'Europe 1992': bad news for labor

Last of a series of three articles on the Single European Act of 1992.

This series summarizes the conclusions of a 261-page Special Report *published by EIR Nachrichtenagentur in Wiesbaden, F.R.G., on "Europe 1992: Blueprint for Dictatorship." The report was produced under the direction of Muriel Mirak and is available for 400 deutschemarks in Europe, or $250 in the United States.*

Integration of the European domestic market by 1992, according to European official Paolo Cecchini in an EC Commission report of July 1988, will provide Europe's economy an additional $287 billion, if management is competent; if management is average, at least $197 billion can be added on. Provided the integration process be "smooth," at least 2 million, possibly up to 5 million new qualified jobs might be created within only five years.

In a less noted, because little publicized, part of the Cecchini Report it is stated, however, that during the first phase of the European integration process, some sectors may witness a drastic reduction of jobs. Besides the agricultural and food sector, the Cecchini Report lists transportation, pharmaceuticals, telecommunications, auto, and public services as the sectors where jobs will be lost.

A new special ILO (International Labor Organization) study arrives at the same general conclusion concerning the European auto industry, seen as heading into "the eye of a storm." In Italy, Great Britain, France, Spain, and West Germany, a further reduction in jobs in the automobile industry is to be expected and several companies' names will disappear from the economic landscape altogether in this "stormy process." Only the biggest names in the auto sector will prove strong enough to survive the "period of adaptation and restructuring" in the early 1990s. Thus, many more unemployed will be created by this new "domestic market."

EC Commission President Jacques Delors had something similar to say at the end of July 1988, when he indicated that the first phase of the new Europe would reduce the number of jobs in several sectors. Only after a transitional phase, might there be another increase in industrial employment. In this context, Brussels officials privately talk about 3 million, most probably 5 million jobs, which are to be "processed" (as technocrats in the EC Commission put it) during the profound restructuring of the domestic market.

This poses an enormous challenge to Europe's trade unions; for, the existing "Europe of 1988" already carries 16 million unemployed, one-third of whom have been without a job for more than one or two years! A large part of these 16 million unemployed are concentrated in such crisis regions as the port cities of Athens, Naples, and Lisbon, from Liverpool to Kiel, in the mining regions of England, Belgium, France, and Germany, in the steel regions of the Ruhr, Lorraine, and northern Italy. These are industrial cities with an average unemployment rate of more than 15%.

Not one of the European governments which signed the "Europe 1992" act in June 1988 has so far presented a program to provide new qualified jobs to these 16 million unemployed. Rather, unemployment figures are on the rise throughout Europe, in a process which will be accelerated by the integrated domestic market. Employer associations have put out warnings that labor "advantages" in the fields of co-participation, strike laws, and other labor and social regulations may have to be scrapped. The view being put forward by the employers is that in the "defensive battle" with the two other economic blocs, the North American bloc and the Asian bloc dominated by Japan and Korea, Europe's economy must get used to rough times.

Speaking for the European employer association UNICE in Brussels, Zygmunt Tyszkiewicz, its secretary general, expressed his full commitment to the cartels, shortly after the signing of the "1992" document by the 12 EC heads of state: "The European capital and economic powers must move closer together in order to make Europe more competitive. We need more major companies," he said. Trade union demands for maintaining social and job-related achievements, which do not exist in comparable form in the United States and Japan or Korea, are seen by the employers as an impediment to an integrated European domestic market. Large corporations, tightly interlinked cartels of industry and banks, are setting the tone in this regard.

The plans of cartels and banks

It was at a meeting in Stuttgart on Feb. 5, 1988, of leading representatives of European big business, that the employers' plans were discussed. The meeting had been organized on the initiative of Deutsche Bank and Baden Württemberg Gov.

Lothar Späth, the leading spokesman of corporatism inside the German Christian Democracy. Besides Alfred Herrhausen of Deutsche Bank were present: Edzard Reuter (Daimler-Benz), Romano Prodi (IRI), Ian McGregor (British Steel), François-Xavier Ortoli (Total), Peter Wallenberg (ASEA), André Leysen (Agfa-Gevaert), Helmut Maucher (Nestlé), Mark Wössner (Bertelsmann), Hans-Olaf Henkel (IBM), Marcus Bierich (Bosch), Rainer E. Gut (Crédit Suisse) as well as Herbert Henzler (McKinsey), to name only a few. Olivetti President Carlo De Benedetti was expected, but could not make it.

