

Trade unions in the crisis

In the Face of the European and Financial Crisis: Role and Responsibilities of Germany and its Unions

Whenever I met Asbjørn Wahl, to whom I owe my invitation today, the last years in international meetings he anticipated a historical defeat of the European workers' movement if we don't cope with that pervasive shift in the balance of power between labour and capital, if we don't get out of this defensive position of nationally restricted mobilisation and resistance.

Sometimes it sounded like the old Cato's *Ceterum censeo*.

Now we find ourselves right in the middle of this foreseeable drama. But as trade unionists we don't tend to fatalism: as much as our deficits in transnational cooperation are a main reason for what happens in these days, as much do we know, that just this, coming together instead of competing one against the other, marks our way out of this situation of being blackmailed. I'm convinced, that in the long run the key to get out of this situation lies in our hands as labour movement, as the great counterpart of capital.

But let me make two remarks in advance:

1. When we talk about "defeat", this doesn't mean, that there would be no resistance or opposition against those brutal cuts. In contrary: What we are witnessing in lots of European countries may be called the biggest uprising after World War II. But hundred of thousands protesters, big strikes and lots of new and creative forms of counteraction couldn't prevent up to now an unparalleled downgrading of mass income, social and democratic rights and a gigantic rise of unemployment, poverty and even hunger.
2. This imposes the second remark: whom do we mean, when talking about "we" and "us"? There is a growing contrast between a range of EU-economies, getting into a more and more desperate situation and some other countries, most of them in the European North, who seem to be immunised in a world of crisis. Among them your country, however under very special circumstances, Finland, the Netherlands, Austria and above all: Germany.

+ While the others register a dramatic decline in GDP, Germany has celebrated a very stable and strong growth rate since 2009.

+ While the others are breaking one record after another in public debts and declining fiscal revenues, in Germany the public budgets do relatively well because of bubbling tax income.

+ While the others suffer from dramatic joblessness, in Germany the rate of unemployment is at the lowest level for years, even lower than before the crisis.

+ While in most other countries governments are put under pressure by nationwide protests, Mrs Angela Merkel enjoys high approval rates: 64% declare that with her the government would be in good hands.

This reveals the problematic, even dangerous way of mainstream-thinking in Germany, not at least within the working class and the poorer part of the population. The story goes as follows: we have done our homework (i.e. lowering income, inevitable social cuts, established by Chancellor Gerhard Schröder – I’ll come to that), now the others should do as well instead of (or: before) reclaiming “our” money.

But is it really our merit, “our Money” or is it rather Bert Brecht’s story from the poor and the rich man, transferred to the relation of poor and rich states: “poor man and rich man stood looking at one another. And the poor man said pale-faced: if I weren’t poor, your weren’t rich.”

I think this comes near the true story behind the popular appearance. Explicitly or sometimes implicitly the Germans are very proud to be the next best world champions in exports (even in real terms, not only per head), which expresses the actual strength of the German economy and above all an extreme imbalance between national economies.

The real story is:

All products and services produced in one country and consumed in another create or secure working places in the one and undermine working places in the other. So the German “Jobwunder” interferes directly with unemployment in other countries.

Secondly: the exports of the one country are the imports of the other. If countries, who import more than they export, buy German cars, technologies or military equipment, they must borrow money to pay the bill. So the German export profits strongly interfere with the indebtedness of Portugal, Spain, Italy, Greece and others.

If you ever meet Angela Merkel, or any of her ideological friends in politics or leading media, ask them what will be the result, if all other countries have done the requested homework? Export-champions all over the world?! And who will be left to buy the goods and services from all those export-champions!?

There is no reason to downsize other causes of the actual crisis in general and particularly in those countries, but the economic disequilibrium and Germanys export model are one of the main reasons and the most ignored ones. So realizing this interdependence there is no room for Germany or other countries, which currently do well, to be arrogant or demonstrate a know-it-all-attitude. On the contrary, there is much reason for responsibility and solidarity for what happens in other parts of Europe.

