation of the Alpine Republic: Right-wing extremism has not only come into the centre of society; it has also moved into the centre of the political system. This distinguishes Austria from other European Union democracies.

The more details are known, the more worrying the electoral results appear. The FPÖ and BZÖ represent the strongest political group among young voters; among men under 30 the figure was 42%. If the BZÖ was able to achieve its electoral growth for the most part at the expense of the ÖVP; the FPÖ generated its electoral growth at the expense of the Social-Democrats, which does not bode well for the upcoming municipal elections in "Red Vienna".

The extent to which the rightward shift is corrupting the country's political culture was already evident when the FPÖ presented a politician as the third president of the Parliament, who had belonged to a student league dissolved in 1961 due to its neo-Nazi politics. According to parliamentary custom we can expect that he will be elected by the majority of parlia-

mentary deputies, including those of the Social-Democrats.

Significantly, even opinion-researchers who are close to Social-Democracy are trying to pacify public opinion. No, they claim, the right-wing electoral growth does not signal a shift to the right but "only" a protest attitude. The elites, they say, have been punished. The population's growing dissatisfaction had, they say, already been visible before election day, etc.

The data, however, speak clearly: If in the 2006 elections 48 % of the vote fell to what can very broadly be called left parties (Austrian Social-Democratic Party, Greens, Liberal Forum, Austrian Communist Party), now their share has sunk to 40 %. The opposite has occurred with the electoral share of the right and extreme right parties (ÖVP, Liste Fritz, FPÖ, BZÖ). In addition, however, the share of the two extreme-right parties within this grouping rose from 30% to 50%.

It is assumed that the electorate of these parties either didn't intend to vote as they did or had committed an error. It is probably correct that the vote received by the FPÖ and BZÖ from the insecure middle strata and the lower strata of the male working class is the expression of deep frustration and insecurity – this by no means exclusively in respect to their economic situation but also, among other things, as regards their gender role. It is not only in Austria that investigations show that unemployment and casualisation of life has hit the traditional conception of masculinity in society's underprivileged strata very hard.

It is, however, equally true that no one who voted for the two extreme-right-wing parties could ignore the mean-spirited, xenophobic and anti-minority character of their electoral cam-

paigns clearly and brazenly directed against the Muslim population and asylum seekers of colour. Anyone who voted for the FPÖ and BZÖ could therefore not have deluded themselves; rather they voted for these parties precisely because of their xenophobia, or at least took account of the latter in their own protest behaviour. When one of the well-known Austrian opinion pollsters speaks simplistically of Haider and Strache having appealed to the opinions that the voters already themselves had, he was probably right, but precisely this is the reason for alarm.

With the state funeral for Jörg Haider, the "spiritual father of right extremism in Austria", the incorporation of the extreme right into the official political system reached a high point. In Vienna's St. Stephen's Cathedral and in the basilica of Klagenfurt, funeral masses were performed by the highest-ranking clergy. Three of the six speakers, who due to their official functions spoke at the funeral broadcast live by state television, were top Social-Democratic politicians, among them a Federal Chancellor who called Haider an "extraordinary politician" and "an exceptional political phenomenon". One ought not, he remarked, to "make the mistake of rejecting a priori Haider's criticism of existing conditions".

Weeks later, Haider's death is itself still puzzling. It has been established that the governor was tearing through a residential area at more than 140 kilometres per hour and with a blood alcohol content of 1.8 per mill. Obviously, these and other compromising circumstances of his death were not mentioned in the official funeral ceremonies.

It seems at first incomprehensible that talking publicly about Haider's scandalous political career extending to the last day of his life is frowned upon – for example talking about the concentration of asylum seekers in internment camps far removed from any population settlement, which was decreed shortly before his death.

The truth is that the cult around Haider that is being stage-managed by the yellow press, as well as by talk shows on public and private TV networks, is the final touch in the banalisation of the right-wing extremism which set in in the mid-1980s. Racism and the baiting of foreigners are no longer evils to be banned from public discourse but are legitimate points of view within the democratic debate.

Foreign observers rightly point to an Austrian particularity. The country, although it was the first victim of National Socialism's typical predatory policy of conquest, did participate actively in the latter's crimes. More than 10 % of its adult population became members of the NSDAP. Considering this large number of more or less incriminated people, the public confrontation with National Socialism and anti-semitism was neglected by the governing parties.

It is true that at the end of the 1980s, the involvement of many Austrians in National Socialism became a topic of open discussion, due to the debate on then Federal President Waldheim's war past. However, these discussions were limited to the left-liberal elites who gained acceptance, especially via the media, for a new view of contemporary Austrian history and, based on this, a code of "political correctness". But this had nothing to do with the problems, attitudes and mood of the broader sections of the population, as we now see.

The new "political correctness" imposed a double morality on those societal groups which in the last decade experienced mainly social decline and insecurity. The "catch-up" de-Nazification of public life was tolerated but had no real effects in daily life. Racists attitudes persisted; only their public expression was frowned upon.

The fact that this historically brief hegemonic left-liberal anti-Nazism was unable to brake the forward march of everyday racism, has to do with its relative indifference to the social dislocations wrought by neoliberalism and EU membership, in whose discourse it was, moreover, often entangled in the first place.

For those subjected in the most literal sense to these societal upheavals, racist models of interpretation worked quite well. In a society that no longer guaranteed well being and social security even for Haider's oft-invoked "industrious and decent" people, while it raised competition to a universal principle, being "native" becomes the final, if imaginary, advantage in the desperate struggle for survival and for one's own dignity.

Where social cohesion falls apart along with the social state, the imaginary ethnic community at least promises some feeling of security. Finally, where the role models learned through advertisement and mass culture are seen to be absurd in the context of one's own social decline, the extreme right-wing's swaggering represents the last resort of wounded masculinity.

In this respect, racist stereotypes prove to be fatally effective in temporarily coping with daily frustrations; since, however, they cannot get rid of the latter's causes, they are also the source of a level of aggression that is constantly rising as the social crisis intensifies.

For countries with stable republican traditions it may be that the advance of right-wing extremism expresses the weak capacity of the left to make their alternative plausible and practicable. For Austria this is the case to the extent that the bankruptcy of the Austrian Trade Union Confederation, which became clear in 2006, strategically worsened the possibilities of social and political resistance.

The reverse context, however, also applies to the Austrian case, that is, the essential cause of the insufficient effectiveness and plausibility of left alternatives has also to do with the right-wing hegemony anchored in the centre of society, which is no longer called into question by the Social-Democrats or Greens. Thus right-wing extremism becomes a symptom of a political crisis whose basis is excluded from the public debate. Politically, what becomes apparent in the results of the National Council elections is the continuation of cooperation between the two

parties which lost the elections. Together they represent no more than 54 % of the electorate by now. Nobody expects the newly established "grand coalition" to remedy the grievances that led to its failure and defeat. And this lays the basis for a continued rise of the extreme right's electoral potential.

However, in the meanwhile another great danger is emerging: The crisis that is spreading like an ever more furiously raging conflagration within the world economy will also have drastic repercussions on the living conditions of social groups which have up to now been able to feel secure. The dogma proposed by neoliberalism, and incorporated in EU policies, of a radicalised market economy is now collapsing in front of their very eyes and is being delegitimised. This, however, is not the case with the neoliberal culture and mode of life, which in their world outlook represent the antithesis of a solidaristic socialisation.

