

Labor and Sustainable Development

Anselmo Luis dos Santos
José Dari Krein
Eugênia Troncoso Leone
Carlos Salas Páez
(editors)

editora
Curt *N*imuendajú
Campinas, 2014

COVER

ART: *Amilcar J. Veiga D'Angelis*

PHOTO: *Samuel de Albuquerque Carvalho* (2011)

TRANSLATION and PROOFREADING

Ivana Pereira Ivo

GRAPHIC PROJECT and DIAGRAMMING

Amilcar J. Veiga D'Angelis

Catalographic Card compiled by the Library of the IE - UNICAMP
CRB 8/6810

L113	<p>Labor and sustainable development / edited by Anselmo Luis dos Santos... [et al.]. - Campinas, SP : Curt Nimuendajú, 2014.</p> <p>136 p. : il.</p> <p>ISBN: 978-85-99944-42-4</p> <p>1. Sustainable development. 2. Economic development. 3. Labor economics - I. Santos, Anselmo Luis dos. II. Krein, José Dari. III. Leone, Eugênia Troncoso. IV. Salas, Carlos.</p> <p>CDD: 338.9</p>
------	---

© Copyright Edition

EDITORA CURT NIMUENDAJÚ

Rua Dr. Gabriel Porto, 46, fundos
Cidade Universitária II
Campinas-SP - Brazil
Zip Code: 13083-210

Phone/Fax: [55] (19) 3287-0461
Site: www.curnimuendaju.com
E-Mail: editora@curnimuendaju.com.br

1st Edition, 2014

Contents

Foreword.....	07
Presentation.....	09
 CHAPTER I - Development and Work in the Context of the Crisis and Geopolitical Restructuring	
Origins and Nature of the Current Crisis	
<i>Luiz Gonzaga Belluzzo</i>	17
 CHAPTER II - Diagnosis of the Crisis and Prospects for Sustainable Development	
<i>Round Table - 1st part - Coordination: CUT</i>	
From Financial Crisis to Stagnation	
<i>Thomas I. Palley</i>	39
Growth with Social Justice: Lessons from Global Economic Crisis to Asian Countries	
<i>Arun Kumar.....</i>	49
Brazilian Economy: Recent Revolution and Perspectives	
<i>Carlos Alonso Barbosa de Oliveira</i>	55
 <i>Round Table - 2nd part - Coordination: Carlos Salas</i>	
Latin America: Alternatives before the Crisis	
<i>Jorge Isaac Egurrola</i>	63
The Multidimensional Character of the Crisis	
<i>Birgit Mahnkopf</i>	69

CHAPTER III - Minimum Wage

Painel - Coordination: Anselmo Luis dos Santos

The Debate about Minimum Wages <i>Hansjörg Herr</i>	77
Minimum Wage as Basis of an Alternative Policy: the Mexican Instance <i>Luis Quintana Romero</i>	83
Developments of Minimum Wage in Russian Federation <i>Anna Bolsheva</i>	89

CHAPTER IV - Sustainable Development, Changes in Workplace and the Impact of the Global Economy in Organizing Union and in the Collective Negotiation

Round Table - 1st part - Coordination: Amilton José Moretto

The Potential of Informal Organizations <i>Sarah Mosoetsa</i>	95
Some Conditions to the Continuity and Deepening of Economic and Social Conquests in Brazil <i>Paulo Baltar</i>	99
The Implementation of Global Agreements: towards a Practical Multi-organizational Perspective and a Degree Implementation <i>Mike Fichter</i>	103

Round Table - 2nd part - Coordination: Mario Raia

Consequences of Changes in the World of Work for Union Organization and for Collective Bargaining	
<i>Kjeld Jakobsen</i>	109
The Necessity of Advancing in Global Agreements	
<i>Felipe Bouvier</i>	113
Minimum Wage, Collective Bargaining and Social Protection Strategies in South Africa and in Brazil	
<i>Neil Coleman</i>	117

CHAPTER V - Strategies for the Articulation for Union Campaigns and Actions for Sustainable Development at National and International Level

Round Table - Coordination: Jana Karen Silverman

Sustainable Development, Union Freedom and Strengthening of Collective Bargaining	
<i>Artur Henrique</i>	125
Reasons why Sustainable Development Requires a Supranational Perspective	
<i>Alvaro Padrón</i>	129
Global Agreements Should Include a World Wide Network of the Companies, their Suppliers and Outsourced Companies	
<i>Alberto Pepe Robles</i>	133

Abbreviations:

AFL-CIO - American Federation of Labor and Congress of Industrial Organizations.

BWI - Building and Wood Worker's International

CESIT - Centro de Estudos Sindicais e de Economia do Trabalho do Instituto de Economia da UNICAMP

CONTRAF - Confederação Nacional dos Trabalhadores do Ramo Financeiro

COSATU - Congress of South African Trade Unions

CSA - Confederación Sindical de Trabajadores y Trabajadoras de las Americas

CSI - Confederação Sindical Internacional

CUT - Central Única dos Trabalhadores

FES - Friedrich Ebert Stiftung

IE - Instituto de Economia da UNICAMP

ILO - International Labor Organization

ITC-ILO - International Training Centre of the ILO

TUCA - Trade Union Confederation of the Americas (TUCA-CSA)

UNI - Global Union

UNI Americas - UNI representation on the American Continent

UNICAMP - Universidade Estadual de Campinas - São Paulo

Foreword

The collapse of the international financial system, with its devastating effects on economies and societies, was not an unfortunate incident, but the consequence of an unsustainable development model that valued more the markets than the people. To fundamentally alter this picture, the way to get out the crisis has to be democratically negotiated between social forces. There is an alternative if trade unions, political parties, academics and social movements evaluate, think ahead and develop policies together!

Global Labour University (GLU) annual conference is a space for this kind of common thought. Professors, students and alumni, as well as union leaders from different parts of the world have met in September 2012, on the campus of GLU in Brazil – in the Economics Institute of the State University of Campinas – to find answers to the deepening of financial, economic, environmental and social justice crisis. *“Sustainable Growth, development and employment: progressive responses to local, national and global level”* was at the same time, slogan and agenda of the VIII GLU Conference.

Since its inception in 2004, the Global Labour University, a postgraduate program, developed by the International Labour Organization (ILO) and by trade unions, as well by a network of universities in India, South Africa, Germany and Brazil, is building and strengthening the bridge between the construction of the academic theory and the challenges of everyday life of the unions in a globalized economy. The goal is to prepare young unionists to the great challenge of defending the rights and interests of workers in a complex global environment. When big companies cross national borders to pursuing their goals, unions can hardly solve, in the local level, the resulting consequences (outsourcing, flexibility, adverse wage policies etc.); they have to make use of the international mechanisms and build effective networks with colleagues from other regions. The GLU not only provides knowledge on issues of international politics and institutions, but it is also a venue for meetings and involvement of labor movement activists.

Additionally, the program is paving the ground for a continuous and intensive dialogue with unionists on the battlefield. The annual GLU conference allows students to discuss labor and social policy issues from an internation-

al perspective with those with experience and can give them a perspective of trade union practice. This type of research has the chance to be more balanced and avoid the pitfalls of staying on the balls of concepts that often seem to make sense, but do not present a clear connection with the unionist reality.

Last but not least, from this intense dialogue with professionals many inspirations sprout for new research projects. And that is the heart of GLU's idea: scientific research that meets the needs of the labor movement and help on developing and fine-tuning trade union strategies for an effective representation of workers' rights agenda at local, national and international levels.

In this sense, the Central Workers Union (CUT) and the Friedrich Ebert Foundation (FES) are very proud to be contributing to the Global Labour University project. We think that the publication of several valuable contributions to the discussion of the Eighth GLU Conference is an important stimulus for reflection, helping to improve and deepen the progressive forces dialogue, so necessary to confront with new alternatives, the neoliberal answers that have been given to the crisis.

We wish you an enjoyable reading

**FRIEDRICH
EBERT
STIFTUNG**

CUT
BRASIL
30
ANOS

Presentation

This book is another publication resulting from the VIII International Conference of the Global Labour University (GLU), held in Brazil, at the Economics Institute of the State University of Campinas, in September 2012, under the theme "*Sustaining Growth, Development and Work: Progressive Responses at local, National and Global Levels*". Complementing the first publication, which resulted from the organization of approved papers, this book presents transcriptions of lectures performed by people invited for this international event of such great magnitude bringing together academics, trade unionists and public policy makers to discuss development alternatives from the perspective of the work.

The debates of the Conference were motivated by the global crisis and its aftermath, thinking of development alternatives with greater social inclusion and environmental respect. The global economy showed signs of recovery after the initial impact of the crisis in the period of 2007-2009, indicating that the neoliberal era could be in its end. However, the weak recovery and the continued hegemony of the financial sector frustrated those hopes. Conservative forces are spreading the idea that governments should restrict their activities to a minimum, both as regulators and as participants in economic life without observing progresses toward a tighter regulation of the operation of the financial market. In this context, GLU Conference of 2012 focused on the analysis of development processes, policies and concrete experiences that can help to build local, national and global strategies in order to overcome the neoliberal orthodoxy in theory and practice, creating conditions for the inclusive development based on strong unions and on democratic nation states with capacity for regulating the economy.

The Eighth GLU International Conference helped to stimulate the research, the reflection and the proposition of public policies promoting economic and social development. It also helped deepening exchanges between academics, trade union activists and policymakers from different continents.

The texts presented here make up a set of reflections of union leaders and researchers from different countries and disciplinary traditions that study the work and development. The texts were divided into five chapters.

In the first chapter, entitled "*Development and Work in the Context of the Crisis and Geopolitical Restructuring*", the lecture: "*Origins and Nature of the Current Crisis*" is presented by the professor of the Economics Institute of the UNICAMP and FACAMP (Brazil), Luiz Gonzaga Mello Belluzzo. In addition to a brilliant analysis of the global crisis whose origin is attributed to changes during the past 30 years, the professor highlights several aspects that characterized the process of "*deconstruction that societies created in the postwar suffered over the past 30 years*", also showing their relationships and impacts on the levels of productivity, on wages, employment and working conditions, the level of unionization, the degree of inequality, the protection situation and social mobility. In a non-optimistic perspective, Belluzzo argues that, despite all the adverse effects, the most recent crisis – an economic and also civilization-al crisis – of this neoliberal stage, "*rather than uniting those who have been harmed by it, it is increasing the ideological and the political power of those who have caused it*". And given its gravity, as argued Belluzzo, the crisis requires a rigorous and relentless reflection, "*because we have the duty of not running away*".

In the second chapter, lectures transcripts are presented on the panel: "*Diagnosis of the Crisis and Prospects for Sustainable Development*", activity coordinated by Prof. Carlos Salas Páez (CESIT/IE/UNICAMP/Brazil). In the first article, "*From Financial Crisis to Stagnation*", Thomas Palley (AFL-CIO/ USA) discusses the impacts of the 2008 financial crisis and the difficulties of overcoming it. With the title: "*Growth with Social Justice: Lessons from Global Economic Crises to Asian Countries*" Arun Kumar (ITC/ILO/ Italy), based on the evaluation of Asian countries coping with the recent international financial crisis, discusses important lessons to be drawn from these experiences. In the sequence, with the title: "*Brazilian Economy: Recent Developments and Perspectives*" the lecture is presented by Professor Carlos Alonso Barbosa de Oliveira's lecture (CESIT/IE/UNICAMP/Brazil), not only discusses the impacts and the policies to address the crisis in Brazil, but he also debates on the main challenges to the economic development in Brazil. The Professor Jorge Isaac (UNAM/Mexico), in the text "*Latin America: Alternatives before the Crisis*" brings a discussion focused on Latin America. Closing the chapter, it is presented a lecture performed by Professor Birgit Mahnkopf (Berlin School of Economics and Law/Germany), dealing with the "*multidimensional character*" of the recent international crisis, stressing the environmental issues and the so called "*green economy*".

In the chapter 3, the lectures are organized in the panel on Wages, coordinated by Professor Anselmo Luis dos Santos (CESIT/IE/UNICAMP/

Brazil). The first text, *"The Debate on Minimum Wages"*, is the transcription of the presentation of Professor Hansjörg Herr, from the School of Economics and Law, in Berlin, that presents a general overview of the debate about the minimum wage, considering the role of wages in the neoclassical paradigm and on Keynesian paradigm. In its turn, the lecture performed by Professor Luis Quintana Romero, from the *Universidad Nacional Autónoma de México* (UNAM), resulted in the second text: *"Minimum Wage as Basis of an Alternative Policy: The Mexican Instance"* that shows how *"the Mexican case follows a completely different trend of the rest of Latin America countries"*, arguing that the minimum wage policy in Mexico has been greatly influenced by the interpretation of the monetary authority that the inflation in that country would be impacted by wage increases, which would result in *"excesses on salary restraint"*, an important factor for understanding the fact that in 2009, the minimum wage in Mexico, in purchasing power parity, was the lowest in the Americas. Further, it is presented Anna Bolsheva's lecture (Russia), a student of Global Labour University, addressing the theme *"Developments of Minimum Wage in Russian Federation"* which examines the importance of the minimum wage in that country, considering the average wage, the subsistence level, the ways of fixing their levels, the salary negotiations, the regional features, the impacts on regional and federal budgets, arguing that *"a set of measures should be taken to make the minimum wage an effective mechanism to prevent unbridled reduction of the standards of living in the most unprotected layers of workers"*.

In the fourth chapter, the Professors Amilton Joseph Moretto (CESIT/IE/UNICAMP/Brazil) and Mario Raia (CONTRAF/CUT/Brazil) coordinated the table: *"Sustainable Development, Changes in Workplace and the Impact of the Global Economy in Union Organization and in the Collective Negotiation"*. Professor Paul Baltar (CESIT/IE/UNICAMP/Brazil) established a relationship between the dynamics of the Brazilian economy and the most favorable outcome indicators of the labor market, noting that there was a conjunction of favorable factors to employment and to the increasing of the purchasing power of wages. The scenario has changed in recent years, indicating that the improvement of the indicators will depend much more on the workers political action in a context in which the conflict should be intensified. Professor Sarah Mosoetsa (Wits University/South Africa) developed an analysis of COSATU, highlighting the meaning and the discussions of the Congress in 2012. She draws attention to the difficulty of the union movement on incorporating the agenda, in an effective way, the workers from informal sector and on expanding the struggles agenda of the labor movement. The agenda is still very focused on wage negotiations and a big challenge is to expand alliances with other social move-

ments. Professor Mike Fichter (Free University of Berlin/Germany) presented his research on global agreements between workers' organizations and transnational companies. The question around which he made his speech was: Do the global agreements can be considered a progressive tool to establish regulatory standards of work and to move towards sustainable development? His answer is positive, emphasizing that global agreements are an opportunity to include the workers agenda inside the enterprises and to advance on the democratization of labor relations, considering the parameters established by the ILO.

Kjeld Jakobsen (GLU/Brazil) presented the historical importance of the debate on the social economic development for workers in Latin America, highlighting the platform built around the theme of the CSA (Trade Union Confederation of the Americas). Among other aspects, he highlights that the issue gained importance recently, because a space for negotiation was opened with the elected progressive governments in Latin America in the 2000s. The existence of this space requires the organization to be prepared to discuss major national issues. CSA's agenda includes two aspects: 1) sustainable development in its economic, political, social and environmental dimensions; 2) the strengthening of the union movement through a campaign in defense of freedom of association and the realization of a union reform since part of trade unionism in the region suffers repression and have their action limited by the state.

Felipe Bouvier (UNI), as unionist, presents the challenges posed by the labor movement with the changing of the work world, with the economy globalization and with the shifts in production. The challenge is to intervene in the multilateral agencies and within the scope of the enterprises, through the strengthening of global agreements made possible by union networks.

Finally, the fourth chapter is closed with Neil Coleman's lecture (COSATU/South Africa) with the title: "*Minimum Wage, Collective Bargaining and Social Protection Strategies in South Africa and in Brazil*" in which he emphasized the importance of wage policy for workers and the positive aspects of the minimum wage policy implemented in Brazil, which can serve as a political reference to several countries.

In chapter 5, are presented the lectures on the table: "*Strategies for the Articulation of Union Campaigns and Actions for Sustainable Development at National and International Level*", coordinated by Jana Karen Silverman (AFL-CIO/USA) are presented. The text that opens the chapter shows the intervention of Arthur Henry, by then President of the Central Workers Union (CUT/Brazil), which argues that the issue of the development needs to consider social, economic, environmental and political dimensions. The debate on democracy and social participation is strategic for the sustainable development, which implies

discussing the conditions for developing the union activity. From these pillars, Arthur develops an analysis of disputes taking place in Latin America in recent years, highlighting the need to advance on the creation of a left thinking, where there is combination of development with social inclusion and advancement in the quality of life.

In the second text, Alberto Pepe Robles, head of UNI (Americas/Argentina), examines the new scenario with the emergence of China, and highlights that the integration of Latin America, in the perspective of achieving a sustainable development cannot be confined to the role of commodity producer. At the same time, shows that the capital is globalized, but not the work. In this sense, he shows the importance of the labor movement to match a national action with ways of organization and intervention at the international level.

Alvaro Padrón's speech (FES/Uruguay) begins by highlighting that the sustainable development requires a supranational perspective, especially in a period of capitalist development on a global scale, in which nation states are losing autonomy in setting their policies. Based on this diagnosis, he proposes the implementation of a new international trade union. The strategy meets challenges to become viable in the Americas. CSA has resolutions, but it is difficult to achieve an effective implementation of the formulated propositions. He also highlights the difficult relationship between the various segments of the organization of workers. Finally, he highlights the difficulty of establishing a single strategy in Latin America, because there is plenty of national differentiation, and the building of the unit is still a challenge, especially when you consider that there are, at least, two Latin Americas: North and South. The South one has advanced in social policy and inclusion, and the North one is very articulated with the interests of the United States.

Finally, we want to thank the organizations that helped with their support, to facilitate the event and this publication: CAPES (Brazil), Friedrich Ebert Foundation (FES), DAAD (Deutscher Akademischer Austauschdienst), International Labour Organization (ILO), Petrobras (Brazil), Central Workers Union (CUT/Brazil), Solidarity Center of the AFL-CIO, International Center for Development and Decent Work (ICDD/Germany), the Institute of Economics and the Centre for Trade Union Studies and Economics Work (CESIT), State University of Campinas (UNICAMP/Brazil).

Enjoy your Reading!!!

THE EDITORS

Chapter I

Development and Work in
the Context of the Crisis and
Geopolitical Restructuring

Origins and Nature of the Current Crisis

*Luiz Gonzaga Belluzzo*¹

Today we live a terrible situation. The crisis, rather than linking those who were harmed by it, is increasing the ideological and political power of those who caused it. I am saying this under the impact of reading *The State of Working America*, produced by the Economic Policy Institute, which shows a dramatic situation and dire prospects for workers and other employees. The description of the current state demonstrates the disruption that societies formed in the postwar suffered over the past 30 years.

The period from 1979 to the early 1980s marked the political defeat of the forces that built the space of coexistence, solidarity, called social welfare state, by the movement of the capitalist economy. That defeat begins to trigger a process of regression. Detailed data on employment, wages and income distribution leaves no doubt about the nature of the process we lived in the last three decades, made even worse by the crisis. More impressive is the feeling that the situation will get worse, because the discussion is setting a very bad schedule: Keynesian and Orthodox are discussing the minutiae.

The problem is not that. We are in a crisis that profoundly affects the ways of living that were created in the post-war and supported those democracies. We observe that democracies are powerless to advance with the solution of the problems. We saw recently the protest of the Spaniards surrounding parliament. What was the slogan? "*Que se vayan todos*". Very well. Away with you Everyone. What derives from that slogan? What is the proposal? What is the project? We are far beyond a cyclical crisis of capitalism. We are in a structural crisis of civilized life, and this is the issue, in Europe, in the United States.

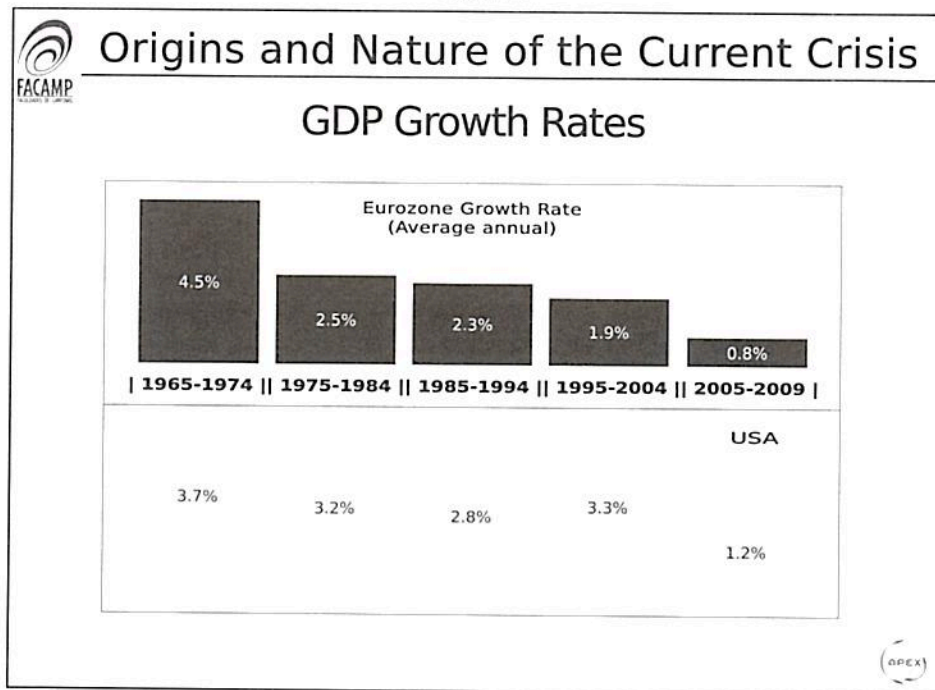
¹ Professor at Economy Institute of UNICAMP and FACAMP.

I will point out a demonstration that sustains my opinion. The presidential candidate of the United States, Mitt Romney said at a meeting of fund-raising that the 47% who declares their vote for the President Barak Obama do not pay taxes, do not want to work, do not want to earn according to their merit, as if those people had spontaneously gone into the lap of the state to seek protection, when in fact they were compelled to this.

Oddly, most of these citizens are in states where Republicans usually win elections. There are two issues here. The first one is the complete inability to understand – and this is awesome – what is the nature of the situation in which they find themselves. Why? Because the United States has held the myth of the done utopia. We are already in heaven, how can we suffer like this? It is very probably due a perversion. Perversion came from whom? From the state of Washington, from this Muslim who held the presidency of the United States. It is the massive power of ideology in its most absurd way in which people find themselves in this situation and think against themselves.

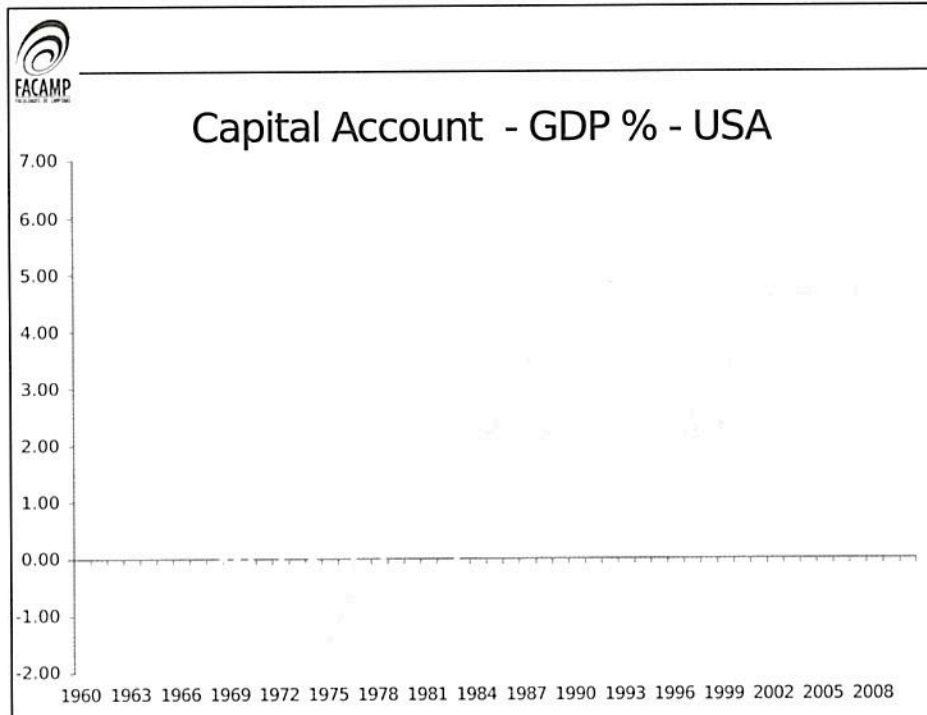
This crisis has its origin (and only revealed this in a more explicit way) in what has been happening over the last 30 years.

GRAPH 1



Graph 1 shows growth rates in several pre-crisis periods. As you can see, we are facing a continuous decline, despite this significant investment in the last period in the United States, which was the country that in fact grew faster than others – we are going to show why –.