The caesura of 2003

What about the political development, which led to this constellation and what was the role of the unions?

To tell the whole story, I should rather go back to the roots of the German model of corporatism and codetermination within the so-called Rhenish capitalism (which refers to Bonn, former west-German capital by the river Rhine). For decades it seemed to guarantee social peace and welfare state benefits. But with the coming up of globalisation German capital and its political entourage cancelled this historic class compromise, because the costs of the welfare state hindered in their eyes the competitiveness of the German export-oriented industries.

Suddenly the image of social market economy changed into an obstacle to progress. Germany was considered to be Europe's old, sick man. It was the SPD, loyally supported by the Greens in the red-green coalition under chancellor Gerhard Schröder, to organise the big turnaround with their "Agenda 2010" from 2003 onwards. It was not a reform, but a "counter-reform" of the German social systems and its labour market:

- deregulation of the industrial relations through cutbacks in social security regulations and – strategically very effective – the implementation of a broad low wage sector,
- abolition of restrictions in the financial markets in order to make Frankfurt more competitive with the London stock exchange and Wall Street,
- reduction in the tax burden for rich people and entrepreneurs, for example by lowering the maximum tax rate,
- reduction in social security contributions, especially for entrepreneurs, above all by lowering pension income and extending the pension age from 65 to 67.
- privatisation, specially in the education and health system to make health and education profitable markets.

This policy shift has had deep consequences. It was very successful in the sense of the initiators.

Germany became a tax oasis: the taxes for the rich sank far below the European average. If Germany would tax inheritances and wealth according to the European average, fiscal income would rise by 32 bn €. If taxes on capital income were raised to the European level fiscal income would rise by a further 54 bn €

As a result of this, net public property has decreased since 1992 by up to 800 bn € while private property rose by between 5.400 bn € and up to 10.000 bn €

The big redistribution deepened the gap between rich and poor dramatically: the upper one-hundredth meanwhile own 25% of the national wealth, while half of the population own not even 1%.

Deregulation of the labour market and the implementation of a big low-wage sector weakened the unions. Currently, there are around 8 million union members in the DGB. That is less than we had in Western Germany in 1989 before the reunification.

The coverage by collective agreements sank from 63% (West-Germany) to 54% within the last 10 years (East-Germany: 44 to 37%).

Having said this, it is not astonishing, that real income in Germany has fallen since then. But very important for our analysis: This was in sharp contrast to the EU-development of average real gross income. While in Germany it rose between 2000 and 2009 by only 1.3%, the average rise in the EU27 was 7.9%, in France for example 8.9%, in the UK 14%, in Ireland 29,2% and in Norway, compliment: 29.4%. You are at the top of the list, Germany at the bottom! 2012 seems to become the first year with real income increase, while most of the years before we had wage losses in real terms in Germany.

So this is absolutely against the general tendency in Europe. And this is the key for the understanding of Germany's special role in the crisis context.

On the one hand millions of workers, mostly working poor, precarious employees suffered from these cuts. One should name this a great defeat. But others called it a sacrifice, which means that there is something in return. And really, the mainstream interpretation is, that via enforcing the German industrial site in global competition this way, we succeeded in uncoupling from the European social downgrading. This is the political dilemma of the German Left and trade unions. We come back to that.

The “national-Keynesian” response to the crisis in 2008/9

So on the one hand the German economy was well positioned, but on the other hand it was very vulnerable when it came to the worldwide breakdown after the Lehman-collapse – because of its extreme dependence on exports. So the calculus of the German government – meanwhile a great Coalition between CDU and SPD, led by Angela Merkel – was to survive the crisis unscathed by pumping cheap money into the economic cycle, motivating investments by incentives and programs, by supporting consumption (scrapping bonus for older cars) and by preventing enterprises from mass dismissals by limited wage support.

Capitalist crises have always been resolved by the destruction of capital, by the downfall of the weaker (enterprises, branches, national economies) and a new positioning of the surviving fittest. So the intention was to survive the troubles in 2008 and 2009 with pragmatic measures, no matter if neo-liberal or Keynesian, to come out of it as enforced and highly competitive economy. That's what we are seeing now.