This contradiction between the delegitimation of neoliberalism in the area of economy and politics on the one hand, and the persistence of its hegemony in daily life, on the other hand, creates an opening, within the crisis, for a left-wing as well as a right-wing development.

Austria could become a laboratory in which this contradiction is managed under the leadership of an extreme right.

## Walter Baier

<sup>1</sup> Haider could be thus labelled due to the an appeal court's rejection of his libel suit against a Green journalist who described him in these words.



# Alterglobalism and Marxism:

## Dialectic of Interrelations in the Epoch of the Proto-Empire

The European Social Forum in Malmö included a series of seminars organised by transform ! or by its partner organisations. The following four papers were given at one of these seminars: "Marxism and Altermondialism".

### Jorge Martín

International Marxist Tendency

Nearly 20 years ago, after the collapse of Stalinism in Russia and Eastern Europe, the ruling class launched an unprecedented propaganda campaign directed against Marxist ideas. "Socialism has failed", "there is no alternative", were some of the common refrains of this campaign. Now these ideas are not so popular, and the apologists of capitalism are not so euphoric, but their propaganda nevertheless had an impact. Many leaders of left parties and movements swallowed it and some even jumped ship and openly joined the bourgeois camp.

However, capitalism was not able to solve its fundamental contradictions, and slowly but surely a new wave of struggle set in. The 1998 election of Chávez in Venezuela, the anti-capitalist demonstrations in Seattle in 1999, the uprising in Ecuador in 2000, the water war in Cochabamba, Bolivia in the same year, the massive anti-war demonstrations around the globe in 2003, these all marked the beginning of a recovery of the movement of workers, peasants and youth. In the advanced capitalist countries, the confused and instinctive rejection of capitalism and its consequences created a movement, mainly of young people, which is generally called "altermondialisme".

This new wave of struggle began precisely at a time when Marxism's prestige was at a very low ebb. The movement, in the beginning, was

necessarily confused in its aims, ideas, methods, structures, etc. But then, gradually, things became clearer. In 2005 President Chávez said publicly that "within the limits of capitalism, the problems of inequality, poverty and misery of the masses cannot be solved" and for the first time raised the idea of socialism as the way forward.

Now is the time to reclaim the ideas of Marxism and speak clearly. What we are fighting against is capitalism and imperialism. What we want is the socialist transformation of society. The working class, because of the unique position it occupies in capitalist production, is the only class able to lead this revolution.

Some argue that "capitalism has changed" since the times of Marx and Lenin. This is true. Capitalism has certainly changed. Capitalism can only exist "by constantly revolutionising the means of production", as Marx said. However, none of these changes require a revision of the fundamental ideas of Marxism. On the contrary, the most up-to-date analysis of the current world situation (imperialist wars, crisis of overproduction, the domination of finance capital, casualisation of labour) is to be found in the pages of the *Communist Manifesto*, Lenin's *Imperialism*, and the writings of the Marxist classics. And the best analysis of the reasons for the collapse of the Soviet Union is to be found in Trotsky's *Revolution Betrayed*.

Revolutionary events take place in waves. We are now commemorating 40 years since May 1968, which marked the beginning of the previous wave, when millions of ordinary working people and youth around the world sought to storm heaven. That wave was defeated because of the lack of a clear revolutionary leadership. Tens of thousands of the best working class ac-

tivists paid the price through jail, death, torture and disillusionment. Now that a new revolutionary wave has appeared (beginning in Latin America, but spreading worldwide), we need to make sure that we arm ourselves with the revolutionary ideas of Marxism and lead it to victory. The choice is in our hands, the alternative is socialism or barbarism.

## Christophe Ventura

Christophe Ventura, member of ATTAC France and of the *Association Mémoire des Luttés* (Association for Memory of Struggles), co-author of *En finir avec l'eurolibéralisme*, Editions des 1001 Nuits, Paris, 2008.

The altermondialist movement is a "movement of movements" born after the fall of the Berlin Wall. It has brought together, since the beginning of the crisis of the Washington Consensus (with the 1994 rejection of the free-trade agreements in Mexico by the Zapatista movement, the Asian financial crises of 1997, the failure of the Ministerial Conference of the World Trade Organization in 1999, etc.), a galaxy of organisations and networks characterised by a great diversity of traditions and philosophical and political practices.

The "altermondialist consensus" was cemented around the identification, by all the players, of a common and homogeneous adversary: neoliberalism.

Because of the crisis of the capitalist system the concept itself is in deep crisis today. The crisis of neoliberalism and its international institutions is being borne out on all levels.

While this situation should strengthen the cohesion and the visibility of the altermondialist movement, the opposite is occurring. The movement is teetering and is revealing various internal contradictions, notably in the tension between coming up with analyses of globalisation and proposing real alternatives (rather than a strategy of mere opposition).

In this new context what can Marxism teach us?

We suggest two non-exhaustive possibilities:

- 1 Beyond the simple criticism of the "neoliberal ideology", Marxism reminds us that it is the power struggle between capital and labour which is the source of capitalism's development. It is thus in the analysis of classes that we should look for the direction of a structural criticism of this system. The issue of classes is being posed again with the objective of building alliances with the popular classes to create a new political hegemony. Our movement, since its inception, has not adequately thought about this question. Marxism exhorts us to radicalise our struggles and our goals.
- 1 The history of Marxism also shows us that the development of a protest movement always contains in seed form the question of the passage of the "social" to the "political". Marxism took part, through a polemical debate within the intellectual forces of 19th-century socialism, in the building of a directly political project by extending the social mobilisation of the working class. Our movement is faced with this challenge today. It is entering its post-altermondialist phase.<sup>1</sup>

<sup>1</sup> Read the contributions to the symposium « Altermondialisme et post-altermondialisme » held in Paris on 26 January 2008: <http://www.medelu.org>. It was organized by the *Association Mémoire des Luttés* and the internationale journal, *Utopie critique*.

## Elisabeth Gauthier

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Ten years after Seattle, the issues facing the “alter-global movement”<sup>1</sup> and its various components have changed radically. The growth of the crisis into a general one (financial, real estate, food, power, social and international relations) has not surprised this movement, which has been working on these questions for several years. However, the nature and extent of the crisis, the further development and consequences of which are still hard to calculate, constitute an unprecedented challenge for the movement – as indeed it does for the left as a whole. This is the time for an intense effort, one that leads us to question our own attitudes. It is also, moreover, the moment to try and re-activate the movement’s dynamism – especially as a crisis of this extent does not automatically spark protests from the left but can also generate demagoguery and authoritarian reactions on the right.

The “anti-liberal” approach, based on the “alternate-world consensus”, clearly has reached its limits; it must evolve to face the crisis and find a new dynamic for action. It is not enough to move from “anti-liberalism” to “anti-capitalism”. In so far as this is a global and systemic crisis (with devastating consequences for the world’s peoples) we must work concretely to define what we mean by “*another world is possible*”. To advance along these lines requires a critical examination of the achievements and inadequacies of the “alter-global” movement.

Identifying the destructive role of the financial markets, of neoliberal policies and of international institutions, both of which subordinate the world to financial interests, has enabled the development of a coherent analysis and the basis for a multitude of actions. Important points have been scored by the struggles against the “*marchandisation of the world*”, against “*free*”

competition, the power of the markets and against war and in favour of the commonweal and human rights.