GRAPH 2



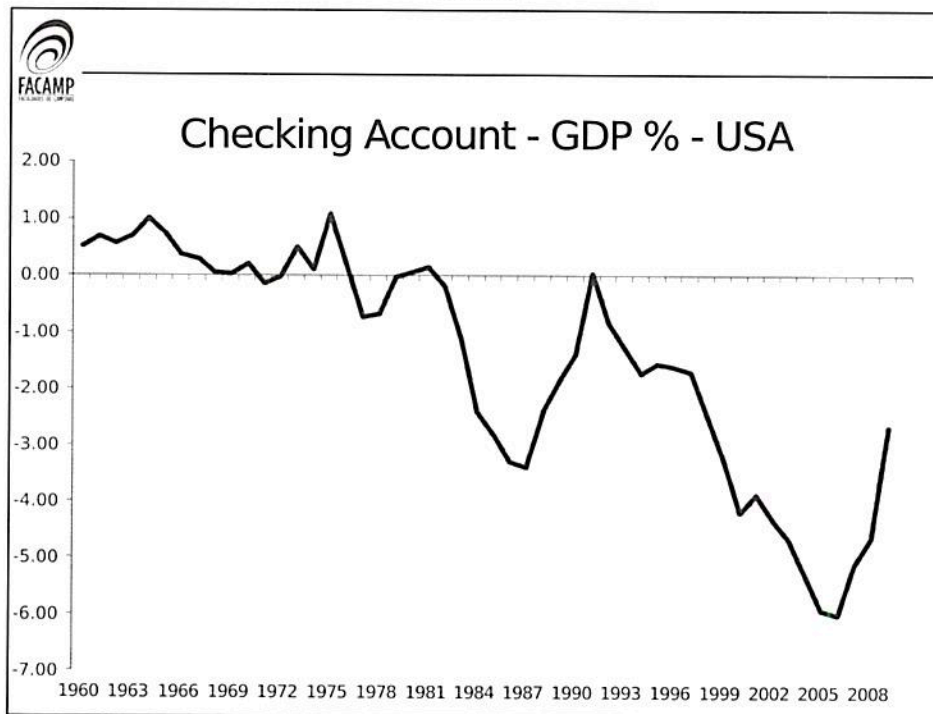
Source: Eurostat, OCDE, FMI, M. Aglietta (Le Monde, 18/05/10)

I am establishing relations of determination, of causality. Graph 2 shows a significant change in the capital account, in favor of the United States, which stops being negative right between the late 1970s and the early 1980s. This has a very important sense, because it is exactly at this moment that begins the execution of neoliberal policies: there is the deregulation of the markets; Ronald Reagan introduces the supply side economics. And in that moment, 1981 is important for covering the crisis of Latin American debt, there is a capital movement, not only in Latin America, but also from Europe to the United States, to the extent that Reagan consolidates the power of the dollar. This happens after the rise of the interest rate determined by Paul Volcker, who broke the Latin America and put Europe on its knees. When François Mitterrand wanted to make a policy to accelerate growth, he was bumped, so,

he returned to his place and kept quiet. And then, French Socialists did all the work it was needed to be done. Let there be Socialism!

This change is important because, in the immediately preceding period, American economy had trade surplus but a deficit in the capital account. Therefore, it operated as a kind of liquidity provider for the rest of the world. From the 80s, with the advancement of the financial liberalization, i.e. with the growing and generalizing opening of the capital account, there exploded several exchange crises in countries with weaker currencies. Why do I emphasize this? Because it reflects the financialization and the nature of globalization under the command of financial markets. I am not making a moral evaluation, I am saying what happened. I do not care on discussing moral issues. That's what happened structurally.

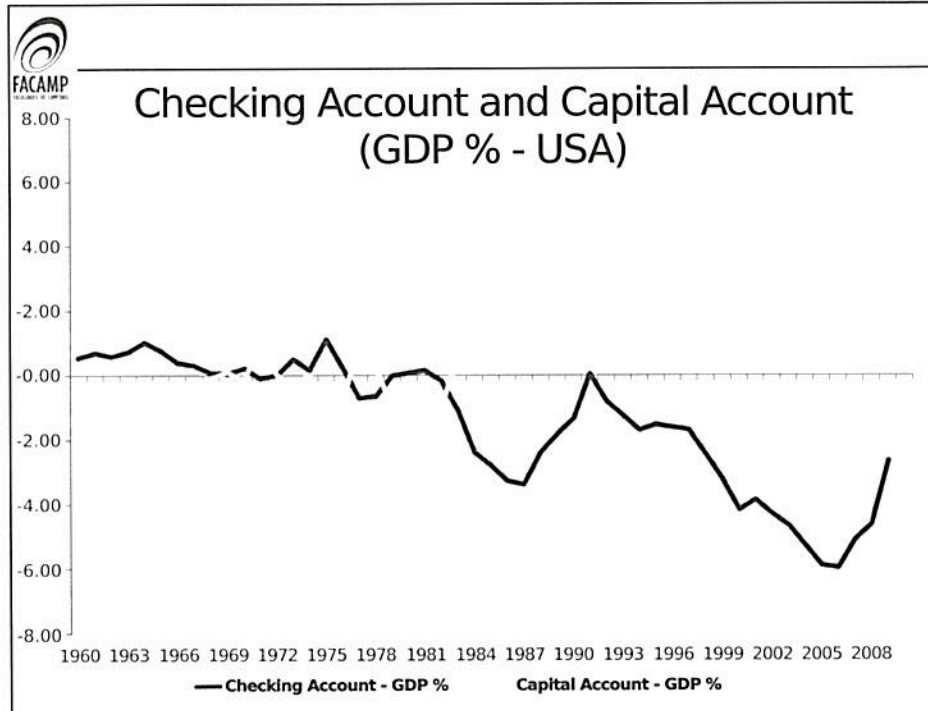
GRAPH 3



Source: Bank of International Settlements

Graph 3 shows the American checking account, which is exactly symmetrical with the capital account (account of goods and services). What I want to show is: that capital movement – data are from a work of the Bank of International Settlements – which finances the excess of absorption of the United States. i.e., all the movement of valuation of assets, expanding consumption, leverage, everything has to do with this fundamental transformation. What neoliberal policies did in the first place was to give control and centrality to the financial markets. This is deregulation.

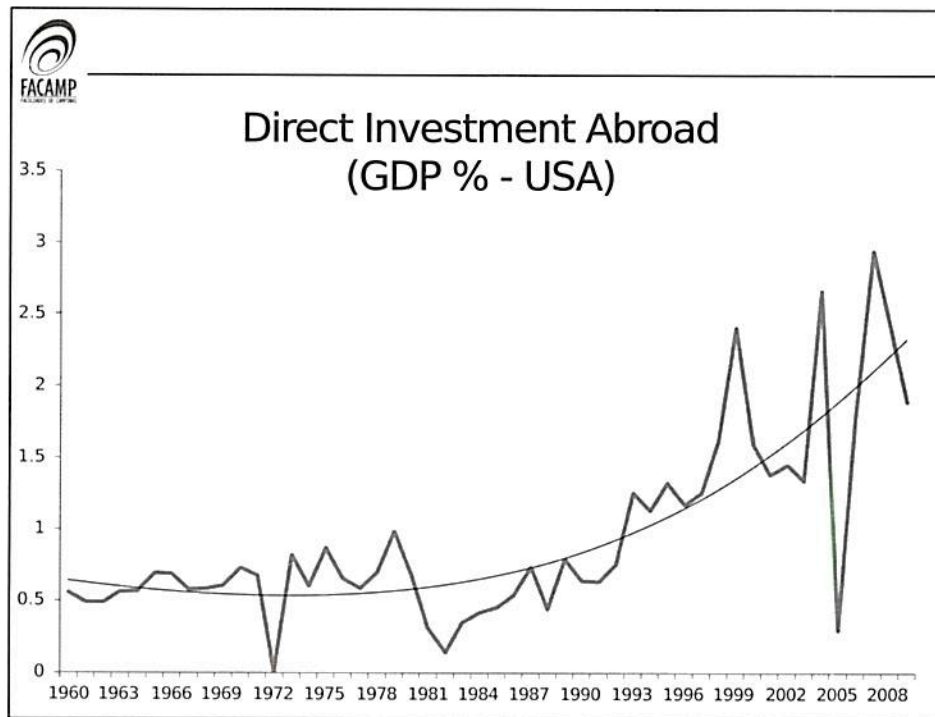
GRAPH 4



Source: Bank of International Settlements

Graph 4 shows the variations; in the upper part, for the flow of funds and, at the bottom, for the checking account. It is self-explanatory. In fact, the capital account and the checking account are symmetric.

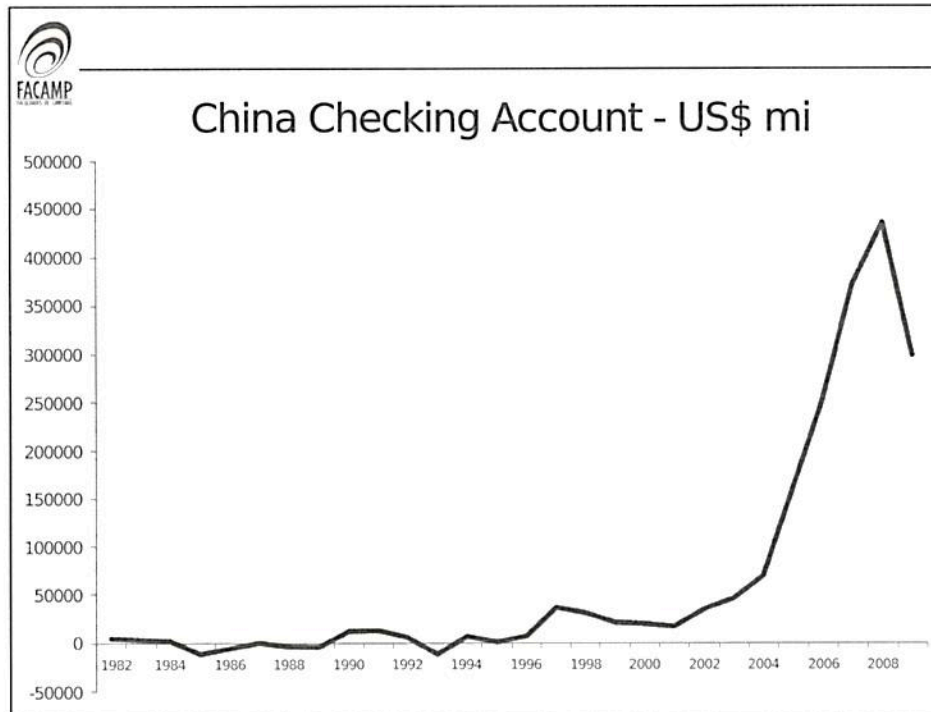
GRAPH 5



Source: Bank of International Settlements

Graph 5, the flow of American direct investment outside United States, seems contradictory to the previous one, but it is not. One might ask: how can you be one thing and another? For it is one thing and another, it is not one thing or another. It is exactly this: the strengthening of financial market, the deregulation and the strengthening of the dollar gave a boost to American direct investment outside United States. This is the movement of relocation. The United States keep losing industrial substance. The employment data are impressive. Industrial employment in 1979 was 25% of total employment and it is currently around 13%. This is, of course, because of the productivity gains, but also because of the migration of industrial enterprises for low-cost regions of the workforce and rapid export growth. So the American labor market is a disaster today, from the standpoint of wages and job quality.

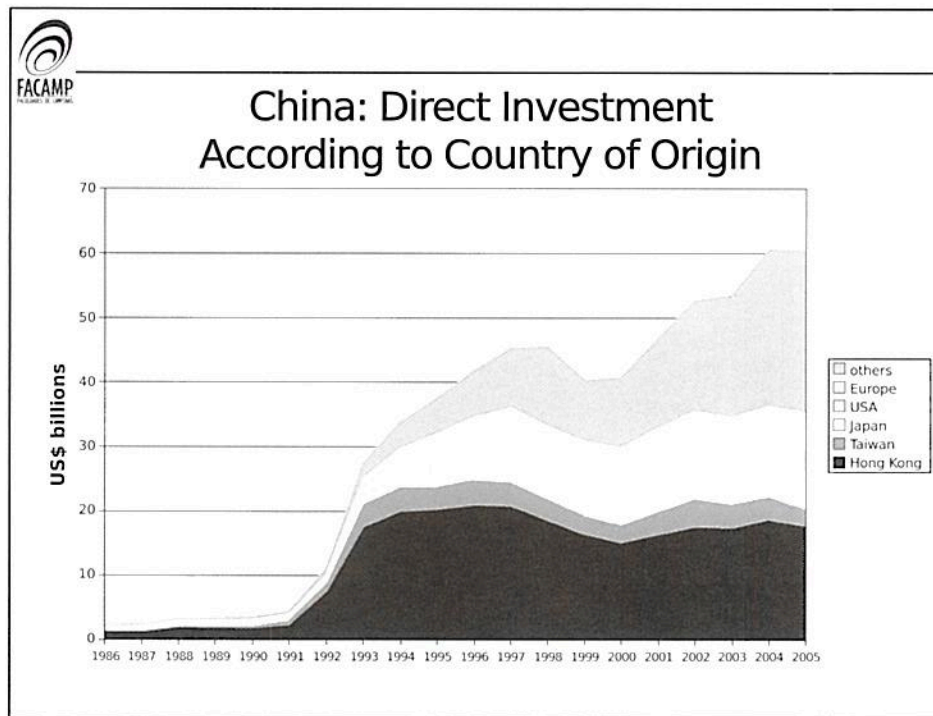
GRAPH 6



Source: Bank of International Settlements

Graph 6 shows China checking account, which begins to increase in the late 1980s, but it explodes, still in the 1990s, when the movement of relocation was stronger. It fell in 2008 because of the crisis. I will not dwell on it. The sequence of the graphs is self-explanatory.

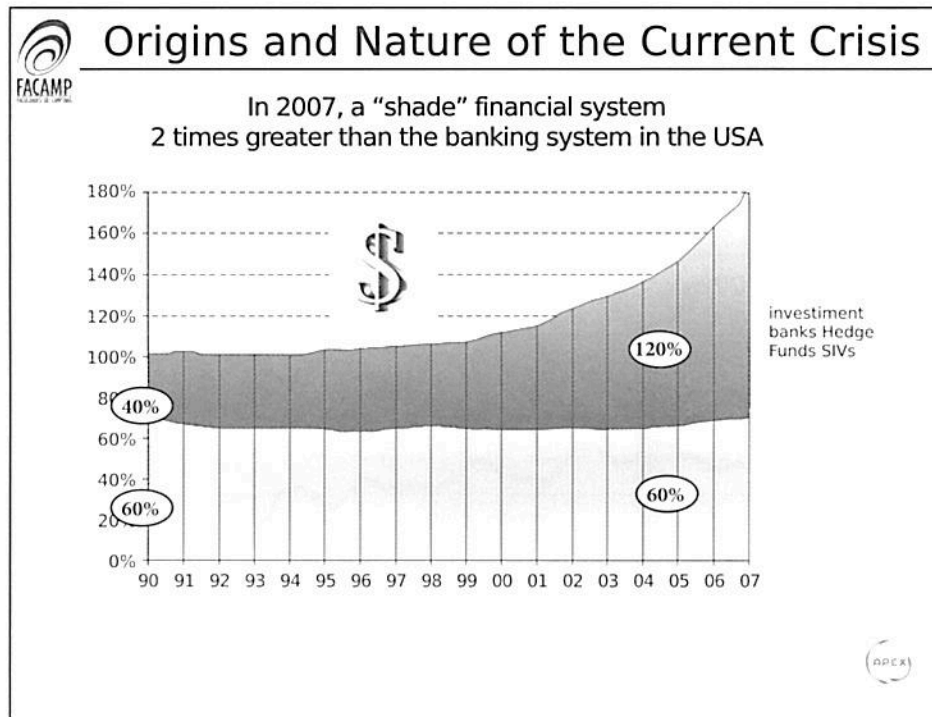
GRAPH 7



Source: Chinese Statistical Yearbook.

Graph 7 shows the overall total direct investment in China. Does Hong Kong have business and production capacity to invest this amount in China? Or do the companies go there to invest in China? It is the most likely, isn't it? It is amazing how this investment expands itself.

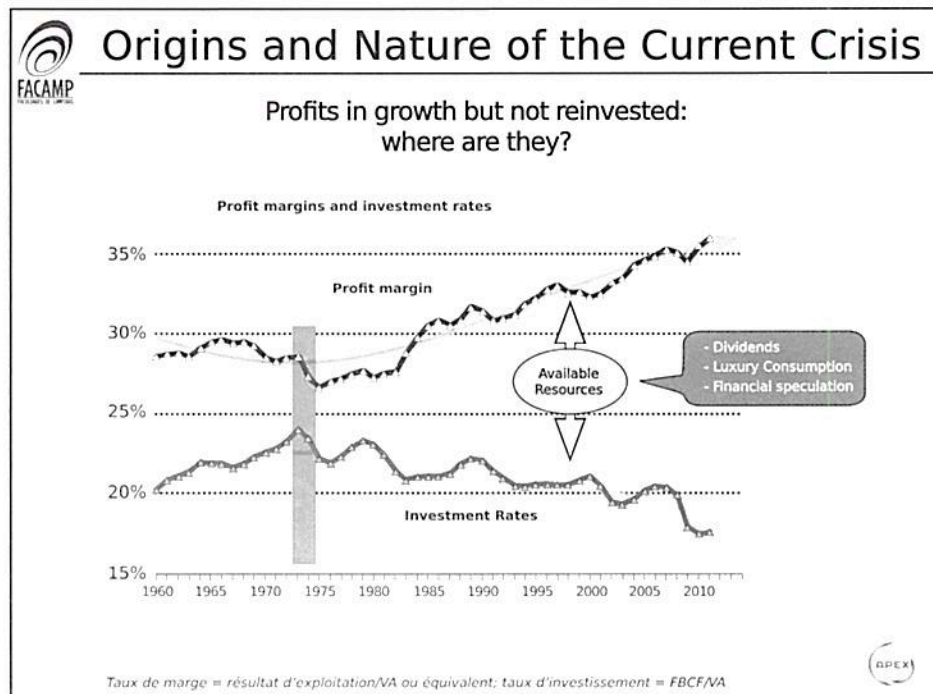
GRAPH 8



Source: Brender & Pisani, Fed, FMI, Hedge Fund Research.

Graph 8 shows the other side of what happened: the growth of the so-called shadow banks, the "*shadow financial system*". It is the financial transformation that occurs in the United States, when commercial banks lost participation in the total stock of credit. Shadow banks win participation. It is not necessary for me to explain in details the difference between a commercial bank and a fund, a SIV (structured investment vehicle), a hedge fund or an investment bank. One receives deposits and creates liquidity and the other does not receive them, but lever them, because they went gradually deregulating, and the whole salers money markets began participating in the game by leveraging the positions of the shadow banks.

GRAPH 9



Source: données tous secteurs Ameco (com. européenne) traitées par M. Husson

Graph 9 shows the gap between profit margins and investment rates in the United States. Where does the difference go? It goes to China, or to the financial management of companies. How much goes to American territory? Anything. There is a break between consumption, financed by this machine to produce cheap credit, and investment, which is held outside the United States. The American business system is going very well, thank you, it is liquid. The American territorial economy is not doing well, especially with regard to employees.

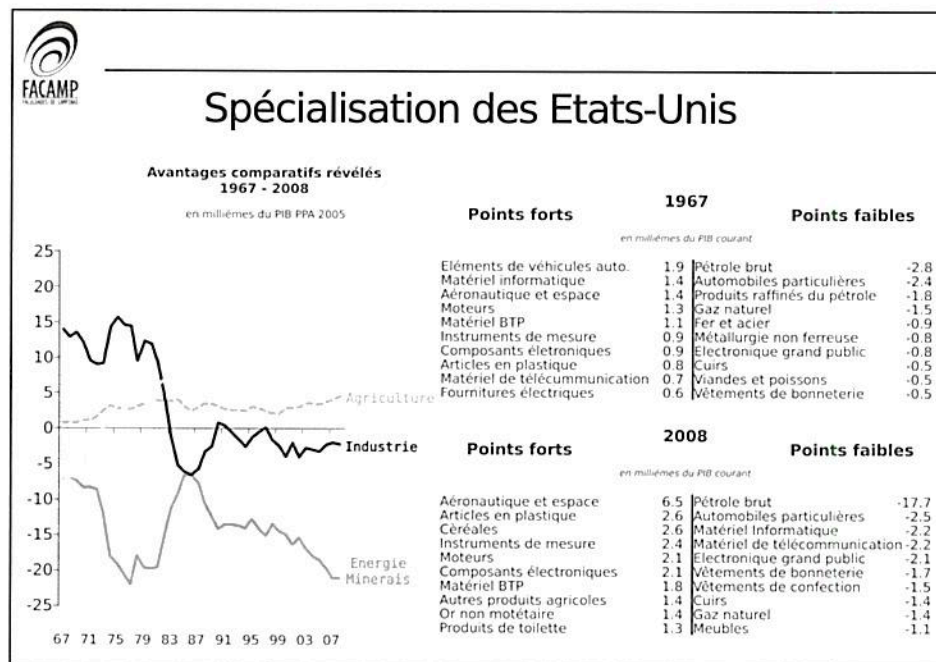
GRAPH 10



Source: CEPII, bases de données CHELEM-commerce international, CHELEM-PIB et CHELEM-balance des paiements

I selected the graph 10 only to show quickly what happens with Chinese competitiveness in recent years. China gains from increased competitiveness since 1990s. Agriculture and services lose strength on the international role of China.

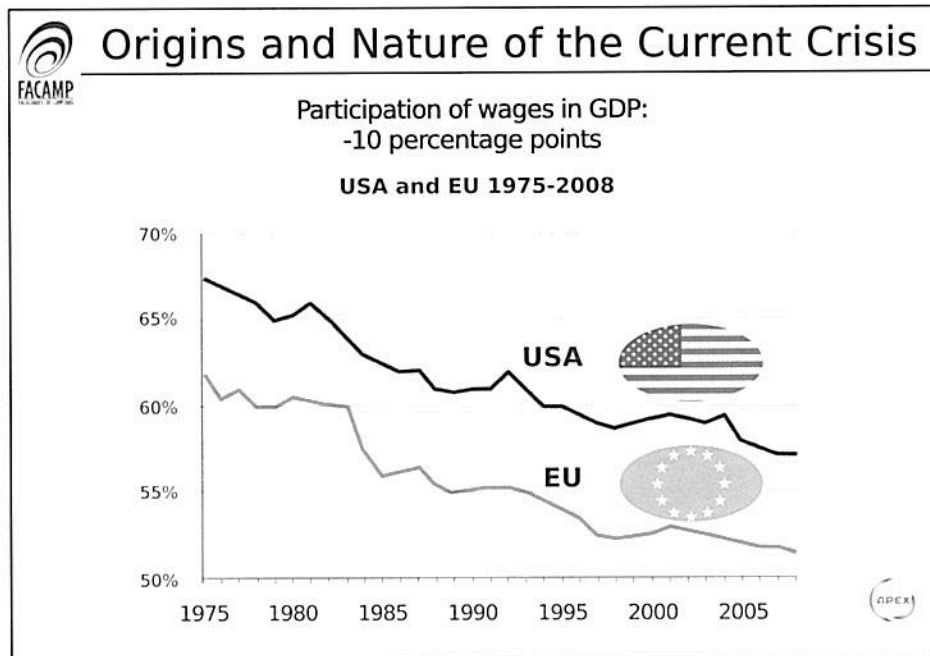
GRAPH 11



Source: CEPH, bases de données CHELEM-commerce international, CHELEM-PIB et CHELEM-balance des paiements

It is amazing how the competitiveness of the United States, which was supreme until the mid-1970s, plummets, as shown in graph 11. This is the globalization phenomenon, it is not wickedness. It occurs by the capitalism dynamics in recent years: it grew up with the relocation, with the emigration of production capacity, sustaining growth with the expansion of the financial market. It is the logic of the American development. It is not something moral, it is structural: how does capitalism move, how did capitalism move. China functioned as a transmission belt between the American demand, China's production and demand of commodities from Brazil. We took that edge since 2003.

