The greatest offensive against European social rights since the Second World War

Series: Banks versus the People: the Underside of a Rigged Game! (Part 3)

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For the first part of this series, see on ESSF (article 27545), 2007-2012: Six years that shook the banking world and for part three (article 27547), Financial Crisis : The ECB and the Fed at the service of the major private banks.

Contents

_We should not underestimate the capacity of the elites to make the most of a crisis situation

The mainstream media regularly deal with the questions of a possible breakup of the eurozone, the failure of austerity policies to revive economies, discord between Paris and Berlin, and London and eurozone members, contradictions within the ECB, the enormous difficulties in reaching an agreement on the European budget, and the tensions between certain European governments and the IMF concerning levels of austerity. All of these points are true, but one fundamental issue must not be forgotten: the capacity of the elites, who have meekly put themselves at the service of the multinationals, to manage crises, even chaotic situations, in the interest of these big companies. The complicity between governments and big business has gone public. At the head of several governments, in important ministerial posts and at the presidency of the BCE, are men who are part and parcel of the world of high finance, in particular ex-directors of Goldman Sachs. Certain high-level politicians find their rewards in jobs with big banks once they have fulfilled their loyal service to Big Capitalism. This revolving doors complicity is not new, just more candid and systematic than at any time over the last fifty years.

To imagine that the policies applied by the European elite have failed because economic growth has not reappeared is to be somewhat mistaken on the criteria of analysis. The goal of the board of the ECB, the European Commission, the governments of the strongest EU economies, the boardrooms of the banks and other big companies is not a quick return to growth, nor the reduction of inequalities in the eurozone and the EU, in order to create a more coherent structure that would favour the return of prosperity.

Two of their principal objectives must be noted in particular: 1. Avoiding banking and financial crash that could be worse than that of 2008 (the first two parts of this series dealt with this subject, which will be further developed in the fourth part); 2. The use of a choice of weapons (rampant unemployment, public debt repayment, balanced budgets, promoting unfettered competition between EU member states and between rival companies from other continents) to carry out the greatest aggression by Capital against Workers, on a European scale since the second world war. Capital's objective is to further menace stable employment, radically reduce the capacity of the workers to organise, substantially push down direct and indirect wages while at the same time maintaining enormous disparities, within the EU, so as to sharpen the blade of labour competition. First, there are the inequalities between women and men, permanent and temporary, full time and part time. The inequalities gap has widened over the last twenty years, pushed by employer's initiatives and helped along by successive governments (including left wing governments that have played an active role). Then, there are the different inequalities between workers in the different EU countries. The differences between workers in the principal economies and the secondary economies within the EU are complementary to those within national boundaries.

Profound disparities between workers in different EU countries

Workers' wages in the stronger countries (Austria, Denmark, Finland, France, Germany, the Netherlands, and Sweden,) are double or triple the wages of Greek, Portuguese, or Slovenian workers, ten times more than Bulgarian workers, seven or eight times more than that earned by Romanian, Lithuanian, or Latvian workers. [1] In South America, although there are great disparities between the stronger economies (Argentina, Brazil, and Venezuela) and the weaker ones (Bolivia, Ecuador, and Paraguay), there is no more than a fourfold difference in the legal minimum wage there, which is much less significant than in the EU. This difference clearly shows how strong competition is among European workers today.

The major corporations in the stronger European economies profit greatly from this wage disparity. German corporations have chosen to greatly increase their production in the EU countries where the wages are the lowest. Partially finished goods are then reintroduced into Germany, without paying import/export taxes, for assembly and re-exportation, principally to the other European countries. This reduces production costs, puts the German workers into competition with their foreign comrades, and increases company profits. In addition, these assembled and re-exported goods appear, of course, in Germany's export figures, whereas they are, largely, produced from imported goods. Corporations in the other strong European countries are doing the same thing, but proportionally speaking the German economy profits the most from the low wages and precarity of the eurozone workforce (including within Germany's national boundaries [2]) and the EU. In 2007, 83% of German exports went to other EU countries (145 billion euros to eurozone countries, 79 billions to non-eurozone EU countries, and 45 billion to the rest of the world) [3].