However, there is a blind spot which could become fatal in today’s context. We cannot limit ourselves to the sphere of capital circulation. We must also look into its mode of accumulation. To the extent that the crisis is clearly global, its criticism must also become “global”. This means understanding the transformations capitalism has undergone over the last thirty years that have led to this series of crises – because, beyond the obvious crisis, we are seeing a change in the mode of accumulation and of production, leading to an acute crisis of social relations, of work. However, the relation between the financialisation of the economy and the transformation of social relations has not been at the heart of the movement’s discussions. If the massive transfers of wealth from labour to capital are objects of study by some alter-global researchers, the way the sphere of distribution and circulation articulates with that of production has not so far been central to the common reflection, although some groups within the alternate-world movement do pay great attention to it. Wanting to discuss another possible world at a time of acute and global crisis requires a more complete critique of fundamental contradictions and a more profound study of alternatives – which presupposes going beyond the usual alter-globalist approaches.

We must welcome and value anything that can be proposed to curb the powers of the financial markets; but, at the same time, it is vital to curb the powers of shareholders over the wage-earners, and fight against making the people – especially the most dominated and exploited social classes – pay for the crisis. It is not enough to seek to cancel neoliberal policies

at a time when political leaders are developing new forms of state intervention to save the system and its logic and to reduce the costs of massive destruction at the expense of the wage-earners and taxpayers.

In view of all these challenges, thinking things through with Marx can help. The political economy approach aims at clarifying what rules the real world, behind surface appearances. It then becomes possible to dissect the changes that have taken place in the mode of accumulation and exploitation in the last thirty years, with the consequences that they have had on social relations, consciousness, the balance of power between capital and labour, the ideological and political realities, public space and international relations. From this point of view, the real contours of the crisis of the mode of production, the crisis of labour and the social crisis become apparent and can no longer be buried beneath what is too loosely called "the financial crisis". Too often the expression "systemic crisis" is used to mean a crisis merely of the financial system, while in reality the crisis is that of the mode of production and reproduction, of capitalism in its financialised and globalised phase.

Pursuing this approach opens up new paths for alter-globalists, and I would like to try and indicate three of them:

**1. An approach starting from an analysis based on the labour-capital contradiction would make possible a response to some of the movement's difficulties and provide strong and more coherent answers better able to rally the different social groupings than are analyses that compartmentalise the themes and social categories.**

The very rapid destabilisation of labour, and of wage-earners, has produced the disintegration of the social security systems and of public revenue based on labour, with consequences for the public sector, principles of solidarity, the un-

derlying foundations of societies and the workings of the state. The financialisation of capitalism creates hard conditions for both companies and the work force, starting with the most vulnerable: immigrants, women and the young. Job insecurity has already reached 40% of all wage-earners in the E.U. and has become a new means of domination, accelerating the consequences of the crisis through lack of protection. This figure has to be compared with the 8.6% share of GNP lost by labour to capital in the last 13 years. Redistribution and accumulation increase the financial flows, which in turn work against firms.

Analysing these processes in their overall context would allow building more interconnected campaigns and mobilisations by going further than the mere addition of different goals advocated by forces too widely separated from one another. Such an approach would enable the Social Forums to construct their strength in a different way, not on the basis of categories such as "the unemployed", "wage-earners", "the insecure" etc. (a categorisation which unwittingly reproduces the dominant conception of social divisions) but on the basis of positing "insecurity as a mode of domination", which could lead to an organic convergence, not one based just on voluntarism, which as a basis is so fragile. This requires a common effort to design campaigns that are really common campaigns, rich with the diversity of the different components of the movement.

**2. In such an innovative approach the question of "politics" is also changed, not because of a preconceived notion but by a process of deduction based on a coherent analysis of the confrontation actually occurring.**

In capitalism's unbridled financialised phase, not only is labour undermined but so is society, the public sector and democracy – the balance of power is distorted at the expense of the people, the citizens. If the alter-globalist movement

has for some time now found it difficult to come up with a new way of connecting resistances to the construction of a real alternative, this question has taken on a new urgency in the present context. Striving only to be a counter-force is now too limited and outdated. However, going beyond mere protest does not mean rallying round existing political forces, as this would not enable the forces of change to grow. It is not up to the alter-globalist movement to settle the problems of the left; however, it could try to overcome an attitude that is limited to challenging and questioning the political forces (i.e. parties, etc.). Rather it could promote today's necessary debates and issues and approaches that tend to break with the logic of the system in crisis and reject approaches that tend to "patch up" the system or go along with it. Maintaining the recent tradition of a division between "movements" and "politics" is no longer acceptable today. The crisis of the left is so deep, the issues have become so explosive, that the questions under discussion within society must become politicised (a requirement frequently expressed at Malmö) so as to favour a greater awareness, a better balance of forces, a greater effectiveness of the movement.

The ideological questions that run through the political sector (the struggle for cultural and political hegemony, the reasons for the successes of the right and the failures and weaknesses of the left) are not just matters for political activists. "Another world is possible and Oh how necessary!" – this objective presupposes, in the present context of global crisis, a large popular offensive around the kind of political intervention needed, and a new multidimensional politics of "economic democracy", of a transformation of power and of the relationship between politics and economics. This opens up new fields of action for the alter-globalist movement. Raising the question of power on the basis of the conflict between labour and capital, and capital and society, would, moreover, allow us to resolve the issue of politics on the nation-state

level. To the extent that the analysis of power is centred on the meaning of this labour or society vs. capital conflict, which is found at the national, the company, the European and world levels, the national phenomenon can be understood as no longer in opposition to the European phenomenon.

In several countries, and in major regions like the E.U. or Latin America, we see the development of a search for new kinds of alliances between forces of different character, tradition, composition. How do we bring together, in a unified political entity, different forces in struggle for a new society – this is the question.<sup>2</sup> The constitution of fronts able to unite in support of common objectives seems to be an interesting path, because it is flexible, evolutionary and respects the autonomy of each component.

Much will depend in the coming period on the level of the crisis and of that of the popular counter-attack. Different attempts have been made in the recent past to propose a new trajectory – for example, "Post-Altermondialism" (Bernard Cassen/Christophe Ventura), or the development of social forums to encourage "strengthened cooperation" on the basis of affinities (Pierre Khalfa), and a strategic debate was launched by the International Council of the World Social Forum. The Social Forums are self-organised public spaces, dynamic and evolving forms<sup>3</sup> that can perfectly well acquire new functions as soon as the organising forces accept them.

**Mespaces**  
**Marx**  
*explorer, confronter, innover*

## Endnotes

- 1 On the continent, and especially in France, the term "anti-globalisation" is considered too negative, the term "alter-global" or "altermondialiste" being preferred – with the slogan "another world is possible". The author has preferred to speak here of the "alter-global movement" rather than "alter-globalism" as the former takes in the whole range of very diverse forces, some of which have their own long-standing traditions, that are willing to cooperate in various ways to
- confront the globalisation which develops under the dominance of finance capital and neoliberalism.
- 2 Javier Navascues, *News from Nowhere: Participative Budgets and Social Transformation*. Feb. 2008 issue of *Transform!*
- 3 Elisabeth Gauthier, "Some new forms of cooperation, of endeavour, of convergence and of taking initiatives, of new practices. In Patrick Coulon (coord), *Démocratie participative et transformation sociale*, Espaces Marx/Syllepse, Paris 2008.

