

Social regression as a way out of the crisis?

Michel Husson

"The New Dangerous Class"
Contrasting Perspectives on Precarity

Ljubljana, 30 March 2013
City Museum of Ljubljana

1

The dialectics of the crisis

**"Economically illiterate"
policies**

or

neoliberal shock therapy?

A three-level crisis

1. A debt crisis

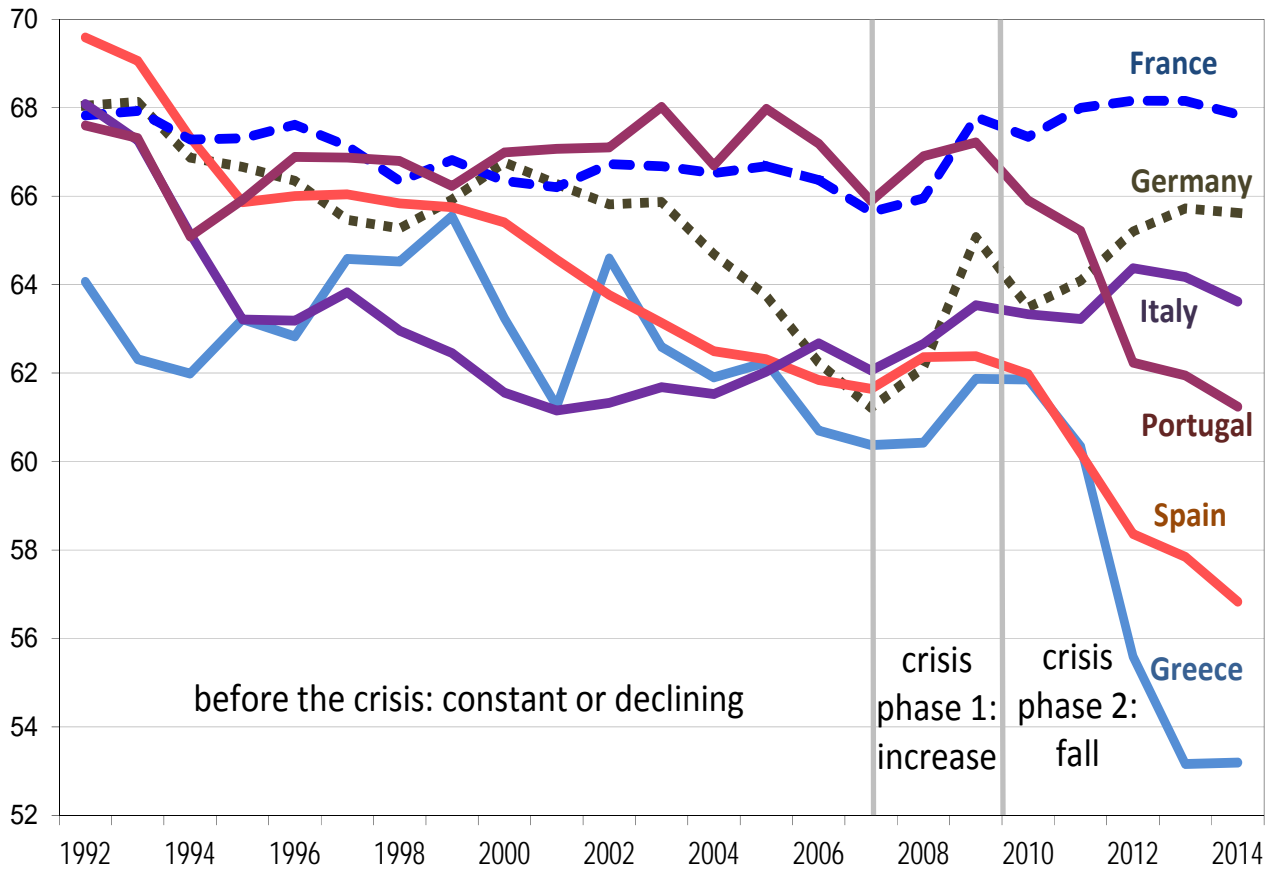
- The true aim of fiscal austerity is to validate excessive "drawing rights" on the surplus value that the crisis has potentially cancelled. In a nutshell: the fictitious wealth that was not extracted by means of exploitation in the past will be guaranteed in the future by means of fiscal cuts.
-

