

Call for Papers

Labour and the global crisis

sharing the burden (!) shaping the future (?)

Analysis, Short-Term Stabilisation and Long-Term Options

VI. Global Labour University Conference, Berlin, 14-16 September 2010 at the Berlins School of Economics and Law

By 2008 the financial crisis that broke out in the U.S. in 2007 had developed into a full-scale global, systemic financial crisis which ignited a deep crisis in the real economy around the world. Industrialised countries like the USA and the members of the European Union as well as developing countries around the world have all been affected by the crisis. Countries which had deregulated their financial markets to a great extent – like the USA –, countries dependent on exports – like Germany – and economies with high current account deficits and high foreign debt – like the Baltic States – suffered the most. World wide fiscal stimulus packages together with expansionary monetary policy and bailouts of financial institutions were able to limit the rapid contraction of production in most of countries and to stabilise the situation. However, there seems to be no source which could re-establish the (in many cases already low) growth rates which existed before the crisis. A scenario of long-term stagnating GDP growth in developed countries and insufficient growth in developing countries appears very likely. At all events, more and more countries are turning to severe austerity programs with wage, social security and public service cuts to pay for the crisis. After looting the state for the sake of the financial system some countries are now dismantling the welfare state as we know it.

Labour markets have been hit in a fundamental way by the crisis. Unemployment rates increased sharply all over the world and are set to continue rising in the coming years. If the world economy or a significant number of countries fall into long-term stagnation, then unemployment and the associated social consequences, such as poverty, will become an increasing problem. During the last few decades, labour markets have been deregulated in country after country and precarious working conditions have become increasingly common. One of the dangers that this could lead to is a deflation triggered by wage cuts, a development that could push the world economy in a constellation comparable with the 1930s. Standard labour market instruments can help to mitigate the crisis, but are on their own totally insufficient to create adequate employment.

Financial markets are still not regulated. Despite the deep economic crisis so far wide spread anger among people has not translated into major policy shifts. After the near breakdown of the financial system in 2007 and 2008 the casino opened again. Bubbles in the stock market, the real estate market, the markets for natural resources and food or foreign exchange markets are likely as long as no fundamental changes are implemented. Furthermore, such bubbles are no longer likely lead to short-term booms in the real economy.

Organised labour has mainly been consulted by governments on how to share the pain, but not on how to shape the future. This raises the question of whether the crisis will accelerate the decline of organised labour and the deterioration of the welfare state or whether it can be made into an opportunity for labour to regain the policy initiative.

Given these perspectives the following topics will be discussed at the conference.

1. Analyses of the crisis and short-term options

A review and understanding of the present situation is needed to develop strategies for improving the situation. How can the current crisis be explained, how will economic and social developments unfold in the near future, what will be the result of the creation of an enormous amount of liquidity by central banks and how do we judge the sustainability of a highly expansionary fiscal policy? In terms of short-term economic options, have fiscal policy, monetary policy and the stabilisation of the financial system through governmental bailouts been the right response? What are the short-term and medium-term policies that can

stabilise the economy in the interest of employees and at the same time open options for more fundamental reforms?

2. Employment Developments and Labour Market Regulations after the Crisis

Since the beginning of the crisis many thousands of people both in developed and developing countries have lost paid employment because their employers closed down production or used the crisis to reduce employment. People have been made unemployed, and in many cases they have not received unemployment benefits, and household poverty has increased. As in previous recessions, labour market conditions for workers deteriorated in terms of wages, working conditions and employment security. Without a drastic change in policy, any recovery is likely to be accompanied by an uneven increase of employment in different regions of the world and, within countries, for different groups of employees according to age, race, gender and skill levels. There is also likely to be an increasing proportion of jobs that are not fully integrated in social security regulations, of low-paid jobs and informal jobs. De-regulation and informalisation look set to increase in coming years. In order to understand the impact of the crisis on employment and the position of workers and trade unions, it is necessary to study the role of the de-regulation and the re-regulation of labour markets.