## Alexander Buzgalin

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It was only at the beginning of the 21st century that the different movements fighting for another world were generally given the name "Alterglobalism". There are still other names, but the essence remains the same: mass protest actions (against the G-8 and WTO, "local wars" and global warming...) and social forums (world, continental, national and even regional) prove that real global resistance does exist. People are not mere marionettes in the hands of global capital. They (We!) have our alternatives – intellectual and practical – and capacities of self-organisation and of demonstrating that our slogans "another world is possible" and "the world is not for sale" are constructive ones. A considerable diversity and breadth of positive programmatic proposals emerged from the more than 100 different social forums and meetings.

Traditionally, classical Marxism is often associated with the idea of class struggle and the revolutionary role of the proletariat led by the vanguard party with the goal of negating the capitalist mode of production and building a new, socialist society. This model of, as it is called, "orthodox" Marxism was very popular during the late 19th and early 20th centuries. Later, Stalinism disseminated a much more

primitive and brutal version of so-called "Marxism-Leninism", which became the theoretical and ideological basis for the authoritarian Soviet system. However, Marx himself (and in some respects Lenin) had created a much more complex theory of the movement towards a new society, towards "real freedom", which was intended as a dialectical, positive negation not only of capitalism, but of all forms of alienation. These ideas were then essentially developed by western and critical Soviet Marxists in the second half of the last century and in recent years.

If we ignore Stalin's model and compare the "orthodox" version with the principles and forms of the "alterglobalist" movement, we will of course see differences. But if we examine modern critical Marxism in the context of "alterglobalist" politics, the difference is less dramatic.

In this sense, the "alterglobalist" movement became the "negation of the negation" of the "old" left. The crisis undergone by the traditional left after the collapse of the USSR had been negated by "alterglobalism". This movement dialectically develops many features of the "new" (or by now not so new) anti-Stalinist left of the late 60s many of whose ideas and programmat-

ic aims characterise the current movement. But there is also a fundamental difference.

The new social movements and NGOs involved in "alterglobalist" networks have developed very important new principles of organisation (or rather, self-organisation), that differ from the prevailing 20<sup>th</sup>-century models. They are based on the imperative and objective positive critique of all forms of the so-called "realm of necessity", including not only "classical" capitalist exploitation, but all forms of human alienation within the realms of labour and culture, society and nature. "Alterglobalism" is the global opposition's answer to the challenges of the new global problems of the current epoch and to the new (network-, knowledge-based) forms of technological, economic and social organisation, whose early and partial genesis (but nothing more than their genesis) became the reality.

That is why new movements are acting (1) as open associations without fixed membership, based (2) on common voluntary work (not on the approval of a formal status and programme) with (3) absolutely transparent and (4) very flexible forms (which very quickly change from one campaign, forum, or action to another), adopt (5) a network model of interrelations instead of a fixed hierarchical structure, are (6) based on a dialogue of equal subjects (personalities) rather than on the discipline of the organisation's members, and on (7) consensus democracy and self-management rather than traditional representative democracy, and so on.

Of course, these principles of "alterglobalism" are an abstraction. They are only in process of emerging, and in practice they are mixed with traditional forms of hierarchy and so on. Additionally, our movements are involved with parties, and typically we do not have "pure" new social movements.

"Alterglobalism" is a dynamic new phenomenon characterised by various internal and external contradictions, e.g. between leaders and accidental participants in the actions; "rich" NGOs

from the global North and "poor" movements from the South; radical left and social-democratic tendencies... These contradictions are well-known. We are searching for, and partly have already found, different forms and mechanism, and in part learned how to resolve their differences.

During the first years of the new century we – the militants and theorists of the movement – were optimistic. But in the last 2 to 3 years we have had to admit that the contradictions were increasing and the movement stagnating.

Why?

The answer is of course very complex, and I will address only three aspects of it:

(1) The traditional left model represented first of all by the socialist and communist parties, working with and even within social movements and organisation, was and still is quite adequate to classical capitalism and monopoly capitalism (the stage which Lenin, Luxemburg and others described as "imperialism"). Generally, however, modern late capitalism has moved far beyond this type of bourgeois society, although a large part of the non-Northern world is still living under conditions of early 20<sup>th</sup>-century capitalism (Russia is one of the very striking examples of this).

(2) The new tendencies of northern late capitalism are not at all progressive ones. The USA and even the EU are regressing toward something resembling a "proto-empire" model of capitalism which can be characterised by (1) the domination of ever more concentrated and aggressive transnational corporate capital integrated with super-states (imperial centres); (2) a semi-authoritarian state, where political and ideological manipulation is becoming much more important than formal democratic procedures, and in which civil society is playing an increasingly less significant role; (3) the decline of the so-called "social state" and, as a consequence of all of these tendencies, (4) the growing conformity of the population along with

brutal (even pre-capitalist) forms of social contradictions. All these factors are leading to the undermining of our movement's social base and are creating new challenges for the opposition.

(3) Subjective aspects: We never did find adequate forms for handling the really important contradictions between left parties and new social movements.

But let's not be too pessimistic. Even this brief analysis shows that we have at least a theoretical model for the interrelations between these two actors, between the socio-political model of "orthodox" Marxism, modern Marxism and of other left theories, on the one hand, and of "alterglobalism", on the other. In a very simple form the answer is the following:

To the extent that the world (or different parts of it) is (are) going through a stage of the genesis of knowledge-based-network social organisation with a strong civil society, we need the development of new social movements based on the principles of working, open, flexible and transparent association. On the other hand, to the extent that the world (or different parts of it) is (are) living within conditions of the "old" imperialism and/or "new" proto-empire, the opposition needs to be a more politically oriented and strongly mobilised force which will be (and partly is) the negation of negation of the old vanguard party (i.e. from party form to new-social-movement form to new post-party form).

We are not yet in a position to say what the concrete model of a post-party form of socio-political organisation will be, but the positive experience of some left EU and Latin American organisations show that political groups of activists (they may be small or they may be as large as that of a "normal" party) are becoming the most powerful actors, the moral heart, the intellectual assistants of the movement(s) without attempting to be The Leader, to determine everything. Such groupings may become an adequate response to the contemporary challenges outlined above.

One last remark, a proposal: It's time now to take immediate new practical measures to consolidate the results of previous theoretical work. From month to month and day to day, the world is becoming more and more dangerous, and the opposition can be too late in organising itself, as we were in the late 1980s when we did not respond to the challenge of the Soviet Union's demise and had terrible difficulties.

As far as practice is concerned, we need the soonest possible meeting of real leaders of (1) the principal new social movements and progressive NGOs; (2) the left parties which are willing to participate in the real struggle for a new world and (3) those states which have already initiated (successfully and efficiently? – second question) such a struggle.

As far as theory is concerned, we need the soonest possible meeting of the leading left intellectuals who will help systematically present the main questions, answers, cross-roads and scenarios of the world development and left strategies.



At the Malmö ESF:

# The Assembly of the Charter of Principles of Another Europe

After many seminars and workshops organised by the Charter's network in cooperation with other networks and organisations, an assembly was held in order to share the results of the discussions and to make progress in the analysis of European questions and in the development of platforms for combating EU principles and policies.