The German example is the result of the neoliberal offensive

Between 2003 and 2005, German employers were assisted by Gerhard Schroder's Socialist government to impose sacrifices on the workers. The paper En finir avec la compétitivité (Putting an end to competition) published jointly by ATTAC and the Copernic foundation sets out the steps taken and the attacks against social and economic rights: "The Hartz acts (named after Volkswagen's Human Resources Director who was also Schroder's advisor) were passed between 2003-2005. Hartz I obliges the unemployed to accept any job that is proposed to them, even if the pay is less than unemployment benefits. Hartz II created the mini-job at less than €400 a month (exonerated from social contributions). Hartz III limits to one year the right to unemployment benefits for ageing workers and makes access more difficult. Hartz IV merged long term unemployment benefits with other social aid, and installed an aggregate maximum amount of €345 a month. To this was added successive retirement and healthcare reforms: capitalisation of pension schemes (Riester retirements), contribution increases, later retirement ages (objective of 67 years in 2017)" The authors of this paper mention in particular that "Together these reforms have contributed to an impressive rise in social inequalities. This point is often forgotten in the 'German example' which may be demonstrated by some precise figures. Germany has become a very elitist country: a parliamentary draft report on wealth and poverty [4] has recently established that the poorest half of the population possess only 1% of the assets, compared to 53% for the richest. Between 2003 and 2010, the purchasing power of the median average wage decreased by 5.6%, but the effect was very unequally spread: -12% for the lowest paid 40%, -4% for the highest paid 40% [5]. Official statistics show that the proportion of the low salaries increased from 18.6% in 2006 to 21% in 2010. It must be mentioned that 'West Germany' suffered the most".

According to the same study, the number of employees increased by 1.2 million between 1999 and 2008, reflecting an increase of 1.9 million precarious jobs corresponding to a loss of half a million full time permanent jobs. A quarter of wage earners today occupy unstable jobs and this proportion (as in the US) is 40% for women. "The majority of precarious jobs (70%) are considered women's jobs [6]. The proportion of unemployment benefit claimants dropped from 80% in 1995 to 35% in 2008 and all the people unemployed for over a year have been transferred to welfare".

As noted by Arnaud Lechevalier, this trend lies within the general framework "of a context of erosion of the collective bargaining agreements protecting employees: the percentage of employees covered decreased from 76% to 62% in ten years, and in 2008 these agreements only apply in 40% of German firms. In addition, the unions have had to make many exemptions to sector-based, and/or company-wide collective bargaining agreements" [7].

The ulterior motives of European leaders and elites

When we try to explain the current attitude taken towards the eurozone crisis by German leaders, we can express the hypothesis that one of the lessons they have learned from the absorption of East Germany at the beginning of the 1990's is that important wage disparities between employees can be greatly exploited to the advantage of employers. The massive East German privatisations, the attacks against the job security of ex-GDR workers, along with an augmentation of German public debt due to the costs of this absorption (which have been used as the pretexts for austerity programmes) have permitted the employers to greatly erode the situation of East as well as West German workers. The present German leaders see the eurozone crisis, and the brutal conditions imposed on the Greek people, as an opportunity to push further and to reproduce at the European level, the gains they have made at home. The leaders of the other strong European countries and the Presidents of their major corporations are not to be left behind; they make the most of the common

European political, commercial and economic zone. The northern European economies and transnational companies are exploiting the strife in the eurozone's southern economies to improve their profitability and to take competitive advantages over their North American and Chinese competitors. Their objective at this point is not to revive growth and to reduce differences between the stronger and weaker economies of the EU. They are most interested in using the strife in the south to grab privatised sectors at give away prices, helped by the Troika and the southern governments themselves. Big Capital in the southern European countries is in favour of this prospect, hoping to get a piece of the cake it has been ogling for a long time. The grabbing of public sector companies in Greece and Portugal foreshadows what will happen in Spain and Italy where public companies are much bigger, as a percentage of their economies.