A three-level crisis

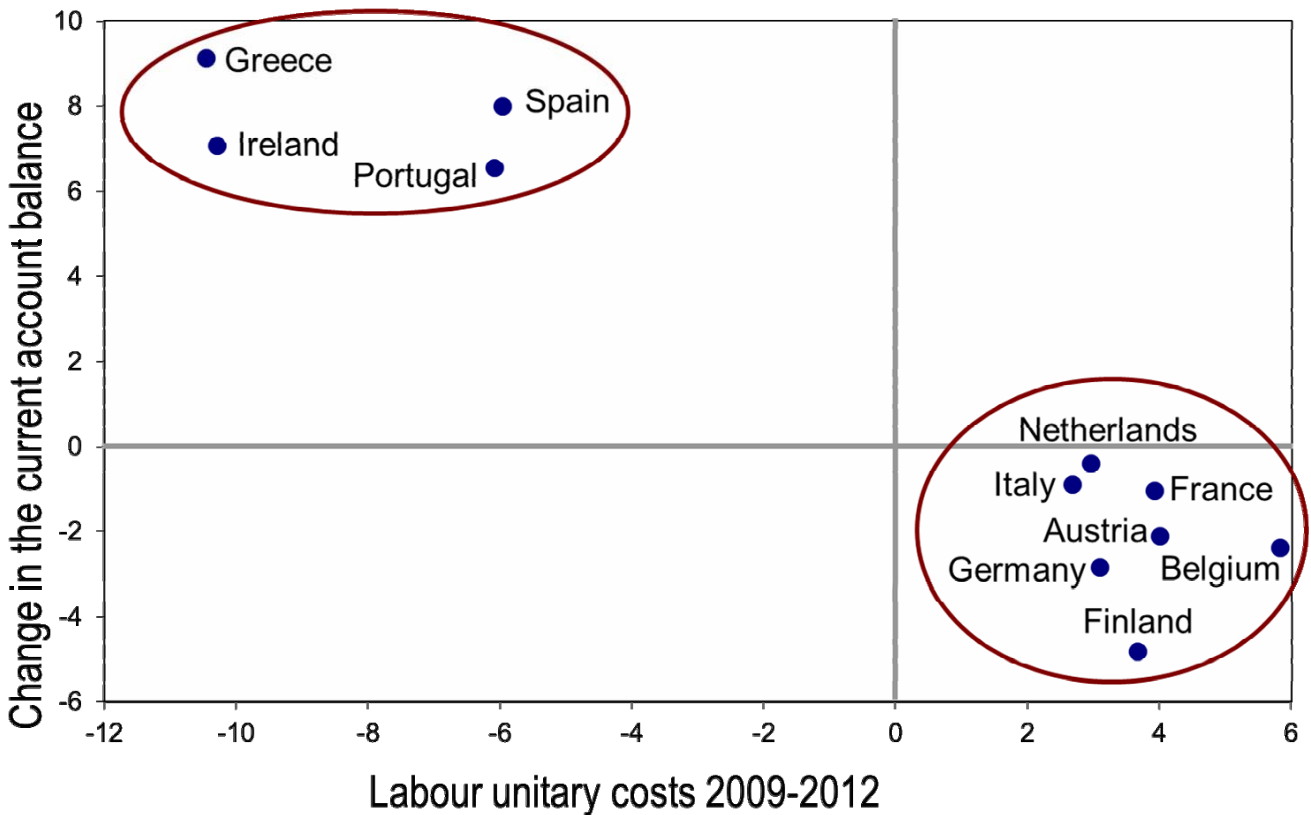
2. A crisis of the "euro-system"

- The mainstream analysis is that an excessive wage growth has led to a loss of competitiveness for the "South" countries (Spain, Greece, Ireland, Italy, Portugal). These countries should therefore restore their competitiveness by means of an "internal devaluation", ie a wage austerity.
- This analysis is wrong, because the wage share has nowhere increased in the euro area before the crisis.

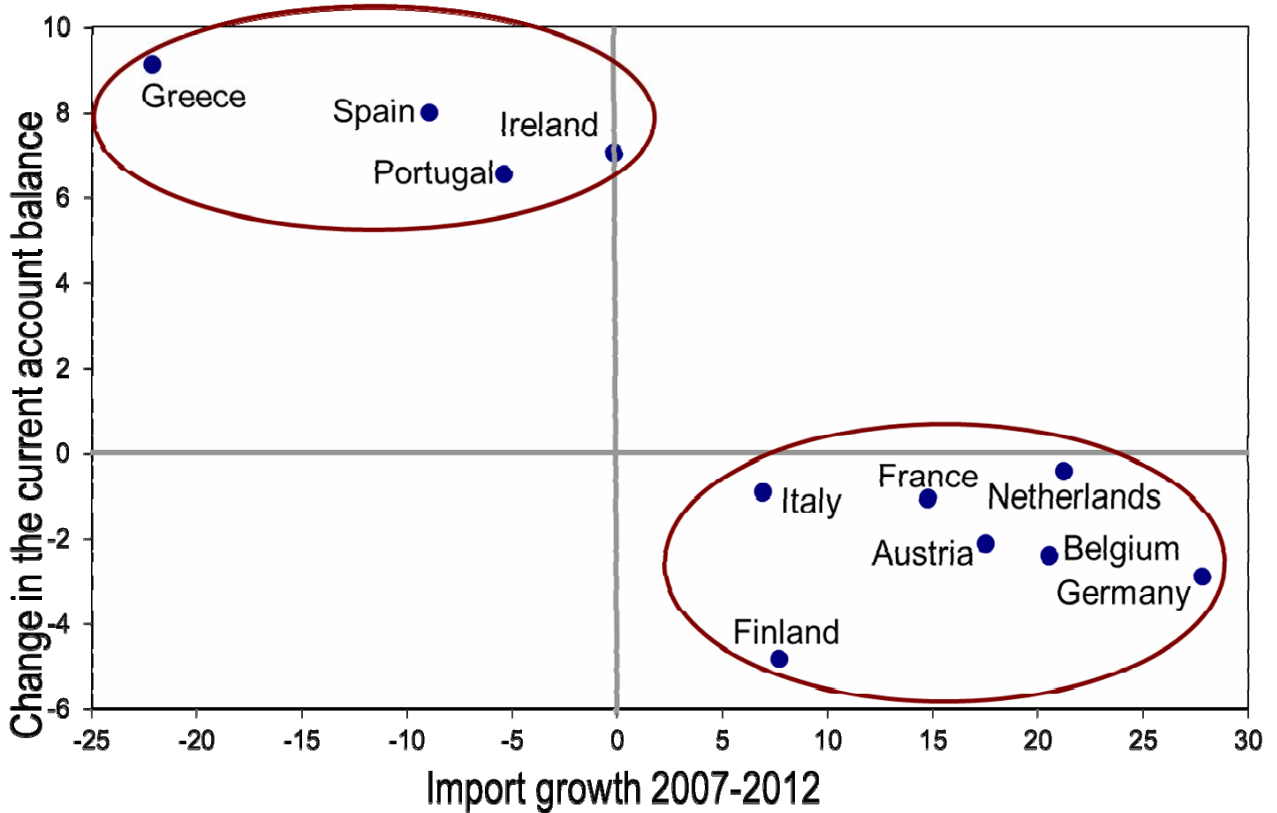
Wage shares



Less wages → more competitiveness?