The big cuts of Schröder's Agenda 2010 came up against a lot of resistance and demonstrations by the unions and the political left. It brought a lot of discord between unions and SPD. The Party “Die Linke”/The Left was founded as the political answer to the social-democratic lapse. But even then, there was some restraint if you take the labour movement as a whole. Even in face of all these cuts there was always some subliminal and unspoken agreement to this austerity policy. Especially the core workers in the export-oriented industries and lots of union officials sympathized discreetly with Schröder's policy and weakened the unions' resistance.

This “undercover” sympathy changed to open cooperation with anti-crisis policy in 2008/9. To survive the crisis by guaranteeing job tenure and stabilizing sales was as well in the interest of workers and unions in the core industries. Up to a certain degree this was a renewal of the old social partnership.

In contrary to Keynes' conviction, who always referred his demand-oriented policy to the entire economy, this was a national-Keynesian approach, because it only referred to the subsystem of one national economy within the global context. It was not to fight the crisis and its roots, but to improve the national position in global competition.

Volatile Situation and Dilemma

It would be wrong to paint all German unions with the same brush. On the one side we have the unions of public and private services, which have recently become more and more offensive. On the other hand, we have the unions of the export oriented industries like the chemical industries, engineering and automobile industries, above all the IG Metall. While IG Metall in former times was known for its most radical positions in the German trade union landscape, now it more and more focuses on realising its members interests by going shoulder to shoulder with its capitalist counterparts.

But this is for several reasons a risky and non-sustainable strategy:

1. There is a growing split in the working class: there is the core workforce, highly unionised and more or less in job tenure. But their social status gets under pressure from precarious work. Though IG Metall often succeeded in regulating temporary workers in collective bargaining (equal pay), they couldn't cover the many different forms of low wage work outside the company doors, strongly increasing in the high-skill sectors. This brings continuously pressure on the social level more generally.
2. The ongoing worldwide crisis will cause a decline in demand with severe consequences for the German export oriented economy. Though there was again a rise of exports by 5% in September 2012, there are first signs of recession: some automobile plants and other industries have already reduced daily shifts. I doubt that there will be enough political backing and enough money to support the export industries and their employees again as in 2007/8.
3. In case of great economic slumps in other European states and national economies there will be a strong backlash affecting negatively German public finances. First because they are directly engaged via ESM and secondly because they will again feel obliged to rescue banks, which they declare too big to fail. Thirdly because of the debts limit, they put into place through the fiscal pact. Public finances running short of money will unleash a new round of austerity measures.
4. In 2012 it will be the first time for a long time that real income of German employees will slightly rise – in absolute contrast to what happens in other European countries. So will there be a reverse in the relation of labour costs and productivity to the disadvantage of German competitiveness? And as a reaction to this: will there be a new Agenda? An Agenda 2020, may be launched by Peer Steinbrück, the new social democratic challenger of Angela Merkel in the 2013 elections? He is already experienced in so far as he was one of the architects of the 2003 Agenda, when he was federal minister of finance in the Schröder-Government from 2005 to 2009.

What will happen, what perspectives do we have, when the crisis escalates and reaches the countries which have been spared up to now from its disastrous consequences like yours and mine?

If we don't get out of the national bounded policies, our resistance will be paralysed. We rather feel legitimized to fight for our interests, because we don't bear the blame for the crisis. But on the other hand there is a deep unspoken conviction that our workplace security, our social standards depend on the doing well of our capitalist counterparts, on our national economy, and that means in nationally bounded thinking on their competitiveness.

In my eyes it is a great deficit of left wing policy to consider that dilemma only an ideological one, which could be overcome by counter-argumentation, by telling the true story. This doesn't fit with workers' direct experience: their perception is: we made concessions at the plant level, in collective bargaining and in national policy – and so we survived the crisis with only little damage. We may run again and again against this perception. There will only be little success, because this widespread view is experience based.