The managers involved in the Stuttgart initiative represent an aggregate of almost 2 million employed workers and a yearly turnover of $393 billion. Their open commitment is to double or even triple in size in the future European domestic market. The Stuttgart meeting attracted several prominent "reorganization" experts: Gregor abolished 80,000 jobs in the British steel industry in the early 1980s; in Italy, Prodi has succeeded in doing the same with 50,000 steel workers since 1982; and De Benedetti's count is 18,000. Henzler's McKinsey corporation, specializing in "rationalization" consulting, has contributed to the loss of tens of thousands of industrial jobs and has presented proposals for about 30,000 more layoffs in the German auto sector.

Under the leadership of Herrhausen, the Stuttgart meeting developed a catalog of sweeping demands. Generally, "administrative impediments" costing the European economy about $22.5 billion a year, had to be removed; they demanded more deregulation, more privatization and fewer subsidies for old industries. Herrhausen complained that while companies are always expected to invest, they are not permitted to deduct investments from unprofitable branches. Labor's argument for maintaining the status quo is labelled unacceptable, for industry needs absolute freedom in its decisions, including a "regionalization of wage levels." It would be absurd, said Herrhausen, if wages in crisis regions were as high as in prosperous regions; thus, the trade unions cannot expect industry to invest in crisis regions without a "cost advantage." Incidentally, the industrial sectors which Herrhausen termed "ready for reconstruction" are the same as those listed in the Cecchini Report!

Shortly thereafter, the guidelines of the meeting were picked up by the new president of the German Association of Industry and Trade (DIHT) Hans-Peter Stihl in an interview, in which he warned the trade unions not to place obstacles in the way of industrial renovation; otherwise German capital would look for "more favorable conditions beyond the German borders," and entire productive sectors would be shifted abroad. The president of the Federal Association of German Industry (BDI), Tyll Necker, also issued a strong warning: "In the future, labor law and social law, laws governing labor-management relations and co-participation, job protection, work time, and unemployment compensation, will become factors of competition. This has not been recognized adequately in the Federal Republic."

The February 1988 Stuttgart meeting was only one among many such events organized on the industrial level in preparation for "Europe 1992." The themes of these meetings, for example, attacks against workers' rights, have not come as a surprise to the trade unions, for the planned integrated domestic market has existed in basic outline since the 1960s, then termed "Europe 1967." But because Great Britain was to become a member of the European Community only later, the plan was put on ice for the time being. It was clear that the drive toward further concentration and cartelization would increase once Britain entered the EC, all the more because British managers have been rabid trendsetters in this regard.

On Feb. 9, 1973, trade unions of several European nations founded a common federation, the European Trade Union Federation, as a "defense against the Europe of the concerns."

The misery of the European trade unions

In a basic document of October 1973, the vice president of the European Trade Union Federation, then-president of the German Trade Union Congress DGB, Heinz-Oskar Vetter, defined the future tasks of his organization: "The emerging European Community is such a powerful entity that workers cannot represent their economic and social interests adequately through a more or less close collaboration of the national trade union federations in bilateral form. They must speak with one voice in a single organization vis-à-vis the authorities of the Community and the other European associations. For this purpose, the European Trade Union Federation was created."

The first battle against the cartels and the combined effects of both the "oil crisis" of late 1973 and the decoupling of the dollar from the gold standard (1971-73) on the European job and currency market was, however, lost by the trade unions. In 1974 and 1975, unemployment rose dramatically in all European countries. The European mass strike wave of spring 1974, which after all, contributed to the fall of several governments, did not effect a new pro-labor policy, either. The European Trade Union Federation did not intervene with a unifying program against the crisis, but left the strike ferment to the single national trade unions which also entered the strike without more far-reaching demands.

