

CAPITAL AND SOCIAL EUROPE

THE EMPHATIC French and Dutch rejection of the proposed Constitution for the European Union creates an unstable situation in which, unless the European Left begins to define an alternative and rally support behind it, the neoliberal project will actually profit from votes that were, more than anything else, an expression of popular anger at the failure of the existing Euro-regime and its project of 'reform'. European monetary union has been accompanied by deregulation of financial markets, privatization of public assets and the cutting of social provision. At different times this is a programme that has been espoused by such varied sponsors as German Christian Democrats, German Social Democrats, German Greens, French Gaullists and Socialists, Italian former Communists and neo-conservatives, British New Labour and the Spanish Right. The project was flimsily disguised by attaching to it the phrase 'social Europe', but behind this was the drive to cut back collective provision and to commodify social protection.

In nearly all cases, social protections have been established at the national level and it is these that have been dismantled. While so-called 'reform' has on several occasions been stubbornly resisted—notably in the great French strikes of November–December 1995—this resistance has eventually been worn down by a succession of half-measures with great cumulative effect. In 1998 there was a brief moment when the German and French finance ministers seemed poised to drive through a programme of tax harmonization and Keynesian macro-management at European level but, with the resignation of Oskar Lafontaine in 1999, this soon passed. The remorseless sapping of social provision at national level continued and was propelled by pressure from the EU and ECB—indeed the latter gave an alibi to national governments. The toleration of deflation and mass unemployment further demoralized and weakened organized labour.

The EU does not have a fiscal regime adequate to the huge challenges that its member states face. These include the heavy costs of the ageing society, the knowledge-based economy, and such ecological shocks as global warming, desertification and the destruction of marine life. For two decades the Union has been dogged by persistently high levels of unemployment in its core states, and it is now unprepared for the consequences of a poorly planned enlargement. Although the proposed Constitutional Treaty paid lip service to ‘social Europe’, it did not envisage a single new measure that would extend social provision on a EU-wide basis, nor furnish the EU (which only commands 1 per cent of the GDP of its member states) with new fiscal powers.

Some of these challenges have been seized on by Europe’s leaders to justify downsizing entitlements. Social movements will defend these where they are rooted in national welfare regimes, but they are more likely to be successful if they also respond on an EU-wide basis. The Left now has the chance to articulate its own alternative at continental level. The EU has a scale and level of development which potentially allows it to contain the corrosive forces of globalization and elaborate its own social model—one in which the promises embodied in universal social insurance are met and combined with low levels of unemployment and more generous provision for education, childcare, social infrastructure and research and development. It has an economic weight equal to that of the United States and a fiscal and regulatory regime which the large corporations and finance houses are obliged to respect. A distinctive feature of Europe is its relatively strong labour and social movements. It has a successful record of public initiative in areas like transport, communications and land reclamation, and a tradition of decent social provision, even if the EU’s current leaders have largely turned their backs on this inheritance. In what follows I will be exploring the ways in which Europe could reorient its economy and find new pathways to economic redistribution, good labour standards, social justice and ecological sustainability. I will argue that we need to find qualitatively more effective ways to tax corporations and, with the proceeds, to establish a network of social funds.

Another model?

Europe has an opportunity for a creative response to the crises it faces. The sterile formula of Europe’s grotesquely misnamed Stability and Growth Pact has been breached by three of the EU’s largest states. This

represents a break with the baneful rule of the European Central Bank and its disastrous monetarist dogmas. With the accession of the new members the EU has demonstrated that it has attractive power, but this widening is compromised by the failure to provide for any social deepening. Only a fiscally more powerful EU could contain the pressures of globalization and integrate the new members in a way that improves life for all.