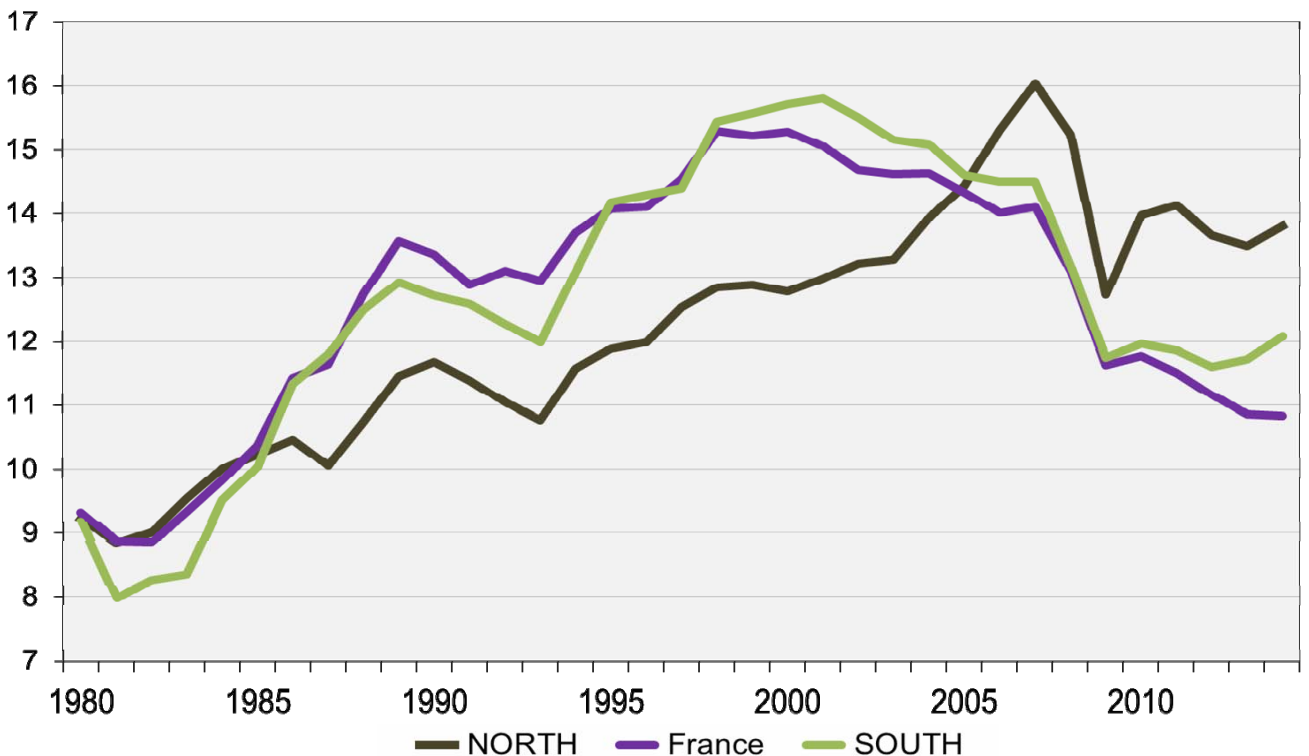


NO ! Recession ➡ less imports ➡ less trade deficit



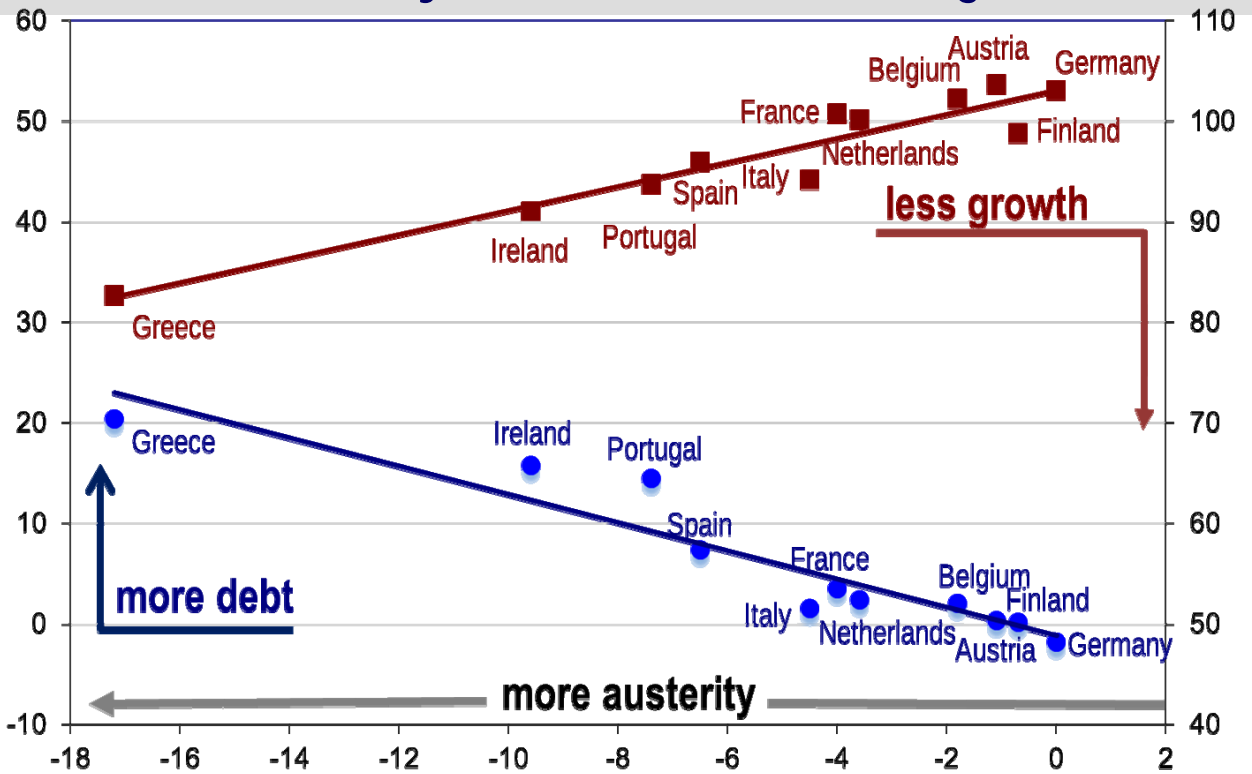
A three-level crisis: 3. A crisis of capitalist profitability