At the same time, corporatist conceptions were spreading, especially in countries governed by the social democracy, like Sweden, Denmark, and West Germany. Heinz-Oskar Vetter, who became president of the European Trade Union Federation in May 1974, also became one of the handpicked German members of the Trilateral Commission. Since 1973, Vetter and other leading European labor officials have always negotiated with the wrong corporate and banking representatives, without having an alternative conception to corporatism.

Rather, the European Trade Union Federation flirted with the conception of a "fascism with a democratic face" which Leonard Woodcock, president of the American United Autoworkers, had presented at the end of 1974 under the title of ICNEP (Initiative Committee for New Economic Planning). Woodcock's conception anticipated much of what the Stuttgart big business meeting of February 1988 demanded, enriched by specifications of the "new" role of the trade unions: They were no longer to represent labor interests, but advertise for corporatism. From then on, it was not protection and extension of qualified jobs, but active help in reorganizing and de-qualifying the work force. Woodcock's absurd argument was that, by integrating corporatist demands in time, the trade unions could maintain control over the discussion process leading into corporatism.

Thanks to Vetter's activities, the ideas of the anti-industrial Club of Rome were spreading especially in the German trade union movement. Major topics of discussion in the DGB and also the European Trade Union Federation from 1974 on were increasingly the alleged "limits to growth" (and to consumption!) and the "priority of ecology over the principle of economic efficiency." In so doing, Vetter could count on the firm support of his friend Willy Brandt, president of the Socialist International, who founded the Brandt Commission in 1977. This was essentially a propaganda vehicle for corporatist ideas of then-World Bank president Robert McNamara and the Trilateral Commission circles of bankers and cartels.

Other ideas than the corporatists' "democratic fascism" were available to European business and labor, but were rejected. The American economist Lyndon LaRouche presented a concept for restarting industrial production and expansion of employment, at a press conference in Bonn in May 1975. LaRouche stressed that the banking and monetary system, the centerpiece of the corporatist movement, must be replaced by a new system, an International Development Bank (IDB) which could stimulate industrial growth in the developing and the developed sector through issuance of long-term cheap credit.

In contrast to the zero growth ideologues of the Club of Rome, LaRouche also underlined the significance of nuclear power as a cheap source of energy for future economic development. What must be lowered are not immediate labor costs like wages and social services, but the energy costs with their major effects on the productive costs of labor. What must be used are not cheap technologies on the old level, but new technologies on a higher level, LaRouche stated—in contrast to the policies of the corporatists.

The European Trade Union Federation and its affiliates fought as bitterly against this conception (in close collaboration with the American trade union federation AFL-CIO) in 1975-76 as against the emerging mass movement for nuclear power among German workers. In October 1977, a rally of 70,000 trade union members took place in Dortmund under the slogan "German Technology for the World." Also in Sweden, the strongest base of social democratic-tainted corporatism after Germany, the Swedish National Trade Union Federation (LO) became active against LaRouche's ideas on behalf of Willy Brandt's close friend, Prime Minister Olof Palme.

When, in November 1979, U.S. Federal Reserve chairman Paul Volcker started the second wave of corporatist reorganization and a massive increase in unemployment through a drastic interest rate hike, the European Trade Union Federation, with its more than 40 million members was not ready to defend itself. Attempts by individual German trade unions to initiate a debate around reforming the banking and credit system and securing the future of the steel industry at the beginning of 1980 were blocked by the social democratic Schmidt government in cooperation with central bank president Karl-Otto Pöhl and DGB chairman Vetter.

LaRouche's new proposal for the creation of an Ibero-American market and the replacement of the International Monetary Fund (IMF) through a new monetary and credit institution presented in May 1982 was also rejected. Little interest was shown in a proposal for creating four large industrial and port regions in Mexico. Mexican President José López Portillo had presented this proposal in Bonn in 1980 and had coupled it with a call for signing a long-term economic cooperation treaty. DGB and the European Trade Union Federation missed a unique chance to take up a concrete proposal for industrial revitalization coming directly from a Third World nation.

It is noteworthy that the cooperation between European labor leaders and the leadership of the AFL-CIO (led by George Meany through November 1979, then by Lane Kirkland) was based on a tacit agreement which Heinz-Oskar Vetter had struck when elected DGB chairman in 1969: German and European trade unions were to refrain from any major activity in Latin America and were to leave the subcontinent to the North American trade unions. In return, the Europeans received the American consent for their political contacts with the East bloc. As shown by the susceptibility of European labor leaders to Moscow's propaganda of a "common European house," this 1969 trade-off between Vetter and then-AFL-CIO president George Meany has produced rotten fruit.

