

ADDRESS TO NORTHERN IRELAND BDC, April 2012

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General Secretary

It is a pleasure to be back in Derry. Derry is a city that has had more than its fair share of economic hardship in recent years. Next year it is the UK City of Culture and I know there are hopes that this will bring in £40 million in tourist revenue and create 2000 jobs.

We are pleased to be doing our bit by bringing this important conference back again to Derry and to this unionised hotel.

It is entirely appropriate that we should give our business to unionised hotels and that is what the Fair Hotels Campaign is all about. We have been using our international network of trade union relationships to ensure that where we have economic clout it is used to advance the organisation of workers.

This is beginning to pay dividends. Last week, our colleagues in the NUJ, with the assistance of Congress, managed to win the hosting of the World Congress of the International Federation of Journalists in May of next year. The Fair Hotels Campaign was an important catalyst for the Executive of the Federation in making its decision.

These are extraordinary difficult times but, wherever we can, we have resolved not just to be passive objects of the policies of others but to actively seek to shape those policies. I will return to this theme later. First I want to share a few thoughts with you about the economic environment in which we carry out our work.

Austerity is not working – not in the UK and not in Europe. Both are slipping back into recession and, in the case of the Eurozone, the initial boost from the LTRO for banks seems to be wearing off. The LTRO enabled Spanish and Italian banks to engage in very profitable and low-risk arbitrage in their own countries' bonds. But now bond yields in both countries are beginning to rise again.

Of course this ultimately affects the UK too. The truth is that the City of London is more dependent on the Euro than on Sterling. This explains why a self-professed Eurosceptic Chancellor spends as much time in Brussels as he does in London. This reflects the reality of the interdependence of the two currency zones.

As to Europe I have no great expectations – at least not in the short term. Through the good offices of our German colleagues I recently had the opportunity of meeting Chancellor Merkel. My impression was of a decent person but one firmly embedded in the dominant economic orthodoxy of the day. Her priorities are competitiveness in a global context, seen only as constraint on wages. It is a myopic perspective which excludes, for example, the much more relevant issue of the value of the currency. Moreover, Ms Merkel is not concerned with this part of the world. Her priority is Spain and Italy and within her lights that could hardly be otherwise.

Europe – in which I include the Eurozone and Britain – is currently under the control of neoliberal ideologues who are quiet willing to press their austerity dogma to destruction – our destruction. This island for them is no more than an economic laboratory in which they can try out ever more extreme versions of policies that have already failed.

It would be a mistake to assume that this is not a considered policy. European elites have long been preoccupied by comparisons with the United States economy. They long for the economic dynamism, productivity and flexibility of the American labour market. It seems only prudent to make a working assumption that conservative and liberal political forces want to press the reset button to bring Europe back to the trajectory it might have followed thirty years ago had not the French socialist influence of Jacques Delors hobbled it with the concept of social Europe.

What is happening in the UK is if anything more malign. The coalition Government did not have to go to extremes, it chose to do so. Britain is a liberal market economy already. It has always kept social Europe at a distance. It has no need to emulate the labour market polity of the United States, it is already there.

At a macro-economic level the Bank of England has no problem issuing debt and can do so in its own currency. This is a considerable advantage over Eurozone countries which cannot control the currency in which their debt is issued because monetary policy is run by the ECB. This advantage explains why, although the UK's debt to GDP ratio is 17 per cent higher than Spain's, it can borrow at rates which are 2 per cent cheaper.

So, the Government does not need to pursue the extremes of austerity that it is. It does not need to visit upon the people the degree of hardship that it is. Most importantly austerity in the UK as elsewhere is a manifest economic failure. The reason is that there is not now, nor can there be, any growth in the economy while austerity remains the only instrument of public policy. It is a policy that militates against employment generation and even debt sustainability.

Northern Ireland has been for some years at a disadvantage by comparison to other regions of the UK. The pace of decline of manufacturing industry has been faster and many of the private sector jobs that come here are at the lower end of the labour market. Even so the speed of decline has accelerated since the onset of the crisis.