Profit rate in the eurozone



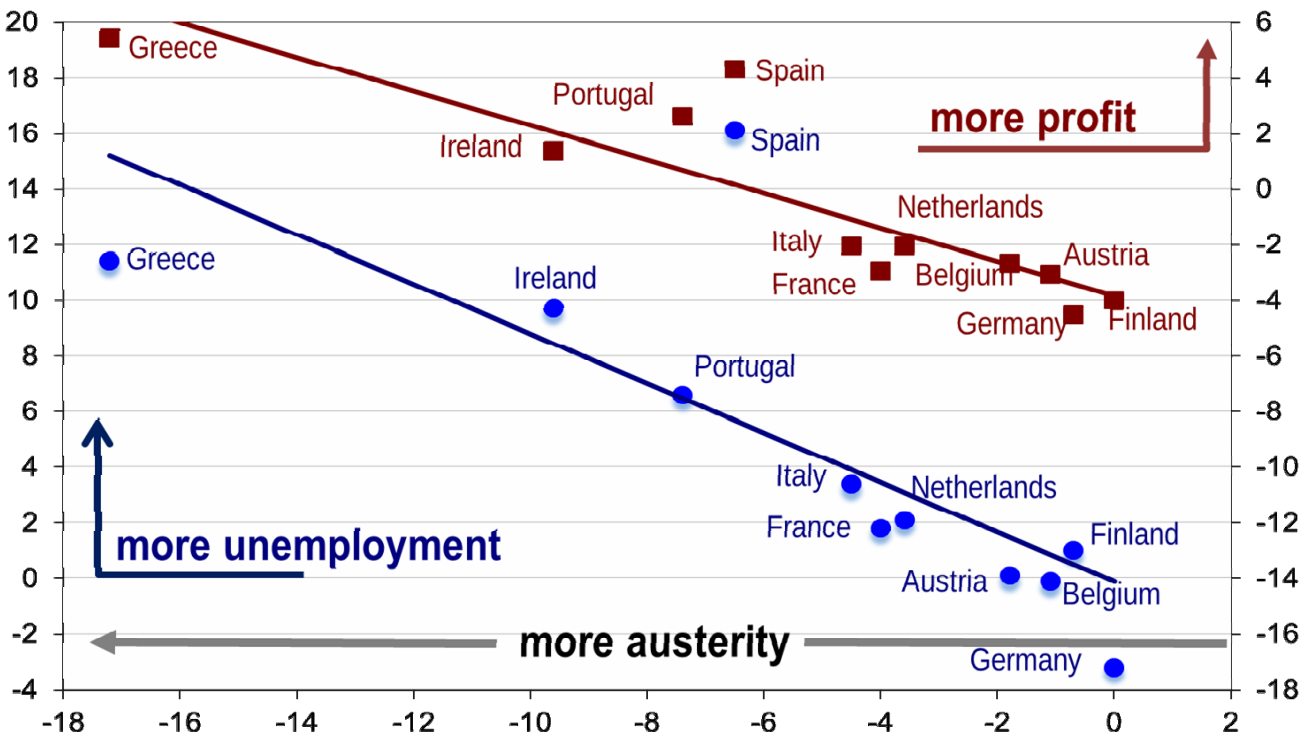
1st time : it is absurd

fiscal austerity ➡ more debt ➡ less growth



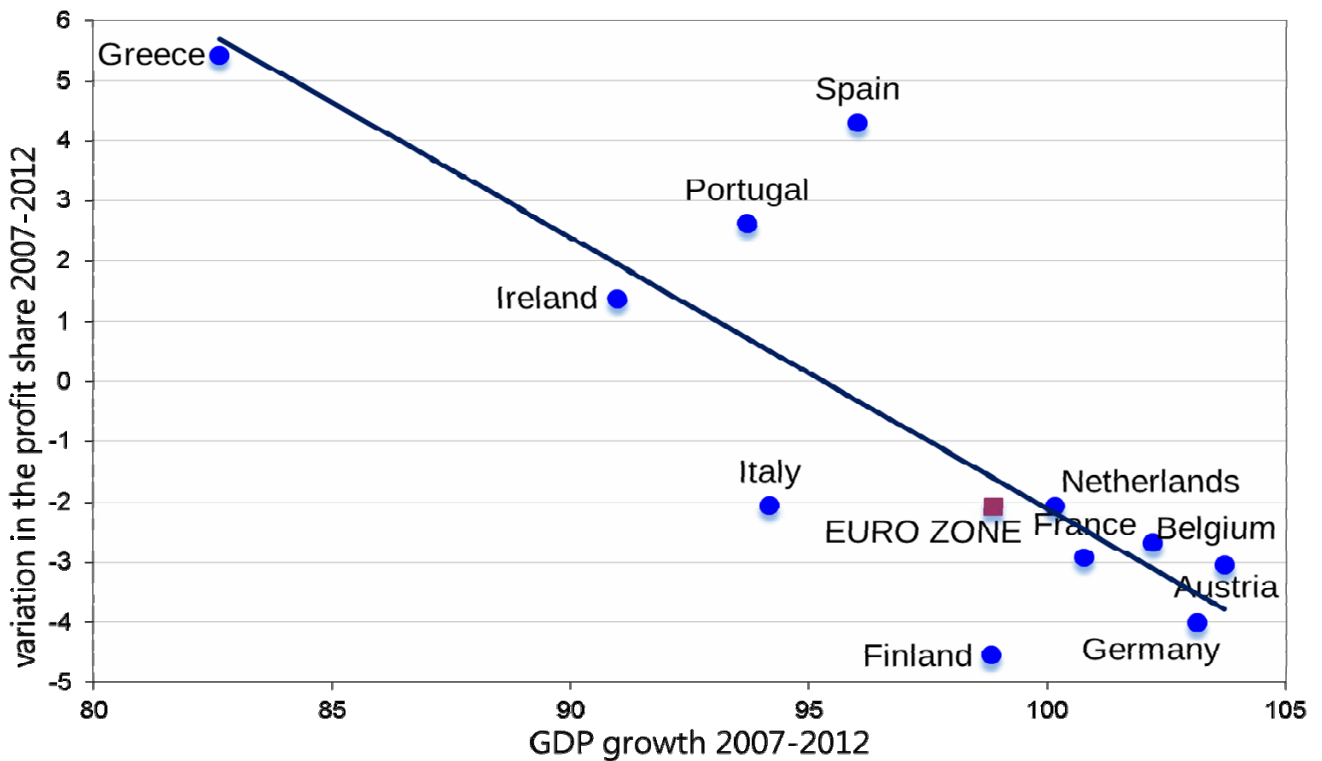
2nd time : it is functional

fiscal austerity ➡ more unemployment ➡ more profit



3rd time : it is contradictory

less growth ➡ less profit



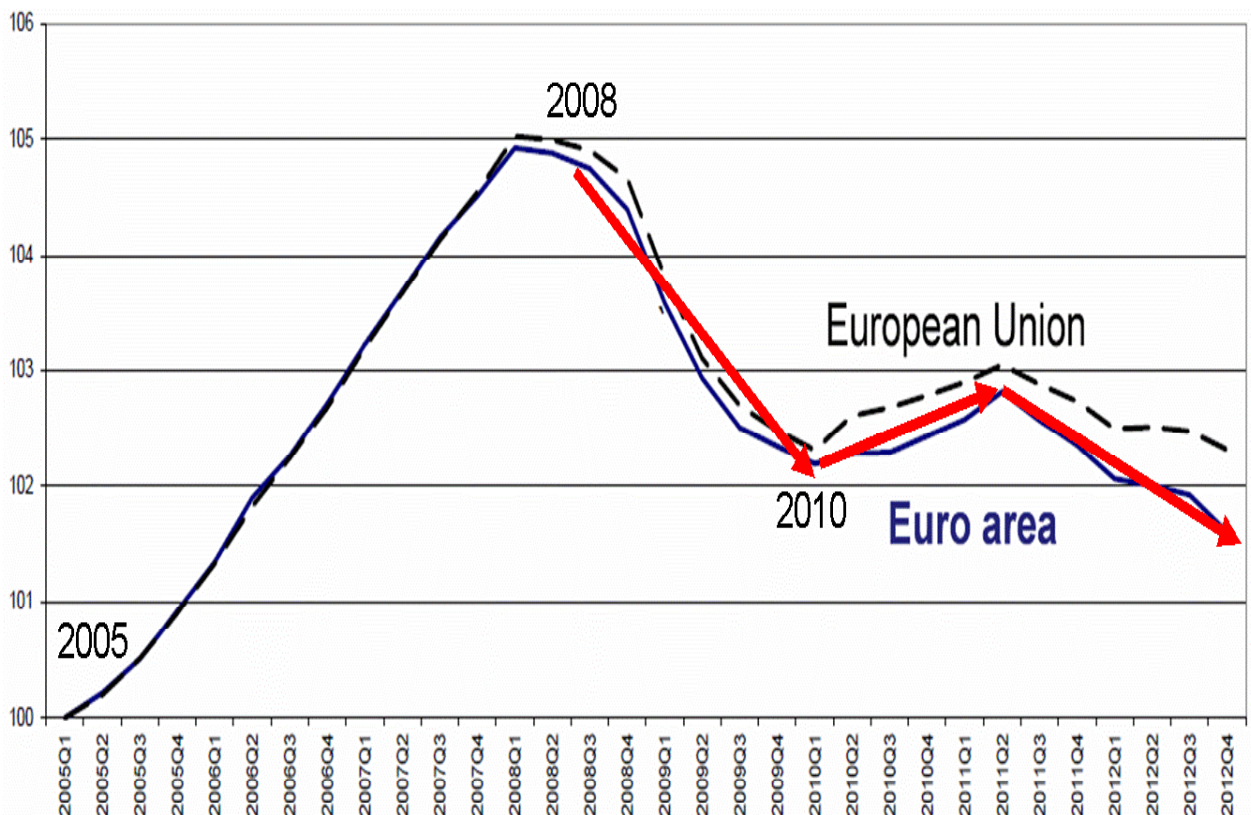
European Commission Staff
Assessment of the 2012 National Reform Programme and
Stability Programme for Greece

- *Nevertheless, it is expected that the structural reforms, particularly those in the labour market, the liberalisation of several sectors and a number of measures to improve the business environment, should help promote competition, spur productivity, increase employment and reduce production costs, thus contributing to an increase in employment and limiting poverty and social exclusion in the medium term.*