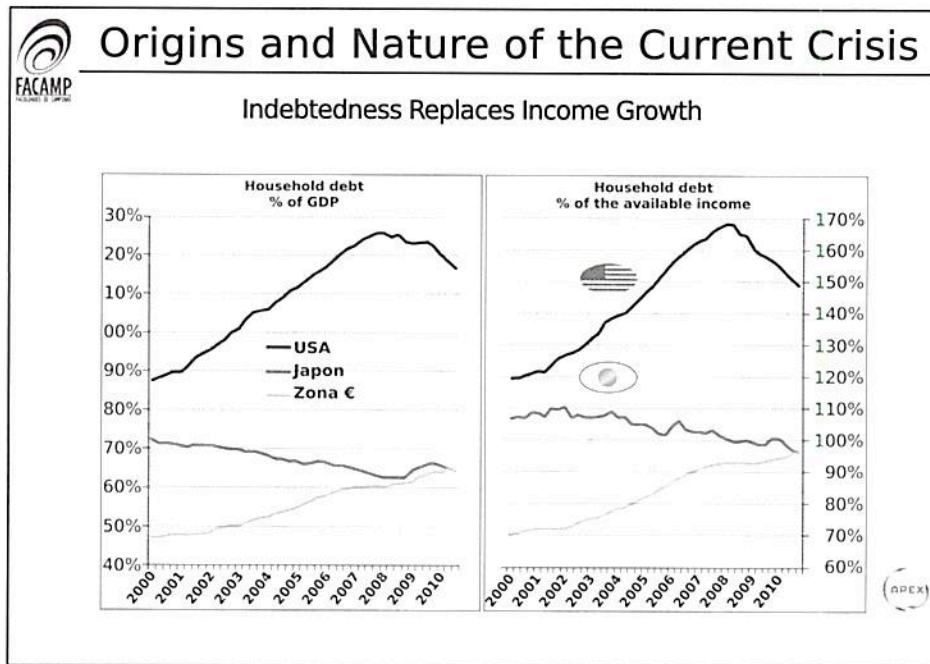
GRAPH 12



Source: Dew-Beker & Gordon, Base de données Ameco (Com. européenne).

Graph 12 shows the wages fall in both the United States and the European Union. It is the neoliberalism operating, making its service, which is expressed in various jobs, of the ILO and other organizations; I am not saying anything new.

GRAPH 13

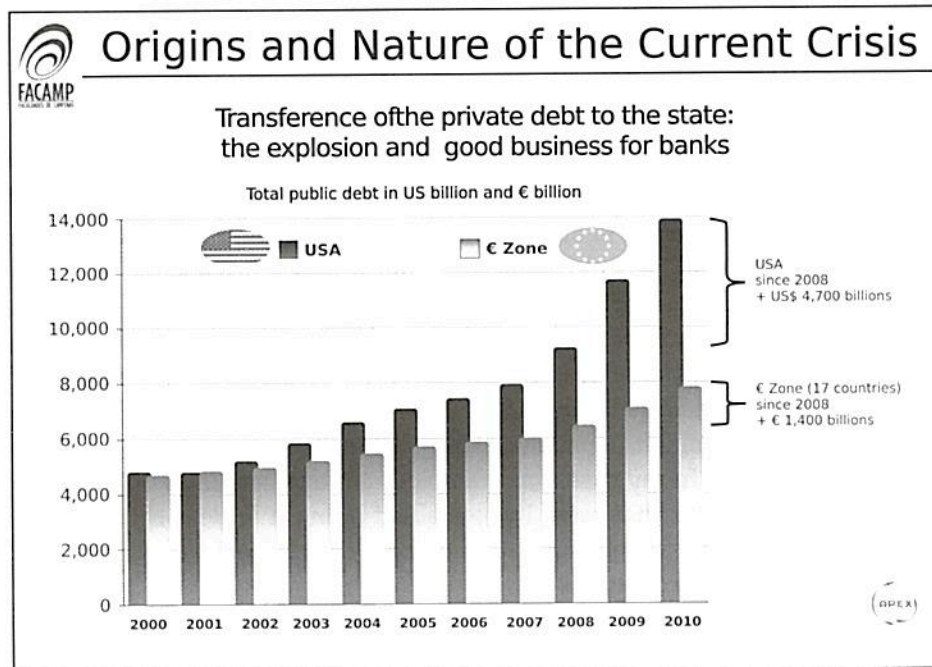


Source: Banque de France, BCE.

Graph 13 shows household debt in the United States and Europe. In Europe, we can select Spaniards who have a stock of debt over available income that is greater than the American one. Do you know that the Spaniards, during the housing boom, consumed more cement per capita than China? That is the other side of what happened to wages. What happened in the period in which wages grew with productivity? It was value creation, production that assures demand. That ensured the expansion of durable consumption, survival of Fordism, that is to say, the production of goods more or less standardized.

Who examines productivity growth vis a vis, wage growth, will see that there is a huge gap. And as this is covered, how could they give breath to the American economy to grow? On the base of capturing the NINJA investor (no income, no job, the asset). They compromise those people with a process of debt, thinking that there was no contamination, if there was no crisis in the mortgage market, subprime, or of low quality, among the assets generated in this market and the other assets, which is naivety or cunning, I do not know. If there were, as there was a crisis in the subprime market, what would banks and financial institutions sell? Good or the bad assets? The bad ones. No one can sell, then they sell the good ones. But they said that there was no contamination.

GRAPH 14



Source: FMI. *Perspectivas da economia mundial* (June, 2011).

Graph 14 shows a debt crisis, seemingly sovereign debt. However, it is not. It is a crisis of private debt that was turned into a sovereign debt crisis. Because rescue actions were transformed – as there is no other way – in public debt. Private debt became public debt. The story they tell, and the media repeats – here in Brazil, it is something amazing, the media are a fantastic organ – that would involve a sovereign debt crisis. The problem arises of how to solve the problem of sovereign debt. Then we have the Central Bank, which actually does not want to play the role of lender of last resort in its entirety. There is an understanding by German people, that “lazy” from Europe must pay for their losses, for their mistakes. When, in fact, what happened between Germany and the rest of the Europe was the same phenomenon in a slightly different form, that occurred between the United States and China.

How much was the interest rates – Let’s think in the case of Spain –, before crisis? The deadlines were of a year and the interest rates of 20%. When they introduced the Euro, the rate dropped to a very low differential, and deadlines increased. Great, perfect. But this served, in fact, to promote this investment boom in the non-tradable sector (not exportable or importable goods, such as services in general). Spain had a debt of 27% of GDP – interesting,

isn't it? – On the eve of the crisis, and a nominal budget surplus of 2.7%. The debt was absolutely under control. However, there was an external deficit of 8% of GDP. Interesting, isn't it? Actually the point is: This is financial globalization, the domination of finance, the logic goes from credit to asset inflation, from asset inflation to consumption, from consumption to external deficit, from consumption to fiscal surplus and from consumption to low public debt.

Very well. So on the eve of the crisis, this was Spain's situation; wonderful, as was the situation in other countries. But the symptom of the collapse that would come was the external deficit. And this is a peculiarity. How can it be possible to have a monetary union in which countries have deficits with one another and there is no compensation mechanism? It is as if *Piauí* had a deficit with *São Paulo*, as indeed it has. However, as the fiscal and monetary system is unique, there is no deficit of *Piauí* with *São Paulo*, there are compensation mechanisms. It is unbelievable that there is no similar mechanism in European Union. In my case, for example, I am an economist of a peripheral country, I realized that soon, I wrote about it, but it is clear that the wisdom of our "*discoverers*" took care of creating a such flawed system like that, so obviously unbalanced like that.

There is another peculiarity. Who is the largest net exporter in Europe? It is not necessary to tell you it is that one who has the most sophisticated, powerful, great and formidable industry. Europe is full of people with BMW, Mercedes Benz. This is the logic, the leader country commands consumption out of it. In the United States is consumption that drives production out of it. But the phenomenon is from the same nature. I should say, the central banks dealt with that by injecting liquidity in profusion on the banks, the banks' reserves are huge, American companies are, in fact, with more than two trillion dollars cash, they are making another quantitative easing. Keynes – he and Marx were the ones who understood capitalism; the other ones only got close – said that in a situation like this, a depression one, non-effected depression, depression in the sense that you have no point of effective demand, what happens is that people take refuge in cash. The more money they canalize to banks, it is clearer that the more general form of wealth of that economy is money.

Keynes said something simple. However, Milton Friedman said that there was no liquidity preference, because money, to Friedman, was not the general form of wealth; it was a medium of exchange used to facilitate the widespread exchange of goods and it was no more than a veil to cover up the real prices. That, however, is only the trivial function of money. Very well. So the American Federal Reserve is doing what it should. The European Central

Bank intends to do, but we do not know if it will do it or not, because they put conditionalities.

Therefore, from that standpoint, which we could call cyclical, the situation is still precarious, if the American Congress; for example, continue avoiding an obvious fiscal policy of giving itself a new impulse, investing in infrastructure, in new energy, whatever. The market is saying: you can come, take resources, it is only in 1.32%, a ten years yield, make an investment and put the economy to function. But there are people like Paul Ryan [former candidate for vice president by the Republican Party], indicating that, indeed, the Republicans will not let things work.

Now, the issue transcends the discussion of countercyclical or cyclical policies. It is clear that the fiscal-monetary mix needs to be changed, because the governor of the Federal Bank of the United States, Ben Bernanke, who studied the Depression, is doing what he should: he tries to prevent the assets depression from deepening, he is holding down. But that is not enough in a depression situation, with very depressed expectations. Moreover, disregarding the advice of many people, Obama did not make the household debt wright-off. You look at that, it's unbelievable, how could they throw out millions of people from their houses and do not devalue their debts? How to retrieve them as consumers if they are all committed to this income payment?

I think the situation we are living today transcends, exceeds the limits of a countercyclical policy and of solving issues for that situation. I think we have a structural problem. Because the crisis of the labor market was not triggered in this crisis, it was triggered throughout the growth of recent years; it is the trend of growth in recent years. How much was the rate of trade union in the United States in 1979? It was 25%. How much is it today? It is 12%. What I mean is: that means something. And we need to understand why it happened. We have to evaluate very carefully the changes that occurred in the labor market.

I saw today some data about worked hours, total of worked hours in almost all countries. Judging by technological advances and by productivity gains, total of worked hours in those countries should have fallen, but it rose absurdly. Why? Because the work was intensified. In the so-called white-collar professions, one is bothered at six o'clock in the morning at his house. Work was anticipated. I listen as they claim. Being a lawyer in a big office is a tragedy, you win a thousand and five hundred reais and you are awaked at six o'clock in the morning because a problem occurred you do not know where.

With productivity gains, the stock of productivity created in these years, how do you explain the rise of inequality, wage stagnation, job destruction? For if the resumption of growth happens, that will not also improve,

because capitalism actually is carrying out its purpose, which is to devalue the work force. We need to have it clear that it is performing its design, it is a systemic thing. So, if there is no force to counteract it, it will walk in that direction indefinitely. I return to the example of the glorious period of 30 years, I always quote that because it is necessary for us to have a reference; they put discipline in this self-referential trend of the system, of not looking for people, people are mere instruments of its expansion.

I am going to repeat what Keynes said in 1930: "*— international capitalism is not pretty, it is unfair, it does not deliver what it promised, but always when we think we will put it in its place, we do not know*". He was right. There was a part of the left that thought they knew, but they did not know. What they did was very bad. Against even to the principles, values of who performed the criticism, who was a defender of freedom, Marx was even libertarian, in a sense. But Keynes, who was more modest, said: "*— look, it is necessary to do something about this system*". And the welfare state is built by conservatives, appalled at the effects of war

He who wrote the first major text about the welfare state was a Conservative, Lord William Beveridge. What did he write? Fundamentals of the welfare state, saying that people have to be protected from the cradle to the grave. What do we see today? There was talking about the powerful and wealthy. What do they want? They want to repeat that terrible thing from the last 30 years, which was crushing, massacring people, becoming increasingly distant the hope of life getting better. You just need to look at the rates of mobility in the United States. When I remember the years 1950 and 1960, I think about an American television series, naive, but at the same time revealing. It was called *Father Knows Best*. It was an American family, prosperous and hopeful middle class that had recently ascended to those goods of civilized life. What do we see now? The deconstruction of the American middle class. They are making a hole and throwing people down. Just look at the data.

Therefore, it is not only an economic crisis, an economic crisis is also a crisis and I say a civilizing crisis. Because it is not acceptable to leave 53% of Spanish youth without job prospects, or 18% of young Americans. And do not tell me that story that those better educated are faring well. They are faring any better. Unemployment is growing much among them. So this is a very serious thing. It is not worth saying *blah blah blah*. We have to think, as we have said, rigorously and relentlessly. Relentlessly because we have the duty of not running away, as once Jean Paul Sartre said about

Albert Camus. “— *Where is Camus?*” Asked Sartre. Someone said “— *Camus fled, hid in the École Normale Supérieure. He does not participate on the debate.*” This is what Sartre speaks concerning the attitude of Camus: “— *we can not flee.*”²

2 Elaboration of the Graphs: FACAMP - Colleges of Campinas.

Chapter II

Diagnosis of the Crisis and Prospects for Sustainable Development

Round Table 1st part

Coordination: CUT

From Financial Crisis to Stagnation

Thomas I. Palley¹

In my opinion, this is a critical moment in our history. We are really fighting for the future of the shared prosperity. It is a historical moment. It is not about an ordinary economic crisis; something much deeper is at stake. It is also a period of decisive importance for the unions which are under attack everywhere. This occurs because the unions are the pillars of the shared prosperity. It is not possible to have a shared prosperity without strong unions, this has never occurred in history. In all countries where the shared prosperity gave rise to a new and growing middle class, unions were the basis on which this change occurred. The enemies of the shared prosperity know this, and that is why they hate unions. If we intend to win the struggle for shared prosperity, we have to understand and explain the past. Understanding the past we help us to know what went wrong and to identify what it is necessary to be done. Only this way we will be able to change the understandings and people's minds so they will support the economic policies that we all defend. Understanding, explaining and convincing. These are the weapons to win the fight for shared prosperity, and that is why the work of the Global Labour University (GLU) is so important, because it seeks to give understanding, explanation, and it seeks, thus, to persuade. At this moment, the society is developing a big debate about the causes of the crisis. This debate is essential, because the explanation and interpretation we give to the crisis will greatly influence our reaction to it. This process illustrates the importance of the ideas. Ideas matter. If the bad ideas win, they tend to promote bad results in economic policy. And if the good ideas remain, they tend to promote good results in economic policy.

At the beginning of my book – From Financial Crisis to Stagnation – there is a quote from Marshall McLuhan: "*We shape our tools and they in turn shape us*"², that can be applied to the economy. Ideas are intangible tools, and

1 AFL-CIO/United States.

2 Paraphrased from the original.

they also shape us. That is why economic ideas are so important; they contribute to shape the economic policy that shapes the economy. Unions and supporters of the shared prosperity must win the debate about the explanations for the crisis. This is absolutely essential. They also must win the discussion of policies to restore prosperity. And they must also win the debate to a deeper level, about how a healthy economy works. I am going to discuss about that now.

There are three different perspectives or hypotheses to explain the crisis. The first perspective, I call: the government failure hypotheses. If you want to give it a political label, that is the neoliberal perspective. In the United States, it is identified with the Republican Party, the American Enterprise Institute (AEI) and economists such as John Taylor, from Stanford University.

The second perspective, I call: market failure hypothesis. If you want to give it a political name, it is the perspective of the third route, identified with Obama's administration and half of the Democratic Party. I emphasize that, half of the Democratic Party of the United States. And, it is also identified with economists like Alan Blinder and with the Department of Economics in Massachusetts Institute of Technology (MIT). The third perspective, I call: shared prosperity destruction hypothesis, or progressive perspective. It is identified with the other half of the Democratic Party, associated with Franklin Delano Roosevelt and with the New Deal.

It is the New Deal democrat who believes in the hypothesis that the crisis was the destruction of the shared prosperity. It is associated with unions and economists like me, and others in this room today. But, you will not find it in the so called best universities of the United States or in the called "*top*" European universities, because they no longer allow teaching Keynesian economics. And this is also the other reason why GLU is so important, and why Keynesian ideas are being presented to you and, Keynesian ideas are developed within the GLU system.

I am going to discuss about some details of those three perspectives. The government failure hypothesis is that the crisis was rooted in the housing bubble in the USA. And the bubble resulted from failures of monetary policy and government intervention in the housing market.

Thus, the failure number one was that the Federal Bank of the United States (FED), in the previous recession in 2001, kept the rates too low for a long time, and that fueled the housing bubble. And the failure number two was the Congress intervention in the housing market through actions such as the Community Reinvestment Act, through Fannie Mae (Federal National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corpora-

tion), and those interventions raised the prices for residences when they encouraged home ownership beyond people's means.

The hypothesis of the market failure, the second perspective, is that the crisis was due to insufficient financial regulation. Taking excessive risks was allowed for the banks, which enabled the growth of perverse pay structures inside them and encouraged their administrations to focus on taking credit to obtain commissions and profits in those businesses, rather than engaging in granting healthy loans. I like to quote the British economist Willem Buiter who says: "*The self-regulation is to the regulation on the same way as self-importance is to the importance*"³. They are completely different.

The third perspective is that the crisis represented the destruction of the shared prosperity. Here the argument is that the crisis was rooted in a neoliberal economic paradigm that has guided economic policy since the early 1980s, since the triumph of Ronald Reagan and Margaret Thatcher. Inadequate regulation and faulty incentive schemes in banks and financial companies definitely played a role, but the problem is much deeper than just the regulator failure. Remember: the deepest crisis we have had since the Great Depression in the 1930s is a failed economic paradigm that fundamentally undermined the shared prosperity.

The origins of the crisis lie in a change of economic paradigm that occurred in the late 1970s and was formally put into practice in the early 1980s. From 1945 to 1975, the American economy was characterized by a Keynesian growth virtuous circle built on two aspects: full employment and a system that linked wage increases to productivity growth. The logic of this system is actually very simple. Productivity growth led to wage increases, they fed the growth in demand and created full employment, full employment provided incentive to invest, and the investment then caused productivity growth. So we have a logical virtuous circle that closes itself. This was the core of the model throughout the whole global economy. It was conducted in the USA, in Europe, Canada, Australia, Japan, Brazil, Argentina, Mexico, even if in those countries, always with some modification to suit national conditions.

After 1980, the Keynesian growth virtuous circle has been replaced by a neoliberal growth model, and there were two important changes. The first change was the abandonment of the political commitment to full employment and the adoption of a focus on the very low inflation. The second change was the breaking of the link between productivity growth and wage growth. The policy helped corporations to break that link, and these changes, only these two

3 Paraphrased from the original.

changes, the abandonment of full employment and breaking the link between wages and productivity growth gave rise to a new economic model.

Before 1980, wages were the engine of demand growth. After 1980, the debt and inflation of asset prices become the engines of growth in demand.

The new model is illustrated by something I call quartet of neoliberal policy. Firstly, we have globalization, which puts workers in international competition through global production networks facilitated by free trade. By the way, it is very important to note that globalization does not refer primarily to free trade, which is always a litany you hear from neoliberal. In fact, it is about production networks, with production platforms outside its borders, putting the work in competition globally and then being able to produce in cheaper locations and using free trade to bring the goods to the country. Globalization should be understood, therefore, through the lens of production networks, not through free trade.

Secondly, there is what I call agenda for reducing the size of the state, what attacks the very legitimacy of the government's, pushes for deregulation, undermines the social safety network, removes the government of the engagement in the economy and of security guarantee to the citizen, from his birth to his death.

Thirdly, it is the schedule of flexibility of the labor market, which attacked the unions, supporters of the labor market as the minimum wage, unemployment insurance, protections to the employment and workers' rights.

Fourthly, there is the abandonment of the policy of full employment, replaced by inflation targeting system, and, what is very important, the return of the finance management by central banks. Examine the resumes of those who are seated in the central banks today. All of them come from the financial sector. The power of finances over the central bank is total, which partly explains why central banks have been so bad to release finances in the current crisis.

In the private sector, you are under attack of globalization, and in the public sector, under attack from the agenda for reducing the size of the state, and, in any sector, under the effect of rising unemployment and destructing the protection of the labor market and unions everywhere. The unions cannot win this economic and political conjugation. They can run, but they have no way to hide themselves. And that is way, by the way, the policy is so important, but I am going to address this point further, on how to escape the tragedy in which we are.

This also explains the importance of Washington Consensus, which was applied by the International Monetary Fund and World Bank. Remember, in the 1980s and 1990s, especially in Latin America, countries needed financial assistance to escape from its debt crisis.

The IMF and the World Bank established the adoption of the neoliberal political quartet detailed above as a condition for funding. We all remember those discussions on conditionalities and manifestations before the IMF and the World Bank. There was a reason for the protests. These institutions strengthened and implemented, in a global scale, this policy, and they were successful in replacing the old Keynesian virtuous cycle.

The same policy, with its new global model that replaced the Keynesian model, was implemented in the United States, where the Union collapsed, minimum wages have collapsed; in Europe; to a lesser extent; in Canada; Mexico; Argentina and Brazil, with the privatization and the government retreat; in Chile; in South Africa.

And what is finance's role? How does funding fit in crisis? I did not talk about it much until now. Well, the neoliberal model inevitably undermines the process of income generation and demand. This created a structural deficit of demand. And the role of finance was to fill this gap. Thus, financial deregulation, financial innovation, speculation and simple corruption, according to an old-fashioned, allowed the finances fill the demand gap through loans to consumers, inflating asset prices.

I am not a fan of conspiracy theories. If everything happens on a large scale, it is not conspiracy; it is the ideology that moves it, that makes it happen. Neoliberals did not know they were creating a demand gap. Alan Greenspan, in 1989, would have considered absurd what I am saying.

Second aspect: *laissez-faire* ideology triggered developments that accidentally filled the demand gap. And that was what blinded them to what was happening. Once they forced the *laissez-faire* and the deregulation of the financial sector, they gave it space to intervene in and to fill the gap of the demand. And, of course, since the financial sector did that with great joy, they were blind to what was happening on the development of this demand gap.

Third aspect: the process of filling the demand gap was inevitably unstable, and was always destined to collapse. There are limits to debt; there are limits to inflation of the asset prices. Every "Ponzi scheme" collapses. The problem is that it is impossible to predict when this will happen. All an economist can do is to identify that a bubble is on the way. I can identify that it is a

"*Ponzi scheme*", but I do not know when it will end and I will have a hard time convincing people that this is a bubble. If you had told people in 1999 that they were crazy for investing in computer shares, that everything would fall apart, they would have answered that you are a fool, a loser, a jealous. It is not possible to convince people about bubbles, they have to go through it, only when they fall they become aware that "*the king is naked*".

And then, the fourth aspect: what made our task very difficult during these 25 past years is that this process took much longer than anyone expected. I wrote a book in 2000 whose last chapters were called "*Recipe for a Depression*". I thought, in fact, that the crash of 2000 was the beginning of the depression we have today. When we look at this through the lens of economic history, we say that the crash began in 2000, but at the moment, it seems it only started in 2008. Why? Because the Federal Bank of the United States managed to pull a rabbit out of the hat in the form of a price bubble in real estate assets, which was the largest of all.

With the extension of this process, when the collapse came, it was much deeper, because the whole economy was highly leveraged with debt. This not only means that the accident is deeper, but that now it will be much harder to escape from the consequences of the crash, because the economy is burdened with so many debt, and many people have exhausted their credit capacity. Credit expansion is not a recognized asset, but it is very important; it is what you borrow against the future and that allows performing the expenses that would make this future happens.

Several pieces of evidence refute the hypothesis of government and market failure and confirm the explanation that what happened was the destruction of shared prosperity.

Data from the Economic Policy Institute show that productivity and wages grew more or less together from 1947 until the mid-1970s. There was some collapse in the 1970s, but this was due to the oil shock, there was a fight about how we would distribute the suffering caused by the OPEC oil shock and a bit of inflation in commodity prices.

But they were still moving more or less to the same direction. After 1980 they went different ways. Productivity continued rising, but then sided with wages. The collapse began, actually, in 1980, Margaret Thatcher and Ronald Reagan's period. It is remarkable how the statistics are clear about that. Apart of the work of the private sector, GDP begins a collapse after 1980, and it is still falling. We are in a crisis; we know that the problem is a collapse in the share of the labor and guess what the crisis is doing? It is accelerating the collapse of the participation of labor.

In 1928, on the eve of the Great Depression, the participation of the richest 1% in income before taxes was 23.9%. In the Depression and in the New Deal that followed it, we reduced a lot, and permanently, the participation quota of that 1%. But, again, from the late 1970s, all the improvements reached by the New Deal and the prosperity post II World War were reversed. The participation of the top 1% of income before taxes returned to the level before the Great Depression: reached 23.5% in 2007 and slightly below of that in 2008. I would like to see the latest numbers, I did not see them yet, but I believe they should have risen again because of the increase in corporate profits in the last two years.

From 1952 to 1980, the trend of the growth rate of the United States GDP was 3.4%. After 1980, we put in practice a new regime of growth, the neoliberal model and, indeed, our trend growth rate of GDP is only 2.4%. So, all this fashion from *Reaganomics* and from *supply side economics* were just false promises.

The total debt of the economy, from 1950 to 1980, tended slightly upward, reflecting the increase in financial sector development. In 1980, it corresponded to 150% of GDP, then there was a huge increase of the debt, increasing to 350% of GDP at the moment of the crash. By 1980, therefore, there was a structural break; the real GDP growth actually decreases, but explodes debt growth. We needed a faster growth of the debt to create an inflation of prices and allow financing which filled the gap of demand that had been created by the neoliberal model.

The bubble credit is over, so that the loans can no longer fill the gap in demand. More importantly, we still have the gap demand; nothing was made to fix it. Actually, it is deteriorating, the distribution of income continues to get worse, and the participation of labor continues to fall down, so that, in fact, this problem of gap demand actually worsened during our so-called recovery. And the implication is that we face a future of prolonged stagnation.

