Problems and Perspectives of European Integration - Economics, Politics, and Solidarity in Hard Times

22.- 26. September 2014, Berlin
Overview

- The WSI
- Program of the WSI Summer School
- Constructing a Social and Democratic Europe
The Institute of Economic and Social Research WSI

Research for a fair world of work
About us

The WSI:

an independent research institute within the Hans-Böckler-Foundation, a non-profit organization fostering co-determination and promoting research and academic study on behalf of the German Confederation of Trade Unions (DGB)

founded: 1946

44 members of staff, including

27 economists, sociologists, political scientists, and legal scholars

Director:
Prof. Dr. Brigitte Unger
Research for a fair world of work

- academic research targeting social, economic and labour market policy issues
- surveys and data collections
- active participation in public policy debates
- Agenda-setting for the future
Key research areas

- labour market and working conditions
- wage policy, collective bargaining and industrial relations
- social policy and redistribution
- gender research
- Europe and European policies
Key research areas (I)

Labour market and working conditions

Solutions aiming primarily at serving the interests of employees

- Labour market changes, non-standard and precarious employment
- Quality of work, job strain, corporate labour policies
- Labour market (de)regulation
- Innovations and productivity

- Non-standard employment data base
Key research areas (II)

Wage policy, collective bargaining and industrial relations

Representation of employee interests in the workplace and trade union context

- Collective bargaining in Germany: monitoring, documentation and analyses
- Collective bargaining in Europe and European governance
- Trade unions: organization, industrial actions
- Works and staff councils
- The role of employers‘ associations

- WSI-Collective Agreement Archive
- Minimum wages data base
- Works councils survey
- WageIndicator web-survey
Key research areas (III)

Social policy and redistribution

Welfare state and social policy changes, health and pension policies

- Social policy and social security systems
- Poverty
- Distribution of life chances
- Income inequality
- Redistribution effects of taxation and social policy
Key research areas (IV)

Gender research

Social inequality of men and women over the life course

- Gender inequality at work: gender pay gap, working time gap
- Trends in paid employment and unpaid care work
- Household income relations and division of household tasks
- Gender mainstreaming at work

- Gender data base
Key research areas (V)

Europe and European policies

Transnational labour relations and their impact on national working and living conditions

- Economic and financial policy issues in Europe
- The EU democratic deficit
- Monitoring of EU-decisions
- The impact of European institutions (ECJ, ECHR, ECB)
- Europe – Chances and Risks
Joint international research projects

- PhDs in Germany, Austria and the Netherlands
- Self employed and their careers; international comparison (Utrecht Univ.)
- Res Publica (Utrecht University and TU Vienna)
- Determinants of works councils’ performance (University of Tilburg)
- bEUcitizen - funded by the European Union Seventh Framework Programme
- AZOLA - Life-Course Oriented Working Time Options (SowiTra) and networks
- LRC – Labour Relations in Context (Hertie School of Governance, EUI)
- European Trade Union Institute and TURI Network
- Network of European Observatories (NEO)
- Global Union Research Network (GURN)
Dissemination of research results

- **WSI-Mitteilungen**
  - peer-reviewed scientific journal
  - providing up-to-date information on research
  - targeting current issues of relevance to trade unions

- **www.wsi.de**
  - WSI- Reports, WSI Collective Bargaining Reports
  - academic books, articles, discussion papers
  - regular conferences and workshops
  - press releases, newsletter, social media
Program

Monday 22.9.2014  INTRODUCTION

12:30-14:30  Lunch
14:30-16:00  Welcome & Opening
Constructing a Social and Democratic Europe
Prof. Dr. Brigitte Unger, Director of the WSI

16:00-16:30  Coffee Break
16:30-18:00  Introduction Round
18:00        Dinner
Tuesday 23.9.2014  **THE EURO**

9:30-12:30  The Euro as a Challenge to the European Social Model  
Prof. Dr. Alfred Kleinknecht, Senior Fellow of the WSI