2

The combined effects of: **crisis** and **"structural reforms"**

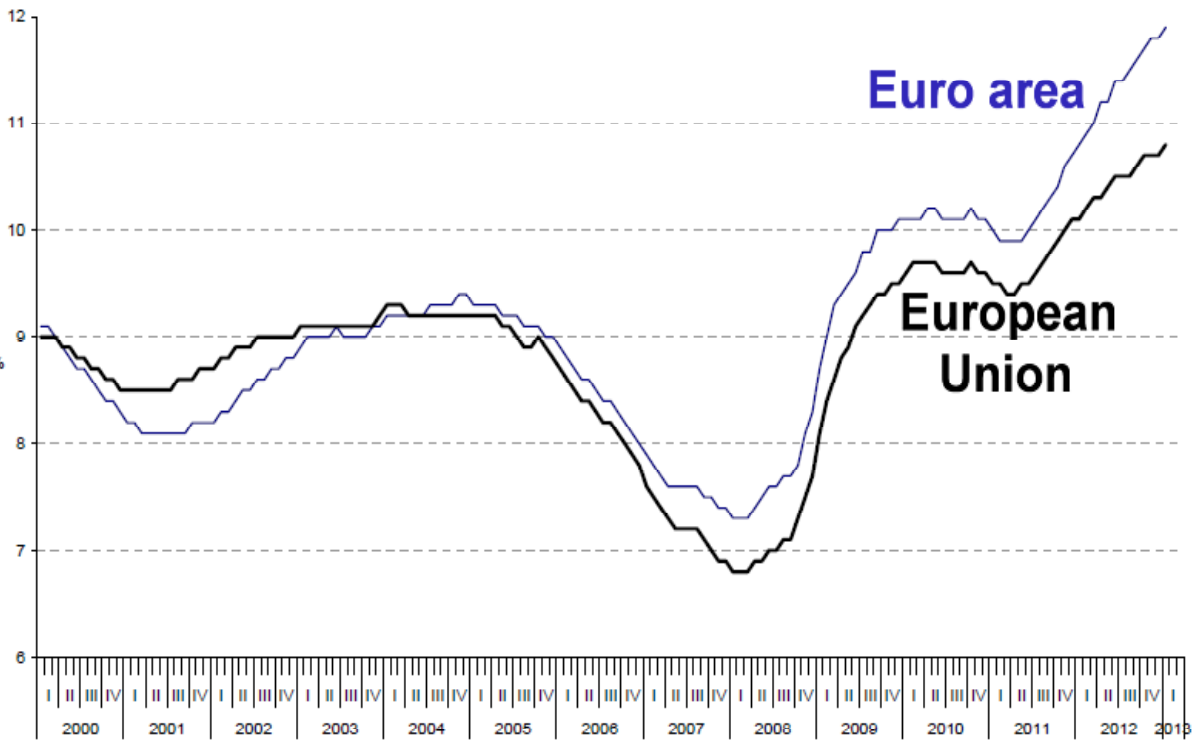
The double dip of employment



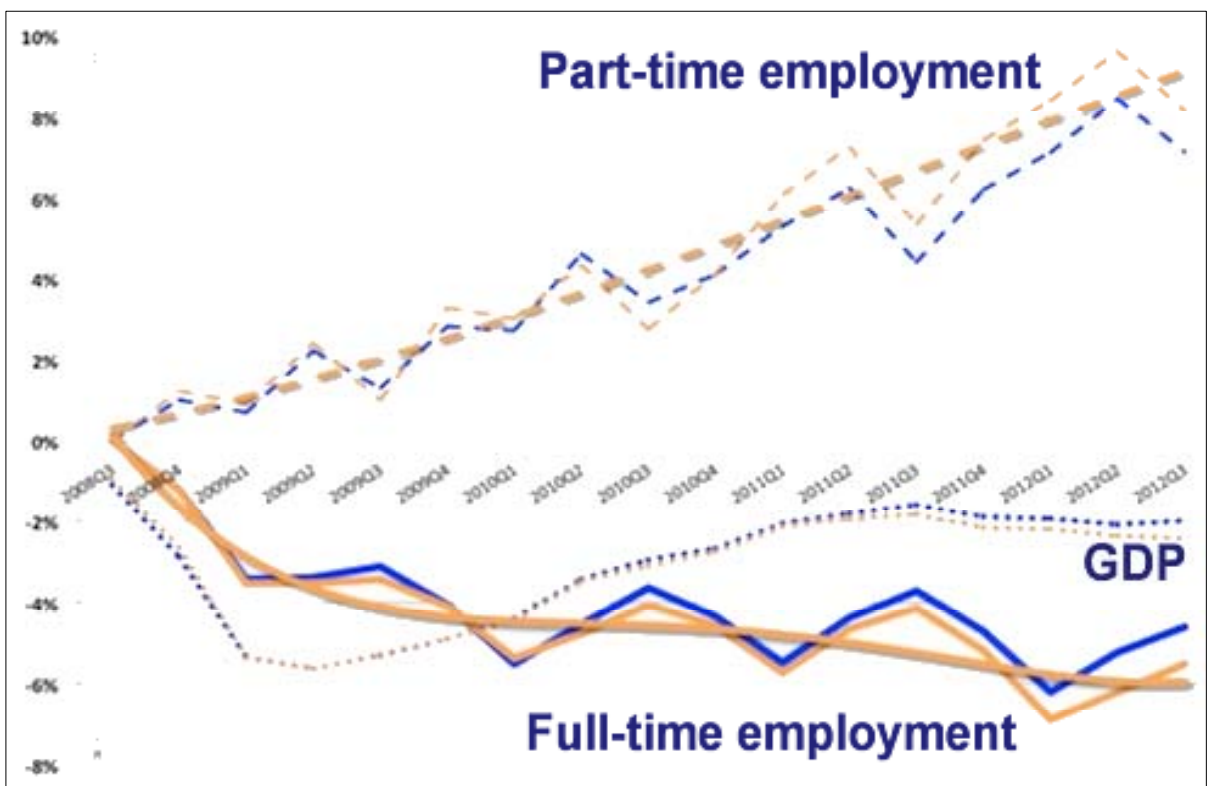
January 2013

