

## Future prospects

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We could spend 2009 mesmerised by the sheer scale of the economic and social catastrophe generated by the credit crunch of autumn 2008. Alternatively, we could fix our gaze on the good that might come of this crisis, which arrives hard on the heels of the challenges posed by climate change. We might discover that, in a few short weeks, the financial crisis has opened up debates which most progressive thinkers had imagined closed forever. Both of these points of view will be considered in turn below.

A cartoon by Chappatte appearing in the International Herald Tribune of 26 November 2008 illustrated what lies ahead of us more graphically than a lengthy treatise. Against a background of crumbling stock markets and banks, we see an EU political leader, accompanied by an American and an Asian, holding in his hand the text of a speech entitled 'Public Debt'. He proclaims: '*We want to thank our grandchildren, without whom these rescue plans would not have been possible*'. If the budgetary cost of the adjustments needed to combat climate change is added to that of rescuing the banks and whole sectors of industry, as well as the cost of economic recovery plans, it has to be admitted that – as far as future prospects are concerned – the legacy being left to our children by this economic model is extremely onerous. To quote the term coined by the German psycho-sociologist Harald Welzer, this method of burdening future generations with debt constitutes a 'colonisation of the future'<sup>1</sup>, for which intergenerational solidarity will pay the price. We are plundering the resources of the future to correct the errors of the past 30 years.

The legacy is not merely onerous; it is uncertain too. What is striking is not just people's loss of confidence in the elite (Edelman, 2009 Trust

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1. Welzer H., '*Crise: le choc est à venir*' (text translated into French in *Le Monde*, 8 February 2009).

Barometer)<sup>2</sup>, but also the impression that the elite itself has lost control of the economic system. The fourth round of the crisis – after the financial, economic and social rounds – may well therefore be political. A range of protectionist measures are being rolled out at the start of 2009: financial isolationism, public support for national industries, calls for investment and production plants to be kept on home soil, competitive devaluations, encouragement to ‘buy Spanish’ and to ensure ‘British jobs for British workers’, and so on. The often-criticised lack of economic governance and policy coordination in the euro zone could strike at the very heart of European integration: the single market, or even the single currency<sup>3</sup>. Must we worry about not only ‘colonisation of the future’ but also ‘each to their own’? As ETUC General Secretary John Monks told the World Economic Forum in Davos: ‘*We know where protectionism and nationalism lead: history, alas, has shown us. Is that what we want? The answers must not be dispersed, but integrated*’<sup>4</sup>. A protectionist response will not satisfy those who believe in the need for European cooperation to confront the crisis. But protectionist tendencies surely grow in the fertile soil of an ever narrower conception of the single market, as a place for competition, including tax competition, and for a levelling-down of social standards. And such tendencies surely reflect a paring-down of the European project to its bare bones. Mr Monks went on: ‘*At European level, the answer must be a European answer. Yet where are the European proposals and initiatives?*’ As Daniel Cohen points out, rejecting protectionism does not mean advocating ‘crude free trade’<sup>5</sup>. Trade must be organised in such a way as to ensure social and environmental standards for all. Rebuilding the internal market, as well as international trade, on the basis of such standards would be a first step forward.

But the legacy being left to our children does not end there. The International Labour Office predicts in its annual Global Employment

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2. <http://www.edelman.com/trust/2009>. We should point out that this survey was conducted among well-off, highly educated people in 20 countries on five continents. The survey’s findings show the extent to which the crisis has undermined the confidence of those questioned in the economic elite. Only 38 % of interviewees in the United States think that the world of business is taking the right decisions, and just 17 % believe the information they receive from business leaders. Confidence in banking circles plummeted from 68 % in 2008 to 36 % in 2009 in the United States, and from 41 % to 27 % in western Europe’s three largest countries.

3. ‘Each to their own’ *Financial Times*, 5 February 2009.

4. ‘Davos: No return to the protectionism of the 1930s’, speech by John Monks, Brussels, 29 January 2009.

5. *Le Monde*, 7 February 2009.

Trends Report<sup>6</sup> a steep rise in unemployment, the number of working poor and insecure employment. The Report, published at the end of January 2009, states that, as compared with 2007, the number of people out of work around the world could rise from 18 to 30 million, or even 51 million in the worst-case scenario. The number of working poor – people who do not earn enough to lift themselves and their families above the threshold of \$2 per person per day – could reach 1.4 billion, or almost 45 % of the global working population in jobs. A misconception of the economy, based on insane profits and blind faith in the market, will therefore ultimately lead to tens of millions of unemployed people and working poor. Thus, in addition to rescuing the economy and jobs in the short term, it is absolutely vital to think and act in the long term to alter the ethos, substance and direction of the economy. That would be a second step forward.