Economists were wrong in their predictions, because most of them believe in what I call the hypothesis of market failure. The FED also believes this hypothesis, which explains why he is wrong too. According to this hypothesis, all you had to do was to practice a little more financial regulation, which is Dodd-Frank law project, to regulate Wall Street again, to deal with the regulatory failure at Wall Street. A fiscal stimulus and one robust monetary policy to offset the deep recession, both together should get us out of this situation. But this does not work because the problem is not the regulator failure; it is not the market failure. It is this problem of a hiatus of structural demand caused by a neoliberal growth model.

Thus, policy makers, in my opinion, have the wrong theory, which means that the models are wrong and that the predictions will be wrong.

The forecast of stagnation helps to understand the role of income distribution in the crisis. The distribution of a deteriorated income did not trigger the crisis. The trigger was the implosion of the credit bubble, which was part of the housing bubble. The effects on income distribution were effectively obscured before the crisis, because they were covered up by funding. Income distribution has come to light after the crisis, because the loan to fill the gap is no longer possible. So you have to think about income distribution as the dog that barks after the crisis, instead of barking before it. Some of us think that the income distribution would be the trigger, and that's where we lost the right perception of the financial crisis.

What happens next? Well, that will depend on which of the three explanations will win, because each one brings its own policy prescription. If you are a proponent of the hypothesis of government failure, the recommended policy response is: (one) to deregulate markets even more; (two) to deepen central bank independence, the commitment to low inflation and to impose strict rules based on monetary policy. All of this begins, in a certain way, to appear in the discussions of the FED. And (three): to reduce the government even more and to impose fiscal austerity to deal with the increase in government debt that produced the crisis. My own prediction is that if this hypothesis of the government failure wins, we will have a second Great Depression. And that is what we already see in Europe that embraced austerity and understands the crisis through this lens of bankruptcy of the government.

For the advocates of the hypothesis of market failure, the answers to tighten financial regulation are basically to continue the rest of the paradigm of the existing policy. This means the continuation of the support to the corporate globalization, of an agenda of flexibility from the labor market, targeting low inflation and fiscal austerity. In a certain way, this is what Obama's administration has largely done last year (2011); he forwarded reforms, but actually left the rest of the paradigm unchanged. It is by fiscal austerity a bit later rather than sooner.

My opinion is that, if we remain on the track of this hypothesis of market failure, we will end on stagnation, which is what we have now. We will stumble in the constant need of new interventions as the effects of previous interventions wear out.

There is a great political danger here, and this is why I am afraid of Obama's second term administration. The danger is that the political support for expansionary fiscal policy will eventually run out, because once it will con-

tinue failing on delivering a return to prosperity, people will get impatient and then we derive for the alternative on offer that is the austerity, with all its associated dangers. Our political problem, as I see today is that there is really a choice between bad and worse, and our challenge is to put something good on the table.

The good aspect is the agenda of shared prosperity. If you believe in the hypothesis that the crisis was originated on the destruction of the shared prosperity, then you have a fundamentally different political agenda. Political leaders need to overthrow the neoliberal paradigm and replace it with what I call structural Keynesian paradigm; to replace corporate globalization by what I call managing globalization; to restore commitment with the full employment; to replace the anti-government book by a social democratic agenda and to replace the neoliberal agenda of flexibility of the labor market for a schedule of the labor market based on solidarity. If we can do that, we can return to the shared prosperity.

But beyond doing this, which is a huge challenge, we also need to sustain the demand during the transition to this new agreement, and here is where the classic Keynesianism into the history. We need to sustain the demand to maintain a rate of transition from one system that does not work to a system that works. And that is why we need to continue fiscal stimulus, public investment and a monetary policy that supports fiscal stimulus. This economic program is incredibly politically challenging.

Ideas really matter. Corporate globalization was justified by the neo-classical free trade appeal; the schedule of the flexibility of the labor market, by claims from many economists that unions and minimum wages cause unemployment; the abandonment of the policy of full employment, on the grounds that the economy – that is Milton Friedman speaking – automatically forwards to full employment, or to the called natural rate of unemployment and the FED must therefore focus on low inflation, that is all it can manage.

Financial deregulation was justified by the promise that it would produce a “*free lunch*”, increasing the efficiency of resource allocation. Economists’ fingerprints are everywhere in this case. But not only ideas matter; it is the combination of ideas and the political power of the elite, the top 1%. There are two things, the ideas and the power. Ideas reinforce the political power of the 1%, and the political power uses this power to win the battle of ideas. This means that there is a double challenge, we have to win the political fight and we must win the war of ideas. There is no use in winning one without the other. There is no use on winning the political battle, if you lose the war for ideas. That is the lesson of the 1990s and of Clinton’s administration.

If you want to understand Clinton's administration, its economic policy, do not look for the virtuous circle, see the neoliberal framework. That was a neoliberal administration. It is also the lesson of the first three years of Obama's administration.

Neoliberals won the war of ideas and they are using their victory to lower expectations. Progressives do not have many chances to prevail if the expectations do not change. In my opinion, it is unlikely that they do so without winning the war of ideas. In my opinion, the role of the economist is to provide ideas. My hope is that progressive leaders grab these ideas and use them to increase people's expectations.

Growth with Social Justice: Lessons from Global Economic Crisis to Asian Countries

*Arun Kumar*¹

My experience focuses on unions, and I decided to talk about just one topic, about prosperity sharing and what kind of influence standards and rights exercised over it. When we talk about workers' rights, everyone thinks that it relates only to benefit workers. I consider, however, those rights have also an important role in really promoting certain type of development process.

Looking to the future, especially from the point of view of Asian countries like India, China, Thailand and Indonesia, I evaluate that rights have an important role to play with regard to the development process, on purchasing power and on creating market, which are essential if the goal is to achieve a sustainable development.

When the 2008 crisis erupted, many Asian countries thought: this is a problem in the United States and it has nothing to do with us, we have large foreign exchange reserves and we are able to resist. But in reality, those countries were affected. When 1997 crisis happened, an important lesson they learned was that they should ensure that their foreign reserves would never run out. It starts a growth process based on exports, in a way even more strong, to ensure that foreign exchange reserves would be sufficient to support any monetary crisis. But during the process, what they should not have developed, but they did, it was a vulnerability to Western markets.

If we look at the period from 2000 to 2008, when Asian economies were growing in a really stupendous way, everyone thought they would be the new engine for the growth of the rest of the world. But this Asian growth actually was not significantly based on positive factors for their own economies,

¹ ITC-ILO/Italy.

but it was more related to what was happening in the United States, Japan and European Union. It is from there that the demand was coming. In those places consumption was promoted, with low interest rates, outsourcing and liberalization, basically creating the main source of growth for Asian countries.

Even if the economy improves in the European Union and in the United States, what I do not think will happen, at least, in the next five or six years, would that mean that workers in those countries would benefit from this growth? Unless there are respect for certain rights and fundamental principles at work, standards, formalization and labor rights, I think that the growth tends to not include most of the country. The experience of 2000 and 2008 clearly shows that when growth occurs in the absence of such standards, it is the inequality that increases. Today I would say that China, India, Indonesia and Thailand are probably the most unequal societies. All these countries are called "*tigers*", but there is a vast majority of people who had nothing to do with what is happening in the country. In the case of India, I would say that that population represents 40% of the total, and the proportion is similar in other countries.

Between 2000 and 2008 there was growth in Asia, but the number of jobs did not increase significantly. Therefore, we must ask what is the nature of that growth. Specifically, what is the nature of the growth today, in the context of sustainability? I think that if we talk about sustainability, then we have to lose our obsession with GDP growth, because GDP is not a good indicator of a targeting process for sustainable growth.

Basically, there was a split between wages and productivity, because this increased substantially in the absence of any respect for the workers' right of organizing themselves to perform collective negotiations. In the absence of any effective system of social protection, the gap between productivity and the wages workers should have increased. So, there are wages that did not increase, or increased by about 2%. Women, of course, were even more wronged in this process.

In most of these countries, where is growing coming from? If workers' wages are not increasing, this means that most of these countries are depending mainly on exports to the West. This is the general situation. Direct investments made earlier, portfolio investments and exports to the West are usually the main source of growth. Consumption is not. Because private consumption is more or less stagnant in most of these countries, in a situation in which the share of wages is declining.

Asia-Pacific region spends between 5% and 6% of GDP on public health and social security, less than Latin America or even Caribbean. Many say that

Asians save enough. Even a low-wage worker saves a certain amount of money. But this saving is a kind of precautionary savings, because the system does not care about anyone there. What happens if he gets sick, if there is an emergency? The worker knows he cannot rely on any protection of health or social effective. So, even the poorest of them will try to save. It is not saving because the income is high, but because the system does not provide any kind of social protection.

It is in this point that I think social protection would have the role of development policy because if there was an effective social protection, effective medical care, I think people would spend more. Because the more the money, the greater the market economy, which is the type of economy in which we live. Consumption is a source of growth, so if you want to promote consumption, it is also necessary to establish systems of protection. This would free up much purchasing power in the economy. But while social protection is at such a low level, it will act as a binding constraint to growth.

Extreme poverty was certainly reduced, but despite of that, I would say that about 60% of Asian workers, which corresponds to more than one billion people in Asia are living on less than two dollars a day. There are unstable jobs, they are poorly paid and do not have any social protection. Inequality is very large. In some countries we have inequality higher than we have at the United States. There are still many basic needs that are not fulfilled in fact. I estimate it is necessary to create 230 million jobs over the next ten years. Where are they coming from? How are they going to be created? It is not clear. The impetus for Asian growth, which came from the United States and the European Union in the past, is not likely to occur in the same way in the future.

I believe that the respect for association freedom and for the right to collective bargaining is one of the main ways to get workers distribute whatever they have to produce. And in the process, in fact, the part of consumption is more widely distributed, so it is more like a market. It is not just a matter of offering a wise representation or democratic labor rights. These countries, if they want to develop, they must also respect the fundamental rights of organizing and negotiating.

Not everyone has an idea of how overly dependent Asian countries are. Whatever they produce, the biggest part, almost 60% of the demand comes from the West. When the crisis erupted in 2008 and 2009, 20 million Chinese had to be dismissed because all export factories closed. The government of India estimated that about 500 000 workers from export sector of precious stones, jewelry and apparel sector were directly affected. Taiwan is a classic

example of supplier. When the United States economy faced problems, Taiwan suffered a drastic downturn, because that country essentially supplied chips for the biggest computer manufacturers.

That was the biggest lesson Asians learned: how to sustain growth if we export to the European market and to the United States, basically? This growth model based on exports, therefore, will not lead to a sustainable development. I think the logic of any model focused on exports, from a mature point of view, is that you have to be different. All Asian countries are exporting; they have to maintain undervalued exchange rates to refrain domestic consumption, which means that it is necessary to contain wages. How will the purchasing power increase in this kind of process if the biggest part of consumption and wages has to be removed?

Workers are losing in this development process, and the portion of capital is increasing. But what is the government's policy in relation to the increasing share of capital? We see tax exemptions and corporate tax declining. If, on the one hand, someone is missing, it is expected that the role of the state is to use the money from those who are benefiting themselves from the process in social services and social infrastructure, for example. But, this kind of policy has not been followed, and that is what is leading to a process in which there are, more and more, greater inequality.

What are the consequences from the type of potential expenditure a wealthy individual has, comparing to the increase in income of the employee? Most of the export income is spent on goods that are produced in another place, outside the country. So the wealth that is produced in a country is, actually, spent on things that are made abroad. However, the impact of the expense of export revenue is not enough to create a permanent market.

On the other hand, if we put more money in the pocket of the worker, for example, to respect their rights through collective bargaining or something, what is going to be the impact of such spending? Workers spend locally, which means local demand. And when employees have more money in their pocket and spend it locally, that improves the situation of self-employed workers and traders. So I would say that if we had a policy that respects the fundamental labor rights of those workers, there would be a chance to give a greater importance to local demand. Everybody would be benefited from such a situation.

So, in a certain sense, freedom of association and the right to the collective bargain are actually very nationalistic duties, very patriotic by the unions. They need to defend these causes because its implementation helps retain the value added from the wealth produced in the country. I'm sure the multinationals who come to our countries and use our natural resources,

pollute our environment, usually do not have trouble on paying minimum wages. They are from countries where wages of 25 euros per hour have to be paid. In our countries, basically they are paying around \$ 160 per month. Only ensuring that workers in a country are entitled to negotiate, it makes possible, in fact, to retain some of the value added in the country. That is how I consider that the standards, rights and labor laws should be faced.

It is possible to conclude that social security is not restricted to pension rights for workers. In fact, it is government public capital that the country raises on its own, without any obligation to be linked to the goal of the world bankers about how you can use it. Singapore is a classic example of what Social Security can do for a country. A small fisher community in the 1960s evolved, in terms of quality of life – I am not talking about political life, but quality of material life – to one of the best countries in the world, probably. Both employers and employees have to pay almost 35% of the salary for social security.

India's government administers workers funds equivalents to about \$ 200 billiondollars. What unions have to say about that? Many people claim: the unions are at a disadvantage. I think the unions, in a market economy, have a very great power, which has not being used.

Ideas are important, but ideas without power, as everyone knows, can lead to nothing. I think unions need to investigate how social security funds are used. It has to do with workers' capital, worker's money. From workers' point of view, there must always be a tripartite committee and the unions will be able to tell how their benefits are applied and how they should be improved. But from the point of view of the investment, no one is asking us how these funds should be used.

Governments make labor legislation implemented by the market. However, the social security funds, in all countries, should not be directed to employers who do not respect national labor laws. It is a simple criterion. Just as the environmental movement is doing, using the capital power to bring industries to behave with more responsibly towards the environment. Why labor movement is not using its own capital power to promote respect for workers' fundamental rights?

These are some of the dialogs that are occurring in the Asian labor movement post-crisis and it is really a battle, for it is here where the real power lies: in the cash. And the system is obviously not willing to share this. But the government says, *"More than the unions, we are the representatives for people and therefore we have the right to determine how these funds should be invested"*. However, since the early 1990s, most governments are telling us: *"the government cannot do everything, markets have to decide"*. If the markets

have to decide, workers are part of the market and the capital is theirs, they should be given the floor. Our money should not be used against us. I think that, possibly would change the balance of power in our own societies, to some degree.

That is why I advocate the primacy of salary. The ILO has a way of talking about this whole concept of decent work, but essentially, decent job means this: workers should have certain types of working conditions and rights, which are not just good for workers but that, probably, will promote more demand and a sustainable growth in economy.

Let's look a little for what is happening in China. Chinese have realized that they cannot longer depend on the United States nor on European Union in the same way they were doing before. That is why, in the last two years, the state has responded in a very different way, to attacks and protests. Protesters are not being arrested anymore. In fact, they are being encouraged. And Chinese wages are not actually as low as before. Probably, they are among the highest salaries, if we compared them to India's, Malaysia's and Thailand's. That is, they feel that we could, perfectly, leave the intelligence of the shared prosperity a little more and then, to reduce inequalities. It is not the case with the so-called democratic governments of India, Malaysia, or Thailand. They are still learning their lessons

Brazilian Economy: Recent Evolution and Perspectives

Carlos Alonso Barbosa de Oliveira¹

In the triennial 2011-2013, the behavior of the Brazilian economy has been disappointing. The average rate of GDP growth dropped to about 2% per year, about half of the average achieved during Lula's governments. The decline was a result, first, of the developments of the 2008 crisis, which prostrated the developed economies and reduced growth in China, which has a great weight in the behavior of the world economy. But the slowdown should also be explained by the nature of the previous evolution of the Brazilian economy.

From the first government of Lula in 2003, the country entered a cycle of economic expansion. At the beginning, the turbulence of the 2002 electoral campaign triggered speculative movements and led large exchange rate instability. But the devaluation of the Real and the favorable conditions of the international markets have enable a rapid expansion of exports, both of commodities and manufactured products, indicating the critical importance of the exchange rate to stimulate external marketing of industrial products. During almost two years, the exports commanded the growth of the national economy.

The expansion of the world economy between 2003 and 2008 reached unprecedented rates of growth. China irruption with its growing demand for raw materials and food and its exports of manufactured goods, changed the traditional price relations between commodities and manufactured goods on the world market. The prices of the primary products began to rise, and the prices of the manufactured goods went into decline. Although Brazilian government has allowed the valorization of the national currency, the force of the demand and of the primary prices allowed the sustaining high levels of export.

1 Cesit/IE/Unicamp/Brazil

The trade balance surplus and the inflow of foreign funds as a result of high international liquidity allowed Brazil to accumulate significant amounts of dollar reserves.

Thus, the traditional external restrictions were temporarily overcome and Brazil started growing, no longer driven by exports, but by the expansion of domestic consumption. The increase of the minimum wage and the expansion of employment and wage bills increased the purchasing power of wage earners, movement reinforced by the growth of credit to the consumption. Growth rates of GDP doubled from the previous period, in an expansion cycle driven by domestic consumption which continued until the 2008 international crisis.

Before the crisis and before the consequent interruption of the credit operations in financial, foreign and domestic markets, the government acted quickly. Survivors of the privatization process of the 1990s, the three major state-owned banks – *Banco do Brasil*, *Caixa Econômica Federal* and *BNDES* – were mobilized by the government to expand their credit operations, stimulate economic activity and avoid a recession, probably deep in the country. The initiative was successful. The economy did not grow in 2009 only due to the crisis. In 2010, it started expanding vigorously again.

The favorable performance of the economy allowed – and it was accompanied by social policies which impacted the Brazilian society. The increase of the minimum wage, the employment growth and the redistributive programs, such as the *Bolsa Família*, reduced the population in poverty situation and enabled the reduction of income inequalities among workers. Public finances, favored by economic growth, allowed the rapid expansion of social security benefits, particularly of rural pensions to more decent levels, a decision of great impact in the poorest regions. For the first time in the country, the government created a program of housing construction with subsidies for the low-income population. We conclude that the great popularity of Lula's government cannot be explained only by the favorable economic conditions of the period, but also due to the social policies implemented.

Dilma's government, started in 2011, found unfavorable external and internal conditions. The cycle of expansion centered on domestic consumption showed its limits, defined by the level of household indebtedness. These limits were clearly manifested from 2012, when policies that aimed at stimulating the economy, like the tax benefits to the consumption of some groups of durable goods, were not able to lead to rates equal to previous growth, although they may possibly have prevented greater decreases in activity level.

Externally, the international crisis made acute the competition in markets of manufactured products, given the widespread idle capacity in both developed countries as in industrial poles of Asia, particularly in China. Brazilian industry, weakened by the 1980s crisis and by exchange valuation maintained during Fernando Henrique and Lula's governments, entered into stagnation. It was unable to compete with the foreign production, it lost space in the national market for the imports and its exports declined. The trade surplus shrank and it was opened a rising deficit in the current accounts.

Besides those unfavorable conditions, the previous growth itself and the international crisis made visible and sharpened certain structural deficiencies of the Brazilian economy. The policies of the 90s and the exchange valuation maintained for a long period had caused the reduction in the participation of the industrial sector in GDP and the industry shows itself unable to lead the economic growth, such as occurred in the era of the rapid development of Brazil until 1980. On the other hand, the previous growth was evident and aggravated the failure of the economic infrastructure, hurting the country's competitiveness.

Dilma's government has been, therefore, acting amidst the tremendous severe restrictions derived from unfavorable external and internal conditions. By facing the crucial issue of the exchange rate, the government has allowed the gradual devaluation of the Real, a policy that has been conducted with the due caution, due to the risk of causing inflationary pressures and difficulties for companies indebted in dollars. An undervalued exchange rate, as we know, is an essential condition to protect and recover the industrial sector and also to ward off the external restrictions.

Besides that, the government courageously changed the policy of high interest rates, reducing the basic rates. This policy triggered a violent pressure from the powerful coalition rentier long accustomed to achieve disproportionate gains on public debt rollover, administered with very high interest rates.

The meaning of the exchange rate and monetary policies is clear: to gradually create a favorable economic environment to the raising of investment rate. In other words, it is about finally facing reduced rates of investment in the country, even during stages of growth, remained themselves below the required level to ensure the expansion of infrastructure and the provision of goods, without pressing imports.

Dilma's government has, therefore, been oriented to correct the two basic prices of the economy – the exchange rate and the interest rate – kept at unfavorable levels since the stabilization of the inflation in 1994, generating

an unpropitious environment to the investments, particularly in the industry sector. However, in the current circumstances, the government's action cannot be limited to these measures that are, by themselves, incapable to lead to a recovery of the economic growth.

In the field of the infrastructure, some measures implemented since Lula's government allowed advances. In the energy sector some large hydro-electric are being implemented. In the petroleum sector, the sharing scheme was approved and the exploitation of pre-salt began taking off. Considering the volume of proven reserves and its economic profitability, surely the increased of the oil production in the coming years will be an important point of support for the increase of our exports. On the other hand, Petrobras policy about equipment acquisition in the domestic market is already producing important impacts on the supplier industries, such as the shipbuilding.

Our greatest deficiencies are in the areas of infrastructure and transport. Given the high volume of needed resources to develop these sectors, in an amount greater than the capacity of public funding; from the difficulties faced by the public machine on executing large works and from the legal framework that hinders state action, the government has chosen to do infrastructure work through concessions to the private sector. And here it is important to highlight that the reduction of the Selic rate was critical to attract the private sector, which probably would not be interested in investing, if it could get, without any risk, the high previous gains offered to the government by credit operations. Auctions of infrastructure concessions have been performed successfully.

At the industrial sector, the difficulties are significant. As it is known, since the 1980s, and in an accelerated way from the 1990s, the changes world wide occurred in the industry were profound. An intense process of mergers and acquisitions made gigantic companies to emerge. These organizations began focusing their activities and, using the practice of outsourcing, articulated themselves with suppliers, giving origin to the global supply chains. This process also included a large relocation of productive activities searching for countries and regions with lower production costs. Asia, especially China, began to concentrate most of the industrial production of the world. While regions and Asian countries articulated their industrial production with the process of globalization through a dynamic insertion, based on national policies, Brazil and Latin America limited themselves essentially to the role of suppliers of commodities to the world market.

Affected by the crisis of the 1980s, Brazilian industrial sector suffered, from the 1990s, the effects of the valued exchange regime and of the high interest rates. The country attracted foreign investment in some industry

branches, but the companies always aimed to cater to the domestic market and were not interested in exporting, mostly by unfavorable exchange regime. Besides not incorporating the most dynamic sectors of the industry, the country has lost links in their supply chains, unable to compete with imported products, mainly in the 1990s.

However, some implanted policies seem to indicate promising ways. Rules established since Lula's government require of Petrobras targeting its demand for equipment to suppliers in the country, which reactivated, for example, the then moribund shipbuilding. The goal is to develop the oil production chain, which achieves significant share of GDP nowadays.

This policy could be replicated in sectors such as agribusiness, mining, heavy construction and others, nationalizing industrial chains, strengthening positions of Brazilian companies and attracting investment from multinationals. From the expansion of the internal market, would be established supply chains capable of competing in the world market.

It does not have to do with defending the former linear protectionism, since the own development of these chains may require additional imports. Exports should be supported, when necessary, with import licenses to reduce costs. Certainly the success of these policies depends on a macroeconomic environment with credit at reasonable interest rates, favorable exchange and support for discretionary government actions.

In the financial sector, since Lula's government there was a strengthening in the state banks, particularly the *BNDES*, which received several contributions from the treasury, policy maintained by Dilma. However, it is clear the necessity of a reform on the private financial system in Brazil, which does not offer a long-term credit. Institutional decisions taken through a government agreement with the financial system could make the private operations of long-term credit attractive. A fundamental step, since there is consensus that the demands of long-term credit could not be met exclusively by the *BNDES*. The participation of the private financial sector in the provision of long-term credit would also help on reducing the external debt.

The difficulties in the economic field feed the critical discourse of the conservative sectors in the country and the mainstream press, under their control, develops a fierce campaign aiming to discredit the government. They advocated the deepening of the same recommendations of Washington consensus: enlargement of the opening of the economy, elimination of labor rights, and reduction of pension rights, among others. To face the current situation, they defend rising of interest rates, cutting public spending and a consequent reduction in economic activity. This would lead to an adjustment in the external

accounts and reducing wage costs of companies. In summary, the conservative proposal for Brazil is to cause a recession, saving the proportions with a program that is similar to those performed in the countries of southern Europe, with devastating consequences for their populations.

The government has been criticized, even by its allies, in relation to containment measures (reduction of public investments, increase in interest rates) adopted in 2011. However, even if there was error in the dosage of such measures, it would be little convincing to hold them responsible for the low growth in 2012 and 2013, since such restrictions lapsed in 2012, being replaced by stimulus measures such as tax exemptions on durable consumer goods and the elimination of payroll taxes on payrolls of certain industrial sectors. The recent rise in interest rates is the target of criticism among opposition and allies, but it does not take into account that real interest rates are still lower than in the previous years.

The conservatives often attribute the current difficulties to the own government action. Certain allies, in turn, seem to ignore that economic conditions and restrictive political reduce the degree of autonomy from the government. The fact is that Dilma's government has sought in the midst of possible setbacks and any hesitations, to create conditions for achieving certain development pattern, which would allow the overcome of the prevailing limitations in the Brazilian economy in the last 35 years.

