



## **CONFEDERATION GENERALE DU TRAVAIL FORCE OUVRIERE**

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In the eighties, while it was supposed to be put forward on two legs, both economic and social, European construction in fact did forget the social one.

Thus, the introduction of the euro as a single currency was supposed to lead with no doubt to social, fiscal and economic harmonization.

But what was predictable has happened: the implementation of the euro anchored monetary aspects and progressively led to social adjustments. Monetary rigidity has been associated with social flexibility.

While currency devaluations were de facto excluded, the remaining scope for action took place on the labour input, both in quantitative and qualitative terms.

Then the discussions on competitiveness focused only on the labour cost dimension, at the expense of non cost competitiveness.

The so called Hartz IV reforms in Germany, undertaken by the Schröder government contributed to globally reduce labour costs, while increasing labour precariousness and tightening access conditions to unemployment benefits.

Step by step, the so called European Social Model, based on a high level of social protection and traditionally strong industrial relations has been called into question. In the same time, the economic theories from the Chicago school were largely implemented.

This change appeared clearly when the financial crisis hit in the summer of 2007. National governments, European institutions and the ECB were able to find billions of euros in order to save the financial system. It consequently translated private debt into public debt and populations had to weigh the whole burden of budgetary adjustments.

The European countries in greatest difficulty (Ireland, Greece, Spain or Portugal) are also those which experienced the highest increase in public debt. This situation is the failure of an economic and social policy which can be associated with a so called "rentiers' economy".

At the European level, almost all trade unions organizations opposed the "fiscal compact". In imposing austerity policies through arbitrary economic criteria, it aims at restoring fiscal balance relying largely on wage deflation.

When trade unions require the EU to implement binding social indicators, the answer is negative. When we require the implementation of a Marshall plan in the Eurozone (representing up to 2% of EU GDP), the answer is still negative.

Hence, despite clear failures, neoliberalism remains the reference. Supposing that economics is not a social science, reconsidering its goals is an emergency. We know it and we can see it every day: austerity policies are destructive, from a social, economic and democratic point of view.

Considering economic theory, it is obvious that Keynes is still alive. Contrary to Milton Friedman or Von Hayek, he represents a real hope for all of us.

Here I want to thank James K. Galbraith who participates to a real movement for change and progress.

**Jean-Claude MAILLY**  
Secretary General

November 2013