2nd DGB Capitalism-Congress, Berlin, 7 October 2010

John Monks
Note for intervention

A few months ago, I found out that the UK did not pay off its last debt for the Second World War until 2007, 52 years afterwards; and last Sunday, Germany paid off the last instalment of its debt from the First World War.

Would that we had some of that calm approach to debt among the leaders of Europe today?

Instead, they are on a stampede for austerity, a race to see who can screw down the deficit the most by cutting back on wages, pensions and welfare; and in the resulting absence of any domestically generated growth, who can have an export led boom? By definition, we cannot all have one.

That is what lay behind the ETUC's European Day of Action last Wednesday, and will necessitate further action as the winter and 2011 comes. Workers are paying the bills, not the rich and comfortable. Our taxes are rescuing the banks and saving the shareholders and bondholders. It is our austerity and lower living standards that are supposed to make us more competitive.

I put it to President Barroso last Wednesday – can you give us an assurance that all this austerity will not cause a double dip recession. He tried to be optimistic. He pointed to the excellent German export figures for 2010. But after that, he had to acknowledge that he simply does not know.

What he did acknowledge was that workers who played no part in causing the crisis are picking up the bill for it. Indeed we will continue to do so in Greece, Ireland, Portugal, Spain and perhaps the UK, France and Italy, for the next decade and perhaps that's the likely reality of Europe 2020. 10 years of austerity and continuing weakness.

Mrs Thatcher in less trying times used to say "There is no alternative." I guess that strikes a chord with many in Europe and in the German Government.

But there is and that is an active policy at EU level.

- First, to help those countries most at risk more than we are doing at the moment. What we are doing is punishing them – see the Greek rescue plan.
- Second, we can do this by issuing EU bonds and levying financial transaction taxes.
- Third, we need programmes for growth and hope.
    - green investment
    - new industries
    - youth unemployment

So far the EU is all punishment and limited solidarity. The recommendation of the Commission last week for new penalties on those countries who do not stay within the Stability and Growth Pact is a step precisely in the wrong direction. Those recommendations involve fines and possible withdrawal of agricultural and regional help. At the

moment, only two countries are within the Stability and Growth Pact – Sweden and Estonia. And the first countries to break the rules – Germany and France in 2003! These new proposed rules are simply not credible. But they are dangerous to European democracy. Will the populations accept Europe as a hard cop, forcing unpopular decisions. I don't think that they will.

So our objectives are EU solidarity. Keep the rules yes but provide short-term help to get growth moving forward. We want an end to everyone pursuing austerity and a rise in spending, especially in the stronger economies. We do not support measures which lower wages and pensions and thereby depress demand. It is too soon to withdraw the stimuli packages as the recovery remains fragile. At the moment, chillingly, the actions of governments resemble the early 1930s.

Trying to change these is our priority. But equally we are trying to ensure that the market economy does not repeat the mistakes which led to the current disaster. As Michael Sommer said in Vancouver at the ITUC, Governments moved quickly to rescue the banks but slowly to co-ordinate action to change the system.

We have had minor progress on bank reserves and on a pan European regulator. But nothing on the Financial Transaction Tax (supported by Germany and France but not by the USA and probably the UK); nothing on breaking up the banks into separate retail and investment branches (with the USA in favour, Germany and France against and the UK uncertain) nor on credit derivative swaps; nothing much on curbing the bonus culture – watch the payouts this Christmas! And nothing much on new lending to entrepreneurs and households.

The banks are trying to get back to normal, and are nearly there.

The G20 having started brightly is struggling to make any progress. The spirit of reforming capitalism, evident in Pittsburgh and London, looks dangerously absent in Seoul, the next venue. The ETUC will be part of the ITUC team arguing for a greater effort to alter our systems.

And we must make this effort too in the EU by securing a good directive on hedge funds and private equity, new taxes on banks and bonuses, new investment in new technologies and industry policy, and a solidarity package for young people.

There are alternatives. Mrs Thatcher and her modern day successors are wrong. There was an alternative in the 1930s. But no-one took it until the war drums began to beat.

Times, thankfully, have changed. But the rise of ugly, right wing nationalists is a feature of even Europe's traditionally most tolerant nations – Sweden, the Netherlands and Belgium. People are looking more right than left, more to nationalise than to Europeanise, blaming the foreigner, not the bankers.

It is our task to combat that, to protect living standards and services, to press policies of growth and hope in place of deflation and despair.

That is the great challenge to Europe's trade unions.