The current programme of the EU seeks to extend the internal market without offering social safeguards or tax harmonization. National regimes of social protection are to be submerged by a rising tide of laissez-faire legislation at the European level. For over a decade the leaders of the EU have pushed for ever more explicit and 'implicit' privatization in the provision of social insurance. The latter is a process whereby public services and social protections are degraded in order to oblige the mass of citizens to buy social protection from private finance and insurance houses.¹ Blair, Raffarin, Schroeder and Berlusconi have all pursued the commodification of pensions, social insurance and educational provision, cut back public programmes and offered openings to the global financial services industry. The latter are offered generous tax relief to make their products more attractive, a subsidy that underwrites much of their own costly marketing. The further pursuit of privatizing measures is the declared aim of the European Commission President José Manuel Barroso.

The theorists of globalization have yet adequately to integrate the importance of pension funding—in essence a claim over future surplus—as a dimension of modern class struggles. The dismantling of social Europe has encountered large-scale, but episodic, resistance. In 2004 there were huge demonstrations and major strikes against cuts in pension entitlements in France, Germany, Austria and Italy. In 2004 and 2005 national elections in Spain and Portugal, and local elections in Italy and France, reflected widespread unhappiness with the dominant neoliberal model, including the erosion of pensions. Yet Europe's centre-left leaders are as besotted with the US economic model as those on the centre-right (indeed Chirac has sometimes proved more resistant to the siren song of Anglo-Saxon economics than Europe's social democrats). Far from being worthy of emulation, the US economy is weighed down by mountainous

¹ For 'implicit privatization' see Paul Pierson, *Dismantling the Welfare State? Reagan, Thatcher and the Politics of Retrenchment*, Cambridge 1994, p. 71.

deficits and mired in corruption and failure. A us fiscal deficit stretching as far as the eye can see means that future Medicare and Social Security commitments, limited as they are by European standards, cannot be met by the current tax regime. Assuming entitlements and revenue provisions remain the same, the Social Security programme will begin paying out more than it takes in around 2016, will exhaust its reserves by around 2038 and will pile up a deficit of \$3.5 trillion by 2075.² The Medicare programme will run into difficulties even sooner and will eventually generate a deficit that is about three times as large, though this could be somewhat reduced by better cost control. To finance these programmes the us Treasury will need to find revenues equivalent to an extra 4–5 per cent of GDP annually.

Because of the manifest underperformance of the Eurozone economies over the last decade or more—to be considered below—and because of the activities of a well-financed lobby, the Anglo-American welfare formula enjoys an undeserved prestige. In fact there are profound flaws in the commercial and corporate provision of pensions and medical insurance. Private pensions and healthcare suffer from a severe ‘cost disease’, as competitive marketing consumes vast amounts of money while ‘customizing’ provision for each individual is expensive and cumbersome. In conjunction with the decline in interest rates and equity yields in recent years, this can mean stagnant funds and declining future income.³ Members of corporate pension schemes also face problems. Pension rights usually suffer if there is a bankruptcy or takeover. The us Pension Benefit Guaranty Corporation supposedly exists to indemnify members of such schemes but at the end of 2004 was itself \$21 billion

² Laurence Kotlikoff and Scott Burns, *The Coming Generational Storm: What You Need to Know About America's Future*, Cambridge, MA 2004, p. 71. The quoted figures come from the Social Security Trustees and the Congressional Budget Office and are very much lower than the authors' own estimates, which use the deeply flawed methodology of so-called ‘generational accounting’. See also Paul Krugman, ‘America's Senior Moment’, *New York Review of Books*, 10 March 2005.

³ A UK savings fund of £100,000 used to generate a pension of £8,000 a year in the mid-1990s—this has now fallen to £5,000 a year. So to receive a pension that is 80 per cent of the average wage it is necessary to have a fund of £400,000. And for a us couple to command an income of \$40,000 a year in retirement they need to have a million dollar fund, topped up by another million if full medical coverage is required. Some 42 per cent of those heading for retirement in the us can expect to receive less than half their earned income and 18.5 per cent will be on the poverty line. See Edward Wolff, *Retirement Insecurity: The Income Shortfalls Awaiting the Soon-to-Retire*, Washington, DC 2002.

in the red. The newly established British equivalent is in danger of being swamped by claims within months of being set up. Corporations are reducing their contributions, closing schemes and shedding commitments wherever they can.