Eighty people took part, and many spoke, in the three-hour-long assembly which evaluated the work done and came up with future proposals. The Assembly was very useful in conveying what was discussed in the seminars and for exchanging ideas about how to proceed. During the ESF many seminars were dedicated to the Lisbon Treaty, the recent sentences of the European Court of Justice, the directive on the work week, workers' social rights, the European Central Bank (ECB) and the financial crisis and to European citizenship and the democratic deficit of EU institutions, etc.

There was some concern about the how the Charter (now also translated into German) was diffused; its circulation was insufficient when it should have been available to everyone as a basic alternative document responding to the crisis provoked by the Irish No to the Lisbon Treaty, and also as a framework for the campaigns launched in Malmö.

The Charter is not a "Bible", but a political and cultural proposal aiming at raising consciousness among European citizens of the need and possibility of another Europe. We all agree on the importance of developing strategies which go beyond nation-state borders and of confronting the anti-democratic neoliberal policies of the governments and technocratic elites in Europe. The assembly discussed in depth the different issues and challenges that confront us:

the democratic deficit and the new forms of governance, the role of the ECB and the financial crisis, NATO's aggressive policy, the social and economic alternatives focused on the commons, social rights, workers rights, secularism and European citizenship by residence.

On all these issues, we agreed to build alliances in order to develop platforms with other networks which themselves also represent a step forward in analysing and modifying the proposals of the Charter.

Specifically, the Assembly agreed on projecting and organising campaigns on:

1. democratisation of European institutions, for example by giving more legislative power to the European Parliament and more power to the population, notably with more scope to propose laws and referendums (there is already a report on this by Emmanuelle and Nicola). The re-writing of article 48 of the Union Treaty can make it possible for the European Parliament to revise clauses of treaties; on this, the Assembly agreed to organise a campaign and a meeting in Brussels in March.
1. the need to deepen our proposals on social rights and labour rights, such that we can struggle against the reactionary sentences of the European Court of Justice, which "harmonise" labour regulations by making them compatible with the lowest-level of extant regulations; we have to propose measures like a European minimum wage, a European social security, the right to life-long education and training, the right of workers to organise and contract at all levels on the basis of a democratic decision-making; job securi-

ty in the face of casualisation, etc.; a *European Social Charter* proposed by the movements is, perhaps, the best way to campaign on these issues.

- 1 In the midst of the current financial crisis, people are going to be even more aware of the necessity of placing the ECB under democratic control, in order to orient its policies toward the promotion of a social and sustainable economy, instead of safeguarding the interest of financial power; the Assembly agreed to propose to the other networks the development of a specific platform on this, and to call for a demonstration against the ECB in Frankfurt.
- 1 Many interventions stressed the importance of continuing campaigns organised at the national level to support a secular state against the so-called "laïcité positive" [positive secularism] supported by President Sarkozy and the Catholic hierarchy.

We would like to repeat that we wish to organise all the initiatives and campaigns in cooperation with other networks, and we are interested in discussing the proposal of an alternative summit when the European Council meets in Brussels in March, which we believe is not the focus of all the European initiatives but is a useful occasion for relaunching the campaign for another Europe.

The network of the Charter will meet regularly at all EPAs (European Preparatory Assemblies of the ESF), and the Assembly in Malmö suggested a meeting in Paris on December 5, 2008, on the eve of the European demonstration against the French Presidency of the EU.

### Chantal Delmas, Franco Russo

Please remember that you can find all relevant documents on the website <http://www.europe4all.org>

## Democracy acquires new meaning at the European Social Forum

Significantly, the theme of democracy has emerged from the European Social Forum in Malmö renewed and broadened. If the analysis of the concept of reciprocal communication based on the experience of participatory democracy is currently assuming special importance, that is because the theme of economic democracy is beginning to appear.

Thus, on the initiative of *Espaces Marx* and *network Transform!* a workshop was held on this topic.

A few dozen participants exchanged views through the intervention of trade unionists, activists and elected representatives from Hun-

gary, Germany, France, Argentina, India and Switzerland. Particularly memorable was the testimony of two trade unionists from the AXA, who conveyed their experiences, the extent of their commitment, the difficulty of the task for those working hard to bring democracy to their company and economy (the summary will report on this). The notable testimony of the Indian trade-unionist P.K. Murthy featured a stunning comparison of outsourcing industry in the high-tech field with outsourcing in textiles, two realities based on the same principle, but with different social, economic, even cultural, consequences for labour and the exploited.

The workshop launched a long-term process of reflection (particularly welcome in these times of economic and financial crisis). We will work, among other things, on the concept of local and global economic democracy, changes in work and its organisation, the place of workers, their rights and opportunities to intervene. We will try to reflect on the connection between economic and institutional power, political intervention, the public sector as a vector, as a pillar of economic democracy, the cooperative sector, mutual funds and economic democracy, new rights for workers regarding a better monitoring and prevention of *financialisation* of capital, etc.

The session devoted to participatory democracy evidenced the different approaches advocated by participants. The author of these lines argued the need – in the face of growing at-

tacks on democracy occurring everywhere in the world – to not accept the status quo as a given. I called for a daring attempt at innovation through building on ongoing experiences in the social movements or on those of some elected representatives (including Communists). The philosophy of such a large project is based on the premise of effective and real sharing of power(s) and the right of all to exercise this power. Obviously, this implies a role for, and a renewed conception of, the political activity of the political parties. I emphasised the stimulus function of working to provide access to all the emancipating processes of the effective levers of power.

**Patrick Coulon**

## Science and Democracy Invite Each Other to the World Social Forum

Although it did not all start in 2000 with the council of European ministers in Lisbon, this event shed dramatic light on, and sharply accelerated, the deep changes that have gradually transformed scientific research to make it fit the new functions assigned it by the liberal economy. The goal was to create the *knowledge society and economy aimed at making Europe the world's most competitive economy by 2010*. In fact, this goal spelled out what has characterised the evolution of science since the early 1980s. Science has been summoned to serve as the foundation of the liberal economy by fuelling innovation. There was no more any question of letting scientists drive research; science had to become profitable and feed industrial, not to say, financial profits. This meant a profound change in the place that scientific re-

search occupied in the economy of the “30 glorious” post-war years, when the watchword was “science discovers and society uses”. But only a few organisations and some scientists were alarmed by this change. European unification was too far off for some, science too difficult for others. The European Commission thus had a free hand in achieving deep changes in scientific research and goals, and the national governments quickly followed suit – notably the French government, which has just put the finishing touches on measures that will end up bringing the research and university sector to its knees. Eight years after the Council of Lisbon the situation is serious. Not only in Europe but in all developed countries (with the partial exception of USA) we see the same drift toward crack-down: drastic restriction of fundamental

research programmes (except for some extremely prestigious programmes), and transformation of science into a technoscience that meets the immediate needs for profit of multinational companies (and I do not speak here of military research which continues in the greatest secrecy and is everywhere an important part of national budgets).

