



NTUI Resolution on the Global Economic Crises

There is no doubt that the entire world has been affected by the global economic crisis. In India, too, the recessionary trends including in manufacturing industry are now very clear. This crisis is not, and the NTUI amongst many other progressive trade union organisations have been saying for sometime now, a sudden development but has been visible on the horizon for sometime. Nor is this crisis a product of development restricted to a particular sector, a single event in a specific financial market or a country or part of the globe. The crisis is both deep and pervasive and symptomatic of imperialist globalisation.

The present phase of capitalist development has come to be institutionalised from the decade of the 1980 onwards when the post-war Bretton Woods system collapsed. The Bretton-Woods system was forced to concede ground to the post-second-world-war compact that allowed autonomy in national economic development which was dominated by the welfare state system. This concession was a product of capitals fear of the looming threat of socialism. The welfare state was capital's framework of social assistance and security in response to growing working class power and aimed at containing the growing attraction towards the alternative posed by the Soviet Union amongst the working class in western and northern Europe and North America. The welfare system came to be challenged, as by the first-half of the 1970s it had begun to affect the return on capital as a result of both progressive taxation that was required to meet the costs of social assistance programmes and rising wages as a result of the expanded base of militant trade unionism.

In order to reassert the right of capital to determine its own rate of return, the product markets were first restructured. In both the United States and the Great Britain this restructuring was accompanied with aggressive and violent state repression of the trade union rights. The crushing of the struggles of the air-traffic controllers in the US in 1981 and coal miners in Britain in 1984 symbolise the attack on the working class. Product market restructuring was pre-dominantly accompanied by privatisation of hitherto natural monopolies in the public sector. Alongside industrial closures and job-losses in the manufacturing sector and expansion of the system of outsourcing affected both employment and wages.

Within the fiscal space the restructuring implied a reduction in corporate and personal income taxes in the highest band. Correspondingly, increase in indirect taxes alongside no incremental social spending undermined working class purchasing power and social protection. This naturally shifted the burden of taxation from the rich to the working class. The lower tax rates on corporate profits and the rich were aimed at providing the fiscal stimulus for growth. Growth however remained a mirage.

Restructuring of the monetary system came to be articulated through liberalisation and deregulation of the financial sector resulting in the creation of newer financial instruments that injected greater liquidity into the banking sector which in fact has provided the credit base which has in turn over time been the single largest stimulator of growth rather than rising incomes or aggregate demand. Credit driven growth stimulus has remained unstable due to the excessive speculative nature of un-regulated financial markets. Additional stimulus was injected into the economy by expanded military spending directed at an arms race with the Soviet Union through the 1980s and the wars in West Asia in the two decades that have followed.

The recipe for the global south was much of the same. Yet given the inability of the developing countries to meet their international debt obligations, by 1990 much of the Africa and Latin America had been run through IMF stabilisation policies and World Bank structural adjustment programmes. The Fund-Bank recipe prescribed market access to deal with the so-called inefficiencies imposed by national economies. In the absence of strong working class movements, it caused a significant erosion of social assistance programmes to the extent that they were in place. This two part prescription brought ruin to economies of the global south.

The countries of western and northern Europe have remained to some extent outside the Anglo-American shift to economic conservatism. This divided has been in no small measure, because the trade unions have managed to retain both their militancy and their relative strengths. China of course has charted a separate



course by integrating restricted sections of its manufacturing base into the global economy and has retained significant autonomy in other areas of economic policy.

India too managed to buck the trend in some measure. However India's ruling classes' resistance to western domination was considerably reduced following the collapse of the Soviet Union. In 1991 India moved rapidly to accept neo-liberal economic, fiscal and monetary policies. By the mid-1990s it allowed greater economic openness by accepting many of the terms of the post-Soviet World Trade Organisation. Going by the depth of the recession in India it is now very clear that Indian manufacturing and services are deeply integrated into the global supply chain. Integration with the global supply chain has made the economy dependent on both demand from the north and placed large parts of the manufacturing and service economy at the service of the global north. This has been the cause already of a large number of job-losses, layoffs and pay-cuts. The sheer number of job-losses remains hidden since they have in the first instance been directed at contract workers who remain beyond the pale of labour legislation. Liberalisation of the financial sector and openness to external investment has exposed the economy to the vagaries and uncertainties of global financial markets and exchange rate fluctuations. Foreign money flows into secondary markets and allowing Indian firms the right to raise funds overseas have contributed to this in great measure.