The Anglo-American model of commercial welfare has been tainted by corruption and the neglect of policy-holder interests. The collapse of Enron was just the beginning of a rash of scandals which have engulfed every aspect of financial intermediation and every leading financial institution on Wall Street. Over the last three years Eliot Spitzer, the New York attorney general, has brought forward investigations and charges which have exposed the cynicism of analysts and the complicity of investment banks in helping corporations to fake revenues and offload duplicitous 'asset-backed securities' and 'credit derivatives' on institutional investors.⁴ Spitzer has further shown that the large us banks and 'mutual funds', anxious to boost turnover fees, allowed hedge funds to trade stocks after the close of business on the New York Stock Exchange, thus enabling them to 'skim' (rob) the pension accounts of over ninety million us savers. Spitzer then proceeded to expose the 'contingent commissions' (kickbacks) and pseudo-competitive collusion practiced by the top us insurance companies—leading to the resignation of the chief executive of AIG, the largest provider, in March 2005.

These scandals are rooted in deregulation, 'financialization' and an absence of responsibility in the handling of retirement and insurance funds held in the name of tens of millions of policyholders and scheme members. At the heart of the system of 'grey capitalism' is a yawning accountability deficit, with pension fund managers being attentive to corporate boards and not to scheme members. Fund managers know that it is boards of directors who confer mandates on them, not the policyholders. There are also large information asymmetries between CEOs and shareholders, and between fund managers and policyholders, enabling the former to bamboozle the latter. This regime has led to extravagant fortunes for chief executives and financial intermediaries, and to heavy erosion of pension fund assets.⁵ Some public sector schemes have

⁴ Nomi Prins, *Other People's Money: The Corporate Mugging of America*, New York 2004.

⁵ I have more on the background in *Banking on Death: Or, Investing in Life. The History and Future of Pensions*, London 2002, chapter 3. See also Robert Brenner, 'The Boom and the Bubble', *NLR* 6, November–December 2000, p. 24.

tentatively begun to enforce better corporate governance and minimal social responsibility.

'Anglo-Saxon' economics has already made great strides in Europe and it has led to similar corporate malfeasance—without, so far, an Eliot Spitzer to expose its full scope. Europe has its own string of corporate scandals—Parmalat, Shell, Vivendi, Ahold, Rover and others. These testify to the corroding effect of 'financial engineering' and show how the latest ingenious products of the international banks and accounting firms can give new scope to age-old European traditions of elite corruption. Pension funds have been hit and many people have seen their savings shrink. While the commercial banks and insurance houses are invited to take over social insurance, social gains like the 35-hour week in France and *Mitbestimmung* (worker representation on advisory boards) in Germany are under attack. Meanwhile, as the *Wall Street Journal* headline put it: 'European CEO Pay is Taking Off'.⁶ Inequality is growing and the privatization of public assets has ensured that the value of the securities quoted on the Paris Bourse or the Frankfurt exchange, once only a half of French or German GDP, now comfortably exceeds it.

Jobs and pensions

The deficits which plague corporate pension schemes are bad for jobs as well as pensions. The us recession of 2000–03 destroyed two and a half million 'good' jobs, and the subsequent weak recovery is still far from replacing them. The American public rightly worries that the regime of commercial social insurance, which excludes a fifth or more of the population, will fail even most of those it does cover over the next decade or two. The loss of manufacturing jobs is rooted in the problems of big manufacturing concerns, which include a struggle to mend large pension fund deficits (in December 2004 these still totalled \$350 billion in the us and £65 billion in the UK).