For science, the damage is profound, even though most scientists only see the tip of the iceberg. The attack is occurring on all fronts: casualisation of young researchers, then of other staff, to make them docile and malleable and let them change their projects according to the whim and needs of the financial and industrial sectors; drastic reduction of public funds such that laboratories are induced to turn to industry-related projects for funding; establishing systems to manage public research according to this logic of innovation. These measures, being taken in every industrialised country, are catching the attention of scientists. But there are other consequences which are more serious in the long term: the disappearance of entire crucial branches of research; the steering of scientific concepts and theories such as to privilege technosciences and devalue more globalising, contextualized theories and approaches which could endanger the race for innovation. At the same time, research areas important to society – combating “poor people’s” diseases, knowledge needed for better control of a sustainable and farmer’s agriculture, or serious research on renewable energy sources – are neglected or marginalised. Researchers are concerned about the quantitative aspects of these measures, but are usually blind to their causes or their equally harmful qualitative impacts. In France the “Save Research” movement (SLR) has brought together a substantial number of researchers and academics to an Estates General of Research resulting from a petition campaign of unprecedented success. However, despite there being a theme “science and society”, they did not really call for the participation of “civil society”. And then, af-

ter a bit of window dressing, the government continued the systematic dismembering of public research. For their part, the social transformation movements showed little concern. The SLR petition got support from the public, but without the public really understanding what it was about, and without the science workers really trying to stir up active solidarity from civil society. Most of them still think that science is a problem that concerns scientists alone.

Meanwhile, the race for innovation-based profits led to drifts and mishaps due to the desire to move ever faster, without taking time to evaluate the experiments, and without the opportunity to consider possible adverse effects. The cases of HIV-contaminated blood and of Mad Cow Disease alerted the public, and began paradoxically to generate and strengthen an “anti-science” feeling, oblivious of the real issues and responsibilities. And this continues ! We are beginning to discover the dangers of cell phones and microwaves; we suspect, but no serious research has been conducted yet, that nanoparticles could be more dangerous than asbestos; and GMO seeds threaten ecosystems and put the world food supply under the predatory hold of a few multinationals. But, apart from some specialised NGOs, the social movements show little concern, or only when it is too late, when scandals eventually burst into view ... ! As for these specialised NGOs, they are mainly preoccupied with risks, from nuclear to GMOs, and they seldom deal with what is happening at the more fundamental level, with the new roles assigned to research, with the managing of research by and for profit, which cripple the future in the long term. They rarely realise that today’s research policy conditions the nature of tomorrow’s society. The gap between science workers and civil society is growing, mutual distrust is the norm and the social movement as a whole is uninterested in the issue.

Admittedly, particularly since the Lisbon summit, several organisations (including Espaces Marx in France, see publications below, 2006),

began, for instance during the European Social Forums, to try and attract the attention of social and political movements and to promote dialogue between science workers and civil society.. But their action has remained marginal, and the gap has continued to be significant between the unions of concerned science workers (such as WFSW or INES) and NGOs such as the Citizens Science Foundation ("Fondation Science Citoyenne") or Greenpeace.

This year the situation may change and the level of consciousness may improve. Indeed, the issue is moving into the World Social Forum where a day and a half, before the main forum, will be devoted to the topic of "science and democracy" (January 26 and 27, 2009 <http://fsm-sciences.org/?lang=en>). The idea is to draw the attention of social movements to the fact that science's problems concern all of society, and to draw the attention of science workers to the need to join social movements and to promote and enhance the dialogue between researchers and citizens. This day was prepared in various international settings, for instance in two seminars at the Malmö ESF. The new situation changed the atmosphere of these seminars, which recorded a significantly higher attendance than at the previous Social Forum in Athens. Although each type of organisation has maintained its point of view, the realisation of the need for dialogue and mutual understanding has increased. Scientists were better able to make their views heard and to explain why they feel that the struggle against the commodification of research can neither be waged without citizens nor without scientists. And they became aware that sustainable development is incompatible with current research policies. The NGOs made a greater effort in showing how democracy and citizenship is useful to the development of science; Patrick Mulvany for instance used an official report (IAASTD) that demonstrates how hunger in the world cannot be eradicated by the current policy, but requires a development of the local peasantry (agroecology), which in

turn requires a profound change in research priorities, as defined today under pressure from Monsanto and others.

Not less research, but more research and another kind of research! The defence of research as a public service, which can guarantee the independence of researchers in the face of market pressures, was also pointed up, as well as the close links between teaching and research.

Finally the discussion began to address the problem of the form that citizen intervention could take, linking science and democracy. This dialogue is important and difficult, but will not suffice if it does not reach the decision-making level. This is the problem of participatory democracy, and of the relationship between participation and institutions (see publication EM 2008).

## Janine Guespin-Michel

Janine Guespin-Michel is a member of Espaces Marx and is involved on behalf of Transform! in the coordination of the Belem meeting.

Publications of Espaces Marx dedicated to this topic. (collection Syllepse / Espaces Marx):

*Le vivant entre sciences et marchés : une démocratie à inventer*, collection edited by J. Guespin-Michel et A.

Jacq, 2006. (The methods and consequences of the commodification of public research in biology were examined by a multidisciplinary researchers collective.)

"Science et démocratie participative," by J. Guespin-Michel et A. Jacq, chapter in *Démocratie participative et transformation sociale*. P.Coulon ed. 2008

**Espaces  
Marx**  
*explorer, confronter, innover*



Blue Boy, 1999  
mixed media (oil & acrylic on canvas)  
192 x 150 cm

# The First European Attac Summer University (ESU) – A Beginning Well Worth the Trouble

[www.european-summer-university.eu](http://www.european-summer-university.eu)

With its ESU, Attac Europe wanted to achieve a milestone in the capacity for joint action – an offer to activists for participation.

Under the slogan "Another Europe for Another World!" the first European Attac Summer University took place in Saarbrücken from August 1-6 this year. There were nearly 800 participants from over 20 countries. Among others, guests from Morocco, Brazil and Costa Rica contributed their particular perspectives to the debates.

## A Gorgeous Baby

The list of topics included the following: the players on the financial markets, climate and energy politics, public goods vs. privatisation, globalisation and transport, the labour market and casualisation, migration, tax-justice, democratic control and economic participation, social rights and democracy, processes concerning the European Treaty and alternatives, the European trade policy, war and imperial strategy.

Besides large plenary discussions, the programme provided a number of workshops / seminars, which were prepared bi- or multi-nationally – characterised by a mix of popular education and networking. In addition to this, there was much space for meetings – especially "getting to know each other" sessions" in the morning and in the Attac-Cafeteria.

Beyond this, a common strategy process of the Attac-groups from different countries was organised. It comprised the respective executive boards, a seminar in Morocco and a two-day

workshop during the ESU. About 70 activists from almost all European Attac-groups took part in it. As a result, it was agreed that two joint campaigns should be carried out: one on the crisis of the financial markets and the second on a "democratic and social re-foundation of the EU".

A declaration of the European Attac groups under the title "Put an End to the Casino Economy – Let's Disarm the Markets!" has since been issued.

Moreover, a number of networks have been initiated such as "AquAttac" against the privatisation of water, the working process on the expansion of the "10 Principles for a Democratic EU-Treaty", the European Attac Youth Network or the Cooperation for a Public Rail System.

An excellent culture programme with bands from France, Poland and Berlin and interesting exhibitions – among others of Belgian cartoons – was not only great fun but reflected the vibrancy of the ESU.

There was great excitement around a "Europeanisation of Attacs from Below" and everybody present could feel the magic that attaches to every new beginning.

