Productive investment versus short time cashing
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- One important reason behind the crises was the unequal distribution of income and wealth. An economic policy has to take this into account and correct the mislead development of the three last decades, e.g. by minimum wages (maximal wages?), tax policy, labour market policy.

**Productive investment versus short term cashing.**

**The erosion of the real economy**
In the analysis of the actual financial and economic crisis, speculative banking and play with uncovered loans are often seen as the starting point of the economic meltdown. However, the erosion of our economic system is probably much more related to the rising income gap and the increasingly unequal distribution of our wealth, combined with a strong deregulation agenda that served the super rich. In that respect the neo-liberal agenda has made it very clear that there are winners and losers. Deregulation nourished a game of fantasy that money can create money. This is one of the reasons why the economic crisis cannot be seen as an unavoidable law of nature with only American origins.

The introduction of free movement principles in the European Union created an attractive open market for businesses. Along with the removal of the internal borders in Europe, the Member States and the European Commission started to work out an unrivalled deregulation agenda. At the start there was at least lip service to a corporate governance model with a well-balanced division of power between the different stakeholders. Capital owners, management and labour cooperated in a productive environment and kept the real economy going. But this engagement and involvement of the different stakeholders within a company has completely shifted in the last two decades. Globalisation of an important part of the business environment has brought spectacular takeovers, fusions, mergers and splitting ups, and financial market liberalisation has created a global field for profit. A key question in this development is nowadays where and in whose hands the power centre lies in a company as the connection between the ownership relations and the management structure has been unloosened. Activities of financial investors have further
separated ownership from the risks taken. Modern management that is job-hopping to the places with the best bonuses related to the short term stock exchange rate has replaced the classical entrepreneur on top of the firm. The board of directors, the supervisory board or council of commissionaires, site and country management, works councils, trade unions and shareholders are part of a power struggle of corporate control that leads them even into the courtroom.

The use of performance related stock options for company leaders has definitely brought them in the camp of the activist shareholder. It is the day’s rate that counts, not the long term performance and sustainability of the company. The trade unions have been confronted with this shift in the power balance that has contributed to an excessive risk and debt culture. We in fact went through a period of short term cashing that is completely at odds with the long term interest of our economy. In the actual context of anonymous capital investors, there is no longer commitment to the product or brand, the social climate in the company, employment issues or even the existence and survival in the long run of the company. As a consequence, some target companies of the ‘new’ investors had to meet unreasonably high standards of profitability. The trend to move away from productive investment towards the ‘alternative investment industry’-based, value-seeking investment has had a serious impact on industrial and labour relations, for employment and labour market developments, and for the employee representation needed.

How to turn the tide?
Trade unions and social-democrats were among the strongest defenders of the introduction of the internal market. This was against the background of a strong plea to create a climate for long term and sustainable productive investment. However, over the past few years their voice has been outvoted by a conservative political majority that simply wants to stick to the neo-liberal agenda. For instance, proposals to control the activities of private equity and hedge funds could not be finalised in the European Parliament because of strong opposition from the conservative groups in parliament. It took till the end of 2008 to finalise a watered down parliamentary position and the European Commission still refuses to take any substantial action.

For trade unions at least three tracks have to be combined as part of an offensive strategy:
- First, a clear employment and decent work agenda,
- Secondly, the restoration of the stakeholders’ model,
• Thirdly, the fight against the excessive and speculative risks through regulation. Otherwise the recovery of our economy will not lead to structural change in a system that is nowadays based on an agenda that divides between winners and losers.

For the CLR-network the challenge is to come up with an analysis that can contribute to the way forward. The key question is whether it is possible to formulate new elements of a strategy that serves the workers in our industries. During the seminar in Brussels I outlined already several initiatives that have to be envisaged:

• we need to work out a policy that can put an end to speculative share transactions like short selling and that eliminates the incentives for short term cashing,
• there has to be a ban on performance-related bonuses as stock-options, in order to break the alliance between management and activist shareholders,
• the regulation of financial transactions and debt-related take-overs has to be restored,
• workers’ voice has to be strengthened and we will have to examine new ways of promoting the stakeholder model,
• strengthening of the Rhineland philosophy based on labour legislation, collective bargaining and a fair distribution of the wealth created by productive investment and the labour process.

In practical terms there is much more to do (supervision of the financial institutions, tax havens, rating agencies, remuneration practices).

Let’s get moving!