



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

Intervention by:

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**CGIL Roundtable  
Europe and Italy in the global crisis**

***15-17 July 2009***

Chianciano

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**CGIL Roundtable - Europe and Italy in the global crisis**  
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It is always a pleasure to visit the CGIL and the beautiful region of Tuscany – the CGIL’s equivalent of the Costa Smeralda. Only a bit more dignified, I hope.

The setting in which we meet is glorious. But the background is grim and grey – more like British weather than Italian summer sunshine, more Manchester than Milan. The Italian economy is set to shrink by 7% and the same downsizing is evident across Europe. The only dimensions which are growing are unemployment and public debt.

We know what caused this crisis. As President Lula said – it was the guys with blue eyes in New York, London and Zurich, and some other financial centres. These centres used to regard the Italian banking system as provincial and old fashioned.

Now with all their innovations – dodgy mortgages and credit derivative swaps which Warren Buffet labelled as weapons of mass destruction, real estate bubbles, wild speculation – they have resembled nothing more than a bunch of medieval alchemists chasing fool’s gold.

No-one is immune. Everyone is affected. The resulting recession is world wide. The cost is equal to that of a major war. We, and our children, will still be paying off the debts incurred in 2030.

The ETUC response to the crisis is three pronged.

Firstly we are proposing a New Social Deal. We are demanding the same kind of support for the real economy as banks have obtained. Firms doing useful things must be kept going and helped towards more sustainable technologies. Jobs, wherever possible, must be saved. Governments must spend to compensate for falling demand from the business sector and from workers and their families. And they should do it in a coordinated way with European wide schemes. Solidarity demands that the stronger help the weaker in this crisis. No-one in the EU should be left to walk alone. As Juan Somavia of the ILO warned recently, social unrest will mount if the perception is ‘its billions for bankers but pennies for the people’.

Our call for a New Social Deal, a bigger EU-wide recovery plan, was at the centre of our recent European Action Days. Following on the united

May 1 demonstrations in France, which were a big success, and big demonstrations elsewhere on May Day, at least 350,000 trade unionists took to the streets of Madrid, Brussels, Berlin and Prague to raise the call for a New Social Deal.

But it was not just jobs that mobilised the workers. There is wide and deep outrage about the conduct and greed of many in the leadership of the world of financial services. They encouraged short-term, reckless speculation. They ignored much of the productive economy. Sometimes they 'looted' from their shareholders as they played roulette on the markets and clocked up their bonuses.

Well, we say 'never again' can the world economy be run like a badly organised casino. Never again casino capitalism.

Out of the wreckage must come a strongly regulated financial sector, much more directed to sustainable, longer term investments. And it must be accompanied by progressive taxation, not the flat or low taxes which have so benefitted the ultra rich. The strongest shoulders must bear the heaviest burdens. Yet at the moment, it is workers who are paying for the crisis with our taxes, our pay and our jobs.

So, we must therefore not allow **a return to business as usual** of Wall Street and the City of London, and risk a repeat of the past two years.

If there is a year in history we should use as our guide, it is not 1931 but 1945 when western European countries pulled together to rebuild the damage caused by war. Although they were bankrupt, countries started to rebuild their economies and, at the same time, build welfare states and public services; governments were not timid in the face of big business. If they had been, they would have been ejected from power. Italy and CGIL were in the centre of those debates. We must be in the centre of all these debates.

At the G8 in Aquila last week, the big issues were mostly ducked. There is no real co-ordination on economic policy, not even in the EU.

The decision of the German Government to seek to insist on a balanced budget by 2012 will make it more difficult to have fiscal co-ordination in the EU. So will the decision of the German Constitutional Court on the Lisbon Treaty. Although the decision has cleared Germany's way to sign the Lisbon Treaty, it has otherwise given a very restrictive verdict for the future of European integration; in effect, it has made effective European

policy co-ordination unconstitutional in Germany on key issues, including fiscal and social policy. The Court also gave a damning verdict on the European Parliament which it defines not as a parliament but as an assembly representing nations. The Court seems to have forgotten that Germany is part of the euro area and that many nations share a common currency. A future German Government must address these issues.

The German court decision is one of a series of blows to the European project. The European elections strengthened the centre right, and in some countries, like my own, the far right did far too well.

The Left, generally, was in retreat with disastrous performances in the UK, where a weak and unpopular Labour Government is struggling; in France where the Socialist Party is badly divided; in Italy where political responses to the Berlusconi government seem ineffective. Is this a crisis of democratic socialism?

I think it is. Old style Soviet communism collapsed under the weight of its internal contradictions – and now financial capitalism has had a heart attack and is on life support courtesy of the taxpayer. The left rightly does not want to go back to a Soviet type system, with massive public ownership and a small market sector. But it is unclear what to do about volatile and unstable capitalism.

The centre right has also moved in a populist and centrist direction, and is, for the moment, occupying much of the political territory of the centre left.

What now can be the distinctive position of the democratic Left – just Keynesianist responses to the recession?

That's part of it but I want to suggest that as our next area of work, we take on the whole question of shareholder value driven companies. The crisis has vividly illustrated the short-term spivishness of not just the financial markets but of many of our leading companies. We need to build in responsibility not just to shareholders but to workers, communities, countries and the environment. We can't do that at the national level. Only the European level offers a chance for progress in this area, and many others.

And we need to prepare our defences of the welfare state, social security and public services. When the bills for the banks have to be paid, when the economy starts to recover, we will see the centre right move to make

big cuts. We need to be mobilising now our case for higher taxes on the rich and comfortable so that the broadest shoulders carry the heaviest burden; not the weak and vulnerable.

That battle is coming. There are other issues too.

At a CGIL meeting last year in the Villa Borghese, we spoke about recent legal cases in the European Court of Justice. This is becoming an even more urgent subject. We must reverse the situation whereby the free movement of posted workers by their employers has been judged to take precedence over a trade union's rights to enforce its collective agreements. In four cases, the European Court of Justice has found collective bargaining and the right to strike inferior to free movement of posted workers. In football terms, the score is ECJ 4, ETUC 0. Now bad employers have European permission to bring in workers from cheaper locations to undercut collective agreements and local rates of pay.

Now, if that is not put right soon, with a Social Progress Protocol and a revised Posted Workers Directive, unions will find it harder and harder to live with the single market of the EU.

Our economic problems are certainly reminiscent of the 1930s. But we must never allow our political problems to resemble that decade – remember when nationalist dictators blamed foreigners, minorities and migrants for their country's problems, and waged war on their neighbours.

The EU was formed to stop that recurring. It has been very successful: including with the enlargement process. But it will be tested now like never before, and we must step up our fight for closer union and European integration.

I was in Ireland last week at the Congress of the Irish Unions urging a 'yes' vote to the Lisbon Treaty. I pay tribute to Giuliano Amato for his powerful work on the EU constitution and European integration.

In Italy, in Europe, trade unionism and European unionism must triumph over neo-liberalism and its companions, greed, nationalism, fascism and racism. That's our challenge.

So mobilise to fight the crisis. Put people first and, together, stand up for a strong, powerful Social Europe.