When corporate pension schemes were first introduced trade unions were often happy to accept them, even if management ran the scheme as an adjunct of corporate finance. For their part managers often saw pension promises relating to a distant future as easy to make; to begin with they did not even appear on the balance sheet. But in the longer

⁶ *Wall Street Journal*, 23 July 2004.

view the 'Anglo-Saxon' tradition of encouraging corporations to furnish tax-subsidized pension and health benefits has accelerated the devastating impact of globalization on manufacturing employment. For its part continental Europe has problems with unemployment and pensions, as we will see below, but it has provided better pensions while having more success at defending manufacturing employment. The Anglo-American problem stems in part from tying the pension promise to an individual sponsoring company which, over the life of a pension plan, can go from blue chip to basket case. Many famous Anglo-American corporations find it difficult to maintain healthy levels of investment and employment because they are weighed down by pension and health deficits and by pressure to maintain shareholder value. Companies like Ford, Boeing, American Airlines, us Steel, Goodyear, Maytag, Verizon, Colgate-Palmolive, Unilever, BT, Rolls Royce and GM have deficits in their pension funds worth more than half the value of the corporation itself. They are forced to remedy those deficits, and honour their promises, by cutting investment and firing thousands of employees. And in a bid to maintain share price some of the savings made are paid over in dividends or share buy-backs, rather than used to strengthen the corporation.

The Anglo-American corporate welfare schemes have another structural defect. They are 'pro-cyclical', that is to say that during good times the employers can take a 'contribution holiday' because the value of the shares in the fund rises. British corporations skipped £28 billion of pension fund contributions between 1988 and 2001, which is part of the reason that they are in deep deficit today. In bad times, when it is most difficult, the sponsoring corporation has to stump up cash, because the value of shares in the fund has dropped. The better-designed European corporate schemes at least require companies to put away more as special 'reserves' in good times, when it is easier to do so. They are also more likely to be bound into a regional or industrial group so that the pension is less reliant on the performance of one company, which, if it fails, leaves employees without a pension, or with a depleted pension, as well as without a job. In July 2004 the collapse of Federal-Mogul, a car-parts supplier, halved the pension benefit of 20,000 British workers and cut the expected benefit of a further 20,000 in an associated company. More recently the employees of Alders, a troubled UK retail chain, suffered the same fate and several projected mergers or corporate rescue plans were stymied by pension debts. Thus, when the Chinese auto

corporation SAIC learned the scope of the Rover company's pension obligations it withdrew its offer to purchase the British carmaker as a going concern. The Rover MG accounts assessed the pension obligation at £67 million but, in the event of the company failing, the pension liabilities were likely to balloon to £200 million or more.⁷

The pension promises that companies make are legally enforceable. This means they take precedence over current investment and current employees. The structure of corporate welfare encourages, or even obliges, companies in difficulties to rob Peter to pay Paul—or rather to sack Peter to pay Paul. The need to bail out pension funds has destroyed hundreds of thousands of jobs in high-end manufacturing in the us. Likewise in the uk manufacturing has been losing 5,000 jobs a week, but Gordon Brown, the Labour Chancellor, has maintained the overall employment level by creating more than half a million jobs in the public sector. (Also note that the real extent of uk unemployment is concealed by the fact that 2.5 million receive 'incapacity benefit', a figure five times as great as 20 years ago.) The end result is that, despite the weakness of the continental European economy, its exports and manufacturing corporations are still stronger than those of the uk and the us.

