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Global Issues

Austerity Policies in Europe: There Is No Alternative

By Asbjørn Wahl, Campaign for the Welfare State

'There Is No Alternative' (TINA) was one of Margaret Thatcher's infamous slogans. For Thatcher this was a normative slogan, a part of her ideological struggle. She wanted to convince people that her neoliberal policies were the only possible policies, other alternatives had been left on the scrap heap of history. My use of the same wording in the title of this article is not meant to be normative, but rather descriptive. It describes the really existing political situation in Europe today. Thus, it also describes the enormous challenge which the trade union and labour movement in Europe faces, the lack of alternatives to the current neoliberal, austerity policies or, to put it bluntly, the deep ideological and political crisis of the left.

The background to the extreme austerity policies which are now being pursued in large parts of Europe are well known to most people. The financial crisis hit Europe at full strength in autumn 2008. To prevent a collapse of the world's financial markets governments introduced massive economic rescue packages. Most governments took up enormous loans to finance these packages, something which led them into a debt crisis.

Many people expected that the financial crisis, with its ruinous consequences, would mean the final goodbye to neoliberalism, speculation economies and the dominance of free market forces. This policy had led to a dramatic redistribution of wealth – from labour to capital, from the public to the private sector, and from the poor to the rich. The system was thus discredited – and now the politicians surely had to realise that systematic deregulation, privatisation and free-flow capitalism had failed – and had actually become directly destructive. The time had come for control and regulation. So many people thought.

But that is not what happened. The governments did not seize the opportunity to ensure increased democratic control and lasting public ownership of the financial institutions. There were admittedly, in the wake of the crisis, a number of proposals about regulating financial markets and imposing taxes on financial institutions and financial transactions. The elites and the money-grubbers were obviously nervous of the reactions among people. However, actions of a sort which could threaten their interests failed to appear. Proposals of this kind, therefore, have increasingly been toned down.

On the contrary, what we have seen are draconian austerity programmes, massive privatisation of whatever is left to privatise and enormous attacks on public sector wages, pensions and trade union rights – particularly in the most crisis-ridden countries. Pensions have been cut by up to 15–20 percent, while the wage level in the public sector has been reduced by anything from 5 percent (Spain) to over 40 percent (in the Baltic). Collective agreements and trade union

rights are being set aside – not via negotiations with trade unions but via government decrees and political decisions. This has happened in at least ten European Union (EU) countries (the Baltic states, Bulgaria, Romania, Hungary, Greece, Spain, Portugal and Ireland). If the trade union and labour movement is unable to contain this development, it may be facing a decisive and historic defeat in Europe.

How could this happen in a part of the world which has harboured some of the strongest and most militant trade union and labour movements in the world? Why has opposition and resistance not been stronger? How is it that most of the proposals for regulation and increased democratic control vanished like dew before the sun? And who could imagine that quite a few of the enormous attacks on public services, wages, pensions and trade union rights were carried out by Social Democratic governments – in Greece, in Spain and in Portugal, until they all were ousted from their government offices by frustrated voters and replaced by right wing governments?

This has of course to do with power relations in society and the deep political crisis on the left. It is not common sense but the prevailing balance of power, mainly between labour and capital, that decides what 'solutions' are chosen. If reason prevailed, one would naturally have stopped the meaningless speculation economy via regulations, by gaining increased democratic control over banks and other financial institutions. One would have stimulated the economy, invested in infrastructures and in productive activities to create jobs, as well as strengthened the social security network.

Within the prevailing power relations, however, this was not the policy of choice. The neoliberals and speculators who contributed most to causing the crisis are still in the driving seat. The interests of financial capital are therefore given priority. As many people have pointed out, the EU's rescue packages are not primarily designed to save Greece, Ireland, Portugal and other countries that might follow, but the German, French and British banks that these countries had borrowed money from.

The EU's role in this development is pivotal. In addition to the democratic deficit that is built into the EU institutions, they have to a large extent acquired their form and content during the neoliberal era. They are therefore dominated by the interests of capital. Through the Lisbon Treaty neoliberalism is constitutionalised as the economic system of the EU. The EU Commission, The European Central Bank and The International Monetary Fund (IMF) – popularly known as the triad – are now, together with national governments, using the crisis to further reshape societies to suit the interests of financial capital. This is a recipe for depression and social crisis.

In this picture, the lack of political alternatives on the left is striking. The current deep ideological and political crisis on the broad left can only be understood in the context of the rather socially peaceful post World War II period, the heyday of the social welfare state and the existence of a class compromise between labour and capital in Europe. This historic compromise was the result of a very specific historic development, in which capitalist forces gave concessions to the well organised working class in Western Europe to damp its radicalism and win workers' support in the Cold War against the Soviet Union. However, in the dominant trade union and labour movements these historic specific achievements gradually formed the basis for a generalised social partnership ideology which became more and more delinked from an analysis of the power relations on which it was built. Thus, it also led to a certain depoliticisation and deradicalisation of the trade union and labour movement. The historic role of the Social

Democratic Parties became to administer the class compromise, rather than to mobilise the working class for further social progress.

What we have seen in Europe over the last 30 years is therefore governments which have pursued some kind of neoliberal policies, although in different doses, whether they have been right wing, centre or so-called centre-left. The Social Democratic Parties in the EU member countries have, without exception, supported all the neoliberal constitutional developments in the EU, and the entire construction of the Single Market, which in reality has been a systematic project of deregulation, privatisation and undermining of trade unions and social welfare. The few examples we have seen of political parties to the left of Social Democracy joining governments as junior partners of Social Democratic Parties (in France, Italy and Norway) have proved anything from negative to disastrous. None of them have been able to contain neoliberal policies, and they have therefore lost confidence among workers.

Most of the European trade union confederations are clinging to what in EU language is called 'social dialogue'. This means that they act as if the class compromise is still intact, and that peaceful bi- and tripartite cooperation between labour, capital and the state is still the most effective way of promoting the interests of workers. That the class compromise has come to an end, and that the social forces with whom they seek dialogue are attacking public services, wages, pensions and trade union rights day and night, do not seem to weaken most European trade union confederations' belief in social dialogue as the main way forward.

Anyway, the social struggle in Europe is entering a new phase. The crisis polarises differences and provokes confrontations particularly at the local and national level. General strikes are back on the union agendas in many countries, particularly in Greece, where the population is being exposed to draconian measures that threaten their general economic and social living conditions. In Portugal, Italy, Spain, France, Ireland and Great Britain general strikes and mass demonstrations have also been carried out, though with differing degrees of strength and intensity. Even if the outcome of these struggles so far is pretty uncertain, here is where we can find hope for the future – together with other, new and untraditional social movements. The European social model, such as we know it from its heyday, has at any rate been abandoned in reality by the European elites, even if they continue to pay lip-service to it.

A democratic solution to this crisis will require massive mobilisation in order to change the balance of power in society. Only if the trade union, labour and social movements are strong enough to pose a threat to the existing economic order, will the speculators and their political servants start to give in. That is why support for those who are now fighting to contain this cutback policy is so crucial. The restructuring of the political left will have to be part of the task. Either the trade union, labour and social movements manage to defend the social progress gained via the welfare state, or they risk being left with a right-wing authoritarian and socially degraded Europe. A great part of the social progress of the last century is at stake – and there are lots of alternatives.

Asbjørn Wahl is director of the Campaign for the Welfare State. He is also an adviser at the Norwegian Union of Municipal and General Employees and holds an elected position at the International Transport Workers' Federation. His most recent publication is The Rise and Fall of the Welfare State *(London: Pluto Press 2011), upon which large parts of this article is based.*