While the UPA government has endeavoured to expand the base of social assistance, the expansion has been neither sufficient and has not been accompanied by any attempt to regulate capital. In fact the expansion of social assistance has been accompanied by an extension of neo-liberal fiscal and monetary policies along with no attempt to regulate product markets. These policies were introduced by the Congress government in 1991 and pursued far more aggressively by the NDA government. Under these circumstances four symptoms of the depth of the crises are emerging clearly. First, the present phase of neo-liberal economic policies has resulted in a redistribution between profits and wages accompanied with stagnant real wages as compared to productivity restraining the purchasing power of the working class and growing income inequalities. In some sectors, wages have declined in nominal terms. Second, the sustained low investment in agriculture in the present situation will result in greater destitution and immiserisation of rural working people. It has also contributed to the deceleration in food grain output. Third, the economy is at an intrinsic level demand constrained and has been driven by a cycle of credit that has now dried up. Demand for wage goods has also been affected. And, fourth, the public sector has been restructured in a manner whereby its independence and autonomy has been undermined. The restructuring has placed it at the service of the private sector which has been allowed to engage in predatory practices on the public sector.

Every economic downturn over the past three decades has resulted in greater liberalisation and less regulation of capital. The shift from the post-World War II compact to neo-liberal economic policies has also been marked by the shift in emphasis from funding social assistance programmes to funding private sector development. The 'bail-out' packages announced by both the Governments of the US and Britain have endeavoured to support crumbling financial institutions. Alongside in Britain there has been an attempt to stimulate demand through a reduction in indirect taxes on all, hitherto taxed, consumption goods and narrow the growing income inequalities by raising the personal income taxes of the richest 5% in the economy. The failure of last months G-20 Washington D.C. summit to come up with solutions beyond the tinkering with the present system shows the complete bankruptcy of the imperialist globalisation project.

The UPA government's knee-jerk and limited reaction has been a supply-side response by reducing duties on manufactures and fuel. There are no guarantees that these reductions, other than on fuel, for which the price is controlled by Government, will be passed on manufacturers. Furthermore, since in reality the economy is severely demand constrained, the panic fiddling of banking liquidity requirements and interest rates is not going to impact demand and growth. The crisis calls for a new thinking. The NTUI therefore calls for a sustained united working class struggle that brings stability to the economy by insulating it from the uncertainties imposed by global market forces and stringent regulation of the domestic economy so that there is immediate relief to working people. For this to be achieved the following are urgent and imperative:

1. Regulation of the financial sector including strict regulation of foreign investment and introduction of a long-term capital gains tax



2. All new infrastructure investment to be made exclusively in the public sector. Further, review all Public-Private Partnership agreements and terminate all such agreements that are in violation of either scheduled deliverables or financial parameters.
3. Restructuring of the public sector to build on existing capacity of indigenous technology especially in the capital goods and wage good sector; ensure that India Investment Fund caters exclusively to the public sector; and, link the fiat of public sector undertakings to park their free cash flow with public sector banks with preferential interest rates on loans for the public sector.
4. A cap on executive pay and bonus; higher personal income taxes in the top income tax band and introduction of new tax bands at higher income levels; taxation on assets;
5. Ensure that industry tax breaks and concessions granted to capital are made conditional on not laying-off workers, including contract workers, and not introducing pay cuts.
6. Expanding the programme for social assistance to include unemployment allowance, an urban employment guarantee scheme and immediate legislation and implementation of the Unorganised Sector Workers' Social Security Bill 2007 with a concurrent announcements that defines the national minimum social security benefit which includes a entirely publicly financed scheme for all workers on pension and healthcare.
7. Ensure universal access of the Public Distribution System in both rural and urban areas with expansion of the distribution network, increases in quantities supplied in consonance with consumption needs and at prices in line with minimum wages.
8. Diligent and aggressive implementation of the NREGA, land reform and creation of a special investment fund for the regeneration of agriculture for increase in food grain production and stabilisation of agricultural prices.
9. Suspend trading in all commodity derivative markets and regulate and where necessary control prices and revive the mechanism of the price commissions.
10. Introducing a policy of rent control, expand public investment in housing and ensure that all house evictions, in both urban and rural areas, are justiciable.
11. Protect strategic industries and agriculture from key concessions agreed upon within the WTO framework and enter into new-bilateral and multi-lateral trading agreements with countries in the global south that are based on principle of equality, reciprocity and mutual respect and bring net gain to the countries involved.
12. Restructuring of global financial institutions that enables and allows autonomy in national economic development.

And with this set of demands the NTUI commits itself to deepening the understanding of cooperatives and self-managed economic institution amongst the working class and advancing struggles for ensuring greater workers control and participation at the work place.

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