Euro area unemployment rate at 11.9%

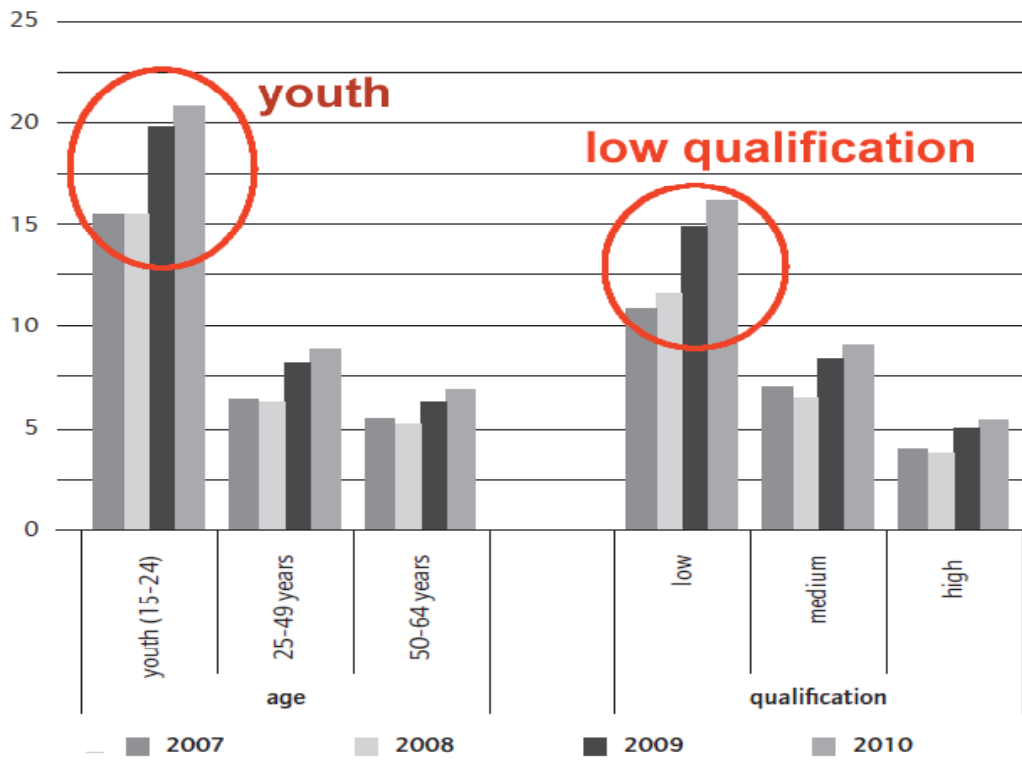
EU27 at 10.8%



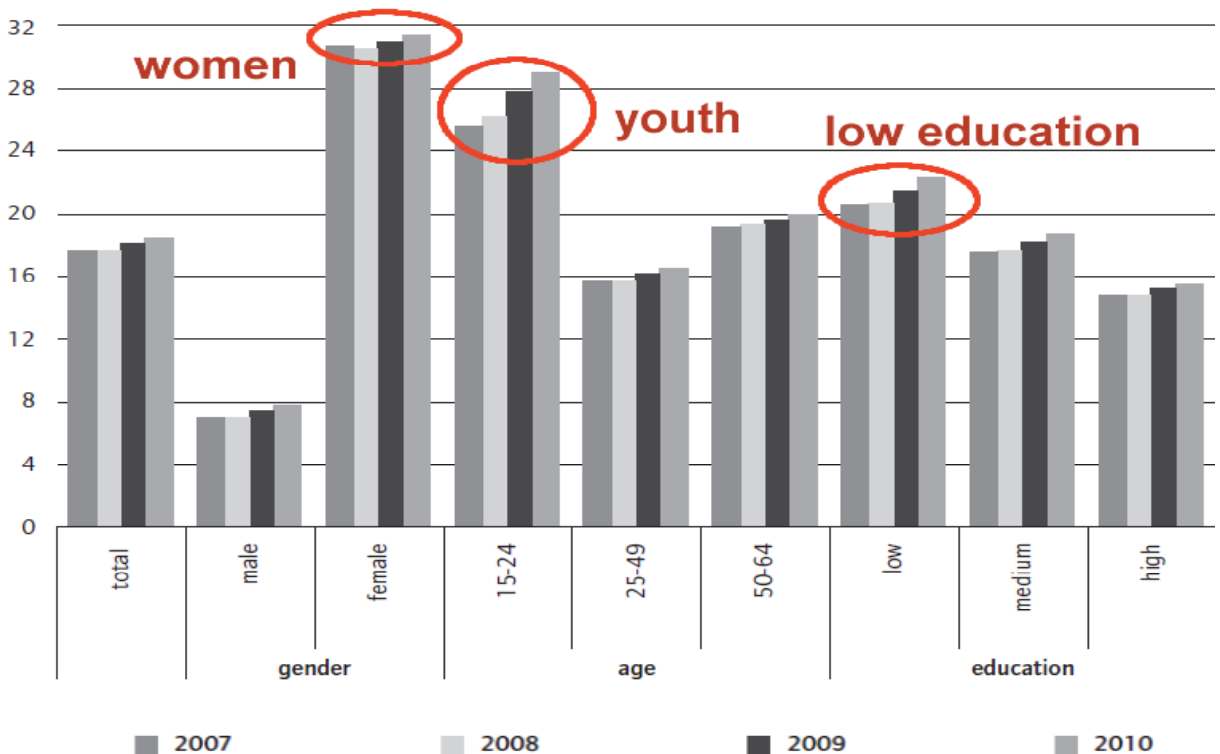
Unemployment: Just The Tip Of The Iceberg (Ronald Janssen)