## But It Was Not an Easy Delivery

The entire organisation and programme planning were supported by salaried persons but carried out by about two dozen volunteers, who co-operated on different levels for more than a year. The European preparation group had to overcome language barriers, identify different

political cultures, find rules for binding agreements and prepare the programme with as broad a level of participation as possible – all this was done mostly in the virtual space of telephone conferences and the internet.

We had to learn that it is not enough to find sharp “speakers” but that we need more competent people who can shape the discussions and get processes moving; otherwise, we tend to give away our energy and ideas.

We had a budget to manage which was clearly beyond the financial level familiar to most Attacs. Since participation fees were to be low and sources of grants for politically independent organisations are few, a ? 50,000 gap had to be filled by an act of solidarity on the part of local Attac-groups and committed donors. And finally, we had to get through mountains of organisational work to be able to provide translation,

technical equipment, accommodation and all this at as low a cost as possible – something we were all doing for the first time.

### Yet ...

... the efforts were worth the trouble, and we would do it all over again (however, not too soon). We hope that in the different countries there will be people who keep the threads in their hands which were woven so that we can succeed in establishing durable impulses for an emancipatory Europe.

### Sabine Leidig

Sabine Leidig (Attac-Germany, Manager of the National Bureau) and Johanna Schreiber (Attac-Germany, ESU Programme Coordinator, member of the coordination circle)

# EFI – IFE, The European Feminist Initiative

## Challenging Patriarchy to Build Another Europe

Everywhere in Europe and abroad, the same gender power structures are being reproduced, whether in private relationships or in social life. Women are always subordinated to men. The patriarchal system cuts through all countries and types of societies and imbues everyone’s mentality. Today, it amplifies and perpetuates global capitalist power. The gender model of domination is universal and cannot be dissociated from the other forms of domination. The EFI aims at uncovering these patriarchal gender power structures that are shaping all relations and deeply influencing our lives and choices.

The EFI is an open feminist network whose activity goes beyond Europe’s political and geo-

graphical borders and extends to the Mediterranean area.

It was born in the framework of the 2003 Paris European Social Forum and is based on the conviction that there is no future for Europe without guarantees of fundamental rights for both men and women.

For five years now, the EFI has been working to build and strengthen cooperation between women from the east, west, north and south of Europe, from the Middle East and the Maghreb. It was able to create a political feminist space for discussions, reflection and action supported by studies, analyses and feminist expertise. In the present context of general regression in the



area of rights and freedoms, this space has been structured by women's demands, sufferings and experiences, always around the dynamic interaction of theoretical approaches and grassroots initiatives, of study and activism.

The EFI's main objectives are:

- 1 to give voice to feminists on the European level and enhance the movement's visibility;
- 1 to contribute to the development of women's intervention in all fields of political, social and economic life through feminist movements and organisations, with the organising modes and forms these movements have chosen;
- 1 to sensitise and mobilise women of different movements and countries in order to promote the convergence of their struggles against patriarchal oppression;
- 1 to create appropriate conditions for the women themselves to become carriers of those objectives inside the framework of the European Feminist Popular Educational Project structured by our political platform.

As European feminist activists, we are anti-militarists and internationalists. We reject war as a solution to international conflicts and demand the broadening of the concept of security to include global security policies taking aim at the structural violence directed towards women in everyday life. We demand that the European Union guarantee the free circulation of people and acknowledge the full and complete citizenship of all those living within European territory.

In view of the increasing intrusion of religious structures into the state sphere and the ever more frequent religious fundamentalist attacks on women's rights, we demand that secularism become one of the founding principles of Europe applying to all who live within its territory.

In Poland, Ireland, Cyprus, Malta, and Andorra, and now in Lithuania and Slovakia, women are facing the same prohibition of their right to

free abortion. In many other countries, like Italy, Spain or Macedonia, this right is now endangered.

As regards sexual and reproductive rights, as well as other rights, we demand harmonisation of the different national legislation on women's rights in the direction of the most advanced level, and we call for a coordinated European campaign to gather a million signatures before the 2009 European elections, which will make it possible directly to influence change in European policies.

Unveiling and dismantling the dominant patriarchal structures in all fields and at all levels is a necessary and urgent task. Equality between the sexes must become a founding value in the process of creating a Europe which deserves to be called democratic. This requires a break with the present European model, and feminism constitutes a vital element of this radical transformation process.

## Lilian Halls-French

To contact the EFI: [ife@efi-europa.org](mailto:ife@efi-europa.org)

# Towards an Institut Européen du Salariat (European Institute on Wage-earning)

## Goal of the Institute

The “Institut Européen du Salariat” (IES) promotes research on “salariat,” a French term that comes from the word for “salary” or “wage.” “Salariat” designates both the status of wage earner and wage earners as a group. For lack of a better translation, we will refer to “wage-earning” in the rest of this presentation.

The Institute is dedicated to studying all of the systems, policies and institutions that valorise labour and thereby contribute to strengthening the cohesion of wage earners as a social class.

These institutions, systems and policies comprise the following:

1. the relationship between wages and qualification grids, collective bargaining agreements, employment status;
2. social contributions and social security: pensions, healthcare coverage, family allowances, unemployment benefits;
3. labour rights, the right to strike, collective bargaining, labour courts;
4. trade unions, social democracy, workers’ representation in the workplace;
5. public services and ministries involved in social policy;
6. monetary, budget and industrial policies that favour full employment.

Far from being static, these institutions are in the process of expanding to new domains, such as housing, career security for workers, or financing of the economy. At the same time, they are being challenged by policies currently aimed at so-called “reform” of the welfare state or “modernisation” of markets. By altering the balance of power between regions within Europe, the European Union has been pursuing

these reform goals on an unprecedented scale.

The social sciences do not consider wage-earning to be a legitimate object of study. The very disciplines which should make this major social phenomenon into a central theme, often ignore it altogether. When they do address the subject, they reduce wage-earning to a single dimension, namely subordination, leaving its potential for emancipation unexplored.

The concept of wage-earning is generally reduced to a descriptive notion applied to certain aspects of labour relations. Instead of being regarded as a theme of study in its own right, wage-earning is used as a generic term for various other aspects of the status of wage earner: job content, employment, unemployment, social protection, industrial relations, trade unionism, etc. These aspects are studied separately, without drawing links between them. The concept of wage-earning can be used to unify and interpret all of these subjects and can encompass other aspects of the dynamics of social, economic and political development: social stratification, different modes of property ownership and macroeconomic policies. The originality of the IES lies in its goal of constructing a theory of wage-earning, supported by social science research that can give it a conceptual status.

Among wage earners themselves, as well as in theoretical definitions, wage-earning is usually linked to the concept of subordination, con-

sidered to be its main characteristic. The institutions of wage-earning are hence viewed as so many protective devices aimed at reducing the vulnerability inherent to wage-earning. Labour rights are based on recognition of subordination and the need to counter its effects. However, socialisation of wages is an alternative to property based on profit-making and financial accumulation, which are essential to capitalism. Institutions linked to wage-earning contribute to the emancipation of labour through large-scale recognition of activities that are not characterised by subordination, such as those of retirees. It is for this reason that these institutions are so often challenged and even made out to be their polar opposite, as in the characterisation of social contributions as a "tax on labour." The institutions of wage-earning could potentially enable workers to appropriate the goals of production. The IES aims at studying the dialectic between subordination and emancipation, through empirical and theoretical analysis of the status of wage earner and of the class of wage earners.