The will to push down wages

Let us return to the question of wages. According to Michel Husson, Real unit labour costs were compressed 10% in Germany between 2004 and 2008 [8]. In the rest of Europe these costs also decreased, but to a lesser extent. Since the 2008-2009 crisis, the eurozone has been severely affected by a clear drop in real wages in the most exposed countries. This is what is underlined by Patrick Artus "We remark an important reduction in real incomes in the eurozone countries having the most difficulties (Greece, Italy, Portugal, and Spain)" [9]. Patrick Artus claims that European leaders are applying a deliberate pay reduction policy, and he adds that it has neither boosted investment in the countries just mentioned nor helped their exportations to become more competitive. The favourable effects of "pay reductions are not showing in competitiveness, foreign trade, or business investments", he writes, adding that lower wages have two clear effects: on the one hand they have raised profits (in Marxist terms, a reduction in variable capital investment leaving a greater margin of absolute surplus value, see boxed article "Essential elements on absolute and relative surplus-value and its relation to wages") ; on the other hand, it has reduced consumer demand, which in turn has contracted the economy [10]. This report by Natixis confirms that the goal of the European leaders is neither to revive economic activity, nor to improve the situation of the peripheral countries in comparison with the central countries. These pay reductions aim to weaken workers resistance in the concerned countries, increase profits and to make progress in the destruction of what is left of the welfare states built up over the three and a half decades following the Second World War (the following period was that of the neoliberal turn-around of the end of the 1970s and beginning of the 1980s).

In the 'Global Wage Report 2012-2013' published by the International Labour Organisation' in December 2012, the authors reveal that "In developed economies, the crisis led to a "double dip" in wages: real average wages fell in 2008 and again in 2011, and the current outlook suggests that in many of these countries wages are growing marginally, if at all, in 2012) [11]. This is the only part of the world along with the Middle East where wages have decreased since 2008. In China, the rest of Asia, and Latin America, wages have increased. In Eastern Europe they have recovered to a certain extent after plummeting in the 1990s. This report confirms the reorientation of capital's offensive against labour towards the developed countries.

Essential elements on absolute and relative surplus-value and their relationship to wages [12]

From the moment the worker starts a day's production, a value of raw materials (or of intermediate goods for assembly) is immediately incorporated into the process. After a certain number of hours the worker has reproduced the value of the expected wages. If the worker stops working at that precise moment, the capitalist would not make a penny in surplus value and therefore see no interest in further purchasing the worker's labour force. Like the usurer in the middle ages, he 'buys in order to sell'. He buys the labour force to obtain from it a product of higher value than that value which he has spent to purchase it. This 'left-over' is precisely his surplus value, his profit. So if the worker reproduces the wage value in say 4 hours the working day must necessarily be 6, 7, 8, or 9 hours. During these extra 2, 3, 4, or 5 hours the worker produces surplus value for the capitalist in exchange for which there is no retribution. The origin of surplus-value is therefore extra work, free work appropriated by the capitalist. Must we cry, "Thieves!"? The reply must be "yes and no". Yes! From the workers point of view; No! from the point of view of the Capitalist and the laws of the market. In fact, the capitalist has not purchased the value produced or to be produced by the worker (if that had been the case it would be a clear case of theft: he would have paid €25 for merchandise worth €50), he has purchased the worker's force of labour. Like any merchandise this labour has its own value. The value of labour power is determined by the amount of that labour which permits its renewal, in other words, by the survival of the workers and their families. The surplus value originates in the difference between the value produced by the worker and the value of the goods necessary for the worker's survival.

The value of the force of labour has one particular characteristic that sets it apart from all other commodities: it contains not only a precisely measurable element but also a variable element. The stable element is the value of the goods that are needed to reconstitute the physiological labour force of the worker (intake of calories and vitamins sufficient to reproduce the muscular and nervous energy capable of furnishing the normal working rhythm that the capitalist foresees as necessary), the variable element is the value of the goods in a given place and at a given moment that are not part of the physiological minimum. Marx calls this part of the force of labour the historical – moral fraction. This means that it is not arbitrary. It is the result of a historical process and a given situation which determines the balance of power between Capitalists and Labour. It is at this precise point in the Marxist analysis that the past and present class struggle becomes an important determining factor in the capitalist economy.