An analysis published by Ulster Bank in the last few days asserts that the Purchasing Managers' Index (PMI) – which measures the performance of local manufacturing, services, construction and retail/wholesale sectors – recorded “A steep and accelerated decline” in the private sector in March. The analysis attributes this to a major fall in new business won by local firms. One consequence of this trend is job losses, and indeed, firms in the construction sector recorded their largest drop in employment.

Do you recall, when we assembled here two years ago, that we had to react against a huge clamour which asserted that the public sector was too large, that it was crowding out private investment and that the solution to all our problems lay in lower corporation tax?

I suspect that those strident voices are a little more muted now. Many of the private firms in difficulty depend on the public service and cutbacks in the block grant have an effect on them too. It is perhaps also beginning to dawn on people that the expected surge in FDI

consequent upon a lower corporation tax rate might not fill the resultant gap in the block grant. Let's face it, public service employment in certain regions of Britain, and especially in Northern Ireland, is what keeps the economy going.

Public sector cutbacks, freezing or capping wages, regional pay and welfare retrenchment all feed directly into the local economy causing vicious circles of economic decline, job losses, social deprivation and downright poverty.

The point is that we are in a spiral of decline and this aircraft is going to crash – economically and socially speaking – unless the pilot pulls back on the joystick.

Our problem is that the pilot is not on the plane. He is back in Westminster (or Brussels as the case may be) quaffing champagne with his chums! And why wouldn't they since they have just given themselves a bit of a bonus by reducing the top rate of income tax from 50 per cent to 45 per cent. That counts for something when you are a millionaire and 19 members of the Cabinet are millionaires. George himself bought a house in Notting Hill for investment purposes in 2006 at a cost of £1.8 million. His family business is the manufacturer of expensive quality wallpaper. George is not short of a shilling.

We have known from the beginning of this crisis that austerity would not work. It has been hard to get traction for that perspective but the truth of it is coming more obvious every day. Take Spain for example. It now has a Government with exemplary right wing credentials yet in the past week bond yields have risen to 6 per cent. Why is that? The probable reason is that investors are rational people and they are worried that austerity will destroy the Spanish economy.

In the concluding sentences of his *General Theory* John Maynard Keynes made the observation that ideas are dangerous. In the context of the policy failures which led to this financial crisis it is hard to understand what the author and academic Colin Crouch calls "the strange non-death of neoliberalism". The only explanation possible is that people could not, for a variety of reasons too complex to go into today, be brought to believe that there is an alternative political economy way of looking at the world.

It was the realisation that the contestability of ideas was key that caused Congress to establish the Nevin Economic Research Institute. In its first major publication *The Quarterly Economic Observer* it set out how £4.2 billion could be raised for investment in a Green New Deal for Northern Ireland. The NI Committee, together with Dr Tom Healy and Paul MacFlynn, have already discussed this with the Finance Minister – albeit not with great success.

Still, we are just beginning to contest the battleground for ideas in a serious way. In the months and years to come the Nevin Economic Research Institute will be a powerhouse for ideas. To put it bluntly we are engaged in a sort of intellectual class warfare right now. But friend or foe we do not intend to be ignored.

The establishment of NERI was but the first fruits of a complete redesign of the trade union movement which we hope to achieve. It was for this purpose that the Trade Union Commission was set up. There will be a Special Conference in November to reflect on its work and I expect it will consider motions to put this conference and the activities of the NI Committee on a more robust basis.

Let me try to end on a hopeful yet realistic note. The inertial momentum of the status quo – the insecurity of political leaders, intimidated as they are by the overbearing influence of business and finance – makes it quite difficult, if not impossible, to imagine that the alternatives will receive rational consideration. Many intelligent people have come to worship market principles like a spiritual code that will resolve all the larger questions for us, social and moral and otherwise, so long as no one interferes with its authority.

When it finally dawns on them that this God has feet of clay, as I think it must at some stage, people around the world may at last be free to see things more clearly again, and to reclaim responsibility for their own lives and begin organising the future in its more promising terms.