

Capitalism's Two Step Survival Plan: Austerity and Structural Reform

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Region: [Europe](#), [USA](#)

The coast is clear, the media tells us; economic disaster has been averted. The Euro Zone is finally stable and the U.S. economy is recovering. Whew!

Why, then, are government policies internationally still pursuing extremist measures?

In the U.S., a third round of excess money printing —called Quantitative Easing — began recently in which banks are directly profiting by unloading their toxic mortgages on the Federal Reserve's balance sheet (another backdoor bailout paid by taxpayers).

After the U.S. presidential election, both Democrats and Republicans are committed to different versions of historic cuts to social services, education, Medicare, unemployment benefits, and very likely Social Security. This bi-partisan plan is often referred to as a "grand bargain," the details of which both parties are still haggling over.

In Europe things are no better. After the Euro Zone central bank promised investors its full backing to bailout all Euro Zone members — by printing money — the world economy sighed a heavy relief. But still the Euro Zone — along with the U.S. — is pursuing a two-pronged solution for an extreme economic crisis: austerity measures and the less-discussed "structural reforms."

What are these policies? Austerity is simple enough: government cuts to social spending, health care, education, pensions, etc. — to balance heavily indebted public budgets (at the expense of working people, rather than taxing the rich and corporations). Austerity can also be achieved through privatization, where once publicly run programs/facilities are sold cheaply to private firms to make a profit, thus taking the cost off the government's budget.

Structural reforms on the other hand are meant to boost economic (corporate) growth, by government intervention in commodity markets — most commonly the labor market. It's called structural reform because markets are usually relatively stable. For example, the labor market is deep-rooted in powerful social forces — wages, benefits, and working conditions are heavily influenced by unions, who use their organization and strike threat to pressure corporations and governments to pay living wages. Non-union workers benefit directly by the unions' ability to alter the national labor market, since non-union companies have to compete with union companies for workers, who naturally go where wages are higher. Professional, higher-paid workers benefit too, since society expects them to get higher wages than, say a carpenter.

In Europe, structural reforms targeting the labor market — alongside austerity measures — are rousing the unions and broader community into the streets with massive demonstrations: Spain, Portugal, Greece, and other countries are fighting reforms that

politicians are euphemistically calling “labor market flexibility.” This simply means that unions will be undermined by their inability to protect workers’ jobs, making firing easier (“flexibility”), which results in compelling workers into accepting lower wages and benefits.

The pro-corporate Economist magazine reports about Portugal:

“With his decision to finance a reduction in company [corporate] costs through a sharp cut in workers’ take-home pay, Pedro Passos Coelho, Portugal’s prime minister, appears to have taken reform past the limit of what is deemed acceptable by large sections of the electorate.”

And France:

“... [President] Hollande has given union leaders and bosses until December to negotiate [anti-union] labor-market changes. On the table are various options, including making it possible for firms [corporations] to reduce hours and salaries in a downturn against a guarantee of job security, along the lines introduced by [Germany’s prime minister]... in 2003.”

And Spain:

“... the new [labor] law makes it easier and cheaper to lay off workers. For most firms, maximum lay-off payments [unemployment benefits] will be reduced from 42 months’ pay to 12 months... it will hugely boost business confidence.”

Reducing unemployment benefits is a very popular labor market structural reform for the 1%, since it makes workers more desperate for work, and thus more accepting of low-wage jobs — consequently lowering workers’ power in the labor market overall, as wages are lowered nationally.

And while Europe’s austerity and structural reforms are on the front page of international media — due to the giant protests and general strikes against them — the exact same policies have been pursued by the U.S. with barely a murmur. Were it not for the labor upsurges in Wisconsin and more recently Chicago, these policies would be completely off the public’s radar.

The Wisconsin uprising was in response to a labor-market structural reform pursued by Republicans, denying unions bargaining rights — effectively destroying the union. Democrats, however, are pursuing anti-labor structural reforms — weakening unions — as national policy also, though less directly, by demanding that unions across the country take massive concessions in wages and benefits — a slower, yet more effective form of labor market restructuring.

The teachers in Chicago went on strike against another form of anti-labor structural reform pursued by both Democrats and Republicans. The media-hype around “firing bad teachers” is really a labor-market reform in disguise; the real intention is to bust unions, who are only able to stay strong by their ability to protect the jobs of their members (of course there already exists ways to fire bad teachers).

Teacher merit pay is yet another labor reform measure aimed to weaken unions, since it effectively lowers wages by preventing raises (there is zero evidence that merit pay raises

education standards, or that charter schools outperform public schools). It means that every teacher's salary is negotiated individually, and it allows management to punish its critics by denying them merit pay raises.

The teachers are especially targeted in the U.S. because they are the strongest union in the country, due to their numbers, organization, and connections to the community. If they are forced to give "structural" concessions, other unions will be heavily pressured to do so, and thus the labor market will be altered to the benefit of the corporations.

The labor reform attacks — combined with austerity budget cuts — are happening in different forms on a city, state, and federal level with the full backing of the Democrats and Republicans (there is no "debate" in the presidential election about education policy). Thus, if not for the Wisconsin and Chicago struggles, there would be little social consciousness around these issues.

The reasons that austerity and structural adjustment have not produced a Europe-like movement yet is because most labor unions have increasingly accepted these concessions without putting up a real fight. Many labor leaders would simply rather accept these policies, since fighting them would put them in conflict with their "friends," the Democratic politicians pursuing these anti-labor policies.

Hopefully, the post-Occupy movement can show the labor movement the way forward. On November 3rd there will be protest demonstrations against austerity in a number of cities across the country. These protests are targeting the ongoing state by state cuts — and federal post-election cuts — to education, transportation, health care, social programs, and public-sector workers. The protests are challenging the very concept of austerity, as working people refuse to pay for the crisis created by the rich and corporations. There is a potential for these protest demonstrations to teach the American public the word "austerity," assuming they are large enough and connect with the broader community that directly experiences these policies.

Regardless of the results of November 3, demonstrations about the austerity issue in the U.S. will inevitably continue, since even mainstream economists mostly agree that there will be no return to the pre-recession economy. The policies of austerity and structural reform — along with war — are long-term survival strategies of capitalism, which is evolving to survive a global-wide crisis of corporate growth rates by creating a "new normal" of social expectations: lower wages and fewer social programs.

The first step in fighting these measures is mobilizing working people and the broader community in massive Europe-like demonstrations. This tactic educates the whole nation about the issues, which would otherwise remain in the dark. Once the 99% is in the streets together screaming collective demands with a united voice, the movement will decide how best to act, whether it be the general strikes or new political parties that have emerged in Europe.

The U.S. post-election austerity surprises will give new opportunities for millions of people to get into the streets. They will no longer be able or willing to remain ignorant about the nation's new normal.

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