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A “LABOUR STANDARD” AGAINST THE BLACK WAVE

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Thank you very much for the invitation.

We are currently facing the worst crisis since the post-war period. A crisis that, in many respects, resembles the Great Depression in 1929, and in some ways goes even further. Barry Einchengreen, an economist of the University of Berkeley, has calculated that in recent months the speed of propagation of global unemployment has exceeded the speed of propagation which was recorded in 1929.

We are therefore faced with a powerful crisis, a black wave.

Let me say some words on the causes of this crisis.

This is not simply a financial crisis. The finance factor is involved, as is the collapse of the mortgage market. But they are secondary aspects of this situation.

This crisis finds its roots in the depths of a combination of factors, all of them extensively analysed in the Marxist studies and more broadly those of historical materialism: 1) this is the crisis of a system that compensated over-production by creating continuous speculative bubbles; 2) but it is also a crisis of disproportions; 3) while it is difficult to say whether or not this is a crisis that follows the trend of a falling rate of profit.

By simplifying all these factors, we can define this crisis as "the crisis of a low salary world". Where with low salaries we mean low directly paid salaries, i.e. paid directly by businesses, but also low indirectly paid salaries, i.e. indirectly paid by the welfare state, public services, universal social rights.

How can we explain these low salaries? To find out how we have to start with the fact that during the last thirty years we have witnessed three intertwined processes in all OECD countries.

First. An extensive process of deregulation of markets: financial markets, commodity markets and especially the labour market.

Second. An impetuous process of centralization of capital: the actual owning and management of capital has hence ended up in a few hands, increasingly fewer hands.

Third. An intense process of fragmentation and division of workers: nowadays we have identical workers, performing identical tasks, perhaps even side by side, who are employed by different employees, with different contracts and even different applicable laws.

Therefore: deregulation of markets, centralization of capital, fragmentation of labour.

Because of these three interrelated phenomena, capital has gradually gained strength, whilst labour has gradually weakened in Europe and most parts of the world.

The main result of this shift in the power ratio is as follows: during the last thirty years we have witnessed the gradual increase in the gap between the hourly productivity of workers and the hourly wage of workers. The hourly productivity rate grew continuously but the hourly wages lagged behind. In actual fact, wages often remained unvaried and sometimes even decreased.

This gap took place at a global level. Between 1996 and 2006, the gap between productivity and real wages increased by 1 percentage point in Italy, 2 points in Spain and Greece, 3 points in Austria, Finland and France, 4 points in Germany, and so on. In China and other Asian countries the gap was even greater. And keep in mind that there was a significant gap in the United States too.

Now, this growing gap between productivity and wages indicates a simple factor. It indicates that, thanks to technical progress and thanks to the intensification of labour exploitation, workers were able to produce more and more, but they were not put in the position to be able to buy more of what was being produced.

That is, the production capability of workers grew, but their spending capability did not.

Now, the question is: How on earth has this world of low wages managed to survive despite the ever-widening gap that was taking place between the growing production capacity of workers and the declining spending capability of those same workers?

Well, we can say that the system did in fact survive for a long time because the U.S. has acted like a giant sponge absorbing worldwide production surplus.

What the others were producing, the Americans bought.

This sponge, however, did not work because the wages of American workers were high, far from it. The sponge worked because the United States had outstanding private debt, which was capable of financing huge levels of purchases of commodities imported from abroad.

Could this huge U.S. debt bubble last for ever? Obviously not, and basically that same bubble has now burst.

The problem is that the whole global system depended on payments made in dollars. But after the bubble of U.S. debt burst, there is no longer such great confidence in the dollar as the international reserve currency.

The consequence is that now the low salary world no longer has an absorbent sponge. That is, it no longer has the mechanism which ensured its survival.

The point is though, it will be very difficult to reinstate the American sponge. And it will be even more difficult to replace it.

That's why this will be a long crisis which is resistant to conventional economic policies.

What will happen then? The system will become more aggressive and capital will act as a water scooping mechanism.

To clear the debts, to clean out toxic accounts, capital will drain resources from the system, from labour, from the social state, from essential public services, from that small amount of public production of collective commodities that currently exists.

Mind you, this is already happening.