Round Table
2nd part

Coordination
Carlos Salas

Latin America: Alternatives Before the Crisis

*Jorge Isaac Egurrola*¹

Crisis are inherent to the functioning of the capitalism, but each one of them awakens questioning about their origin and the way to approach them. Many years ago, Paul Sweezy has taught us that, if we want to know the nature of a crisis, we must know what happened before it. We consider an obligation to study this crisis in order to discuss a fundamental question: what are the existent ways out? There were already many capitalists crisis and every time it looks like we start from the scratch, that we do not learn from the lessons. On the contrary: we apply the ancient recipes to the new crisis.

There are some key points: all the crisis solve the problem of the capital appreciation. The big question today is: Does the capital appreciation, in this crisis, is reflected in a low profitability rate to the capital and in a low exploitation rate to the workers? The answer is no. This is a crisis in which we face extremely high profitability rates, an exploitation rate without precedent in the history of recent capitalism. This leads us to tell which changes are at stake in this crisis and to discuss what its nature is. This is a structural crisis, that can be solved with the normal realization of the economic cycle and requires the scenery of the capitalist functioning standard to be changed. It reflects, as already said in this meeting, a civilizatory process and brings the social relationship and the society relationship with its own nature into play. The reflection we must do is: What are the existent ways out from the crisis and what alternatives are we able to initiate?

Crisis is synonym of a situation with no way out and humankind must always find an answer. What is at stake and which changes are possible in this crisis? In order to find an answer we must consider four key points. There is a restriction, or a coercion of social change. Social change is not created out

¹ *Universidad Nacional Autónoma de México (UNAM).*

of nothing. For instance, Latin America has a structural restriction: its dependence and its heterogeneity. This is the ground in which we have to operate. Secondly, there is an incidence of contingency and conjuncture factors from history. A third element is the social potentiality to implement changes and even the class struggle. At last, we must take into account that the social change is also subdued to some objective laws. It is necessary to comprehend and connect the ways out with the purposes or with the structural elements at stake.

There are in this crisis at least four changes: changes in the current accumulation standard in the global power, the United States of America; in the correlation of forces that exist among the great power; among the links established between the center and the periphery; and within the scope of Latin America. I am focusing in the last of these changes, talking briefly about the three previously mentioned.

There is a basic issue: the United States cannot work with the current tax of demand, with such a high exploitation rate. They must increase the private investment strongly, mainly the productive one. In this regard, they must delimitate the financial sphere. Making the accumulation more dynamic requires an increase of the technology supply, innovation, dynamism among economic sectors, investment in education and a leadership in science and technology. It requires a new pattern of power consumption and a dramatic improvement of the external accounts. Nowadays, the United States have their external accounts similar to those of a dependent country. They need to exert an active state intervention in favour of accumulation and of growth, to limitate the role of the financial sector and to proceed to a substantial modification on the power bloc. These declarative elements are in function of the conflict and the forces at stake.

Second key point: the unipolar world ended this crisis and we have to think in another kind of bond in which we assume the United States, without losing the role of power, will have to negotiate with ascending forces in Asia and in Europe.

About the center-periphery relationship – our main point –, there are two main types of circumstances in Latin America. On the one hand, there are countries that kept the neoliberal model, with a right bonded to the international financial capital. These countries have no other choice: they are strengthening the dependence and the domination. That is the case in México, Colombia and, somehow, Chile. And there is a kind of negotiated dependence in which the terms of the relationship among countries such as Argentina, Brazil, Venezuela and others is improved.

Now is very important that we focus, briefly, in our starting point, which are the most serious consequences and results of the neoliberal model for the continent. The neoliberal model today generates neither accumulation nor growth in Latin America. The historical functions that it met to get out of the 1970 crisis were accomplished: more dependence, more exploitation, increase of the flows to the exterior and the subjection to the transnational capital. To remain in this model is noxious to society and even to the complete reproduction and capital appreciation.

What are the big ways out? We can tell four. The first one, that is not a way out after all, is to go on with the neoliberal model in distinct combinings or dosages. It is what we call neoliberal marsh. A large period of social decay. I would like you to think in what was Mexico converted after being one of the big countries in Latin America. The second one is a way of authoritarian nature industrialization, with some charismatic individuals. The third one is a way of nationalist nature industrialization, but of bourgeois democratic type. And the fourth way is a project of industrialization and development of socialist tendency, with democratic and popular contents.

The first channel does not represent more than to continue the process of decay. The second and the third ones represent maintaining the capitalist matrix, and the fourth one, a rupture. The three last alternatives represent a project of nation that was liquidated by neoliberalism in Latin America and that has to be reconstructed by the national bourgeoisie or by a bloc of workers.

There are two exceptionally important consequences: what did the liberalism do to the national bourgeoisie, typical of imports substitution model, how did it defaced and degenerated it? What did the neoliberalism do to the workers of Latin America? I would like to refer briefly to the results of the neoliberalism. Firstly, wastage, parasitism and moral decay, combined with high exploitation rates and surplus value. Fourteen years ago, dr. José C. Valenzuela Feijóo and I published the book *"Explotación y Despilfarro"*. A synthesis of neoliberalism that is in Latin America bonded to extremely high exploitation rates, undermining of the world of work, decay of the salaried employment. But, at the same time, the generation of excess does not unfold itself into profitable investments. It results in wastage, and the pattern of consumption of the dominant classes are filtered into the financial sphere and in the unproductive waste of the government, which does not generate conditions for the capital appreciation.

To this typical picture of exploitation and wastage we add a third component, that is the productive stripping of the economic area, distinguished by

an elevated imported component in our industrial functioning, the undermining and breaking of productive chains and a structuring of the national industry capital flow through transnational companies and the monopoly prices, in benefit of the central countries.

Other results of the neoliberalism in Latin America are social exclusion and dissociation, the predominance of the atomism and the individualism that are combined with a situation of altering and abandoning of the social responsibilities of the State, with the privatization of the public life or, on the whole, of whatever is public; in a social relationship in which public life seems to be increasingly privatized, as occurs with education and health. What in the past were social responsibilities are, today, elements that have been commodified to the limit. And at last, the displacement of society as organic wholeness and the deformation of its material reproduction.

This data pictures the contrast between the neoliberal México and the México of industrialization through imports substitution. The GDP per capita had an increase of 0,41% in the neoliberal period against almost 4% in the period of imports substitution. It would take México 170 years to double its GDP per capita under the neoliberal performance. With the model of imports substitution, it has taken 18 years. The surplus value in the period of imports substitution, by the end of the 1970, was 300%. For each hour of labour, in twenty minutes the worker restored the equivalent to his workforce. Nowadays, in the neoliberal period, in seven or eight minutes, the worker give back the equivalent to his workforce, and the subsequent 52 minutes are excess, and does not turn into productive investment, being, on the contrary, wasted. The level of the surplus value rate is not functional to the capitalism system not only because of social justice, but because of demand as well.

Latin America's national bourgeoisie is not the same as the period of imports substitution, it is very dependent on the income, on the financial capital. It is no longer used to lead development processes, but to subordinate itself to the financial capital. However, it is possible that some individuals still exist that may govern on behalf of this bourgeoisie. That is why we speak about a military or authoritarian process of industrialization, to say the least, with charismatic figures. A mode could emerge of democratic capitalism with a bloc lead by national bourgeoisie in any country. The third point, finally, is about the possibility of pushing a way out from the world of work, a socialist way out. What are the challenges to be faced to get out from the neoliberal marsh?

I am not touching the problems of the world of work, but what need to be done: To bring back the idea of utopia as an achievable dream. One cannot reach socialism if we do not put the socialism, we cannot exceed neoliberalism

as a full response if we do not consider this target as reachable. The ideological issue starts here, we give up our dreams. It is necessary to recover our critical sense. We cannot change a reality we do not know. It is necessary to be profoundly critical, not only in order to know neoliberalism, as in the experiences to which we had access, but to accumulate process of building, to know what is not socialism.

Why did the Paris Commune, with all its wealth, was lost in the military sense? Why did the Bolshevik intellectuality, one of the greatest in the history, could not fulfill its process of transformation? Why has the Cultural Revolution, the revolution within a revolution, been converted into a process of destruction that turned around to its own self? Why could not the great revolutions of Latin America go on in Cuba, in Central America? Why were great fighters such as Gramsci forgotten in prison and why were his ideas worn out?

Developing our critical ability is to face exactly the aspects we must know to build a superior strength. We must develop ideological abilities and policies of working classes. We must abandon other ones ideas and develop our own ideas. And for that it is necessary to simply fight. There are elements of solidarity, collective effort, common purposes that will not be there if there is not a recovery of the tradition of fighting. It is not necessary to bring back Marx for the crisis; it is necessary to fight, and we will meet Marx on the way. The fight is out there; in the way we will meet Marx, Gramsci, the great social fighters. There is need of new forms of political organization. We cannot aim socialism if we reproduce authoritarianism, sectarianism and other deformities. The forefronts are not decreed, they are built.

Reform or revolution? Reform and revolution, conjointly. We need to know which tactics is flexible, which precepts and long term principles to the accumulation of strength. Finally, we need to learn to add and to avoid being add. There is, today, necessity of fighting against neoliberalism by means of a wide popular bloc. The working class will not lead it; however, if one does not add with a clear mind, it will be a subordinate class. At last, it is need to regain the possibility of happiness. To fight for socialism, not for 300 years from now, but on a daily basis, it will cause us to recover strength, to heal the soul, to have better models of coexistence.

The Multidimensional Character of the Crisis

*Birgit Mahnkopf*¹

I will attempt to expand the discussion beyond the crisis and confront them with arguments that, to some, may seem provocative. I think we have to deal with the crisis in a more complex way, instead of addressing it only as a financial crisis, which obviously it is.

This is, at the same time, a crisis of workforce, money and finance, but also of the power system, climate and biosphere – including the water – and, increasingly, of the production and food distribution. Its multidimensional and interlaced character is evident and exacerbates the tension between a social system based on infinite economic expansion and the biosphere with finite boundaries. This tension, we all know, is inherent in the capitalist formation. However, until the 1970s, the capitalism went very successful in renewing according to ecological revolution.

These revolutions have usually been based on the opening of biophysical boundaries. In the early stages of the capitalism, such boundaries were based on cheap forest, later on fertile soils, veins of silver, and then, in coal mines and rich oil fields. Besides sufficiently mobile capital and social technological renovations in production, the exploitation of these natural resources generated revolutions in labor productivity and allowed a high profit rate. But in the neoliberal area of the capitalism – which has been characterized by David Harvey as accumulation by spoiling and not by production – it ended up becoming more and more difficult to revise the actual basis of the accumulation, which is work productivity, and thus to compensate by the increasingly-production intensity of the capital.

In this context, I would like to question if today we are only before a normal lasting crisis, even deep and long of capitalist accumulation caused by

¹ Berlin School of Economics and Law/Germany.

the failures of regulation and of neoliberal privatization, which will soon be solved from a renewed Keynesianism, which will discipline the physical financial capital. Therefore, I take a slightly different direction from the other speakers.

I will elaborate a little more this argument, focusing on the so-called ecological limits of the capital, although it was more accurate to frame the subject, to talk about ethical-ecological limits capital itself. I want to recall some of the main conclusion of three very different empirical research reports, although equally important. One of them shows that there are limits of the planet, established by very famous scientists. From these planetary limits, three boundaries are outdated, i.e. climate change, the interference in the nitrogen cycle and biodiversity loss.

Most of the other limits are very close to be transgressed. As you may know, in nature, many processes have a cumulative effect due to re-use of the land, while in the economy the circulation of capital is cyclical. Thus, in nature, after the transgression of critical points, it is not possible to go back, please remember that.

The second part of the empirical research is from the World Energy Outlook 2011, world energy organization that is not known for its environmental concerns, just the opposite. But, for the entity, despite the measures taken to combat climate change, to continue the current policy in 2017 – that is five years from now, please remember – the door for the two degrees Celsius will be closed forever.² In other words, if we do not change the direction, we will end up where we are going, to a temperature of six degrees Celsius. We must be particularly concerned with the huge impact of extreme weather events on future food prices.

And here comes my third empirical reference, from Oxford, stating that extreme weather events in the United States, in the sub-Saharan Africa and in the most of the Asian countries will affect consumers and the developed world. In addition, what affects global food prices is morean imminent shortage of fossil energy, which is having an effect on the global supply and demand for grains and oilseeds.

Added to this picture we have the fact that today the financial markets are a driving force for the increase forthe commodity prices, the fossil fuels and for all their substitutes, as well as water and fertile lands, thus affecting

² The publication World Energy Outlook 2013, from the International Energy Agency, highlighted the danger of the current energy consumption lead the world to an average temperature increase of 3.6 degrees Celsius, far above the two degrees Celsius expected by the international community according to the organization.

food price. With that complex of interlinked global energy resources, water and food have quickly changed their value; there is no clear prospect for relief in the medium term.

In this context, it is obvious that a comprehensive effort to integrate social and ecological aspects to discourses about economic policy would allow a coherent understanding of the environmental and economic problems and their intercrossing. But when we propose the adoption of a package of simple policies, however complex, which could fulfill the requirements of a holistic social ecological approach, we are faced with a dilemma: the centerpiece of the traditional policy approach – even the social democratic – is the positive economic growth.

Either calling growing led by finance or by the wage, it prevails the idea that only the positive economic growth will help us to escape the dilemma. Whether in the German state of Brandenburg, in Bolivia or in Brazil, leftist governments often live a contradiction: in job creation and in funding social programs, on accepting that ecological damage is part of the process, they destroy the means of livelihoods of the marginalized people for which they were determined to fight.

World widely, growth paradigm serves as a panacea to smooth tensions between classes, to reduce the gap between the countries and to ensure political stability. However, the positive effects of economic growth are more than doubtful. First of all, we all know and it was mentioned that, in many countries, the rapid growth went hand in hand with the persistence of massive deprivation. Even worse, in many countries, high rates of real growth and a rising inequality was parallel developed.

Secondly, it is equally well known that the growth that turns into labor productivity increase is creating a redundant population, and that means a higher unemployment and social economic insecurity, particularly for those people who cannot remain unemployed and therefore need to find a way to continue living. Only when the growth rates are very high, the negative effects of unemployment can be compensated.

Certainly, and I think this is very important, it is necessary to say that there are some goals of economic growth that have to do, in particular, with the aim of reducing public and private debts. Yes, we can say that world GDP will grow, then it would be much easier to determine public and private debt, but the desired result only appears if the growth overcomes the rising interest rates.

The fourth argument is somehow the most important: the economic growth seems to be, or is considered to be vital in terms of development, in the sense of a general improvement in living conditions and enhancement of people's well-being and freedom, that, in what concerns the rich industrialized countries, it is very easy, it can be argued, since the redistribution works far better than growth, and, secondly, that exceeded a certain level of wealth, a decreasing marginal utility of additional income has already been proven.

As argued by Jean Drèze and illustrated by Amartya Sen referring to the case of India, active public policies to ensure that public revenues generated by economic growth are used in social services are much more important than the growth rate. Although India has had a rapid growth for 20 years, in terms of more relevant social indicators, it began getting behind all South Asian countries, except Pakistan.

The two development economists concluded, therefore, that *"looking at its neighbors in South Asia, such as Sri Lanka, Bangladesh, or even to the poor Nepal, the poor Indian has the right to ask what they won, at least until now, from the acceleration of economic growth"*.

My fifth argument – I think Arun Kumar illustrated well this – it comes from a world historical perspective. From that perspective, we remember, growth rates cannot be stimulated beyond certain limits because absolute amounts of surplus must increase as the relative growth rate rises. In this case, the capital intensity is increasing and when it is not offset by an increase in the labor productivity, the effect on the profit rate is negative.

In the past, the profits were always high due to the abundance of natural resources, which could be suitable with a relative small amount of capital. But, sooner or later, the easy profits were always gone and shortages arose somehow through the interlacement between the resistance of the working classes, the changes of the situation and the flow of the market. Thus, new frontiers of appropriation always had to be found to surround and plunder the free resources of nature and mobilize these resources in the sense of maximizing labor productivity.

This has been fundamental to launch and sustain ways of accumulation. However, in the current situation, and this is my point, we are confronted with social and ecological limits of capitalism that lead to the erosion of four essential resources for large waves of accumulation: cheap energy, cheap raw materials, cheap food and a cheap workmanship. The question is: a workmanship also cheap? Because that is, somehow, a function of cheap food. Thus, the perspectives to compensate the rising cost of capital with the decline of raw

material factor and the cost of labor may not be as promising as economists always try to convince us. The second argument concerns to the role of debt in economies, already mentioned by Thomas Palley. We have to keep in mind that growth and capitalism are always based on the principle that money is tied to the debt, and that linked to this, there is the requirement to pay interest, which corresponds to more money to pay off the debt.

This mechanism works as long as it meets new credit suppliers. The economy can grow when people are getting into debt, and this has happened in recent decades, but this process cannot last forever, as it is noted in the current situation.

The seventh argument is that there are other limiters, beyond the monetary and fiscal system. The growth is based on the use of fossil fuels, and the growth of energy production gives rise to economic growth, not the contrary. This is something that economists usually try to ignore.

Not very long ago, the International Energy Agency predicted that the price of oil in 2010 would be around \$ 20 or \$ 30 a barrel. We have already reached \$ 120 a barrel and some international agencies estimate that within ten years, the price will reach about \$ 150 a barrel. The problem is that even with these high prices, the rate of world production remained stagnant. The explanation is that the extraction of oil and gas is functioning in the same way as the other resources, in which easy things are taken in the first place, and those most difficult and unpleasant as unconventional petroleum in very deep fields and the gas are removed later.

But with the high oil prices – and they will remain high – growth simply cannot be resumed. And with the rise in oil prices, the food will rise even more. In most part of the last decade, oil prices and food traveled parallel paths.

Last but not least, there are also other natural resources that are being depleted very quickly. The shortage of minerals simultaneously with the increase in oil prices and gas is due to the fact that the rates of discovery of large mineral deposits are decreasing, while the exploration costs – including the energy – are rising. In addition, the mining industry is harmful, environmental damage always happen and, therefore, it faces an increasing resistance in many areas of the world.

Thus, one might say, even in relation to some of the material we need to build a green economic infrastructure for renewable energy such as solar panels, wind turbines and batteries for electric cars, even then, a new shortage and new conflicts are emerging around rare elements and other minerals with high technology. This is already causing green trade wars between the devel-

oped world and the other countries, in particular in relation to China. And the conflicts will increase.

Even so, the expectation by an endless growth dominates public policies and the answer is usually given by economists who say that other energy sources will be found, it is not known where, maybe on the moon. Let's spend, accelerate technological progress and pay more for what is necessary. Actually, this is a widely shared view among people on the political left, when growth turns into contraction. Workers and, therefore, trade unions and government agencies expect the problem arising from the financial and ecological crisis is solved, stimulating economic growth.

For the trade unions, as well as for most of the political forces, it seems obvious that zero growth is not an available policy option, at least in the democratic societies, and the world is increasing social inequalities and it is faced with the strength of existing modes of production and life. Since it can be expected that growth brings jobs to the unemployed, it is always a cause for celebration. Therefore, the diagnosis is that it seems to be politically safe to run towards uncertainty related to physical survival and to prevent the uneducated discussion on the way of existing production, or even the difficult political struggles about the very nature of capitalist accumulation, its exploitative and competitive character, questioning the institution of private property.

Chapter III

Minimum Wage

Panel

Coordination:

Anselmo Luis dos Santos

The Debate about Minimum Wages

Hansjörg Herr¹

*M*y goal is to give an overview on the discussion over the minimum wage. I will base myself on the summary of a research project with students of work politics program and on globalization and, on the result of several debates program.

I consider that it is essential to discuss the role of the wages in the neo-classical paradigm and in the Keynesian paradigm to understand the minimum wage, as well as its effects in each one.

I am going to start with the basic neoclassical idea on wages. We have the neoclassical labor market, labor demand, labor supply, and wages are equal to the maximum productivity. What does this mean for the salary structure? This is the first important point, according to the neoclassical model: we can divide the labor market into different segments, highly skilled labor, and unskilled labor.

The work of unskilled labor has lower productivity, lower margin productivity, and, according to the breakeven point and the margin of productivity, we have certain salary structure. This is the neoclassical explanation of the structure of wages.

Neoclassical economists explain the increase in wage dispersion in developed countries basically by three arguments.

Globalization means that the unskilled labor went to China. That means that the demand for unskilled labor falls, and this implies that wages of unskilled workers fall. Secondly, we have a kind of technological revolution that replaces unskilled labor by machines, by technology. Some argue that countries underinvest in education, so, to speak, low-skilled workers could

¹ Berlin School of Economics and Law.

not become skilled workers. This is the mainstream explanation for the wage structure.

Now let's talk about wages in Keynesian paradigm (and I think we can easily include Michael Kalecki). According to the economists John Maynard Keynes and Michael Kalecki, a change in the normal level of wages will only lead to changes in the level of the prices.

There is a broad consensus among post-Keynesian and Kaleckian about how wages must evolve. Wages should vary according to the development trend in productivity and the inflation target of the central bank or a low rate of inflation. We can say that the trend in productivity is 4%, and the inflation target of the central bank of the country is 3%; this means that wages should increase by 7% and therefore, the rate of inflation in the country would be 3% and the central bank would be happy.

To support this, let me just reproduce a quote from Keynes: "*Probably there is no expedient by which the manpower together can reduce its real wage to a given figure by reviewing the monetary clauses of the agreements with entrepreneurs. This will be our argument.*". I want to highlight this point, because I also had the impression that, at an earlier time, in this meeting, when we talked about salary increases and expansion of the amount of wages it was unclear what that means. So, just to reinforce this point: if the level of wage changes, this will change prices level, and does not work as a distribution.

How Keynesians explain wage structure? In the purity of the ethical level, salary structure does not depend on relative productivities, because Keynesians and Keynes himself, argued that it is not possible to measure productivities, because we do not have a good measure for capital, we know this since the debate developed in Cambridge in the 1960s. Therefore, relative productivities do not make sense on explaining wage structure. Institutions, the relative power of unions, labor market institutions, as minimum wages etc. are the most important things. Because of that, the salary structure, as we could say, more of a social phenomenon, it is the result of political struggle, and it is not given by objective economic laws.

We are now on the second part. What is the effect of minimum wages on the neoclassical paradigm we all know? That is: skilled workers, unskilled workers, we have a minimum wage here. Ok, skilled workers is the market for skilled workers, not affected, but the unskilled worker is affected, and this creates unemployment. So I think this is as essential argument until today, if we have effective minimum wages, this will generate unemployment.

Let's turn to the neoclassical thought. The core of that thought is that, given certain technologies, families' preference, and certain resources, the unregulated market will lead to a structure of relative prices and the structure of relative prices will be close to optimal, it will maximize welfare. I think that neoclassical economists argue on the pure theoretical level. If minimum wages are introduced, this allocation mechanism is distorted. Although welfare cannot be maximized, we will have results as unemployment, for example. I think this is the theoretical thinking of neoclassical economists.

I just want to mention one point. There is a series of empirical studies in the United States and in other countries and for neoclassical economists was very intriguing for them not finding the negative effects of increasing minimum wages, or at least it was very uncertain. Some studies found the negative effects, other studies did not. Studies, I think, are all about methodological aspect, not very solid, because they just look at the job market, not to the macroeconomic effect of changes in the minimum wage, and these types of partial analysis are very questionable.

However, neoclassical economists found a strange effect, discovered by Joan Robinson in the 1930s, then in 1940 by Stigler: the monopsony case, which means that there is competition in the market for the goods produced, but there is a monopoly in the market for labor demand, then we can have that strange effect. But, many neoclassical economists use this model to explain that, even in the neoclassical paradigm, increases in the minimum wage can have positive effects on employment.

But let's get to what I think is more important, the Keynesian paradigm. It has a completely different structure. In the neoclassical paradigm, we have the market mechanism; the market determines the structure of relative prices, including employment and all the other quantities. In the Keynesian paradigm, we have the labor market introducing the wage structure and technologies, so we also have some structure to relative prices. However, and this is a key-point, employment is independent of the structure of relative prices, because it is an aggregate demand. So this is a fundamental Keynesian argument: aggregate demand determines the job, not the structure of relative prices.

So what does it mean changes in the minimum wage in this kind of Keynesian model? The minimum wage increase, we can suppose, for a moment, it is going to compress the wage structure from the bottom to the top, so that wage dispersion becomes smaller, because workers with low-wages have a higher propensity to consume. We have a higher aggregate demand, which will lead to higher employment and higher production or employment. I think this is one of the key-instruments.

When it is argued that we have to stimulate aggregate demand, we need to reach a kind of development lead by the wage. So the minimum wage, in this Keynesian model would function as an important instrument for increasing demand for low-wage workers, and this would have positive effects, it would be a kind of bonus for the government to raise the minimum wage, because one could fight against inequality and, at the same time, stimulate employment. However, it would not be a bonus for skilled workers, because they would lose, at least, in relation to the distribution of income and, politically, this would not be easy.

During this debate, which takes place several years ago, we discovered in our research group, that minimum wages may have completely different functions in different countries, and I think this is a very important point, as I said. Because, in many countries, the evolution of the minimum wage is a cue for a whole cycle of wages.