12:30-14:00  Lunch
14:00-18:00  Excursion
18:00  Dinner
Program

Wednesday 24.9.2014 **OBSTACLES FOR A SOCIAL EUROPE**

9:30-11:30  Institutional and Political Economic Obstacles to a Social Europe  
Dr. Daniel Seikel of the WSI

11:30-11:45  Coffee Break

11:45-13:30 The Sociology of European Integration: Is there a European Society Emerging? Dr. Philipp Klages of the WSI

13:30-15:00  Lunch

15:00-18:00 Labour Market Policy in the EU and in European Member States  
PrivDoz Dr Karin Schulze Buschoff of the WSI  
Precarious work and the effects on social relations in comparative perspective Prof. Dr. Isabel Valdés Cifuentes (University of Hamburg)

18:00  Dinner
Program

Thursday 25.9.2014  SOLUTIONS

9:30-12:30  Trade Unions in the EU - National Retreat or Mobilising for A Social Europe? Dr. Heiner Dribbusch of the WSI

12:30-14:30  Lunch

14:30-16:30  Project Presentations (2 Slots)

16:00-16:15  Coffee break

16:15-18:15  Panel Discussion

Overcoming the Crisis – Alternatives to Anti-Social Europe

Prof. Dr. Miriam Hartlapp, University Leipzig
Dr. Dierk Hirschel, ver.di Headquarters, Economic Policy Dptm
Dr. Christian Weis, IG Metall Headquarters, International Dptm
Moderation Jan Cremers, AIAS Amsterdam

18:15  Dinner
Program

Friday 26.9.2014  \textit{PRESENTATIONS}

9:30-12:00  Project Presentation (2-3 Slots)
12:00-12:30  Feedback
12:30-14:30  Lunch
14:30  End
WSI Summer School 2014
Constructing a Social and Democratic Europe

Prof. Dr. Brigitte Unger, Director WSI
Constructing a Social and Democratic Europe

Overview

1. Historical Background information
2. The threat to social policy after the financial crisis
   - Increasing Unemployment, youth unemployment
   - Increasing public debt. Hollowing out of the public sector
3. Why so little corrections? Democratic Deficits, Post Democracy
4. Alternatives for a Social Europe
1. Historical Background Information

- Development of Financial Markets
- Growing Inequality globally and within Europe
- Free movement of tax-crime money
- Financial Crisis – almost no correction
- Saving banks instead of people
Development of nominal GDP and financial stocks worldwide, 1980-2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Nominal GDP</th>
<th>World Financial Stocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>10.1</td>
<td>12</td>
</tr>
<tr>
<td>1995</td>
<td>29.4</td>
<td>64</td>
</tr>
<tr>
<td>2000</td>
<td>31.7</td>
<td>93</td>
</tr>
<tr>
<td>2005</td>
<td>44.5</td>
<td>140</td>
</tr>
<tr>
<td>2010*</td>
<td>63.3</td>
<td>214</td>
</tr>
</tbody>
</table>

* forecast; Source: McKinsey Quarterly, January 2007, Mapping the global capital markets, p.8
Global Financial markets - trade volume

- Shares and Bonds
- Foreign Currencies

Source: Schulmeister, WIFO
The uneven development of real- and financial capital businesses

United States

- **Realkapital** (Real capital)
- **Finanzkapital** (Financial capital)
- **Aktien, Investmentzertifikate, sonstige Beteiligungen** (Equities, Investment certificates and other investments)

Graph showing the development of real and financial capital in the United States over the years 1960 to 2010.
The uneven development of real- and financial capital of businesses

Germany

Real Capital
Financial Capital
Equities, Investment Certificates...
Dominance of the financial markets: cause of the crisis

Death of the rentier..
Entrepreneurship must pay

John Maynard Keynes 1936
Crisis is not over

Axel Leijonhufvuds Corridor

If variables like income distribution, public debt, current account leave this 'corridor' the system explodes and a stable full employment path cannot be reestablished.