The United States and many other countries have approved a recapitalization of banks at totally off-market conditions. They have granted capital guaranteed loans to free the banks from the so-called toxic securities. They have proposed state buy-outs at pre-crisis prices and subsequent resales at post-crisis prices, with obvious benefit to the shareholders and just as obvious burden on the state, taxpayers and workers.

Take Italy for example, who has used the recent earthquake in Abruzzo as a facade for a recapitalization transaction at no cost. In fact, using the pretext of recovering funds for the earthquake, Berlusconi's government is proposing a second "tax shield", i.e. a law that will allow tax evaders to transfer, back to Italy, the capital reserves which had never been declared to the taxman, at virtually no cost at all.

These transactions are incredibly dodgy. They allow capital to enjoy a permanent state of exception, a state of suspension not only with regard to the state laws, but also to the general market rules. The policies currently in force grant capitalists a gigantic moratorium on the same capitalist market rules.

Now, it is likely that this mechanism will become increasingly more aggressive, and it will not necessarily help us overcome the crisis. In fact, in order to offset the budgets, the capital reserves will absorb resources from labour and the welfare state. But it will also aggravate the low salary crisis. So the budgets will deteriorate even further. And the capital will require even more resources.

And so on, in a vicious spiral, which is dominated by the deflation of salaries.

And it is interesting to note that the greater the deflation of salaries is, the greater the immigration from poor countries to rich countries will be. This announces an embittering of the war between workers. An embittering which the populist and xenophobic right-wing will take advantage of.

Now, speaking of war between workers, the question we ask ourselves is this: how do capitalists do it? How can they pass over our heads with such ease, with such simplicity? How do they justify a system which is so blatantly irrational and asymmetric, one which puts capital under the protective wing of the state and leaves the workers out in the cold at the mercy of the power of the market?

Well, probably because they take advantage of the division among workers. Because they know that, at the end of the day, it is easy to get workers to fight among themselves.

Private workers against public workers. Younger workers against older workers. Temporary workers against regular workers. Women workers against men workers. Outsiders against insiders. German workers against Greek workers. British workers against Italian workers. And all the Europeans against the African and Asian immigrants.

The division between workers is so real, so tangible that we now feel uncomfortable using the word "working class". We perceive the rhetorical weakness of the expression "class" because we know that workers are divided.

But how can the word "class" be so uninfluential in a world of low salaries? In a world of deep exploitation, of deep division between capital and labour?

Well, I do not want to give a banal and empirical answer to such a complex problem. But I would like to state a clear and incontrovertible fact. The wider the gap among salaries, the lower the salaries will be taken as a whole. The wider the gap among the conditions of exploitation of the various workers, the worse the conditions of exploitation of workers taken as a whole will be.

This relationship between low salaries and different salaries, this relationship between increased exploitation and differentiated exploitation of the various workers, this relationship is forceful in terms of statistics. And I think it is very significant at a political level.

Because, you see, I believe that we will not be able to emerge from the world of low salaries if we do not place at the top of our programmatic goals the goal of uniting workers. Which means making protection systems, labour conditions and wages more uniform among workers.

To do this, we must first of all join forces and aim towards a key objective: a uniform and progressive standard of labour legislation. Let us call it a new *labour standard*.

It is important to clarify that a new system of international monetary relations should be built around this standard. A block on movement of capital and goods to countries that reject the *labour standard*. Commercial and financial openness and expansionary policies towards countries that adhere to the *labour standard*. Countries with a commercial surplus should give a contribution to the equilibrium towards countries which adhere to the *labour standard*.

In some way, we could conceive this proposal as an evolution of the old philosophy which was behind the *Bancor*. An evolution coming from a specific “class point of view” on the global monetary system.

Furthermore, this is a rational, realistic proposal which could also be extended from country to country. It would be a criterion which is capable of making a clean sweep of the banal opposition between protectionism and free trade. A confrontation that has always paralyzed the left-wing, one that has always driven them into a corner.

After the failure of the gold standard, after the failure of the dollar standard, it is now time for the *labour standard* to have a shot.

The labour standard is a complex proposal, which requires a collective research and a strong political mobilization. However, it is a proposal on which today it is possible to build a project for hegemony. That is why the *labour standard* could be the basis for a new political strategy of the European Left.

Thank you.