Ageing Europe

Many look to Europe for an alternative but are increasingly disappointed when they do so. Europe's vaunted 'stakeholder capitalism' has been heavily eroded by the expanded role of stock exchanges, mergers and acquisitions, privatizations and foreign investment. Overall social protection remains far better than in the us or uk, but European governments—lacking the courage and imagination to find better ways to finance welfare—cut benefits and pension entitlements instead. Raising the already heavy taxes on employment is not an adequate solution. These taxes are generally not 'progressive'; they fall heavily on workers earning only average or low salaries. Laying a 'tax wedge' of 40 per cent on average incomes, they consequently weaken demand and discourage high rates of employment. With officially-recognized unemployment running at 10 per cent, and many of the unemployed not even getting on the register, certain categories of the population—above all the under-25s and the over-50s—have been condemned to poverty and

⁷ Will Hutton, 'How Avarice Ruined Rover's Return', *Observer*, 10 April 2005.

idleness. Not surprisingly, the demagogues of the far right have often flourished in these conditions.

If we compare the Anglo-Saxon economies with Europe we find that they generate different types of unemployment. The company-specific formula of corporate welfare provision has destroyed good jobs in manufacturing and exposed employees to 'sponsor risk' (if their employer goes bankrupt they suffer benefit loss too). Europe's high 'payroll taxes' have been consistent with manufacturing strength and the protection of good jobs. But overall they weaken demand and deter the creation of formal jobs in the service sector. This helps to explain why employment rates amongst those aged 18–65 are ten to fifteen percentage points lower than in the us or UK.⁸ In practice unemployment has been concentrated amongst younger workers and older workers, but over time almost everyone falls into one of these categories and finds their contribution record impaired. Europe faces a severe ageing shock and is not prepared for it. The problem is no longer that the pension burden will be too heavy; instead, the continent is likely to have to confront a return to widespread old age poverty in a decade or two.

The median age of Europeans is already 38. It is expected to rise to 45 in 2025 and no less than 50 in 2050.⁹ At the present time there are already

⁸ 'Germany's growth performance in the 1990s', Directorate-General for Economic and Financial Affairs, European Commission, Economic Paper no. 170, May 2002. See also Andrea Boltho, 'What's Wrong with Europe?', *NLR* 22, July–August 2003. A quantitative study of continental European unemployment concludes 'the rise in labour taxes since 1970 has accounted for almost half of the rise in long-term unemployment'. Christophe Planas, Werner Roeger and Alessandro Rossi, 'How much has labour taxation contributed to European structural unemployment?', Directorate-General for Economic and Financial Affairs, European Commission, Economic Paper no. 183, May 2003, p. 12. Undeniably there is no single explanation for high levels of unemployment in Europe in recent decades. My reference to the probably negative impact of regressive payroll taxes is quite distinct from attempts to throw the blame on decent levels of benefit. It is the best way to finance those benefits that I address here, and in what follows. In the mid-twentieth century a broad range of liberal and left economists, including Keynes, James Meade, Nicholas Kaldor and Maurice Dobb, saw taxing the rich by means of progressive income tax, capital levies, death duties, taxes on 'excess profits' and 'unearned income', property taxes and extensions of public ownership as the best way to finance social expenditures (see Martin Daunton, *Just Taxes: The Politics of Taxation in Britain, 1914–1979*, Cambridge 2002). I will later be urging a return to this tradition.

⁹ United Nations, *World Population Ageing, 1950–2050*, New York 2002.

some 33 pensioners to every 100 adults of working age. By 2050 there are forecast to be 68 pensioners for every 100 adults of working age. The over-eighties are the most rapidly expanding age cohort and, since the proportion of them who are reasonably fit is increasing—with about 80 per cent now in this category—the rise in life expectancy is very much to be welcomed. This ageing will mean that a quarter of the population will be over 65 in all the large EU states within twenty-five years. A way must be found of ensuring that their pensions, savings and earnings yield them an appropriate share of GDP—perhaps something in the range of 13–16 per cent, if their retirement incomes are to be 70 per cent of average incomes.