Outside the 'corridor' actors do not have the adequate norms and expectations that are mutually consistent to stabilize the system.
Current account balances are drifting apart

Source: IMF World Economic Outlook
Income differential to the 3\textsuperscript{rd} world

GDP per capita, constant 2000 US$, high vs low income countries

Source: World Development Indicators, 2009

- Low Income
- High Income (divided by 10)
Extreme inequality of income distribution within the rich countries

Previously
1: 2000
An emperor had approximately 2,000 times as much as his subordinates.

Today:
1: 1,000,000
Hedgefunds manager John Paulson. In July 2006 he founded a hedge fund with the sole strategy to bet on the collapse of the real estate market. In 2007 his Fund increased by 590%. John earned in this year 3.7 billion US dollar. In 2010 he earned 5 billion.

In 2014 Top Investors
1. David Tepper $3.5 billion
2. Steven Cohen $2.4 billion
3. John Paulson $2.3 billion

Problem: He cannot spend them in the real sector!
2. The threat to social policy after the financial crisis

- Increasing Unemployment, youth unemployment
- Increasing public debt.
- Hollowing out of the public sector
- The Eurozone South North debate…
Increase in Unemployment Rates

Arbeitslosenquote
ausgesuchte Länder, in %

- Deutschland
- USA
- Frankreich
- Italien
- Kanada
- Großbritannien
- Japan

NL 3.9
A 5.5
US, EU F 10
Latvia 22.2
2009
Unemployment rates seasonally adjusted in 2014

Eurostat

* May 2014  ** June 2014  *** Q2 2014
Youth unemployment (under 25's) (%)
March 2013

* January 2013 ** February 2013 *** 4Q 2012
Leading economists worry about increasing disequilibrium.

We are outside the corridor.
After Bush – The end of neoconservativism  
Das Ende der Neokonservativen und die  
Stunde der Demokraten, Campus, Frankfurt

The Ways Out of  
the Crisis and the Building of  
a More Cohesive World,  
OFCE Document de travail, 17.

Thomas Piketty (2013)  
Capital in the 21st Century
Income inequality increases

Income share of 10% top earners...

Q: Piketty/Saez (2014)
Wealth Inequality Increases

Share of the top 10% richest in total wealth...

Q: Piketty/Saez (2014)
Private Wealth in % of GDP increases

Q: Piketty/Saez (2014)
Return on wealth grows faster than the real economy.

Q: Piketty/Saez (2014)
Public debt in percent of GDP till 2014 in Europe

Staatschuld als percentage van het BBP

- Oostenrijk
- België
- Denenmarken
- Finland
- Frankrijk
- Duitsland
- Griekenland
- Ierland
- Italië
- Nederland
- Noorwegen
- Portugal
- Spanje
- Zweden
- Verenigd Koninkrijk

2014
2009
Public Debt Problems as a Consequence of Financial Crisis

Quelle: APK Vorsorgekasse
Volkswirtschaftliches Referat
Interest Rate Spreads on Long Term Public Debt Obligations

Phase Ia. Liquiditätskrise | Phase Ib. Solvenzkrise | Phase Ila. Vertrauenskrise | Phase IIb. Globale Wirtschaftskrise

I. Finanzkrise | II. "Große Rezession" | III. Weltweite Erholung aber EU-Schuldenkrise & weltweite Währungsschwankungen

Quelle: OeNB, Thomson Reuters.
EU Countries‘ Public Debt in % of GDP 2013

Government debt to GDP ratio, 2013Q2
in percentage
Financial markets killed three birds with one stone:

1. No damage of their own (tax payers‘ money used, e.g. recycling of German tax money for Spain and Greece to German banks)

2. New speculation possibilities (government bonds)

3. Public sector became guarantor of the financial system rather than welfare provider
Increasing Inequality after the financial crisis, crisis hits the poorest most
Increase of real disposable income 2008 - 2012 in deciles
3. Why so little corrections? Democratic Deficits, Post Democracy….