3. Changes in the global economy and power structures and global governance reforms

The neoliberal process of globalisation included global economic processes without sufficient regulation. This was reflected in unstable international financial networks, high current account deficits, chaotic currency fluctuations, and mercantile strategies in some countries to promote exports. The scope of democratic decision making declined, civil society organisations like trade unions, community groups and political parties lost influence vis-à-vis global financial markets, multinational companies and international trade regimes.

These processes took place against the background of changes in global power structures. Important new players like China, India, Brazil and others entered the stage. Without a fundamental reform in global governance, including a reform of existing international institutions, sustainable stability cannot be achieved. However, without integrating the new powers and giving more influence to countries in the Southern hemisphere and accepting the relative decline of the role of the US and Europe, a new global governance structures cannot

be developed. The neoliberal globalisation project imposed policies on many countries in the Southern hemisphere in the tradition of the Washington Consensus, and some of these

countries followed this pattern blindly. Also these types of policy, which were not very successful in promoting development, have to be reformed in a new global governance structure. However greater influence of Southern governments does not automatically imply more global justice for people. A more inclusive power sharing model among states is fully compatible with a decline of participation and influence of ordinary citizens within states.

4. The financial system, distribution and growth

Financial systems in the narrow sense were responsible for the outbreak of the deep crisis of neoliberal globalisation. This was due to an increase in the securitisation of international claims, from derivatives and financial products of all kinds, to the formation of an unregulated shadow banking system caused by the risky and short-term orientation of all parties within the financial system, by pro-cyclical regulations like Basel II and fair-value accounting, and by destabilising incentive systems for managers. Financial systems should support and promote the real economy; their function should again become subordinate to the real economy. Since the 1970s wage shares in income have been declining. This development is also closely related to the increased role and power of the financial system in recent decades. At the same time, as a result of the deregulation of labour markets, the wage structure became much more unequal. The falling wage share and the changing wage structure (and in many countries government tax and expenditure policies) have led to rising inequality in the distribution of income and wealth. As a result of a the reduced ability to finance consumption out of income, this has led to unsustainable credit-financed consumer booms in some countries. Sustainable development requires that distribution become more equal again.

5. Social safety nets and the public sector

Neo-liberal developments in recent years have weakened the role of the public sector through the privatisation of former state-owned companies and public services of all kind. At the same time, the social safety net in many countries has been at least partly dismantled. A new relationship between governments and private enterprise that provides more socio-economic

security to workers is required for more stable development. Governments have to produce and (once again) deliver more public goods, ranging from education to public utilities. Models

of solidarity economies and new models of urban management also have an important part to play in the much needed new relationship between the public and private sector.

6. Financial systems, corporate governance and multinational companies

In recent decades stakeholder capitalism has developed into a short-term orientated shareholder capitalism dominated by multinational companies. Multinationals now organise their value-chains around the world according to short-term profit motives. This has not only reduced the role of trade unions in companies, but has also led to obscenely high management salaries and an increase of low-paid and precarious jobs. Without a fundamental reform of corporate governance and, along with it the reform of financial markets, a sound development in the interest of employees seems highly unlikely.

7. Looking beyond the horizon – are there fundamental options?

There was a crisis before the crisis. Billions of people lived in abject poverty and insecurity despite an unprecedented accumulation of global wealth. Even without the financial crisis the global economy did not meet the criteria of social and environmental sustainability. The depressing track record of all previous state- and party-led alternatives to capitalism has resulted in widespread doubts about fundamental alternatives. The willingness of policy makers to finance a nearly unconditional bail out of the banks and the arrogant complacency of the financial industry cannot be understood without the hegemony of the conservative view that today's world is by and large the end of history. The lack of alternatives guarantees an unprecedented stability even during the worst crisis in a century. Today's global social and environmental crises require imagining new forms of change beyond the state- or market-centred solutions of the 20th century.

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If you would like to offer a paper in one of these areas, please send a short, half-page abstract by 1 May 2010 to:

gluconf@global-labour-university.org

It is planned to publish a volume containing a selection of the papers that are presented at the conference.