This means that wages increase according to the increase of the minimum wage. There are many countries, especially developing countries but also developed countries, in which we have a situation where the negotiation of changes in the minimum wage signals on how all the other wages must change. Thus, the minimum wage takes on the role of coordinating wage. This means, of course, that in such a situation, minimum wages do not change the dispersion of the wages, they cannot change the distribution, because the minimum wage have a completely different function in these countries. It is the case of countries with extremely weak unions; it is a sign that the unions are not able to organize a process of wage bargaining and the minimum wage is a kind of substitute for wage bargaining.

In many developed countries like in the United States or in most European countries, the minimum wage can really change the wage structure from the bottom to the top. So, we have a division of labor, with wage bargaining determining, as we could say, the overall wage developments, especially in areas where unions are weak.

It is not only in developing countries, such as Ghana and Nigeria that the minimum wage takes this coordination function. Incidentally, in a study developed by economists from European central banks it was discovered that in the Czech Republic, France, Portugal, Slovenia, etc., the minimum wage became a substitute for wage bargaining. Increasingly, in most countries, the minimum wage assumes this function.

When we relate Gini coefficient with unemployment, we get a clear sign that the neoclassical argument does not find support, because the more unequal the distribution of income, the higher the unemployment rate. And

that is what would not be expected from neoclassical models, from which we could expect that if the income distribution became more unequal, you would have lower rates of unemployment, because it would be a kind of artificial policy to compress the income distribution. So this means that income distribution does not have negative effects on employment, it is just the opposite. This fits Keynesian's argument.

How should the minimum wage evolve? Firstly, I think the minimum wage should not be a substitute for wage bargaining. I mean, if there are countries where the minimum wage assumes this function, we cannot change that, but it is not an ideal situation. Because if minimum wage holds this function of replacing the wage bargaining, we cannot change the salary structure. Ideally we need to have wage bargaining, and independently of that, a minimum wage policy. However, we must accept that in many countries the minimum wage has a different function. I really do not know how to map that, coordinating wages is also an important function and minimum wages assume that function. But, in that case, there is the problem of not being able to change the wage dispersion.

What should be the principles of wage developments? First of all, the minimum wage should affect a sufficient number of workers. Even though, we must take into account cases such as Russia and many other countries, where minimum wages are so low that traditionally have no effect. The minimum wage should be a response to a situation, it should be in contact with lower wages and it needs to be adjusted frequently, probably every year and should increase at least in line with the trend in productivity plus the inflation target of the central bank, or a low inflation rate.

This seems to be a very important macroeconomic function, because it prevents deflation. Perhaps the best example for this wage evolution function is the developments in Japan, because in that country the normal unit labor costs fell, they strayed to the fall in labor costs and this led to deflation. Thus, the minimum wage should rise at least according to the wage norm.

If wages increase, the average salary increases faster than wage standard, and then the minimum wage should also rise faster than wage norm because, as we have argued, it makes no sense using a low-wage sector to fight against inflation, then we really should be directed to keep the wage dispersion within a given constellation.

To finish, I am going to present some issues. The minimum wage should be differentiated regionally, or not? The best situation is to have a single minimum wage in a country, however, there are large countries, such as Indo-

nesia, where we have very different productivity levels in different regions, so you need to accept different regional minimum wages.

Should we have minimum wages according to the professions? In India, for example, this is the situation, and reflects the fact that the union movement is so weak that it has no control over the wage structure. It is the minimum wage that determines the wage structure and this is a sign of a very weak union movement. May be justifiable in India, but it is not justifiable in the United States or other countries.

Should the minimum wage allow a decent standard of living for one person or for an entire family? This also depends heavily on the social situation, of the institutions, of the tradition of the country. For developed countries, we recommend having it for one person. Supporting families should be done by the government through transfers, but that depends on the situation of the country.

Should the minimum wage be linked to social payments, such as pensions? It should be unlinked because if it is linked, governments will be very cautious to raise the minimum wage, because that has consequences. This is a strong argument. However, we learned in many countries, that this is also a kind of protection for pensions, so it is not a universal solution.

What should be the level of the minimum wage? Especially in developing countries, we have staple basket, the idea of a living wage. The downside is that if you have this basic staple basket, there will be an endless debate about what should be included in that basket. So, if it is possible, we recommend a certain percentage of the average or median wage, which makes the debate much easier. And that, of course, depends on the idea of justice in the particular country.

To summarize, the minimum wage may be important to change the inequality, to stimulate demand in a sustainable way, and not this model driven by consumer credit. So, I think it is very important for the union movement to use the minimum wage as a tool to change income inequality. Unfortunately, for countries where the minimum wage has a coordinating role of wage developments, this function cannot be fulfilled by the minimum wage, but in this case, the minimum wage has another important function, to coordinate the entire trajectory of wages.

Minimum Wage as Basis of an Alternative Policy: the Mexican Instance

*Luis Quintana Romero*¹

The handling of the wage policy in México reveals where the excess of wage restraint in a country could go. I am touching four aspects of this matter.

Considering the existence of enough elements to be questioned in the theoretical debate, as sole model, the neoclassic model of equilibrium in which the result of the minimum wage increase is an employment decrease. Moreover, one could think, within the neoclassic mark, based on the approach of the imperfect market, that the minimum wage fixing could have positive consequences in job creation. There are approaches based on institutionalism and on pos-Keynesianism in which the minimum salary increases could be connected to the job increase and to the effective demand of the countries. In that sense, the theoretical debate has enough elements to question a policy centered in wage restraint.

We also have, from 1990 on, plenty of empirical evidence about the fact that the results from the increases of the minimum wages on employment are smaller than those foreseen by the theory and can even be positive. We have, therefore, from the theoretical perspective and from empirical evidences, elements that enable us to think that the increases of the minimum wages do not have the consequences predicted in the neoclassic models of equilibrium. Yet after these two considerations, in several of our countries, reigns a vision as that found in 1990. In a research from 1996, 87% from 193 work economists in USA accepted the conclusion that increasing the minimum wage could have a negative result on employment. That is to say, despite of the theoretical and

¹ *Universidad Nacional Autónoma de México (UNAM).*

empirical evidences on which we count today, that vision keeps on reigning in several countries.

In countries such as Brazil, Argentina, Chile and others in the area, minimum wage has become part of a general strategy of fighting poverty and reactivating the domestic market. In México, nonetheless, still reigns the belief that the inflation is a process ran by the wages' increase and the imports prices. The Federal Reserve System performed studies in which it concludes that the inflation is an average between the increase of the minimum wage and the increase of the imports. In these terms, in order to keep the stable inflation target, the policy of the Mexican government has been trying to restrain the increase of the wages and to actuate in the exchange policy so to diminish the effect of the costs of the imports. Since 1980, based in pieces of information from ECLAC, we determined a steep decrease in the minimum wage in México. In that period there was a 70% reduction in real minimum wage. When we compare that to the other countries around, we determine that, in Argentina, since the beginning of 2000's, there was a really strong increase of the wages. The development is similar in Brazil and in Chile.

The Mexican instance follows a completely different trend from the other countries in Latin America. A good part of what happens with the minimum wages is based in this standpoint of the effects identified by the Mexican monetary authority in the minimum wage on the employment and on the countries' inflation. If we analyze distinct periods of time, we note that, in the lost decade of 1980's, there is a wage regression in the group of countries of the region. Between 1990 and 2000 and, mainly, between 2000 and 2011, there is a recovery of the minimum wage in the most of our countries, except, once again, for the Mexican instance, in which, in the large period between 1980 and 2011, we observe a fall of almost 70% in the purchase power of the minimum wage. The absolute level of minimum wage says little, because behind it there can be differences of productivity and in others of the economic conditions. However, Mexican minimum wage instance says a lot.

If we compare the absolute levels of the minimum wage in America, taking data from 2009 of power of purchasing parity, in dollars, what we find is that Mexican minimum wage is the lowest in the region. We have a minimum wage of 170 dollars in purchasing parity, which is much lower in comparison with any other countries of the region. Comparing the minimum wages with the average wages of the different countries we encounter the same situation. In the Mexican instance, there is some kind of recovery of the purchasing power of the minimum wage or a tendency to the faster increase of average wages in relation to the minimum wage, something that does not occur in the other

countries. The increase of the minimum wage's dynamic in Argentina, Brazil and Chile is bigger than that of average wage. There is an effort to eliminate the gap between the minimum wages and the average wages in the different economies of Latin America, except for the Mexican instance, that goes in the opposite direction from the rest of the region.

When we observe the relation between the minimum wage and the average wage, we can see very important changes in some countries of the continent. In Argentina, this relation was 26% in the 1990's, and has grown to 50% in the 2000's. In the last years, the proportion has grown to 70%. In Brazil, this relation has practically doubled with the recovery of the minimum wage in the last years. In Mexican instance, there is a new pattern, completely regressive. The participation of México was 40% in the 1990's and it is approximately 30% nowadays. The situation get seven worse if we compare the average wages of the full time workers of the countries in the OECD area, to which México belongs.

When we collate the average wages within the region, we note that those from México are the lower and are much below the average from the countries in this group. What we see all the time is the minimum wage in México behaving subject to an extremely restrictive wage policy. Relating the real minimum wage and the GDP, we encounter a very interesting phenomenon. Within the period from 1992 to 2010, the increase of the minimum wage and the GDP per capita keeps a positive relation to the group of countries. In the period of the crisis, beginning in 2007, in which the GDP per capita and the production are decreasing in these economies, what we find is a counter-cyclical behavior in the evolution of the minimum wages in relation to the GDP. A situation in which the production is falling and the minimum wage is growing in these countries, except for México, where the behavior of the minimum wage has a pro-cyclical tendency: the economy slows down and the wage restrain is strengthened.

Let us see now some characteristics of minimum wages. In México, there is a legal system to the establishment of minimum wages. We have two main laws to regulate it: on the one side, the Constitution, establishing the minimum wage as a right; on the other side, the federal law on work. Regardless of these legal stipulations, what we actually have is this very long-term behavior of the minimum wages. We clearly identify three moments of minimum wage in México. The first occurs in the early 1970's, in which the minimum wage has higher adjustments than the inflation rate. It corresponds to a period of solid growth in the Mexican economy and its collapse in the middle of the decade. In the following period, with crisis, there is a strong increase of the inflation and the beginning of a trade-opening process and of a model of sustained growth in

the promotion of exports. In the following stage, the nominal minimum wages increase very close to the behavior of the inflation, surpassing it in some year in which it is decided to adjust upwards the minimum wage.

By the behavior of the minimum wage in México, which has been diminishing in real terms, in a very strong way, what we encounter is that in México, causality actually comes from inflation to the minimum wage, and much of this has to do with the way they are settled by the end of each year. The Minimum Wage Commission assembles with representatives of the union sector and the employers sector. Allegedly, in this reunion, after an evaluation of the circumstances of the country, it is determined which minimum wage will prevail in the following year. Actually, what really happens is that the federal government presents the inflation target of the next year and the inflation of the current year and the commission job is simply to establish a minimum wage below these inflationary targets. The reality in México is that the inflation antecedes the establishment of the minimum wage, and not the other way round.

In few words, the wage policy in México is still highly restrictive. The minimum wage is a mini-wage and it is not really a reference, because of the relations we have mentioned, to the other forms of salary. There is an aspect that generates much worry concerning the evolution of the minimum wage and it has to do with the fact of being associated to the bonuses, social benefits and payments of national bureaucracy. Different studies dealt with this relationship. If we take these different elements into account, the theoretical ones and empirical results and the relation between what occurred in México and in other countries of the region, we are able to establish some elements to an alternative wage policy to México.

I firstly mention two aspects that seem interesting to me and have to do with diagnosis for the crisis. In the economic study of Latin America and Caribe by ECLAC, from 2010/2011, it is said that the economic growth in that period was sustained mainly by the increase of the domestic market, in other words, the private consumption, through the improve of the wage and employment indicators. ECLAC evaluates that the reaction of some countries of the region concerning the growth in relation to the situation of European countries and the United States, is very connected with what happened in the domestic market. In the macroeconomic report of Latin America and Caribe from 2012, it is mentioned that the increase of employment, in the first months, was from 0.13 to 0.14 percentage points due to the increase of wage employment and the employment covered by social security. On average of the Latin American countries, a phenomenon is happening that does not happen in México.

ILO says that the declining wages may generate a spiral of reduction of the accumulated demand and of the prices instead of a quick process of recovery, according to the Global Wage Report 2010/2011. It was debated in this conference the different perspectives of the crisis. We went back to the idea supported by several authors in 2009 and 2010, according to which the current crisis has as antecedent the existence of a greater income inequality, a great inequality that created a movement from the places of lower income to the higher income and then from places with a higher tendency for consumption to places in which this tendency for consumption is lower. In these terms, the antecedent of this crisis is an insufficiency in the accumulated demand.

In this situation and based on the diagnosis made for both ECLAC and ILO, if we analyze what happened in the context of the crisis, we realize that this effect of greater income inequality before the crisis has in its basis much of the loosening of work put forth in several countries. In most countries we find a diminution of the employment protection, an augmentation of the flexibilization, which is one of the conjoint elements in this structural change given from the lower incomes to the higher incomes as antecedents of the crisis. This element is also being thrown today in the alternatives for the crisis.

In Mexican instance, a project is being debated of one of the most regressive labor reform implanted in the last years. The president of the Republic sent the congress a labor reform proposition in September 2012. This proposition highlights the need to add the concept of decent job to the labor law. It takes the definition for decent job and incorporates it to the proposition. The text contradicts itself afterwards and proposes new modalities for hiring, including subcontracting, contracting for trial periods, contracts of initial training and temporary employment, among many others. This proposition of law may be assuredly approved in the Mexican Congress.

One may conclude that it is necessary to have an alternative wage policy, sustained in domestic market, having the minimum wage seen as a mechanism for moving the purchasing power to the most disadvantaged ones, but with high propensity to consumption. Minimum wage may be taken as the foundation of the strengthening of the domestic market. The government has a big fear concerning the inflation and the public deficit under an easier wage policy. It is estimated that in 44% from 250 laws, minimum wage is the reference for penalties, contracts, taxes, credits, scholarships, expiries and wages. A fear exists concerning the effects higher wages would have on these taxes, expiries and wages in the public sector.

It is worth to take an experiment ran in Uruguay into account. It is very similar to the Mexican instance. The minimum wage was equivalent to 20% of

the average wage and it was reference for a big amount of bonuses and social benefits. In 1994 the function of reference for bonuses and social benefits was eliminated, and it had a 70% increase, elevating its relation with the average wage in 35%. In case there is a similar experiment in México, it could untie the minimum wage from the bonuses and social benefits, from administrative expiries and from wage contracts, with a consequence that increases of the minimum wage could happen with no affecting the macroeconomic balance.

These very simple propositions, put into practice in countries such as Argentina, Brazil, Uruguay, represents a very strong political and a social issue in Mexican instance. Heighten the purchasing power from Mexican workers goes through three restrictions. The first of them is that making these adjustments requires government of social sector. It is not the case with the government that is going to assume in December, a party that ruled the country for 70 years, which was the true creator of neoliberal policy in México and now, comes back to power. Secondly, we need different union institutions from those we have right now. Specially, the way it operates the salary setting must change. It is not possible that the establishment of minimum wage is done through a federal mandate, with no negotiation between the parts that should interfere in its setting.

Finally, an aspect behind this deep wage fall. Since the mid 1970's, democratic and independent syndicalism suffered strong reversals. The correlation of forces in the unions is very disadvantageous to what is left of the independent syndicalism. Some months ago, one of the last pillars of Mexican syndicalism, the electricians' union, was hardly hit by the government, which has announced the elimination of their source of work. Propositions like those require a balance of power that is more advantageous to the democratic syndicalism. Propositions that could be implemented in Brazil and in Argentina, face in México very strong social restrictions. The issue of the minimum wage is both political and social, not only economic.

Developments of Minimum Wage in Russian Federation

Anna Bolsheva¹

The global financial crisis has deeply affected the economy of Russia and had a meaningful impact on employment, wage and the life standard of the workers. Before September, 2008, the Federal Statistics Office reported that the unemployment rate had decreased substantially in the previous ten years and was estimated in 5.8% in August, according to ILO criteria.

By the end of 2009, the unemployment rate had reached 8.4%. In 2010, the situation had improved, but the unemployment rate, from 7.5%, has stayed above the 2007 one.

The second consequence from the economic crisis to the workers was the reduction of real wage. Final estimates to 2008 showed that real wages have decreased in 6%. In 2009, the real wage fall persisted, and reached 14% by the end of that year. In 2010, with the improvement of the economic dynamism, the real wages increased in 8%.

It is important to notice that the work market institutions in Russia allow the workers to reduce wage very easily. The main peculiarity of the wage system in the country is that the constant or basis wage composes two thirds of the average wage actually paid. The rest of it includes bonuses and compensations (monthly paid, every trimester or once a year) and these payments are administered by rules set down by the local employers or by collective agreement. These norms and the collective agreement usually establish that the bonuses shall only be paid when there is "*financial sustainability*" in the company. Thus, by the end of 2008 and through 2009, when the financial crisis seriously affected Russia, most of the employers cut the payment of bonuses to the employees.

¹ Global Labor University (GLU).

In order to lessen the impact of the crisis, the Russian government launched the Anti-Crisis Plan, in 2009, with a wide group of initiatives to support business and assist the survival of the population. The measures included a significant increase of minimum wage in the beginning of 2009.

Quantitative data reveals the national minimum wage to be substantially inferior to the average wage and also lower than the minimum level needed for subsistence.

According to the Labor Code of the Russian Federation, there is a uniform national minimum wage, which covers all the workers in the country. Quantitative researches showed that the national minimum wage is substantially inferior to the nominal national average wage. However, in some regions, the national minimum wage may exceed the regional minimum of subsistence and contains a high share of the nominal average wages of the regions.

The same could be said about the beneficiaries of the minimum wage. At the national level, a small percentage of the workers are paid with the minimum. Yet, in some regions the percentage of workers that receives it is relatively high.

The lower wage in the public sector, in federal scope as in regional scope, cannot be inferior to the minimum wage. When the minimum wage increases, the wages of the federal and state employees are simultaneously adjusted. In practice, the national minimum is the basis of the New Salary System to the workers from the federal public sectors and the national minimum wage or the regional minimum wage is the basis for the Single Salary Scale to the workers from the regional public sectors. This situation provides an argument to the governments against the increase of the minimum wage, once it causes impact on the federal and regional budgets. The government insists that the total minimum wage should include compensations, incentives and social security payments, since the state, in federal and in regional scopes, is not capable of paying higher than the minimum wage.

The national minimum wage, according to the federal law, is settled after consultations between unions, workers associations and the government, in the scope of the Russian Trilateral Commission, as set in the federal law. The unions' position in the organ is relatively weak, and the government has the major share.

In the national scope, the minimum wages are set through negotiations in their own arrangements. However, it is not an obligation to establish regional minimum wages. The number of regional agreements has been decreasing and the unions do not force the regional governments or the employers association to set regional minimum wages.

The State plays a dominant role in the setting of minimum wage in both federal and regional levels. The unions have the right to monitor the adequacy to labor legislation, but dedicating themselves especially in identifying violations and requesting action from the authorities in order to curb them.

On the whole, it is possible to conclude that the national minimum wage does not reach its original purpose of protecting the workers with lower income intending to bring them a decent standard of living. Furthermore, recent substantial increases of the minimum wage did not have a significant effect in reducing poverty. In 2009, the national minimum wage increased in more than 100%, but the poverty, on the other hand, diminished in only 0.2%.

The minimum wage does not have a weighty impact in wage negotiation. A limited number of sector agreements set wages slightly above the legal minimum. The wage negotiation in companies level do not refer to the minimum wage as a base salary.

The situation is compounded by the fact that there is no sufficiently clear position in the country about a criterion for establishing the minimum wage, nor about the adjustment mechanisms. None of the participants in the negotiations – governments, unions, employers' associations – perform macroeconomic studies on the impact of minimum wage.

A set of measures should be taken to make the minimum wage an effective mechanism to avoid uncontrolled reduction of the life standard in the stratum of the most unprotected workers and make sure the salaried employees with a lower remuneration will have a decent life standard.

First of all, the criterium for establishing the minimum wage should be changed. The national subsistence minimum, set quarterly based in the consumption basket price, taxes and fees, is not a proper indicator for setting the minimum wage. Taking the current economic situation into account, the regional differences and the positioning of the experts from the universities, it should be suggested that the minimum wages, national and regional, were established as a percentage of the nominal average wages, national and regional. This percentage, according to the proposal made by Hansjörg Herr and Milka Kazandziska, fromr Berlin School of Economics & Law and from the Global Labor University, should be between 40% and 60%.

Considering the relatively high inflation in Russia, this percentage should be adjusted in order to take the inflation projected for the next year into account. In order to make the minimum wage a reference to wage negotiation, it is important to reallocate the wage negotiation from the company level to the regional sector level. Then, through the negotiation of the regional minimum wage, the participants would be able to coordinate the wage policy

in the region and properly adjust the minimum wage, considering the regional particularities.

Parallel to the reform of the minimum wage, the system of payment for those workers paid from resources of the federal and regional governments' budgets need to be changed. The minimum wage should serve its former purpose and not be used as criterion to governmental budgets estimates.

The legal mechanism to the deterioration of the minimum wage in national and regional levels is reasonably adequate, but the unions must increase their power and develop a wide positioning regarding the establishment of the minimum wage.

Chapter IV

Sustainable Development,
Changes in Workplace and the
Impact of the Global Economy
in Organizing Union and in the
Collective Negotiation

Round Table
1st part

Coordination:
Amilton José Moretto

The Potential of Informal Organizations

*Sarah Mosoetsa*¹

Firstly, I want to reaffirm the role of the work as an agent of fundamental importance in the development, not only in terms of formation of the GDP, but also in relation to social, political and cultural aspects of the long term goals of the sustainable development we all want.

In second place, I would like to deal with the context of the labor world and of the trade union organization in South Africa. Specifically, I will talk about the National Congress of the Unions Confederation from South Africa (Cosatu), recently held and its labor, socio-political and cultural aspects.

I think the meeting reached unions and political expectations. Most participants, as would be expected, used songs and dance to convey their messages. Messages that conveyed in traditional formats maybe would not be transmitted from a true and accurate manner. There were more than three dozen of delegations, and I estimate that less than 10% of these members would stand and talk something so formal, let us say, as usually happens in most of the meetings of this type.

The participants used music and dance to express their preferences, mainly political, given the proximity of the African National Congress (ANC). But they also used other symbols, like t-shirts as a sign of solidarity with their fellows.

The symbolism of the conference was highlighted. I also believe that the meeting was exciting for some of us. But it was very disappointing for the media and for some political analysts, who were clearly expecting a battle for leadership. Right on the first day, it was decided that it would not be a competitive congress. So, everyone was happy, but it is clear that the media and political analysts had expected a much more vibrant discussion on the first day.

¹ Wits University/South Africa.

The leadership aspect was solved, but beyond symbolism, beyond the frustration of the media, of the disappointment of political analysts, there was a series of important discussions. Other frivolous discussion also occurred, such as the difference between agenda and program. Some of us, including several colleagues, were thinking that those discussions were extremely useless. I thought that, at that moment they were relevant because they also reflected the mood of the Congress and questions of power of different affiliations. They were exercising their power, just discussing the difference between agendas, and the president did not know the difference between agenda and program.

I think those discussions were interesting and tested the mood and the power of different affiliates. There were some problematic affiliates, but in a good way, because they were going against the majority. But let's talk about what was presented for us at the Congress. The political report, the organization's report, was placed quite frankly, I must say. Some discussions that came out were honest and, I think, they reflected what scholars have said about the current state of Cosatu.

An important issue in terms of how the labor movement in South Africa has been manifested, is the breakdown of leadership, since the formation of unions to the dissidents unions, the fear about the fragmentation of the labor movement within Africa. In addition, some unions were discredited by the department of labor, so they no longer have official status. The Cosatu also recognize some failures in the sense of not being able to organize different categories.

There are, however, greater challenges. One of them is that there is a broader working class in South Africa today. Taking this view implies facing specific issues and discussions. One of those discussions, which occur in some parts of Africa and even outside the continent, criticizes not only the Cosatu, but also the labor movement and trade unions, in the sense that members of the unions represent an aristocracy. They would constitute a special class, because they end up living above the basic income.

It is necessary to take into account the context in which this situation occurs. About 40% of those who should be working in South Africa are unemployed. There is also a growing inequality. There is much more at stake than getting the 15%, 20% or 50% increase in salary, or the minimum wage, as we discussed yesterday in this meeting of the Global Labour University. For example: there is a direction of resources of the trade union movement primarily for investment companies, then to the corporate sphere. There is also a great contrast between what the members of Cosatu gain and those who are not unionized.

A total of 52%, therefore the majority of the members of Cosatu, wins over five thousand rands. It is significant. Cosatu is doing very well, 52% of its members are above five thousand rands. The focus should be directed to more than 50% of non-trade union members who earn between two thousand and five hundred and five thousand rands. I think this situation indicates a disaster. Somehow, the crisis of Marikana² is reflected here in some aspects. Think about that in this way: the Cosatu trade union members, side by side, in a workplace, with non-trade union members. And Cosatu wants to celebrate a victory.