The UK has very niggardly state pension provision. At current levels of entitlement, including all means-tested supplements, it will absorb little future national income—only about 4.7 per cent of GDP by 2031 and 4.4 per cent by 2050. Private provision looks unlikely to supply more than about 4 per cent of GDP in those years, and maybe much less as weak occupational schemes and higher charges take their toll. Raising the effective age at which workers retire could add, at most, one percentage point of GDP. The UK Pensions Commission has estimated that to maintain pensioners' current relative income in 2050 would require 13.9 per cent of GDP, assuming that women's retirement age rises to become the same as men's by 2020, as planned. It forecasts a pension deficit of at least 4 per cent of GDP by 2050.¹⁰ Because of the postwar baby-boomers, and the withering of both public and private provision, the deficit could already have reached that scale by 2031.¹¹

The consequent pensioner poverty will also be exacerbated by the fact that pensions and savings will be very unequally distributed amongst those of pensionable age. Many—the majority—will suffer a drastic drop in living standards unless something is done. The proportion of GDP required to fulfil existing EU public pension promises in the sixteen 'old' member states runs at 13.3 per cent of GDP by 2050; for France the figure is 15.8 per cent (by 2040), for Italy 14.1 per cent and for Germany

¹⁰ Pensions Commission, *Pensions: Challenges and Choices: The First Report of the Pensions Commission*, London 2004, p. 17.

¹¹ I argue this in 'How to Rescue a Failing Pension Regime: The British Case', in *New Political Economy*, December 2004. See also my 'Plugging the Gap: How Employers Can Help to Fill the Pensions Deficit', Catalyst Working Paper June 2005, available at www.catalystforum.org.

16.9 per cent.¹² But governments are already signalling that these levels will not be reached, despite the fact that demographic projections make them not unreasonable. The projections use assumptions about continued ageing of the population which are soundly grounded in observed trends; eventually, however, those trends may be modified if a 'social Europe' can really be built.

Rejuvenation?

Europe's well-established ageing trend is rooted in low fertility as much as increased life expectancy. In both old and new member states, women are having fewer than two children each. In Italy, Poland, Germany and Spain average fertility in 2000 was only 1.2 to 1.3 children per woman. In Scandinavia and France, where governments have made an effort to frame child-friendly policies, it was above 1.7.¹³ While some of this decline represents women's desire to escape from the burden of multiple child-rearing, most women would still like to have at least two children. If good childcare was widely available and cheap, and if there was generous maternity and paternity leave, it could encourage women to have more children. Child-friendly policies generate employment but they have to be publicly subsidized. Such policies should be pursued for their own sake as well as because they will somewhat moderate—though not reverse—the ageing trend. A financial constraint is likely to remain: having children is expensive so women delay childbirth, which leads to smaller families.

It is a delusion to suppose that there is a magic bullet solution to the problem of the ageing society. Existing population projections already assume the maintenance of immigration at current rates. Further increasing the numbers of immigrants is desirable in itself, as it helps to foster a more multicultural society and enshrines a valuable right to freedom of movement. But it will not have much impact on the ageing trend since immigrant populations swiftly adopt the demographic profile of the host populations, with greater longevity and lower fertility. This means that ever larger numbers of migrants are needed to lower the population's age profile. In order to maintain the ratio between workers and pensioners

¹² Pensions Commission, *Challenges and Choices*, Appendices, London 2004, p. 107.

¹³ Göran Therborn, *Between Sex and Power: Family in the World 1900–2000*, London 2004, p. 293.

constant at the 1995 level between 2000 and 2050, it would be necessary to find 1.3 billion immigrants and to more than triple Europe's population over the half-century. But doing this would create as many economic problems as it solved, requiring huge physical infrastructure investments.¹⁴ While immigration can contribute something to meeting the costs of the ageing society in advanced countries, we should also bear in mind the needs of the developing nations which will not wish to lose all their expensively educated and trained workforce. Most of these have ageing populations themselves—China and India are examples. At the very least much greater provision should be made for the remittance of immigrants' earnings to their countries of origin, which have borne the costs of their upbringing and education.