## Activities of the Institute

The Institute is a network of social science researchers who are investigating the social, political, economic, historical, and legal aspects of wage-earning in Europe and its institutions in different national contexts and within the European Union.

Its activities consist of:

- 1 a monthly seminar, whose goal is to write a "Traité du Salarariat" (Treatise on Wage-Earning) over a five-year period. This reference work will emerge from the "Notes de l'IES", a publication which might form the basis for a journal.
- 1 scholarly books or those intended for a broader audience, published with the imprimatur of the IES;
- 1 seminars organised on the basis of calls for papers put out by Institute work groups or social-science networks;
- 1 in the longer run, summer workshops where doctoral students can present their work.

The academic members of the Institute consider their research useful for education. The educational and training activities include:

- 1 a bi-annual newsletter and an internet site dedicated to trade-unionists, directors of social protection institutions and political leaders, with whom the members of the Institute have direct contacts;
- 1 activities in liaison with training centres for trade unionists;
- 1 teaching in masters' courses in universities.

# Reclaim Life – Fight Precariousness!

## The Campaign Launched at The Summer University of the European Left:

Do you like working 65 hours per week, sometimes until you reach the age of 70?

Or do you wish to have a better life, a secure job and a decent salary?

Right-wing and social-democratic governments, EU authorities, financial markets and multinational enterprises "offer" you the first. We are proposing to fight together for the second.

Our present existence is getting tighter. What about our future? Precarious. Precariousness is not an exception, but the definition of life for millions of men, women, young people, who don't see any future worth living for and are facing uncertainty in the present.

Being precarious is the result of neoliberal policies. It's a new system of domination, based on people's insecurity and their uncertainty about tomorrow: Work a lot and fast, only when you are called, only a few days a month. Or work all the time, day and night, fast, faster, and more. Work and be poor!

Women especially are the first victims of precariousness, because of the characteristics of their professional life: interruption due to pregnancy and raising children, lower salaries, part-time work, difficulties in finding a job after 50, and then significantly lower pensions.

Don't wonder if you are able to resist. Ask yourself how to overcome precariousness! Reclaim a better life!

Reclaim:

- 1 Guaranteed minimum wages all over Europe, which make it possible to have a life in dignity, participate in social and cultural life and get out of illegal or precarious work;
- 1 Equal pay for equal work, and access to full-time jobs for everybody;
- 1 Secure well-paid jobs in secure working spaces with full, guaranteed welfare, democratic and trade-union rights in the working place;
- 1 Collective bargaining, reduction of legal working time and guaranteed, decent pensions for all;
- 1 Public, free, high-quality and emancipatory education at all levels, university degrees that lead to full scientific competence and professional rights;
- 1 Free access to, and unconditional public support for, all forms of knowledge, new technologies and culture;
- 1 Guaranteed social benefits, low-cost and high-quality housing, universal access to public transport, access to a high-level public health system for all. Development and protection of public services as driving forces against precariousness;
- 1 Gender equality concerning wages, pensions, permanent education rights. Harmonisation of women's rights following the most progressive models existing in Europe. Protection of women's rights (such as the right to abortion) from ideological and political attacks by conservative and fundamentalist forces;
- 1 Respect of the social, cultural and political rights of immigrants. A true co-development policy based on democracy, respect of populations and social progress;
- 1 Generalised adoption of anti-discrimination policies at all levels;
- 1 We demand that the EU Budget takes into account the necessity of a new social and sustainable development in the new EU

states, in order to improve living standards for people in Eastern Europe. The introduction of the Euro in the eastern countries cannot be the pretext to increase inequalities and dismantle social protections.

These are some objectives that have to be reached, in order to fight precariousness and construct a decent future.

In the last 10 years, 8.6% of GDP in Europe was transferred from the labour to the capital side. We have to activate all political and economic levers in order to change this logic. The NO of the populations (in the referenda in France, the Netherlands and Ireland) to the Eu-

ropean Treaties and to their competition policies provoking precariousness and insecurity, proves that social and political protest is growing in Europe. We have to build a large movement, try to unite popular classes, unions, movements and left forces in a common struggle against precariousness. We need to do this now, and immediately.



**EuropeanLEFT**  
[www.european-left.org](http://www.european-left.org)

## Seminar on Participatory Democracy and Participatory Budgets in Local Governments

On November 22 and 23, 2008 transform!, the group of the Communist Party in Bohemia and Moravia in the Prague City Hall the Czech Association SPED, which is a member of transform!, jointly organised a European seminar on "Participatory Democracy and Participatory Budgets in Local Governments" held in Prague. The seminar addressed the topic on a practical basis, with mayors, counsellors and politically conscientious people who are engaged in real processes currently taking place. How can it be done? How does one begin? What are the major political problems and resistance encountered? How do people respond? It is a methodological question – How? – but also a very political one, because methodology has got to do with the goals: the Why?

Participatory Democracy (PD) and more specifically Participatory Budgeting (PB) is becoming a not so uncommon practice in many European local governments.

Since the first experiences in Porto Alegre (Brazil) carried out by the Workers' Party in the early 1990s, and well known throughout the world, a significant number of European local governments, generally with left parties in the majority, have in one way or another launched their own participatory experiences.

The general idea behind those experiences has to do with the quality of democracy at the local level and in that sense PD/PB is seen as a means to overcoming the limitations of representative democracy and strengthening the alliances between left elected governments and

the people against the pressure of the state and of the more powerful social groups.

On the other hand, the lack of legitimacy, due to limited participation, of governments without such experiments is also acknowledged by mainstream bourgeois politicians and political thinkers. That is why some new so-called PD/PB experiences are being sponsored by social-liberal and even openly conservative groups. The Labour government in UK has announced the generalisation of PB throughout the country. Some CDU-led local governments in Germany are among the pioneers of PB in Europe, cynically inviting people to gather and decide collectively where the neoliberal inspired budgetary cuts should be applied.

Such diversity of aims should be looked at carefully. However, the underlying reason should be obvious: plain representative democracy is no longer a guarantee of legitimacy.

This is nothing new for the Marxist left. From the very beginnings of Marxist thinking the critique of so-called formal democracy has been part of its ideological foundation. The question is: what can we expect from PD/PB processes in terms of overcoming the limitations of formal democracy?

The experiences that are taking place can shed some light on the question. It is not only a theoretical question, but a very practical and

political one: what is the role of a communist or a socialist local government in a liberal-democratic state? Is it just a bulwark to gain momentum for better times? Is it a cushion to alleviate the harshest consequences for the people of the extant general policies? Or is it a way, among others, to build strength and alliances, to learn lessons, to educate people – and the leaderships – for an alternative?

In Transform! we believe that the latter is a possibility, provided the conditions of the experience meet certain requirements. There are experiences occurring which can indicate what these conditions might be. It is possible to discern the differences between genuine democratic PD/PB processes and fake versions. The crucial criterion is sharing power with the people. And trusting the people.

Documents from the seminar debates will be published in the first half of 2009.

**Javier Navascués, Walter Baier**







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**Journal transform! Europe**

**Gusshausstrasse 14/3**

**1040 Vienna**

**Austria**