I am interested in a scenario in which the Cosatu goes beyond just talking about its own members, to deal with issues of the working class. It is important to recognize that there are people in South Africa who do not want to be affiliates with Cosatu, and they are earning much less. The moments of solidarity are lost in this situation. Again, this would bring resentment against Cosatu itself and its members. Cosatu wants us to recognize its good intentions and what it is doing for good. But I think we should focus not only on our members, but on broader issues of South African society today.

Another point is that there are limits to democracy, especially if you define democracy as half plus one. Cosatu, in the way it articulates some of its programs, especially the political programs, does not carry a really critical and political thought in its educational programs.

The federation is patriarchal and there is no real transformation of gender or of generation: it continues organizing only older workers, and predominantly men, which is a serious problem. Those who join a movement and want to conquer a true transformation towards a sustainable development, a socio-political change, and are left behind, how can they expect a change if the entities do not transform? Why are there so few women in leadership? This is frustrating, and shows a lack of political education and critical thinking.

The labor movement in South Africa needs to redo the concept of labor struggles in addition to wages agreements and minimum wage agreements, given the context of high unemployment and inequality, and the high amount of non-union trade members. There are political implications, of course, that means that we must challenge the part that dictates the rules, make alliances in a different way, that it is necessary to have a real redistribution, rather than just organizing matches between the equal teams, where only those who can pay are benefit and those who earn more than five thousand rands.

2 In August 2012, the police in South Africa killed 34 workers and injured 78 others during a strike on the Marikana mine, triggering protests and demonstrations of trade unions and the population.

It is necessary a real discussion and a push for the African National Congress Direction take these concerns in fact.

This perspective involves holding alliances beyond the factory floor and mines. These alliances need to move to communities and this is something that Cosatu knows very well. But it cannot be only South African Communist Party and other formal organizations, there is need to also include the informal organizations. Because it is in these informal organizations that lays the confusion, the unemployed, that is there where the real transformation could happen. And instead of describing the unemployed as dangerous, or marginalized, it is necessary to see that the dangerous classes actually have greater potential in terms of changing the socio-political scenario in South Africa. And I think that the Cosatu has a role to play in this regard.

Some Conditions to the Continuity and Deepening of Economic and Social Conquests in Brazil

*Paulo Baltar*¹

*M*y exposition makes reference to the Brazilian experience, which allows me to show the current hardships and the possibilities of development of a country in the periphery of capitalism, despite of the negative impacts from global economy on the trade union organization and the collective negotiation. As it has been emphasized, capitalism, since the 1980's, had an evolution that hardened a wider public regulation for gainful employment, something that was previously fundamental in more advanced capitalist countries, to the economy development, improving workers conditions.

I highlight in particular the fact that globalization has taken degrees of freedom away from the nation States to articulate, with a minimum of the required autonomy, public and private actions which allowed the economy to develop in a way where it could positively respond to the initiatives of the state itself and of the workers organizations, in a sense of improving the world of work and the population conditions of life.

These developments were facilitated by the existence of an international order that allowed that nation States' autonomy of action. This arrangement of the relations between nations was deeply damaged by the end of the 1960's and throughout all the 1970's. The reaction of USA for making an international order under its own influence lead to the globalization, which reduced the nation States' autonomy of action. However, since the 1980's the international framework got much more disadvantageous.

The recent experience in Brazil demonstrated the importance of taking advantage of the few opportunities of advancing in economy's development, in the workers's situation and in the population's life condition. In that overall

¹ Cesit/UNICAMP/Brazil.

picture, unfavourable, the advances are always partial and open to regression. But these advances are not insignificant, even though the situation is redefined all the time, in a daily struggle in which there is never the feeling of being in an automatic progress trajectory, and one simply had to wait the time to pass by to develop the economy and the society. Regarding this, the Brazilian experience is revealing.

Brazil was doubly favoured by the happening of the extended boom of commodities from 2003. It exports commodities, but it also exports manufactured products to developing countries. The huge increase of exports improved the balance of payments and favoured a more expressive growth in national production, with a smaller inflation. The possibility of a bigger increase in production with less inflation and a steady balance of payments make an opportunity for developing economy and forcing the improvement of life and work conditions. The way this opportunity was taken reflects the political conditions existent in that moment. These conditions were changing and are today much different from those in the beginning of this process.

I think one can say that a development of economy, work and life conditions since the beginning of the international boom of commodities passes through the performance of the state collecting, in general, taxes from the commodities' exporters and employing the collected resources to expand the country's infrastructure and services, in order to favour a wide progress of production and of employment, and an improvement of population's life. This requires a state with political backing and equipped to build the infrastructure and to improve public services starting from the extraction of resources from commodities' exporters. Nothing like that happened recently in Brazil. However, there was a bigger growth of national population and a popular rent increase, a particularly remarkable augmentation of the smallest work's rents. The government did not increase the taxes from the commodities exporters, but allowed the currency to be valued, something which contributed to reduce inflation.

The stronger increase in production and in employment with less inflation created favourable conditions for salary readjustments, and they were bigger than the rise in prices. The government accentuated the nominal increase of legal minimum wages and with that, cash transfers to the population out of work. The purchase power increased with income, but also with the fixed term credit for consumption of consumer goods. The growth of production and employment, with lower inflation, steady balance of payment, accumulation of international reserves, expressive increase of tax collection, a public debt that kept increasing with high taxes, although less than the taxes collection, made

not only the demand but also the supply to credit consumption to increase. By trusting in the continuance of rent increase, the families borrowed money to buy goods and services, and the banks responded to that credit demand collecting high interest rates.

The indebtedness of families accelerated the growth in consumption, the increase of production for consumption and for exportation, which motivated higher investment. The importation, however, increased much more than the exportation and the total national production. The evolution of the composition of Brazilian foreign trade express what happened well. It is important to distinguish here commodities in one side and in the other manufactured and services. Brazil came to have great deficits with manufactured products and services. But these deficits were compensated by surplus with commodities, and until today there is no deficit in Brazil with trade or with services in the balance of payments, but it came back to having current account deficits in the balance of payments because of the financial income deficit. This current account deficit of the balance of payments was covered by the capital inflows. The importation of manufactured increased very much.

In any case, the increase in consumption, exportation and investment was so strong that it made even the production of industrial goods to significantly increases, and there was an increase in industrial production capacity, mostly in the industries that proved themselves more capable of competing with importation, even with a valued currency. With such an expressive augmentation in the industrial production and of the investment in industry, it is hard to simply speak about desindustrialization only due to the fact that industrial production grew much less than total production. However, it was the first time since 1932 when an expressive increase in total industrial was simultaneous to a lower increase of industrial production. No doubt this is an indicator that industrial production lost strength as the dynamic motor of national economy.

The global crisis has been making clearer the way a long period of valued national currency meant a threat to industrial domestic production. And that the increase of the industrial production is still really important to the performance of the national economy. The government's reaction to the crisis succeeded. It preserved the consumption and in 2009, the fall of the total national production was small, and recovered in 2010. There is however a tremendous difficulty in maintaining the growth after the recovery. From 2010 to 2012, the increase of the total production was less than 3%, and it can even be inferior to 2% this year. This means less than half of the total production has grown in 2007 and 2008, around 6% a year, a little more than that. These

difficulties show the necessity of redefining the Brazilian economy's paths to keep on increasing the production and improving the life and work conditions of the population. These changes in conditions and in the economy's path require a quite stronger articulation of State initiatives with private initiatives, especially in the recovery of the investments.

The investments have grown a lot in 2007 and 2008. The investment rate in Brazil increased from 16% to 19%, with the GDP growing 6% a year. Nevertheless, the continuance of the global crisis ruined expectations, and the rebuilding of the investments in Brazil, fundamental to a stronger growth of the product, requires a far bigger public-private articulation, something that demands a more powerful equipment of the State to persuade the private initiative that the State is now capable of doing this articulation to rise investments. The political discussion in Brazil is around that. The government has taken important measures to rearticulate the State actions. The reduction of the basic interest tax is in particular a clear indication that the current political conditions to this change of the state role in the performance of Brazilian economy are more favourable than when Lula assumed the government, in 2003. The government's acting concerning modifications in the way of dealing with the Brazilian financial market is a clear symptom of that.

The die is cast and the possibilities of the Brazilian State of truly change its role, rearticulate Brazilian economy and allow a higher increase than the 2% it is getting by now is a fundamental condition to the persistence and deepening of the already achieved economic and social progress.

The Implementation of Global Agreements: towards a Practical Multi-organizational Perspective and a Degree Implementation

*Mike Fichter*¹

I believe there is a connection between global agreements² of worldwide entities representing workers and the subject under discussion, Sustainable Development and Changes in the Work World and Impact on Global Economy, on Trade Union Organization and on Collective Bargaining.

I have been talking about central trade union in the transnational context. My research has focused in recent years on the issue of global agreements. I will try to make a connection between these agreements and the topic under discussion. I will outline some few ideas about how, in my opinion, this link can be established.

Yesterday we spent considerable time talking about the neoliberalism that is around today, and that is the basic form of pure capitalism we see. We used metaphors as neoliberal swamp, among others. I would like to sketch out a few ideas about possibilities to eventually build a political vehicle to have a policy, a vision and a strategy to achieve something more: an employment market with more solidarity and collective goals of the work.

The question that I will raise is: Can the global agreements be a progressive tool to drive to standards for work and sustainable development? Sustainability is a word that has come to be used in an inflationary way and in a growing way for multinational corporations to define its understanding of corporate social responsibility. They are talking more now on sustainability. This is somewhat interesting because there is a paradox; actually they talk about

¹ Free University of Berlin.

² Global Framework Agreements, instruments traded between Multinational Companies and Global Union Federations.

their sustainability and their own profitability. – And only indirectly – when the job can force them – in a compromise on socioeconomic sustainability.

When we look at the development of multinational corporations in the last thirty or forty years, we see that all of them are spread around the world with global supplying, global operations and flexibilization without known limits and casualization. Sustainability, for global corporations, refers only to its own business and to the generating profit employees they directly control. What can we do about it? If we look at what we did and at what we can do about global agreements, we realize that the global centers are trying to apply these points.

My argument is the following one: when corporations talk about sustainability – a true mantra for many of them – that indeed open doors for the regulation and improve working conditions. Before we begin the global agreements, global trade unionism did not have a basis of any kind and no room to negotiate any kind of agreement with the corporations.

What are these global agreements? They are a very small step, an isolated and insufficient step. But it is something the workers have to take forward. Several steps can create space for organization and ways to change the situation and to create real sustainability. But for that to happen, the centers must move beyond corporations with whom agreements are negotiated today, and extend these agreements to effectively cover the complete production lines and supply many of the agreements they say that they cover. Signing an agreement with an isolated corporation, in the present situation, can be something excessively trade unionist and that does not lead to progress. For that reason, the centers have to move beyond the transnational corporation to the global production network and the sectors. And any progress has to include the environment.

So far, we have dealt with the micro level of this development. If we look at the sectorial intermediate level, we will see that the sectors include production networks. Using global agreements is a means of creating an arena of unionactivity of collective bargaining.

This is the basis for, using the main labor standards of the International Labour Organization (ILO)³, establishing the corporate boundaries to certain standards and regulations, in such a way that global agreements can become an

3 The main labor standards of ILO are basic rights and principles recognized internationally: 1) freedom of association and effective recognition of the right to collective negotiation; 2) elimination of all workforces or compulsory forces; 3) the effective abolition of child labor; 4) elimination of discrimination in employment and occupation.

instrument for the regulation of international labor relations, positioning itself between the restrictions of transnational corporations and the international labor law.

Of course it is easy to say this, and it is not easy to put into practice. The boundaries are blurred and dynamic. Much of global production is rapidly changing. Especially, these workplaces have other parameters, the ones of the global production networks. There are small suppliers, domestic workers, informal workers, hardly attainable by this tool which is the negotiation in a centralized way. Global agreements, therefore, should be designed by the sectorial networks and global production to be effective and have to include and recognize the application of parameters.

Another increasingly important point in comparing different agreements is that global agreements should be developed by global trade union federations and their affiliates. Many of the agreements have been signed and negotiated by workers' councils or national trade union associations. My reading of this is that these agreements are very limited. Some of them are not global agreements in essence, because they are, in fact, business agreements. A global agreement has to go beyond that and cover, effectively, a broader conception about all different types of activities of certain field that intend to cover. As I already said, this is the only means by which centers will be able to create the necessary understanding to make effective agreements and promote transnationalism, this at the intermediate level. At the macro level, of course global agreements are limited. They cannot really cover everything, even when covering different sectors.

Global agreements are signed agreements, but companies can rescind them. There is nothing compulsory of application. They are a step in the right direction, but they are not the application of a creating law of a real political solution to the issue of labor standards and sustainable development. That is why the centers must move beyond these agreements. The experience and the type of success that they get in the use of agreements will show the way for the construction of political alliances.

This also means extrapolating the parameters of these global production networks and crossing borders between formal and informal economies and reaching workers (formal and informal). Without this political strategy, with flanks, in the use of the tool that are these global agreements, the global center federations and its affiliates will remain weak and ineffective. There is great power symmetry here, between the incredible power of transnational corporations and the weakness of the international labor movement. But things are moving, I am not a pessimist. I am optimistic, in the sense that I think there

are steps to be taken. The situation has improved compared to ten or twenty years. We have to keep moving forward, promoting a continuous development, with democratic participation.

Round Table
2nd part

Coordination:
Mario Rala

Consequences of Changes in the World of Work for Union Organization and for Collective Bargaining

*Kjeld Jakobsen*¹

The discussion of development is especially important in the case of Latin America. We had an experience in most countries, between the years 1930 and 1970, in the so-called developmental period, with reasonable success when it comes regard to social development, even though there has been some achievements in some countries. The concern for the environment in that period was certainly not relevant to the debate. The environmental issue as part of sustainable development has become more prevalent from the 1970s, mostly in developed countries, particularly in Europe, due to environmental disasters such as oil spills and the discussion about the use of nuclear energy, among other reasons. Only recently the environmental issue has been presented also in the discussion of developing countries, including in Latin America.

We understand, in the Trade Union Confederation of the Americas Workers from the Americas (TUCA-CSA), that the theme sustainable development offers us a more comprehensive agenda of workers' interest, particularly in this moment. The political situation we live in most of the Latin American countries opened a space for dialogue and negotiation with progressive governments, which would allow, in theory, to advance in union participation and in defining the direction of the development of our countries. We do this because we understand that workers and unions are actors, are agents of development. On fighting for better wages, for better working conditions and social protection we are agents that contribute to economic development based on the strengthening of domestic markets. We are also agents when we claim for incorporation of labor rights and social and environmental rights to the economic development. It is not a simple issue and we have to empower ourselves better for it.

1 TUCA/CSA.

In this sense, the CSA has just created the Institute for the Development of the Americas, which aims to work the theme of cooperation for development and to promote a training program with the involvement of union leaders and union activists of the continent in the debate of development models. It is important for us to influence the policies of our governments, besides defending our rights, which is our traditional role. For this, we need to be prepared, and this is one of the proposals of the Institute.

Concerning to trade union organization and the collective bargaining, there are great changes in the world of work all over the world that strongly affect the organization and, consequently, the process of collective bargaining, which are outsourcing and informal work, which causes very negative impacts in workers.

However, this is not the only problem to be faced. There are other issues of a cyclical nature, which must be also faced. The first one is the democracy deficit. Despite having the right to elect our leaders and our representatives for at least two decades, there are a number of problems related to democracy, for instance, the politicization of the judiciary. In Brazil, for example, in the judgment of the so called *mensalão*², it is clear that the judiciary is not limited on judging, it is doing politics. It is not the first time. There are a number of court decisions in which the role of that Power is extrapolated. They are creating laws and who holds this role is the Legislature, not the judiciary. The latest must observe the law. The second problem is the politicization of the media. Media is a really powerful opposition party in Brazil and in the other Latin American countries, led by progressive coalitions. The biggest opposition they have been facing is the media. Even though each newspaper may have its opinion, they should admit it publicly, but they do not that.

There is also the absence of a political system that is, in fact, a representative democracy. The problem is that we made the transition from a dictatorial regime to a democratic regime preserving the whole space and the whole power of the elite who ruled the country during the dictatorship, and that still has a great power because those structures did not change. This means that such power also act when is time for collective bargaining. We have in Brazil decisions applied by the judiciary that did not exist, like fines for unions in the case of strikes or not returning to work. There is also something that our banking mates know very well, that is the prohibitory interdict, i.e., the prohibition for the picket line to get close to the workplace. Another problem to be faced is the violations of Human Rights. In the International Union Conference, a companion of the Netherlands asked how the issue of social dialogue in her

2 Bribery scheme to pay parliamentarians to vote on a favorable way with the government.

area was doing. How to talk about social dialogue in Colombia, in Guatemala, where dozens of union leaders are murdered each year, and even here in Brazil, where, in the rural area, every year we have leaders who are murdered? And that after all changes for the better we have had.

There is also a deficit of union freedom. Although most countries in the region have ratified 87 and 98 Conventions of the International Labour Organization, in most countries they are not observed. There are exceptions. I must point out a law passed in Uruguay during the first government of the FrenteAmpla, criminalizing employer interference in the organizing of the work. Only the passage of this law has helped to increase the rate of unionization, as far as I was informed, by 30% in that country. But in most countries it does not happen. There are, for example, recent decisions taken in Wisconsin, United States, prohibiting public employees to unionize. By the American rules, those who are not unionized do not have an employment contract; therefore they do not have collective bargaining.

In the private sector of Costa Rica, there is no union. All attempts to create unions in this area resulted in layoffs of those who tried to organize them or acceded to them. This situation in Peru must be mentioned, where many changes in the Labor Code were made, in the sense of easing contracts and organization in the more neoliberal period and that were not reversed in progressive governments. This is also the case in Chile. Pinochet's Laws in the work area was maintained in the governments of democracy.

Another factor, perhaps less important now, but that will quickly gain more importance, it is the end of the European social pact, built in the postwar based on the welfare state and in collective bargaining. The recent change in Spanish law allowing salary reduction without negotiating with the union – the company could negotiate individually with each employee; you can imagine what type of negotiation this one will be – it is, in practice, the end of collective bargaining, or the beginning of the end of collective bargaining. When implemented there, of course, there will be pressure for it to be adopted here. In the case of political changes, in a conservative sense, this could be rapidly implemented.

One problem that I want to highlight is the union structure in Latin America, in the sense that nowadays it does not help us to have a more structured process of collective bargaining. In general, we have two types of organization in the continent: countries where there are unions by category and countries with unions by company. In the case of unions by category, the situation is as follows: In Argentina, the rate of unionization is of 40%, and 69% of workers are covered by a collective bargaining agreement; in Brazil, the

rate of unionization is of 18%, and 67% of employees participate in collective bargaining agreements; In Uruguay, unionization is of 30% and the coverage of 89%. In those three countries, the legislation makes the collective bargaining agreement to cover all the employees, even those not unionized. For many, this represents a problem. There are debates in order to change this law. Here in Brazil, the Central Workers Union (CUT) discusses it a lot. There are proposals to seek representation by branch of economic activity, the local organization of work, among others.

In Paraguay, El Salvador, Chile, Guatemala and Colombia, the union organization is by company. In Paraguay, the union membership rate is of 7%, and only 2% of workers have a work contract. In El Salvador, the numbers are the same: 7% and 2%, respectively; Chile, 12% and 10%; in Guatemala, the situation is dramatic, with only 2% of unionized workers and less than 1% have their rights guaranteed by collective bargaining agreements. In Colombia, the numbers are 4% and 1%.

Finally, there are new themes. One of them, which is universal and has to do with union organizing and collective bargaining, is the youth, specifically, the employability and employment for the youth. As a rule, the youth unemployment is twice the overall average unemployment. In the case of some European countries, there are absurdities like almost 50% of unemployment among young people. This is an issue that the union movement has to embrace, even as a way to increase its representation.

Given this rapid diagnosis, we are, in the CSA, trying to implement three initiatives. The first is a development agenda, which deals with sustainable development in its three dimensions: economic, social and environmental, discussing the role of the state, of the sustainable development, of the fair trade, of the development of domestic markets, of social protection, of climate and environmental issues. The second initiative is a continental campaign for union freedom, as we feel to be a problem that affects from Canada to the Terra do Fogo. And we are proposing a continental conference, where we want to politicize this issue. We want to bring big political personalities like Lula, Tabaré Vazquez and Michelle Bachelet, to perform this debate. The third initiative, already triggered by the CSA, is the theme of the so called union reform, an attempt of dealing with the problem of union structure, especially in those countries where the representation is by company, aiming to build more collective forms.

The Necessity of Advancing in Global Agreements

*Felipe Bouvier*¹

Let me tell you a story, before actually entering the lecture. The first contract I negotiated was to a public sector union and involved five thousand telegraphers. Probably most of the audience is too young to know what a telegrapher is. But the telegraph was a noble work, which taught us to say things very concisely, because they paid per word to send a telegram. You send a telegram to someone saying: It is 15h in *São Paulo*. It was very short and very cheap. The only problem was that the person on the other side did not know if that was the time when you would come, the hour of your departure, the tea time or the start time of the soccer game. Therefore, it was necessary too much guessing. Following that tradition, the small lecture I am going to share now is going to be cheap, short, and you will have to guess a lot. You will have to do this because Neal is sitting beside me and he prepared a speech that it will take hour and thirty minutes. So he knows that every minute that it takes me longer, he will face serious problems. So this is actually a short speech in solidarity with Neal, more than anything else.

What I want to do is take the chance to talk with you, not about sustainable development, I am going to be honest (I see it as a limitation, and unions are part of it), but about the inside view of an international trade union organization. What globalization meant for us that were trying to deal with that in international unions. And it is not always the same thing, I think, than when people look from the outside. They are somewhat different perspectives. And I had the opportunity to observe this process since the mid-1970s to the present day.

Which great changes globalization has meant to us? First, simply triggered an explosion in the competitive labor market in which we were operat-

1 UNI Global Union.

ing. It is hard to imagine now, why it started to happen a few years ago. But, with the opening of the world through changes in the regulation of trade, technology, structural change, suddenly we found ourselves in a labor market not only competing at national, or even regional – to which we are getting used, especially Europeans – but suddenly at a world level. And when mega economies like China and India suddenly opened them selves, we were competing in a market that grew by at least one third. Perhaps even more, considering the role of the former Soviet Union. And our problem was that we, as unions, have very little influence on any of these places. Then, suddenly, our power was greatly reduced.

What can we do about it? The answer is very simple: we just have to create free trade unions, a hundred percent organized in India and China. Some used to say, we can establish policy, we just need some technical advice to tell us how to get there. But that was the backdrop against which we were operating, which also made us think about the second point, regarding global organizations that dictate the rules. We realize that these organizations, which disgust us here and there, with ones we engaged from time to time, as the General Agreement on Tariffs and Trade (GATT), which became the World Trade Organization (WTO). Suddenly they became very important to us because they were establishing the terms under which we would work around the world. When they got opened to countries where there were no union rights, they immediately decreased ours, in a sense. And that was added, not only by the GATT and the WTO, but for a number of organizations, at a regional level, when we created the free trade agreements in the European Union, and also with specific agreements in different sectors, at different times.

So this has become a major challenge with which we deal in different ways, but never in a very successful way. It is one of those special items that are still on the agenda.

The third point I would like to talk about is that this situation also made us see, as unions, that there was an increased on the relevance of setting rules organizations, not from those that regulate trade, but from those that regulate labor issues, particularly the ILO, and OECD, because of their work in multinational companies.

All of these organizations are very valuable and we would like to see them strong. The idea that there must be a place in the world where you can go when union rights are violated is very important to us. But, when you stop and look at it now, I think we are in a very unsatisfactory situation. We know we want these organizations and not criticize the ILO or any of them.

They are different organizations dealing with labor issues on their own way, with a peculiar power and different means of application.

One of the challenges I truly believe that the labor movement will face in the future is that if you have a global economy, then we need some place on the globe where we can actually take these questions, knowing they will be resolved a more effective way than they are today. It is possible to envision the creation of an international tribunal's work, something like an international court of justice, where we could go with our agreements with multinational companies, where they would be executable and could have our demands seen appropriately and where we could receive compensation when they were poorly enforced. This is one of the things about which globalization makes us think. These are some of the issues I consider important, but we did not do much about them, although we should consider them seriously in the future.

There is also an area, which is the one that really concerns me, where we can do something, and that is multinational global agreements, covered by Michael Fichter this morning. We were weakened, as unions, because structural changes in the industry crunched us in the base. The areas where we were working traditionally had strong unions in the industrial area, in manufacturing, mining, among others, and they were seriously weakened.

In areas where we were growing up, such as information technology and call centers, we had never entered. It is sad to say, but we had never set our foot there. The sector where I came from, originally, was the telegraph, and then it became the phones sector too. When I started, there was a national company, a totally organized syndicate, it was a great sector to work in those days. But now, in any country, you will find hundreds, sometimes thousands of companies that are involved with telecommunications, in one way or another. And our unions, I dare say, unfortunately, remained where they were. And they were in an overtaken portion of a sector that only decreases.