It should be clear that Europe must face up to the need to pay for proper old age and health protection—and must do this at the same time as paying for child-friendly policies and more expenditure on education and research. The Anglo-American path of individualization and commercialization generates heavy costs of its own and leads to 2–3 per cent of GDP being absorbed by the intense marketing and exorbitant salaries of private providers. We must find other ways to finance the social programmes we need. For over a decade European pension provision has been the subject of 'reforms'—cutbacks—that are initially quite mild but which severely reduce entitlements relating to those who will retire in 2010 or 2020 and after. Often these workers continue to pay heavily into a social insurance system that will give them pensions which will replace less than half their previous salary, instead of the 70 or 80 per cent which current retirees in much of Europe still receive.¹⁵

In France, Italy and Germany pension reform has often introduced the indexation to prices rather than earnings—a measure that so shrank the British basic state pension that it is now worth only 15 per cent of

¹⁴ United Nations, *Replacement Migration: Is It a Solution to Declining and Ageing Populations?*, New York 2001, pp. 71–6. See also Neil Gilbert, *Transformation of the Welfare State: The Silent Surrender of Public Responsibility*, Oxford 2002, p. 34. This book furnishes a good summary of the recent erosion of public provision, though the author's own standpoint is far too accommodating to this process.

¹⁵ See Antoine Math, 'The Impact of Pension Reforms on Older People's Incomes', in Gerard Hughes and Jim Stewart, eds, *Reforming Pensions in Europe: Evolution of Pension Financing and Sources of Retirement Income*, Cheltenham 2004, pp. 105–38.

average earnings, and is projected to decline to less than 10 per cent by 2020. Of course British pensioners can claim means-tested supplements, and about half of them are members of private or occupational pension schemes. As noted above, in the UK likely pension provision from all sources in 2050 will be 4 per cent of GDP below what would be needed simply to maintain pensioner incomes at about 70–75 per cent of average incomes. The cumulative impact of pension reform over several decades will be to open up a similar gap in European provision, with the state pension still a little more generous than in the UK but with private coverage in most countries (apart from the Netherlands) being more modest.

Early indications from the new member states of the EU that have adopted commercial fund management suggest that there will be disappointments here too. In Hungary and Poland heavy charges prevented any accumulation in the first three years of the new pension funds.¹⁶ It is also difficult to ensure universal coverage for privately-funded pensions where there are wide disparities in wage and salary levels, and where there are indebted, low-paid workers. Compulsory contributions are usually not appropriate for those in debt because they will be paying much greater interest on the debt than they earn on their savings. In the UK overall indebtedness is now running at 130 per cent of disposable income. Low-paid workers with family responsibilities would often suffer hardship if they were also forced to make payments to a compulsory share-purchase scheme. These are problems which lie in store as Europe goes further down the path of ‘Anglo-Saxon’ economics and welfare.

There remain positive features of the European social model. Working hours are short, and productivity is high. Decent healthcare is more widely available than in the UK—let alone the US, with its inflated commercial charges. Europe’s often beautiful countryside, its many handsome towns and cities, and the successful rehabilitation of several formerly blighted industrial zones, all testify that a sense of the integrity of public space has not yet been entirely lost. But the security and decent pension provision that used to be associated with ‘social Europe’ are things of the past.

¹⁶ Elaine Fultz, ‘Pension Privatization in Poland and Hungary’, in Hughes and Stewart, eds, *Reforming Pensions in Europe*, pp. 55–72.

The best way to restore faith in the future, to mend pension deficits and to defend what is good in the European social model is to find ways of obliging all corporations to contribute, but in a way that does not tie employees to the fluctuating fortunes of their own particular employer. Disproportions between age cohorts, whether caused by baby booms or rising longevity, do pose a problem. When a large cohort like the baby-boomers enters retirement the provision of their pensions via pay-as-you-go payroll taxes weighs heavily on the smaller generations still at work, if relative pension levels are maintained—alternatively, contribution rates are kept the same but pensioner poverty grows. Some pre-funding helps to share the burden in such situations. A broad consensus can perhaps be reached on a formula for sharing the burden such that the ratio between average pensioner income and average income is maintained, so that pensioners share in any increase in national prosperity.¹⁷ (Currently pensioner incomes are a little above 70 per cent of average income.) The problem for Europe is that it now looks unlikely to meet that goal. To do so would require the elaboration of a new financial regime: one capable of finding needed resources to underwrite social programmes and of reining in, and ultimately controlling, the forces of globalization and financialization.