Over and above the cost of the catastrophe, a hitherto unthinkable transformation has occurred in the political debate. ‘Nationalising the banks’, ‘curbing executive pay’ and ‘investing heavily in recovery plans’: these are no longer blasphemous statements which make the free-trade dogmatists see red. They are decisions taken in the space of a few weeks by a new US President and by certain EU Member States. The crisis, it would seem, has opened up unprecedented scope for debate. Following the uncompromising rule of extreme neo-liberalism, we are now seeing the return of a social debate where anything goes. It is a chance for progressive thinkers and left-wingers in Europe to push for a different – social and sustainable – model of economic development. One might unfortunately wonder how well prepared we are for this window of opportunity, and how capable the EU is politically and institutionally of conducting this fundamental debate; even more, how willing it is to do so.

Yet the objectives of that different type of development are well-known: basically they correspond to the Millennium Development Goals set out by the United Nations Organisation<sup>7</sup>. Everyone should be given a degree of economic and social security, on a sustainable basis, through international cooperation (the financial markets being an almost perfect negative image

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6. ILO, *Global Employment Trends Report 2009*, 28 January 2009.

7. Reduce extreme poverty and hunger, ensure primary schooling for all, promote gender equality and the empowerment of women, reduce infant mortality, improve maternal health, combat HIV/AIDS, malaria and other diseases, safeguard the environment and put in place partnerships for development.

of this objective!). Putting the MDGs at the centre of a new model of development is the task to which political, economic and social players should now buckle down. That means overhauling all the policies being implemented in pursuit of these objectives, especially within Europe.

Such a task goes well beyond the measures being discussed as a way of overcoming the crisis. 'Continuing to pour trillions of dollars into carbon-based infrastructure and fossil-fuel subsidies would be like investing in subprime real estate all over again'<sup>8</sup>. Should we in fact be bailing out the automotive industry while greening it slightly, but without pondering on that sector's chronic overproduction? Will we be placing more 'clean cars' on the market in the near future, merely for them to join the traffic jams in our major cities, or should we radically reconsider cars as a means of transport? In respect of agricultural policy, should we be mounting European campaigns in favour of organic produce at the same time as subsidising exports to developing countries, thereby threatening food security in those countries? Should we be raising consumer awareness of quality labels while the major supermarkets continue to increase the food miles travelled by their products ('*made in monde*', to quote the author Suzanne Berger), without internalising the external costs, and continue to exploit their subcontractors<sup>9</sup>? Turning to social policy, should we still be advocating corporate social responsibility and flexicurity, given that tens of thousands of jobs have been lost every week since the start of 2009 while executive bonuses have remained intact? Should we content ourselves with improving financial transparency and regulation, while investors are still profiting from acts prohibited by international conventions (humanitarian law, ILO conventions, the Universal Declaration of human rights, the Convention on Biological Diversity, etc.)? In short, should we be modifying policies in a purely peripheral manner, or should we be tackling their very essence?

Changing the direction and substance of Europe's economy entails a radical rethink of policy-making with a view to sustainable development, be it in respect of finance, industrial policy, accounting standards (and

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8. Ban Ki-moon, Al Gore, 'Green growth is essential to any stimulus', *Financial Times*, 17 February 2009.

9. See in particular the Clean Clothes Campaign and, specifically, the report 'Cashing In: Giant Retailers, Purchasing Practices, and Working Conditions in the Garment Industry', February 2009.

expertise), transport policy, the modes of production, distribution and consumption, but also fiscal policy, competition, the Stability and Growth Pact, and social cohesion<sup>10</sup>. The crisis has taught us that it is no longer enough to tinker on the periphery; the task ahead is immense.

The transition to this different world must be accompanied by unemployment insurance and compensation schemes whereby redundant workers can be retrained, and by measures to protect pensions from the effect of falling financial markets. Public authorities likewise have a vital role to play in investing in infrastructure and housing, community facilities and green jobs. This transition calls for a reinforcement of social dialogue at company, sectoral, national and European level. In an environment where the industrial fabric is being restructured comprehensively, quality of work must be an issue central to our concerns. The EU's potential role is important not just in the face of restructuring operations, but likewise with a view to handling this transition to a low-carbon economy in a socially acceptable manner. The European Union must at last bring about a harmonisation of the basis for company taxation, and then a harmonisation of tax rates.

All of this requires Europe to flex its political muscles. In absolute terms, the EU's political resources greatly outweigh its current capacity to act and exert influence. But it needs to think outside of the box. Whereas the new US President, Barack Obama, sealed the fate of directors' pay within his first few days, the EU is equivocating and Member States are going it alone. According to the economic columnist Martin Wolf, 'Decisions taken in the next few months will shape the world for a generation. If we get through this crisis without collapse, we will have the time and the chance to construct a better and more stable global order. If we do not, that opportunity may not recur for decades'<sup>11</sup>.

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**10.** For a discussion of these issues, see C. Degryse and Pochet, P. (2009) "Changer de paradigme : la justice sociale comme prérequis au développement durable", *Working Paper*, WP 2009.02, ETUI, Brussels.

**11.** *Financial Times*, 4 February 2009.