Wages are the market price of the force of labour. As all market prices, they fluctuate around the value of the considered merchandise. Wage fluctuations are determined, notably, by the fluctuations in the number of reserve workers, that is; the unemployed.

To achieve maximum profits and accumulate as much capital as possible, the Capitalists reduce as much as possible the portion of new value created by the force of labour that must be returned to the workers as wages

The two principal means by which the Capitalists try to increase the part of surplus-value are:

• Longer working hours, reduction of real wages and the lowering of subsistence levels. What Marx calls "growth in absolute surplus value".

• Increased work rates and competitiveness without increase in wages. What Marx calls "growth in relative surplus value".

_The offensive of capital against labour in perspective

The rigours imposed on the workers and benefit claimants in Greece, Ireland, Portugal, and Spain had already been imposed on the populations in developing countries by the 1980s and 90s debt crisis. Throughout the 1980s, the offensive attacked North American workers under the Reagan presidency, in connivance with Margaret Thatcher, the Iron Lady, and their emulators in Europe quickly followed suit. The workers in the ex-Eastern European bloc were also subject to brutal policies during the 1990s, imposed by their governments and the IMF. According to the 2012-2013 global wage report previously cited: "In Russia, for example, the real value of wages collapsed to less than 40 per cent of their value in the 1990s and it took another decade before wages recovered to their initial level" [13]. Then starting in 2003-2005, certainly in a less brutal manner than in the way the people in the Third World (from the poorest countries to the emerging economies) were treated, the offensive turned its regard towards German workers. A large part of the German working population still feels the harmful effects today even if the success of German exports [14]. The ILO concentrates its analysis on a shorter period (1999–2011), and the data is clear: "Between 1999 and 2011 average labour productivity in developed economies increased more than twice as much as average wages. In the United States, real hourly labour productivity in the non-farm business sector increased by about 85 per cent since 1980, while real hourly compensation increased by only around 35 per cent. In Germany, labour productivity surged by almost a quarter over the past two decades while real monthly wages remained flat have limited unemployment and part of the working class has not felt the effects directly. This offensive, which has accelerated since 2007 – 2008, took off worldwide at the beginning of the 1980s [15] have limited unemployment and part of the working class has not felt the effects directly. This offensive, which has accelerated since 2007 – 2008, took off worldwide at the beginning of the 1980s [16]". What Marx calls "growth in relative surplus value" (see text box).

Further on: "The global trend has resulted in a change in the distribution of national income, with the worker's share decreasing while capital income shares increase in a majority of countries. Even in China, a country where wages roughly tripled over the last decade, GDP increased at a faster rate than the total wage bill – and hence the labour share went down." [17]. This strong worldwide tendency demonstrates the increase in surplus – value extracted from labour by capital. It is important to note that during much of the 19th century the principal means of increasing surplus-value was by increasing absolute surplus-value (lower wages, longer working hours). Progressively, in the developed economies, during the second half of the 19th century and throughout the 20th century (except under Nazism, fascism, and other dictatorial regimes that imposed wage reductions) this was replaced or outstripped by increases in relative surplus-value (productivity increases without the corresponding wage increases). After several decades of neoliberal offensives, increases in absolute surplus-value have become, once again, a major element in the extraction of surplus-value and add to the relative surplus-value. The employers, using crisis based campaigns are now gaining on both surplus values, thus showing the magnitude of the current offensive.

Whereas for several decades, employers basically increased the relative surplus value, principally through gains in labour productivity, since 2009-2010, they have succeeded in increasing absolute surplus value by cutting real wages and in certain cases increasing the number of hours worked. They have been using the crisis to combine an increase in the relative surplus value with an increase in the absolute surplus value. This tactic gives us an idea of the extent of their current offensive.