Post Democracy … not democratically elected institutions like EuCJ, EU Commission not EU Parliament determine politics

Democracy in Crisis, Yannis Papadopoulos 2013, elected politicians have no say
4. Alternatives

- Reforms of EU architecture, Fundamental labour rights…

- Minimum Standards (pension, income replacement ratio, wage)

- Financing help, a Marshall Plan for Europe, a transfer union….
The money is there…. 1000 billions

Money Laundering Threat in Mio Euro 2012 in EU

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Threat (€ Million)</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>United Kingdom</td>
<td>282.004</td>
</tr>
<tr>
<td>2</td>
<td>France</td>
<td>251.302</td>
</tr>
<tr>
<td>3</td>
<td>Belgium</td>
<td>199.830</td>
</tr>
<tr>
<td>4</td>
<td>Germany</td>
<td>108.077</td>
</tr>
<tr>
<td>5</td>
<td>Netherlands</td>
<td>94.121</td>
</tr>
<tr>
<td>6</td>
<td>Luxembourg</td>
<td>93.765</td>
</tr>
<tr>
<td>7</td>
<td>Austria</td>
<td>88.071</td>
</tr>
<tr>
<td>8</td>
<td>Italy</td>
<td>73.910</td>
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<tr>
<td>9</td>
<td>Denmark</td>
<td>59.177</td>
</tr>
<tr>
<td>10</td>
<td>Spain</td>
<td>46.111</td>
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<td>11</td>
<td>Ireland</td>
<td>44.439</td>
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<td>12</td>
<td>Poland</td>
<td>53.523</td>
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<td>13</td>
<td>Czech Republic</td>
<td>51.153</td>
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<td>14</td>
<td>Finland</td>
<td>45.104</td>
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<td>15</td>
<td>Portugal</td>
<td>43.015</td>
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<td>16</td>
<td>Latvia</td>
<td>42.039</td>
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<td>17</td>
<td>Estonia</td>
<td>10.074</td>
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<td>18</td>
<td>Slovenia</td>
<td>55.106</td>
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<td>19</td>
<td>Sweden</td>
<td>26.200</td>
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<td>20</td>
<td>Slovakia</td>
<td>26.353</td>
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<td>21</td>
<td>Hungary</td>
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<tr>
<td>22</td>
<td>Cyprus</td>
<td>19.090</td>
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<td>23</td>
<td>Bulgaria</td>
<td>18.711</td>
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<td>24</td>
<td>Greece</td>
<td>16.988</td>
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<td>25</td>
<td>Romania</td>
<td>10.973</td>
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<tr>
<td>26</td>
<td>Lithuania</td>
<td>7.670</td>
</tr>
<tr>
<td>27</td>
<td>Malta</td>
<td>8.325</td>
</tr>
</tbody>
</table>
A Welfare state at a high level is financially affordable

- Social expenditures (in EU) vary between 18% (Slovakia) and 32% (France) of GDP

  i.e. a European welfare state according to German and French standards costs approximately 20% - 30% of GDP.

- This welfare state could be funded exclusively by taxing financial markets and by collecting evaded taxes.
Conclusion

- 59% of the Germans, 69% of the British, 72% of the Spanish distrust the EU. The EU has lost the approval of 2/3 of its citizens! Time to collect the tax money!

- As the Austrian economist Kurt Rothschild once said: we are richer than we ever were, the GDP per capita is rising, and, yet we suddenly cannot afford the welfare state anymore?
Aristotles on inequality  1:5

- “(…) accumulation should be allowed, forbidding, as I have already- observed, *any citizen to possess more than five times the minimum qualification*”
- The equalization of property is one of the things that tend to prevent the citizens from quarrelling.

From: Politics (Part VII)
In a state which is desirous of being saved from the greatest of all plagues—not faction, but rather distraction;—here should exist among the citizens neither extreme poverty, nor, again, excess of wealth, for both are productive of both these evils.

... the legislator should determine what is to be the limit of poverty or wealth. (…) This the legislator gives as a measure, and he will permit a man to acquire double or triple, or as much as four times the amount of this.

From: Laws (Book V)
Thank you!

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