We are in a position where we have to turn to the organization. Organizing suddenly became a key issue for us. And it is one of the success stories, not in the sense that, up to now, we have recruited millions of people and we are increasing, but that this goal is now in the unions' agenda, almost everywhere, to a point, I believe that it will bring compensation quickly. This means that we have to occupy all the space we have lost in the sectors we were in, but it also means that we need to cover all these new sectors on which I spoke. That is, we must reach millions of unorganized workers, and we can do this. We have to get the line distribution of the companies with which we work.

Finally, there is the issue of multinational companies. Suddenly we realize that in almost all countries where we operate, there were four, five or

six multinational companies that dominated the scene completely. Somehow, we needed to try to familiarize ourselves with them. The answer to which we arrived was the idea of global agreement. It is a really new idea. Sometimes we despair saying: Is that really effective? It is just a business deal, it was suggested. It is easy to criticize these global agreements, but, remember, some of them were signed in the 1980s, others in the 1990s. We have around 100 such agreements. There is a reaction from employers who are now trying by themselves to spread the idea through the American Chamber of Commerce, through the International Organization of Employers (IOE) or through the ILO. We're trying to say that these initiatives are disastrous for workers and should be removed. So we are coming to a halt at the moment but we will organize ourselves again.

This will be done. It is a long battle, but we will continue facing it. And I am convinced that if we get 200 of these agreements, this will become part of the accepted vocabulary in industrial relations. When this happens, people will realize that these agreements are similar to collective bargaining agreements and to the known agreements, and they could no longer be able to impose us any setback. And that it, to me, the way ahead. I believe, retreating in the supply chain, to ensure that all people and unions will be involved; there is the chance that, if we work on it in the future, we will completely change the nature of collective bargaining. We will get to a situation where we will use these agreements to make the companies to negotiate, and this is, maybe, a dream. But we will get there.

Minimum Wage, Collective Bargaining and Social Protection Strategies in South Africa and in Brazil

Neil Coleman¹

The massacre at Marikana² ranks the first place in recent memory of people about South Africa. The murder of the miners was discussed at the 11th National Congress of the Confederation of Unions of South Africa (Cosatu) in September 2012. Three thousand delegates representing 2.2 million workers from all sectors from economy, from the city and from the countryside, discussed and forwarded deliberations about miner's tragedy and a set of serious problems that affect the workers in the country.

The meeting took place amid the effects of the global crisis that started in 2008 and the domestic challenges. The global crisis actually worsened poverty, unemployment and inequality in South Africa. The action program we adopted at the 11th Congress of Cosatu is based on four points:

I – Abolition of the wage structure inherited from apartheid: towards a wage that allows living

The participants spoke for the abolition of the wage structure inherited from apartheid and advocated the creation of strong institutions for collective bargaining in all sectors of the economy. They also defended a wide social protection for the unemployed.

As in Brazil and in Latin America, we believe that the salary structure, the collective bargaining wage and social protection are linked; and its transformation requires a great common effort. The reconfiguration we advocate

1 Cosatu/South Africa.

2 In August 2012, the police in South Africa killed 34 workers and injured 78 others during a strike on the Marikana mine, triggering protests and demonstrations of trade unions and the population.

includes the adoption of a national minimum wage, a comprehensive process of collective bargaining and social protection for the unemployed. The national minimum wage must match the minimum amount necessary for subsistence. It should also be the base salary from which the unions will negotiate sectorial wage levels.

It is necessary to review the wages and collective bargaining strategies in the sectors of each union and transform the wage structure. The change requires innovative trading strategies that overcome unrealistic proposals for adjustments and move forward in combating the setting system of different wages for the same function and the use of color and gender criteria.

It is urgent to define an agenda of high-level meetings with government and the African National Congress to discuss the development of a new wage policy for the country.

There was a reaffirmation of the necessity of protecting the integrity of collective bargaining and of resisting the action contrary to that instrument by the employers. In a number of sectors such as garments and engineering, and construction, the employers try to undo the structures of collective bargaining.

The Congress reaffirmed the use of the strike as a basic tool for performing power by the workers and there was agreement on the necessity of increasing solidarity in the protests and fighting for changes on the legislation that governs the collective manifestations. The necessity of establishing comprehensive strike funds was defined.

II - For a radical socio-economic transformation: people should share country's wealth

There was agreement with our allies that the center of the second transition phase of our National Democratic Revolution should be a fundamental economic change. The shocking levels of unemployment, poverty and inequality are in the root of the increasingly violent protests at workplaces and in the communities.

There is the necessity of a state intervention in strategic sectors of the economy, also aiming nationalization and state ownership, and the use of various tools for tuning and directing of the investment, the production, the consumption and the trade to forward the industrialization, the sustainable development, the creation of decent jobs and the regional development, breaking the colonial patterns of exploitation and dependence.

The radical change that requires the participation of our strategic allies in the African National Congress includes the realignment the Treasury, the greatest obstacle nowadays to the application of the government economic program; the nationalization of the Reserve Bank, the central bank of South Africa; and a renewal of the National Planning Commission, in line with the proposal to change the economy.

It is urgent to stimulate the investment, to free up the resources intended for social area, retained by the entrepreneurs, to introduce capital controls, to penalize speculation and to adopt a comprehensive social security.

The measures should include modifying monetary policy and the intervention as well, aiming the nationalization in strategic sectors.

The Congress of COSATU highlighted new government guidance toward a coherent benefits strategy, the search for local supplies, an infrastructure program aligned to the industrialization and development strategy, and the beginning of a new approach to regional development.

Regarding the workers collective savings, there was a commitment to work towards the consolidation of retirement funds; the creation, in the private sector, of an investment vehicle in a central fund of pension, similar to the Public Investment Corporation created by the government; and the establishment of a Bank of Workers.

The Congress of Cosatu called for a definition of a coherent regional strategy for the promotion of the economic development, of the industrialization and of African market, similar to what was done in Latin America, with the participation of unions in the process.

III – Building strong central union

Only with strong organizations, controlled by the workers, and with unity, it will be possible to obtain victories, and to defend conquests, said the Congress. It is necessary to build, to consolidate and democratize our organizations; extending them to areas in which workers are unorganized; and act decisively to combat practices or conditions that lead to disunity and fragmentation of the workers and their organizations.

There was a call for a mindset change in the Cosatu, in order to give a greater emphasis to the expectations of affiliated unions in workplaces. They need us to fight for a bigger job and wages protection that will allow subsistence. There is the necessity of making the leaders more visible and interactive. We need to communicate more effectively with our affiliates.

The Congress committed to a search for a closer relationship between leaders and members, establishing more effective ways for the worker to access and control a reduction of the bureaucracy of our structures; and combating undemocratic conduct in our unions.

The Congress also committed to building strong unions controlled by workers, dedicated to issues of concern to its members, in workplace and in the socioeconomic and political levels; organizing the unorganized, especially farm workers and other vulnerable and overexploited ones, bringing them to the Federation.

There was an agreement on the necessity of focusing on the work of recruiting among young workers, female workers, more vulnerable workers (very poorly paid, contracted in part-time, seasonal, etc.), non-African and migrant.

We also agree about the urgency of a commitment with the government to ensure that the Department of Labor assures resources to the development of the capacity to implement labor laws, especially for protecting the most vulnerable.

The Congress concluded that it is necessary to improve all levels of service to its members. In order to advance in unity and in international solidarity of workers, it decided to maintain its affiliation with the International Trade Union Confederation (ITUC). The Cosatu will strive to build a greater cooperation and unity among the international organizations of workers.

IV – Creating our “Lula moment”: towards the second phase of our transition

What we call “Lula moment”, inspired by the second term of former President of Brazil, starts now. The Congress has concluded that we need to forward an action program of action with our allies, based on a national agreement. The second phase of the transition requires that the program of the movement targets the working class and that is based on an accepted platform implemented by the government. The alliance led by the African National Congress is the strategic center of power.

The country faces serious challenges; we cannot despair and conclude that there is nothing to do. Developments in Brazil and in other Latin American countries showed in practice that policies to reduce poverty, to create jobs and accelerate economic growth can be the beginning of a change. They staggered the prophets of disaster who used to say that there was no alternative to the neoliberal

eral capitalist system of free market in which is based the exploitation of workers and that stands at the heart of our unemployment, poverty and inequality. Obviously, the policies implemented in Brazil cannot be implemented mechanically in South Africa, but they have given us hope that there is an alternative.

Chapter V

Strategies for the articulation
for union campaigns and actions
for sustainable development at
national and international level

Round Table

Coordination:
Jana Karen Silverman

Sustainable development, Union Freedom and Strengthening of Collective Bargaining

Artur Henrique¹

One important thing to note when it comes to do with the theme: "*Strategies for joint trade union campaigns and actions for sustainable development at national and international levels*" in my opinion, it is the need to not confuse economic growth with development. Economic growth is not enough and it is not synonymous with economic development, that must have, as we have been talking about it in recent years, three pillars: social, economic and environmental, which would add to the political pillar, i.e., the debate on democracy, social participation, which we consider as absolutely strategic for a sustainable development.

Following the guidelines of the World Bank, the European Central Bank and the IMF is the best way to achieve this model we are advocating. Similarly, there is no way to change the model without taking into consideration that it has to do with a cultural and values transformation. It is necessary, including the trade union movement, to renew the awareness to the importance of public over private, of solidarity rather than competition, the collective rather than the individual, the social function of property, and not only of its private function.

With regard to cultural and values change, two spheres are absolutely fundamental: communication and education. Without a heavy investment in communication and democratization of the media, in training and in education, we will continue talking to a few thousand, perhaps, while some networks of Brazil speak to 150 million to 170 million people every day, forming opinions and making a dispute in which we have to be able to enter.

¹ Central Union of Workers - CUT/Brazil.

The construction of a sustainable development model goes through the necessity of establishing union freedom and strengthening collective bargaining. Without freedom for union organization, for strengthening unions of social movement, and especially for instruments that guarantee collective bargaining and the construction of the model change, we will continue suffering attack as has occurred in several countries of the world, including Latin America.

It is not possible to make a transition without the guarantee of a wide system for social protection that ensures security, health, social assistance, professional qualification and re-qualification appropriate to the model change.

There is also the necessity for alliances to make the structural reforms required in our countries. Despite the advances we have had in the last ten years, Brazil and Latin America continue with enormous social inequalities and high income concentration. One of the most important reforms to face these problems is the structural of the political system in which the big companies fund political parties.

It is necessary to radicalize democracy and increase social participation, limiting the use of tax exemptions used to face the crisis, but that weaken the State as a promoter of the development and of the construction of a wide system of social protection. We are talking about countries, for example, in Latin America, where the tax burden is of 10% to 20% of GDP. And there will be no social policy if there is no taxation for the richest, for those who has more. For these reasons, the debate on tax reform is absolutely strategic, in our opinion.

The same applies to the agrarian reform, which has not been done in many of our countries. We still have a concentration of land and an agrarian model that favor agribusiness at the expense of family farmers.

So when we are talking about a union action strategy that articulates and can put into practice to improvement of life and work conditions, we are saying that it is not enough to discuss only the economic agenda, the commercial one or that from the large economic groups.

There are eight strategic axes, with 82 projects and \$ 21 billion in investments in those countries that make up the Union of South American Nations (UNASUL), with the Brazilian government and the *Fiesp*, business entity of *São Paulo* which, therefore, has access to this public resources from the *BNDES*, *Banco do Brasil* and *Caixa Economica Federal*. Resources that can be used to study the countries, to analyze what are the strategic integration projects in the areas of energy, transportation, civil construction, food, visiting these countries, hiring consultants to analyze the necessary projects to such integration.

What we are saying at the *Central Union of Workers* (CUT), at the *International Union Confederation* (CSI), and at the *Trade Union Confederation of the Americas* (TUCA-CSA) is that we want to do the same thing. We want public funds to have our own view about the social situation of the involved populations, about living and working conditions of workers who will perform each one of the projects of trade union in every endeavor. This is the point. When we talk about sustainable development, this implies, in this case, on examining each of these projects, assuming the environmental and social pillars as reference, besides the economic one, already mentioned.

We all know the importance of investing in infrastructure. The question is: The products that will be transported on roads to be built in the next four or five years, for instance, have being developed to ensure the productive integration, so that many countries can participate, along with the construction of this integration, or we are simply working with a model of development that will help us to have in Brazil, for instance, 10, 15 or 20 large Brazilian transnational corporations, making an exploitation of labor, like that of so many other transnational companies whose work we have discussed throughout our history, when we see the necessity of another model of development?

What I mean is that for us, the articulation between the central union, our confederations, our international entities in each of the branches, is absolutely strategic to strengthen the action and the necessary unity in each country, for ensure compliance with rules and standards of the International Labor Organization (ILO) concerning working conditions, collective agreements and contracts, as well as working towards action perspective and towards the construction of regional collective agreements, i.e. it is not enough just look at what is happening and do not get prepared, strategically, thinking in the short, medium and long term, an on strengthening our organizations and our entities.

The Global Labor University had and it will continue having a decisive role in the strategic alliance between the academy and the trade union world, with reciprocal benefits, preventing both the enclosure of the academic world as the accommodation of the trade union movement. This articulation is absolutely important to develop the thinking of the left, of transformation and political integration. Our leftist parties are really involved with the next election, as there can be, but we must go beyond this concern.

Our union movement is also involved with the agenda of improving the quality of life, coping with the attacks we have suffered, job creation and discussion of the quality of these jobs. In addition to these and other immediate interests of the working class, we also want to discuss their historical interests. For this, it is crucial to debate again deeply a left thinking, including a

new development model that ensures economic growth with social justice and quality of life, a goal that we are far from reaching with the current model in Brazil and in the world wide.

Reasons why Sustainable Development Requires a Supranational Perspective

*Álvaro Padrón*¹

I am convinced that sustainable development will not be achieved only at a national level. This is a discussion and, at the same time it is a task and a goal that should be faced from a higher perspective than the national. The union action that I see strongly related to this goal should have a supranational scope.

The pursuit of a sustainable development occurs during a crisis of a capitalism which was formed with struggles for social justice, participation, democracy, acceptance of unions, social pact, which considered the work a fundamental right. This is the capitalism that is in crisis. The engine of modern capitalism is finance, not industry, money producing money. That is the biggest paradox that we have at this stage of mankind, of the increased production of wealth and concentration of wealth in human history. And of an even more dangerous concentration, which is known as the concentration of the knowledge. This has much to do with the university, for example.

Knowledge is a very singular and somewhat strange. The more you use it, the more you have it, unlike other goods, whose use implies exhaustion. Due to its nature, knowledge is an asset that tends to concentration. For this reason the alliance between the labor movement and the intelligentsia is so important. I tend to think that in recent decades there has been some detachment between these two fields and I believe is essential to have a union action that is deeply associated with a strategic thinking produced in democratic contexts, as the universities. The role of the university is more important than ever in the battle to democratize the knowledge, a good that, as I said, tends to be concentrated and therefore reproduces the logic of power. In particular, one must examine what has been the capture of the economic thought by the economic elites,

¹ FES/Uruguay.

including conquering one of the last bastions of democracy, which are the universities, to generate a hegemonic thinking in economics. This is a crucial battle for us not to stay on the sidelines of the debate.

This current crisis is often compared with 1929 crisis. I believe that a fundamental difference relating to the contemporary crisis is the transnational character of the capital. In the 1929 crisis, the interlocutors – governments and businesses – were national. Today, however, although the capital has no boundaries or regulations, policy and manpower are tied to the nation state. This is a very strong asymmetry. One wonders what margin is left to the nation-state to influence globalization.

The example I am going to give is valid for any country. Uruguay, with a progressive government, decided to have a policy restricting smoking from a vision of public health policy. It decided to take measures to limit the places where you can smoke, to prohibit advertising, to insert ads on cigarette packages about the health risks. This triggered an international lawsuit, filed by Philip Morris against the Uruguayan state, from an investment protection agreement signed by Switzerland and Uruguay in the 1990s. Uruguay will miss this cause. A decision of a sovereign state, which decided to have a health policy concerning its population, and which will be defeated in an international court, among other reasons because there is an agreement that effectively protects a company – in this case, Philip Morris, headquartered in Switzerland – against infringement by the Uruguayan Government to the investment made in Uruguay. No matter the Philip Morris the health of the 3.5 million Uruguayans who can smoke cigarettes he manufactures.

It is an international precedent to show that the national state has no power anymore, not even, as it is shown in this case, to ensure a concrete public policy for the health of its population. Today is great the ability of the international capital to influence the national and international economy. So, the central point of the discussion is: how the labor movement reacts to such a profound transformation that is the international character of capital? And it is with an old idea, barely practiced of the international unionism. Old idea because the proletarian internationalism fills many pages in many books, but, I repeat, it is little practiced and was strongly affected by the logic of the Cold War, which led to a split in the trade union movement. The good news is that the process of international trade union unity allows us today to have actors who already seek to answer from a unit logical, with a slogan I believe to be the most appropriate for these times: the new labor internationalism.

What are the advantages of this approach? The first one is obvious: the scale. It is a union action that has a scale that can match the action of the

international capital. A critical mass that is able to analyze, from a socio-political perspective, but, at the same time, without the limitation of a circumscribed look to the workplace and to the country. A representativeness that is necessary to have the legitimacy to discuss this on a global scale, so that the labor movement can be present in international forums. To think globally and to act locally. To tune the challenges of the labor movement so that it can become an influential actor. I am convinced that we are facing a historic opportunity to count with a strategic actor.

So far, I mentioned positive aspects, but the trade union movement, particularly in the Americas, also has its strategic weaknesses. The first one is the gap between the capabilities of elaboration and implementation of program proposals, for example, on the resolutions of the Conference of Trade Union Congress of the Americas, held in *Foz do Iguaçu*. The resolutions have political, social and economic elaboration levels with a depth that is difficult to find in the national unions. There is a distance, however, between what is discussed and what is promoted. An asymmetry that must be solved, since the union movement is an organization essentially representative of its bases and therefore there must be a consistency between the one that formulates the superstructure and what happens in the unions.

The second strategic weakness is the insufficient articulation between this union superstructure, which are the centers and confederations, and, in our countries, industry sectors or federations. It is essential to build the capacity of union action by sector, for it to be possible to really confront the actions of transnational corporations. Because the interlocutors of those transnationals are the international trade union federations, the global unions. The only ones who can be direct interlocutors are those federations, through conflict, as a determinant factor of the union action, and through the supranational collective bargaining as an instrument of the international trade union action to get the supranational collective bargaining, the only way for the trade unionism to have an ability of a concrete influence in the transnationals.

I will conclude with an intentionally polemic statement. I believe that, at this point, to talk about Latin America is to refer to a little sustainable category in practical terms. It can be very attractive to all of us to keep or believing that Latin America should be an international subject. I believe that we need to be authentic and honest and say that, today, we do not have that category, neither in economic nor in the political sphere. At the risk of being simplistic, I believe we need to examine two Latin Americas, one from the north, absolutely dependent on the American economy, for example, in the free trade agreements that these countries or regions signed. The case of Mexico is clearer,

with NAFTA, but Central America, bounded by the Panama Canal, has an absolutely crucial economic dependence on the United States.

South America, on the contrary, developed in recent years, from political changes, the intention of taking away from this dependence. This is clear, among other things, by the decision not to sign free trade agreements such as the FTAA. In South America – if this analysis is correct – after periods of democracy without growth, in the 1960s; growth without democracy, in the 1970s and 1980s; growth with democracy, but not inclusion in the 1990s, today we have growth with democracy and inclusion. None of these three dimensions necessarily mean development; they are necessary but not sufficient conditions. That is why the debate in South America, particularly in the Southern Cone is how to pass from this growth with inclusion and democracy to development. This is the true transformation which has a limit: we are stuck to national states.

Our countries of the Southern Cone will not solve the development if they do not make a leap, called nowadays regional integration. Only a scale that allows this integration, which means an enlarged internal market, will allow passing from the growth with democracy and inclusion stage to development. If they not discuss the productive matrix through which they continue characterizing themselves, which is the supply of raw materials to the international market, we will not achieve development. This is a debate that cannot be limited to single countries; on the contrary, its scope is a regional bloc in which they discuss differentiated international insert and division of labor. This is an essential topic of the union agenda.

The development is not only a beautiful goal in ideal terms; it is a goal to be able to sustain a strategy of wealth distribution, which exists today in South America, but which is limited by the production matrix. There is a risk of "*reprimarization*" of our economies from high the value of commodities and from the consumption of raw materials in China. We would have another center and another suburb, but we would lose a historical opportunity of developing ourselves and especially of linking this political transformation not to a period of our history, but to a deep path of transformation of our continent.

Global Agreements Should Include a Worldwide Network of the Companies, their Suppliers and Outsourced Companies

Alberto Pepe Robles¹

The relationship between national and international union action is strategic and it is at the center of current issues. When we think about strategy, it is very important to locate ourselves historically. We went through a moment of crisis of the model. There are not many moments like that. With the crisis of the 1930s, Fordism model and the Welfare State emerged. In 1973, with the oil crisis, neoliberalism emerged. And today we are in a moment of crisis, which means that, strategically, we cannot have the same attitude we had in the 1980s and 1990s. We found ourselves in the middle of neoliberalism and our attitude was basically an attitude of defense and resistance.

We do not know what will come, in part, because we are actors. Insofar as we are actors of the new model that is being formed, it will be closer to the interests of workers or it will be even farther. It is, therefore, an issue that largely depends on what we do or on what we do not do.

An important element of this model in crisis is the presence of China. Just over 40 years ago, China was not even at the United Nations. It was not part of the WTO until about 10 years ago. The transformations that China is producing in the paradigm changing at a world level are absolutely gigantic. It provoked what some economists call the "*great doubling*" because, with their input, the world market has doubled in size.

Another important theme is the historical change of what is called deterioration of the terms of trade of commodities in relation to manufactured goods. In the last five hundred years, the raw materials from Latin America were looted and the United States and Europe rose on that loot. Now they are in crisis. No one knows what will come, but the terms of the equation were

¹ UNI Americas/Argentina.

really changed. As it was already said, raw materials obviously do not generate development. What happens now is that there are conditions for capital accumulation. It will depend on the countries to transform capital into development.

Another element of this change is that its axis is the inclusion, which that is strategically essential for unions. At the last congress of UNI, we defined the slogan "*breaking barriers*". Becoming protagonists depends on us. At this point, it is important to reflect on the strategy to be adopted. It is essential to take into account the movement of capitalism. What was globalized was the capital, not the world.

A capital that moves freely around the world and the organizations of workers that cannot leave their national borders. This brings an advantage of the capital over the labor, which is mobility. If the labor and the capital were two boxers, the work would be chained to the ring and the capital would move freely. We already know which one will win. That is what happened with the globalization. That is why we have to change the logic; we have to reach the capital in terms of mobility. Obviously, the workers could not move around the world. It is necessary to have a global organization. There is no other way, or we are at the risk of losing strategically.

If we compare the old international secretariats of the 1970s and 1980s to today's global unions, we note a significant change. Those were not unions; they were international solidarity offices. They were very helpful, because when dictatorships emerged, their action helped to prevent the deaths of many unionists. But they were not unions; they shared information and made international common actions. The current global unions, which are eight, are no longer information offices and became global negotiators for the company and wield real economic power. They are embryonic, but they have this new format already.

An important theme is the macro-global agreements. We have a macro-global agreement with Carrefour. One of the difficulties of macro-global agreements is that they are signed, in this case, in Paris. It is a civilized act, but in Colombia, for example, union leaders of workers from the same company, which that is so civilized in Paris, are murdered. The conclusion is that it is not possible to obtain the application of a macro agreement in a place in which we are not. If the workers are not organized at this location, the macro agreement does not exist. However, this is nothing new. Paraguay has the most advanced labor legislation in the world, but it is not applied because there is no union to ensure its effectiveness.

We started working with Colombians and now we organize the workers' union of Carrefour at Colombia, the biggest in the country. They have

made massive elections, which exceeded all expectations. The macro agreements are therefore very important organization tools because they allow us to sit with the bosses. It is very important that global agreements can reach the entire worldwide network of the companies and also their suppliers and the outsourced. This is absolutely essential, because, usually, it is not in the core of the global company that the violations are generated. It is necessary to include the outsourced, and this is one of our greatest challenges.

Another strategic issue is that there is more than one globalization. In the 1990s globalization model, it was only considered the existence of the multinational and free trade. There was no place for nations, for example. The union movement needs another scheme of globalization, with regions and sub-regions. Mercosul corresponds to a sub-region. In these places regional integration schemes are constructed that do not respect the rules of free trade, but that provide much more advanced and balanced logic, such as productive complementation. We have to act regionally and locally, not only in a global scope. Unions are moving in that direction.

It is necessary that the national unions operate globally and that global unions have shares in national spheres. In 40 years of neoliberalism, we have developed a culture of resistance. Today, however, it is not enough to resist. It is necessary to seek a role in the new model, so that it takes into account the interests of unionism.

TECNICAL INFORMATION:

DIMENSIONS: 160 x 230 mm

PRINT RUN: 500 exemplares

COVER: Papel Supremo 250g

INTERNAL PAGES: Papel OffSet 75g