Rather than fighting for the industrial development of the Third World and cranking up growth in the industrialized nations of Europe, from 1980 on the trade unions were forced into a dead end with their demand for reducing the work week and for protecting the environment.

The corporations undercut labor demands and met the pressure of high interest rates, which made new investments impossible, by increasing their rationalization efforts. Thus, the promised "job-creating effect" did not materialize. Fortunately, the national unions aside from the Dutch, West German, and Swedish, have been lukewarm in responding to the 35-hour week; either they have rejected it, or supported it half-heartedly.

After the fall of Chancellor Helmut Schmidt in October 1982, German trade unions were confronted with the conservative variety of corporatism under Chancellor Helmut Kohl, who, following the path of the conservative British government, consciously accepted increased unemployment in key industries. When West Germany, Europe's most important industrial nation, shifted to the conservatives' corporatist course, workers had lost a decisive battle for their interests. The European Trade Union Federation refused to fight, and even undercut and prevented any united action among workers. After the October 1987 crash, the corporatism debate flared up again among the trade unions and the Second International. Saarland Gov. Oskar Lafontaine gained prominence when, in March 1988, he came out with a job-creation plan based on selective wage cuts. Significantly, among the first to voice public backing for Lafontaine's corporatism were Vetter, and Lothar Späth.

The plight of medium-sized industry

Yet, the European Trade Union Federation, and the trade unions associated with it like the French FO, the British TUC, the Swedish LO, the Italian CISL, and others, represent only one part of Europe's workers. In Germany, for example, 12 million workers are not employed in large industrial companies, but rather in medium-sized industries where 80% of the apprentices are also trained. In Germany, the general term "medium-sized industry" (*Mittelstand*) includes legal and medical offices, small craftmen's shops, but also medium-sized firms with up to 500 employees, totaling 1.9 million individual businesses. Those 108,000 medium-sized industries with their 4.5 million employees, and the artisans with their 480,000 firms and 3.8 million employees, will be of particular significance for a future economic revival.

These two main pillars of the middle class include many very small, but highly productive firms. One finds comparable conditions also in the medium-sized industries in Britain, France, Italy, and especially in Switzerland (which though not a member of the EC, has expressed interest in a far-reaching association with "Europe 1992"). Why is there a justified fear among the medium-sized industries that an integrated domestic market would benefit only the giants? Because of the high interest rate policy since 1979, capital stocks of medium- and small-sized firms in all of Europe have fallen dramatically, while indebtedness has grown; there are hardly any reserves left to survive in the battle against the big industrial cartels and banks. Raw materials needed by medium-sized industries and their prices are controlled by the cartels.

The propaganda around the upcoming domestic market has already launched a speculative wave in raw materials prices and price increases are to be expected. Small and medium firms can hardly survive this "1992" speculation; furthermore, the EC's "selection process" means banks will tighten credit radically. As in the agricultural sector, where more than half of the farms are supposed to be driven out of business through actions of the Brussels European Commission by the 1990s, medium-sized industries and crafts are expecting a massive wave of bankruptcies before and after 1992, with correspondingly catastrophic consequences for the employment of millions of qualified workers.

Thus, it is astonishing to hear leading officials of the associations of medium-sized industries downplay the danger for their members by saying that "1992 is still a couple of years away." Meanwhile, the government is already clearing the way for a domestic market with fewer of these firms. So far, strong protest in Germany has been voiced only by the artisan sector which, in August 1988, attacked the tacit cooperation of the so-called "deregulation commission" in the German economic ministry with the European Commission.

As the model of the large industrial and public service trade unions indicates, it may be assumed that officials in the medium-sized industrial sector will miss the critical period when resistance against the pressure of the cartels would be essential. Just as there are millions of members of national trade union organizations and of the European Trade Union Federation who hate the "Europe 1992" perspective, so are there members of medium-sized industrial associations, who are fed up with 30 years of European Commission policy.