_More and more oppression of workers

In a European Commission document entitled "The Second Economic Adjustment Programme for

Greece” from March 2012 [18], it is clearly indicated that the wage reduction program must be continued. Table 14 on page 41 shows that the Greek minimum legal wage is five times that of Romania or Bulgaria (neighbouring countries to Greece), three times that of Hungary and the Baltic States, double that of Poland and the Czech Republic and superior to the minimum legal wage in Portugal and Spain. The objective is to line-up Greece with the more ’competitive’ countries, in other words the lowest paid. Evidently, if Greek wages continue their vertiginous fall as the Troika and Capital wish, wages in Ireland, Portugal, Spain, and the stronger economies must follow this downward trend, and at an accelerating pace.

European leaders are at the service of a logic that increases the surplus-value extracted from European labour for Capital, and permits it to strike points against Asian and North American competitors.

These leaders are prepared to push the European unions to the wall by seriously reducing the negotiating options that they have enjoyed for decades

Capital scores more points against Labour

In several EU countries, the offensive of Capital, the European Commission and its leaders, against social protection systems has succeeded in radically reducing the reach of inter-professional collective bargaining. This is the case in the ex-Eastern bloc countries, and in Greece, Ireland, Italy, Portugal, and Spain among others. In several countries, they have also succeeded in lowering the national minimum wage and retirement benefits. They have succeeded in radically reducing protection against redundancies and in imposing later retirements.

The worsening of the crisis in the peripheral eurozone countries

During 2012, the crisis worsened in Greece, Ireland, Portugal, and Spain as a result of the brutal austerity policies applied by their governments in line with the requirements imposed by the Troika. In Greece, the aggregate drop of GNP since the crisis has attained 20%. The purchasing power of the great majority of the population has been reduced by 30% to 50%. Unemployment and poverty have literally exploded.

The mainstream press announced, in March 2012, the official line that Greek debt had been cut by half [19]. However, according to official estimations made public in October 2012, Greek public debt, which was at a level of 162% of GNP before these reductions, is expected to attain 189% in 2013, and 192% in 2014 [20]. This information does not often appear in mainstream press headlines.

The press mentions Ireland much less often. Since the beginning of the crisis in 2008, [21]. bank welfare has sucked 40% of GNP from the economy (Close to 70 billion euros out of 156 billion euros in 2011)) [22], unemployment has risen to enormous proportions, forcing 189,200 young Irish to leave the country, one in three young workers who previously had employment has lost their jobs, the economy has contracted 20%, the government in Dublin has confirmed that it will axe 37,500 public sector jobs by 2015.

In Spain, youth unemployment is up to 50%. Since the beginning of the crisis 350,000 families have been expelled from their homes because of repossessions [23]. In one year, the number of families in which everyone is unemployed has increased by 300,000, bringing the total to 1.7million (10% of all Spanish families) [24].

In Portugal, austerity measures have attained such violence, and the economic situation has become so degraded that one million people rallied spontaneously on 15 September 2012. This was the biggest demonstration since the first of May 1974, which celebrated the victory of the Carnation Revolution.

The situation in the ex-Eastern bloc countries continues to worsen, especially for those that have joined the eurozone.

In short, Capital has engaged in an offensive against Labour throughout the world. It is in Europe that this takes the most systematic nature, starting with the peripheral countries. Whereas the banks (and the capitalist system as such), which have caused the crisis are systematically protected. Public debt is the pretext used to justify the elimination of people's economic and social rights everywhere. If the social movements and, amongst them, the unions, are really serious about opposing this devastating attack and coming out on top, they must take up the question of public debt to show that the principal argument put forward by the dominant powers is false. The abolition of the illegitimate part of the public debt and expropriation of the banks, to integrate them into a public service of savings and credit are essential measures in any programme that would be considered an alternative to the capitalist management of the crisis.

Eric Toussaint

P.S.

* Translation : Mike Krolikowski and Charles La Via.