But if we widen our views, if we think out of our own box, if we take into consideration what happens outside of our borders but within tight relation to us, we will come to other results.

Out of the deadlock

So let me draw some general conclusions, which may fit in some regards to your situation – in others not.

Norway is an export oriented economy too. But in contrast to Germany

- your global positioning may be not so much fixed on salaries and social costs
- the development of wages and social income rotates in the opposite to German development
- Norway is debtless, Germany is at the brink of its fiscal limits.

With this proviso in mind, I would conclude the following five points

1. Offensive on the Defensive

To think globally doesn't mean to ignore the relevance of fighting back under more and more unfavourable conditions. We should raise our efforts defending the welfare state, in a nationally demand oriented economic policy, in distribution battles, for minimum wages, for shorter working times, against precarious work, working poor and unemployment. We should do this by modernising our strategies – for example through the organizing approach.

2. Alliances with civil society movements

When the power of unions fades away, it is absolutely necessary to build alliances with civil society movements. May be their actual strength is a special feature of the German situation. I talk about our successful fight against nuclear plants, against gigantic road building projects or airport runways and most currently – the fight against the Stuttgart21- project, together with the Gotthard road tunnel Europe's

biggest infrastructure project: the replacement of a very effective railway station, protected as a historic building, by an underground station in order to gain one million square meters of inner-city building sites. Value 10bn € These movements don't aim in general against mega-projects, but against projects which are only to the benefit of banks and investors and at the cost of tax payers and welfare state expenses.

These social movements in Germany have a higher level of mobilisation than unions fighting for political aims have at the moment. My hypothesis is that most of the frustrations about social injustice, corrupt politicians, economic blackmailing, erupts in these protests. And another reason may be: they have the option of near-term success, which unions cannot offer or promise.

Unfortunately the official unions have a strange anxiety to build alliances with these movements.

3. Learning at the limit

Our efforts in those defensive conflicts mostly end up at the limits of the factual balance of power. The other side obviously has forces at its disposal, which we can't overcome. But each time there is a reason we should analyse. Why didn't we reach our objectives? What kind of cooperation with other groups of employees or consumers or civilians, what kind of solidarity is necessary and what organisational consequences should be drawn?

In that sense, I hope, we'll make a step forwards with the transnationally coordinated general strikes in Portugal, Spain, hopefully Greece and many others on 14 November 2012. The ETUC already has announced a day of action including strikes, demonstrations, rallies and other actions.

4. More and more we address our demands as well to the European level, for example with the "Call: Founding Europe anew!" But where is our collective European power to push this through?

In a growing number of cases, the blackmailing power of our opponents results from global competition. They threaten with the outflow of jobs and capital, of losing ground in this global contest. We are doing our best but ultimately we can't resist an attack from the global level by fighting back from the national level.

5. Moral Solidarity

The initial point to get out of our national boundary is to acknowledge what happens in other countries to people like us, to workers, the poor. This should open the door to moral solidarity which is driven by empathy. This means information, visits, exchange, political and private partnerships organising solidarity along the production and distribution chains and consumer strikes.

6. Economic solidarity

But trade unionism is more than this. Capitalism tends to divide us into competing

vendors of labour. The countervailing power of unionism is to limit this competition by bringing the competing workforces together, by organising them, by empowering them to act in solidarity, that means as ultima ratio: to withhold their labour collectively within the branches and economic structures, i.e. to strike.

The more capitalism goes global, the more competition through wages becomes a global issue and the less effective become those unions, which only succeed in limiting competition between workers at the national level.

To restore the balance of power the guiding principle of our thinking, our acting and the development of our organisations should be to track capitalism to the global level, especially to the European level which today is our greatest challenge.

This conclusion may appear very far away from our every-day-problems and ushers us into a long-term strategy. But it is worth going according to *Willi Bleicher*, a famous German anti-fascist and union leader after the war, who said: Unions are the best thing, workers have. Today we should be more precise: The principle of unionism is the best thing workers have.