

## Bringing Politics Back In

By Nicolas Pons-Vignon

Many progressive economists and trade unionists have sought to engage in dialogue and negotiations with capital and governments during the global financial crisis, hoping they could achieve the adoption of reasonable and balanced policies. They may have done so because such an approach used to work in the past, especially in social-democratic contexts, or because, in the early days of the crisis, they were listened to as respectfully as during the high time of the “Keynesian compromise” in economics. They may be convinced that governments should “see” what is happening and want to adopt more inclusive policies. But as the General Secretary of the International Trade Union Confederation (ITUC) Sharan Burrow puts it in a Global Labour Column, “If during the crisis workers’ organizations could have anticipated that a new era of dialogue had begun, the moment has clearly passed”. Governments are indeed not seeing anything; in fact, the way in which they have responded to the crisis indicates that relying on strong arguments is insufficient. Are neoliberal policies, and the huge increases in inequality they have caused, responsible for the crisis? Well, the policies adopted in the wake of the crisis amount to more of the same – from the absence of any meaningful regulation (or rather, curtailment) of financial “innovation”, to the public bailing out of banks by states who then in turn reduce their spending, thus passing the costs of the crisis on to ordinary workers and unemployed people. Trade unions have been using their organizational and institutional power to resist relentless attacks on social and labour rights. Nevertheless, after decades of retreat, the financial crisis is rapidly weakening further their traditional pillars of power and influence. What is to be done?

Labour faces the urgent need to overcome the dilemma that it cannot let its influence slip further, while a more oppositional strategy carries the risk of further marginalization if it fails. This may be what will happen in France, even if, despite its failure to thwart the pension reform, the strength of the movement which took place in autumn 2010 breeds optimism. Trade unions have recognized the need to fight precarious employment, to build new alliances (for instance to defend the rights of domestic workers), to make efforts to organize workers, and to regain democratic control over markets. But achieving a meaningful reduction in inequality (and in the power of finance) will require both the formulation of convincing policy alternatives and a determination to fight for them. This requires more than good ideas and determined cadres, however, it demands imagination, will and the confidence of people in the possibility of change.

While it is important to recognise the positive dimensions of recent mobilizations, it is also apparent that on balance they lack political inspiration and momentum. There are four areas where the fight against neoliberalism must be waged in order to be successful – and to allow a coherent project to emerge. These four areas are, in increasing order of importance, academia, ideology, policy and politics.

On the academic front, the dominance of neoclassical economics ought to be contested vigorously – at least as vigorously as it has

contested the right to exist of any so-called “heterodoxy” in its heart while “colonizing” other social sciences (Fine and Milonakis, 2009). It can hardly be doubted that today’s policy-makers’ inability to take decisive action to leverage state power in order to protect workers is linked to the hegemonic neo-classical discourse of the last decades. If one sees labour as a mere cost and unemployment as voluntary, it would be hard to believe that higher wages would improve a derelict situation. The struggle for plurality in economics will first have to be national – and initiatives such as the newly formed French association of political economy (AFEP, see [www.assoekonomiepolitique.org](http://www.assoekonomiepolitique.org)) are to be commended – but will also have to draw its strength from international alliances. Indeed, only a concerted international initiative will succeed in affecting the self-reproducing hierarchy of economics journals – none of which, in most classifications, include a single non-exclusively neoclassical review in the highest category!

On the ideological front, the time has come to contest the hegemony of the market. Simplistic notions such as “the private sector is more efficient” must be boldly challenged in the public debate, along with calls for the systematic inclusion of the private sector in public investment, as in public-private partnerships, or for the commercialization of the operation of state functions, whether utilities or other areas such as healthcare. The arguments used to support such claims are often grounded in lies (as in the case for pension reform in France), or in collections of one-sided anecdotes, such as the article on industrial policy published by *The Economist* in August 2010<sup>1</sup> which lists the failures of publically supported companies – as if all private companies were successful! Biased use of words is also at the heart of neoliberal ideology, as for example in the case of “liberalization”: it is not “liberty” which is at stake here, but increased involvement of (and profits for) private capital. At the heart of this agenda lie institutions such as the European Commission, which is persistently pushing for the “opening to competition” of sometimes very well-run public entities. In countries such as the United Kingdom, and in many of the transition countries subjected to “shock therapy”, the drawbacks of privatization and liberalization are crystal-clear. As for the workers and unions, the defence of their rights (except when it is narrowly defined) should make them proud rather than ashamed. I remember seeing a Trades Union Congress (TUC) leader almost apologizing to a BBC journalist for contesting the massive public sector cuts the Government was proposing. The journalist was scornfully saying that “Irish workers are proving much more responsible (*sic*) and willing to share the costs”. Workers’ rights are not at odds with economic growth, or with a country’s national interests, despite Fiat CEO Sergio Marchionne’s relentless claims to the contrary in Italy. At the heart of the ideological fight back, a decisive policy to curb the influence of corporate-funded lobbies is necessary.