Footnotes

[1] See Le Monde 22 and 23 January 2012, based on Eurostat statistics

[2] According to Le Monde 17 May 2011.; in Germany, in September 2010, 7.3 million workers were earning barely €400 a month. The number of part time workers increased by 46% between 2000 and 2010, whilst in France the increase was 17%.

[3] OECD, International Trade by Commodity Statistics (SITC Revision 3) mentioned in ATTAC and Copernic Foundation, En finir avec la compétitivité (Putting an end to competition), Paris, October 2012, http://www.france.attac.org/articles/pour-en-finir-avec-la-competitivite-rapport-attaccopernic-0

[4] Lebenslagen in Deutschland. Entwurf des vierten Armuts- und Reichstumsberichts der Bundesregierung, Project of 17 September 2012, http://gesd.free.fr/arb912.pdf

[5] Karl Brenke and Markus M. Grabka, "Schwache Lohnentwicklung im letzten Jahrzehnt", DIW Wochenbericht, n° 45, 2011, http://gesd.free.fr/brenke11.pdf

[6] Source: destatis.de (Federal German Office of Statistics).

[7] Arnaud Lechevalier, « Un modèle qui ne fait guère envie » (A model that is hardly envied),

Alternatives économiques, n° 300, March 2011, http://gesd.free.fr/allmodel.pdf cited by ATTAC and Copernic Fondation

[8] See Michel Husson, "Economie politique du « système-euro »" (Political economy of the "euro-system", July 2012, or http://hussonet.free.fr/eceurow.pdf

[9] Patrick Artus: « La baisse des salaires dans les pays en difficulté de la zone euro est-elle utile ? » (Is the drop in salaries in distressed eurozone countries really useful?), Flash Economie n°289, 18 April 2012.

[10] Patrick Artus: "The only remaining effect is on consumption, resulting in a fall in activity of which the only good point is a reduced balance of payments deficits" (which reduces imports). Patrick Artus also demonstrates graphically that company profits have increased in the four countries studied.

[11] ILO, Global Wage report 2012-2013, Geneva, December 2012, http://www.ilo.org/global/research/global-reports/global-wage-report/2012/WCMS_194843/lang--en/index.htm

[12] This text is a free adaptation of passages from Ernest Mandel's Introduction au marxisme (Introduction to Marxism), Edition Formation Léon Lesoil, Brussels, 2007, p. 59, p. 68, p. 66, and 67.

[13] See note 12

[14] Germany continued to register economic growth carried by bouyant exports whilst most of its EU partners and in particularly in the eurozone have been hard hit by the crisis As all of the EU is feeling the pinch of decreased consumption described above exacerbated by a decrease in public consumption, the market for German exports has become seriously restricted. The boomerang effect is already hitting the German economy.

[15] See Eric Toussaint,"In the South as well as the North: from the Great Transformation in the 1980s to the current crisis", September 2009: http://cadtm.org/In-the-South-as-well-as-the-North

[16] Seenote 12

[17] See note 12. The same report also shows the increasing income disparities within each country.

[18] See European Commission, General Directory of Economic and Financial Affairs, http://ec.europa.eu/economy_finance/publications/occasional_paper/2012/op94_en.htm

[19] From the beginning, the CADTM has denounced the disinformation campaign by the Troika and the Greek government. See "The CADTM condemns the disinformation campaign on the Greek debt and the rescue plan by private creditors", press release 10 March 2012: http://cadtm.org/The-CADTM-condemns-the. See also, Christina Laskaridis, "Greece already defaulted on the creditors' terms; what they fear is that Greece imposes its own terms", published 31 May 2012: http://cadtm.org/Greece-already-defaulted-on-the.

[20] Financial Times, 1 November 2012, Front page.

[21] Financial Times, 1 October 2012.

[22] Financial Times, 29 December 2011, p. 2.

[23] Miles Johnson, "Suicides spark call for Madrid to halt evictions by banks", Financial Times, 13 November 2012, p. 2.

[24] Tobias Buck, "Spain's deepening lack of hope takes its toll", Financial Times, 6 November 2012, p. 4.