Unemployment



Part-time jobs EU27



Fiscal adjustment and “structural reforms”: **more of the least**

FISCAL ADJUSTMENT

- cuts in public spending and public sector wages
- unfair tax increase (VAT)

SHRINKING THE WELFARE STATE

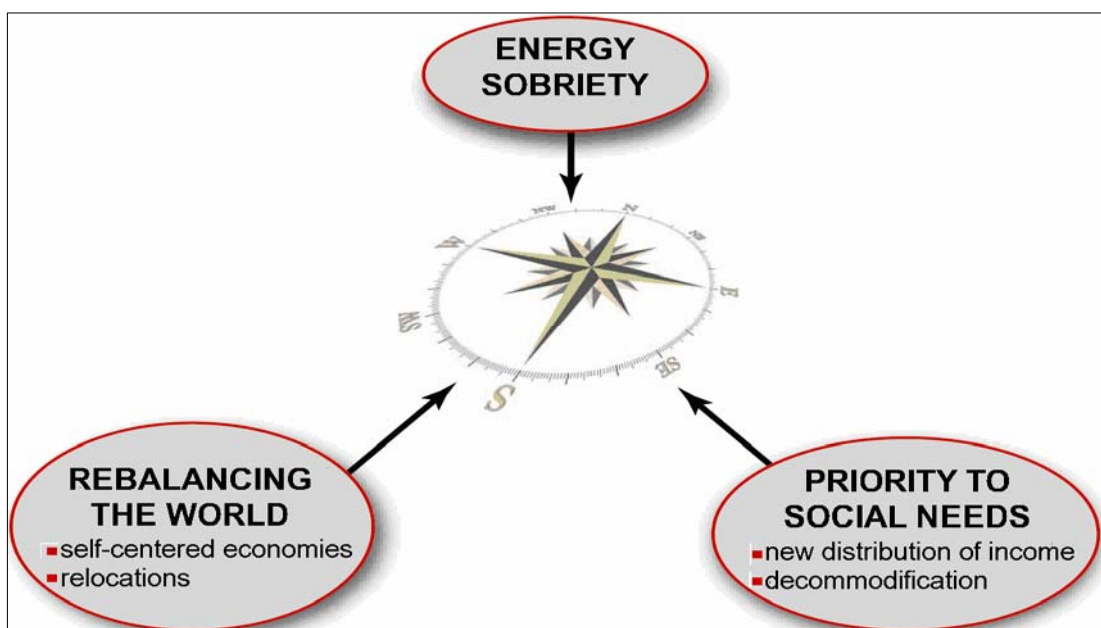
- reduction of unemployment benefits
- reduction of social benefits
- privatising public pension schemes

LABOUR MARKET FLEXIBILITY

- reduction of minimum wages: a ‘minimal’ minimum wage’
- weakening of collective bargaining institutions
- deregulating labour laws

3

A general framework for a coherent alternative



A social-democratic program for regulating the capitalism?

- Another distribution of income
- Reduction of working time
- Fiscal reform
- Renewal of public intervention
- More growth?

Good ideas but incompatible with social-liberalism

Two principles for an alternative

Two definitions of "efficiency"

- Market efficiency (exchange value)
= **Maximization of profit**
Social efficiency (use value):
= **Maximization of welfare**

Two modes of "regulation"

- **market** : the economic system "reveals" the social preferences if they meet its criteria
- **social democracy** : society determines its preferences and seeks to satisfy them, making the best use of its resources

For a European strategy

The risk of an impossible choice

- leaving the euro or:
- waiting for the advent of a "good" Europe

A “transitional” program for a double rupture:

- with the logic of finance-led capitalism
- with the logic of “Euroliberalism”

How to deal with the debt

- The illegitimate debt should be canceled after a citizen audit
- The states of the European Union should borrow directly from the European Central Bank (ECB) at very low rates of interest and private sector banks should be obliged to take over a certain proportion of the public debt.
- A default mechanism allowing public sector debt to be written off in proportion to tax breaks for the rich and money spent on bank bailouts.
- A fiscal reform which taxes movements of capital, financial transactions, dividends, large fortunes, high salaries and incomes from capital at a standard rate across Europe.

Fiscal austerity is incompatible with the ecological transition

A strategy of rupture and extension

- (1) 'good' measures are implemented **unilaterally** as, for example, with the taxation of financial transactions;
 - (2) accompanying plans for **protection** such as capital controls are adopted;
 - (3) the political risk of breaking European Union rules to implement these radical, initially nationally-based, policies is accepted and **challenged**;
 - (4) the proposition is made to amend these rules **by extending them on a European scale** to allow these measures to be adopted by member states, for example, in the extension of a European tax on financial transactions;
 - (5) the political showdown with the EU and other European states is not avoided and thus the **threat of exit from the euro** is not excluded as a possible option.
-

The conditions for implementing the alternative

- Difference between:
“economic viability” and “political viability”
- Face the resistance from dominant social interests
- Minimum level of social conflict

Anti-capitalism or Anti-liberalism?

Three last thesis

1. Capitalism is now an obstacle to the satisfaction of human needs and to the fight against climate change: The real alternative is ecosocialism
 2. A social-democratic program implies a questioning of the very foundations of capitalism that it is not ready to assume
 3. It is only in the struggles against the concrete effects of really existing capitalism that we can build the passage from anti-liberal positions to an anti-capitalist alternative.
-