On the policy front, the one where most Global Labour Column discussions have focused, it is time to call for bold policies which will thoroughly break with the financial and privatizing frenzy of the last 30 years. Macroeconomic policies should be refocused to support employment creation, to play a counter-cyclical role and to support *rea*/stability – an objective hardly compatible, for many countries, with full-blown liberalization. Microeconomic policies, in particular industrial and competition policies, should be rehabilitated, as they are the key instrument that governments can use to stimulate and orient growth. In developing countries in particular, the possibility of using trade policy to support development objectives is absolutely essential. In a world where climate change is becoming an ever-more looming threat, strong policies aimed at processing minerals (creating local employment and reducing transport costs), developing alternative energy sources and ensuring minimal consumption in industry, transport networks and private and commercial dwellings would be hardly possible without state intervention. Competition policies aimed at regulating the private sector are, in a world of increasing corporate power, one of the tools most necessary for countering the influence of companies on consumers and workers alike. Likewise, the governance of corporations cannot be conceived narrowly as the accountability of managers to shareholders; workers and their representatives must be at the heart of our understanding of corporate governance.

But none of the above fields of struggle is as important as the political one – which is itself highly dependent on the previous three. The most impressive achievement of neoliberalism has undoubtedly been its dramatic weakening of the political power of workers, unions and the parties aligned with them. In many cases, the politics of the latter have been dramatically altered, with many “labour” parties now having programmes that could hardly be distinguished from their right-wing counterparts. Unions have lost many workers, especially outside the public sector, and the growing “precariat” described by Guy Standing (2011) is often either disillusioned with unions or afraid to join them because of explicit or implicit threats by employers. Restoring the power of workers and unions, starting with the workplace, is more than ever a priority: a strong and mobilized base is the necessary blood of any successful political movement. It is very encouraging to see strikes in the public (for instance in South Africa) as well as in the private sector that are increasingly articulating broader political demands. In the United States, the recent movement against the curtailment of public sector workers’ collective bargaining rights in Wisconsin (and the threat of similar campaigns in other US states) may signal both the political awakening of unions and the end of “Reagan’s spell”, under which many working- and middle-class Americans supported policies that harmed them<sup>2</sup>. Linking workplace and other progressive movements in order to promote a new political project, however, will require overcoming the “third way” impasse which so many parties have embraced in order to secure electoral success.

The Global Labour Column has established itself as a forum of debate on the nature of the crisis and on the policies which should be adopted to defend the interests of workers worldwide. In so doing, it serves as an intellectual and policy toolbox which does not shy away from asking tough questions, such as: Why did a policy change not happen despite the failure of the current economic regime? How should unions change, and what must they change in order to weigh in more strongly on the policy choices

that confront the working class? After issuing a (largely unheeded) call not to “waste the crisis” in the first Global Labour Column anthology, the second yearbook, *There Is An Alternative: Economic Policies and Labour Strategies Beyond the Mainstream* (Geneva: ILO, 2011), confronts the policies that have been implemented in the wake of this great depression – as well the resistance they have met. As one of the continents hit hardest by the crisis, Europe is extensively discussed, with an unambiguous call to reinvent it to avoid its collapse. The neoliberal Europe, focused on defending the interests of large corporations, must give way to a progressive entity that seeks to reduce inequality between and within its Member States. The impact of neoliberal globalization on development policy is also discussed, together with possible alternatives. The increased openness and fiscal “discipline” imposed on developing countries following the debt crisis of the 1980s contrasts with the readiness to extend new borrowing facilities to the banks and financial operators that brought the global economy to the brink of collapse<sup>3</sup>. The massive drop in demand by rich countries has shown the crucial importance of building domestic demand (isn’t development about this?) rather than focusing solely on cutting labour and other costs in the hope of being competitive in export markets. The book also addresses the central issue of inequality, which was at the root of the current crisis and serves to reveal the class interests which have been the engine of neoliberalism. Finally, the defence of workers’ rights and wages is shown to be absolutely necessary to ensure sustainable growth in the world, with ILO Director-General Juan Somavia calling for “decent work for all everywhere”. It is an ambitious programme, as it will imply reversing deep trends such as the exclusion of many workers from wage negotiations or growing casualization and wage inequality. But such ambition is necessary if we want to believe that there is an alternative; it will require a broad and vigorous mobilization to succeed. It is high time to bring politics back in.

<sup>1</sup> “The global revival of industrial policy. Picking winners, saving losers”, *The Economist*, 5 August 2010, <http://www.economist.com/node/16741043>. Interestingly, the online debate on *The Economist’s* website yielded an overwhelmingly “pro” industrial policy result, with 72 per cent of voters disagreeing with the motion that “industrial policy always fails”.

<sup>2</sup> On Wisconsin, see C. Feingold, “The march to protect workers’ rights and the middle class”, *Global Labour Column*, 28 March 2011, as well as R. Fantasia, “Could Wisconsin break Reagan’s spell?”, *Le Monde diplomatique*, April 2011.

<sup>3</sup> On financialization, see as Frédéric Lordon’s brilliant essay (in French) on the financial crisis (2008), as well as the publications of the London-based ‘Research on Money and Finance’ group – [www.researchonmoneyandfinance.org/](http://www.researchonmoneyandfinance.org/).

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## References

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