European Trade Union Confederation (ETUC)
Confédération européenne des syndicats (CES)

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Presentation to the Special Committee of the European Parliament on the Financial, Economic and Social Crisis

(Hearing on: 'The European Union in the light of the financial crisis: consequences and challenges')

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Thank you, Chairman for this invitation and opportunity to comment on the causes of this crisis and the challenges for the EU.

The ETUC's position can be summarised as follows:

- never again should so few be allowed to inflict so much damage on so many as the financial services world has done in these past 18 months.
- The stimuli packages operated by national governments have so far stopped the Great Recession becoming a 1930s Great Depression and there should be no premature rush for the exit.
- Public investment is needed immediately to help the young people of Europe – innocent and blameless for this recession – continuing to suffer disproportionally from rising unemployment. We need an EU recovery plan – mark II – for

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them.

- The value of Europe's strong welfare states and active labour market policies is being displayed every day. They have stabilised the situation to a degree. The European social model is not an anachronism but a vital part of Europe's future.
- There is not enough of a European dimension and solidarity with weaker nations. And more, much more should be done on unemployment.

Chairman, I read on Sunday that Mr Blankfein, boss of Goldman Sachs, which was effectively bailed out by the US Government, is claiming to be doing "God's work" as he distributes a bonus pool of 20 billion dollars. He claims "everybody should be happy" and should welcome the return of titanic pay days at Goldman Sachs. Is anybody here happy with that? The President of Business Europe said yesterday at the Macroeconomic dialogue that the casino has opened again. He is right.

What about the rising levels of unemployed? Are they happy for the spivs of Goldman Sachs? What about this year's school and college leavers, unlike Goldman Sachs innocent of causing the recession but who face a depressing future as they search for work? What about SMEs that can only get expensive credit?

These guys in Wall Street and London and elsewhere are perfectly capable of repeating the excesses which led to the current crisis. How do we stop business, and bonuses, as usual?

Not easy, I accept. We are on a tightrope between needing to prop up the banks and to bring them to a state where never again can they inflict such damage. But they are a major element of social and macro economic instability. On bonuses it is Bourbon-like behaviour. In fact, they make the last French Kings look rather modest in comparison, and if they go on like this, they could call into question the sustainability of capitalism.

There is another major area of instability. There is already wide pressure to pronounce the end of the crisis and cut public spending. That EU Governments act prematurely and choke off the recovery is the ETUC's biggest worry at the present time. (A premature move by the US Congress to balance the books in 1937 killed the recovery then and the recession did not end until World War Two.) Despite general calmness in Pittsburgh and over the weekend in St Andrews about the stimuli packages, some EU Governments are clearly planning savage cuts in public expenditure. Ireland has already started.

Yet if we have a normal recovery, the debt will diminish remarkably quickly; "and if we don't, it won't and won't need to" (Samuel Brittan FT Oct2). "Don't exit, don't panic" is the ETUC message to the Council and the Commission. There is realism around. But there is panic around too.

This is not just a question for national governments. It is a European issue because of the clear dangers that a country which exits too early seeks to transfer its problems to its neighbours. By cutting public spending in the absence of a revival of the private sector, it places its hopes on exports to other countries which are maintaining high spending levels. Labour market policies have been successful in keeping people in work. We need more to help the young and the unemployed generally get work. And we need European-wide help for the weaker economies.

The fact is that we remain in the eye of the storm. Demand supporting the present modest, fragile recovery is based largely on temporary factors – renewing inventories, car scrapping, short time working schemes etc – while becoming more evident are wage cuts, public expenditure cuts, tax rises, and repayment of debt at every level. To use the term 'recovery' could be misleading. We are arresting the decline but are still on the edge of a precipice.

And behind the debate on exit strategies is the debate "who pays". The broadest shoulders must carry the heaviest burdens. The transaction tax idea is important. It is time for the banks to pay back, not take away billions in bonuses. The banks have been saved by public money. They have a moral and public responsibility for the damage they have caused and it is now high time that they contribute to the reparations. Millions of workers are losing their jobs. Millions of young people cannot find a job or are hopping from one unstable job to another precarious one. It is a question of moral justice to help the innocent victims instead of paying bonuses to those who are responsible for the mess.

These are dangerous times and we want a continuation of public deficits and investment to support a greening of the economy, efforts to keep up spending power, a rejection of the Irish route, and a rejection too of over simplistic notions of more flexibility in labour markets, with more precarious contracts, lower levels of pay and benefits and all the rest.

If the bankers are Bourbons, I have no ambition to play Robespierre. But remember if you let bank executive pay rip while the rest of us pay off their bills and experience deep cuts and tax rises, you venture into dangerous waters.