Meidner's share levy

It has been several decades since any European government dared to ask whether the owners of large corporations might be obliged to contribute more to the wider society without which their own profits would be impossible. The most far-seeing attempt to think through the types of new finance that would be needed to guarantee generous social provision was Rudolf Meidner's advocacy of 'wage-earner funds' in the 1970s and 1980s.

Of all the EU states, the one that has most persistently sought to ensure good benefits with low unemployment is Sweden. Rudolf Meidner was—together with Gøsta Rehn—the architect of the Swedish welfare state. He was Chief Economist of the LO, Sweden's main trade union fed-

¹⁷ This is the conclusion of some of the best recent writing on pension problems. See John Myles, 'A New Social Contract for the Elderly?', in Gøsta Esping-Andersen et al, eds, *Why We Need a New Welfare State*, Oxford 2002, pp. 130–72.

eration. He produced an impressive body of policy-oriented economic analysis that deserved—and still deserves—to win the Nobel Prize. A distinguishing feature of his approach was that the working of social funds was harmonized with both a wage-bargaining round and the protection of high employment levels. Whereas Anglo-Saxon companies are encouraged to take ‘contribution holidays’ during upswings of the trade cycle, Swedish corporations were, and are, encouraged to stow operating profits in special tax-exempt reserves. As early as 1959, after a hard-fought political battle, the Swedish Social Democratic government set up a pre-funded secondary public pensions system.¹⁸

Anticipating the new social expenditures that would be entailed by an ageing and learning society, Meidner came to believe in the need for strategic social funds—‘wage-earner funds’—to be financed by a share levy. This levy did not work like traditional corporate taxation, which subtracts from cashflow and, potentially, investment. Instead Meidner’s levy falls on wealthy shareholders, the value of whose holdings is diluted, not on the resources of the corporation as a productive concern. According to the original plan, every company with more than fifty employees was obliged to issue new shares every year, equivalent to 20 per cent of its profits. The newly issued shares—which could not be sold—were to be given to a network of ‘wage-earner funds’, representing trade unions and local authorities. The latter would hold the shares, and reinvest the income they yielded from dividends, in order to finance future social expenditure. As the wage-earner funds grew they would be able to play an increasing part in directing policy in the corporations which they owned.¹⁹

Meidner’s visionary scheme was supported by trade unions and the members of the Social Democratic party but strongly opposed by the privately

¹⁸ Jonas Pontusson, *The Limits of Social Democracy: Investment Politics in Sweden*, Ithaca NY, 1992; and Joakim Palme, ‘Pension Reform in Sweden and the Changing Boundaries Between Public and Private’, in Gordon Clark and Noel Whiteside, eds, *Pension Security in the Twenty-First Century: Redrawing the Public-Private Debate*, Oxford 2003, pp. 144–67.

¹⁹ The original plan is set out in Rudolf Meidner, *Employee Investment Funds: An Approach to Collective Capital Formation*, London 1978. For an account of the struggle over its implementation see Jonas Pontusson, ‘Sweden: After the Golden Age’, in Perry Anderson and Patrick Camiller, eds, *Mapping the West European Left*, London 1994.

owned media, and by the ‘twenty families’ who dominate the country’s large corporations. Opponents of the scheme claimed that it would aggrandize the leaders of the trade unions who would dominate the wage-earner funds. It was also alleged that the scheme unfairly favoured employees in the private sector, since they were to be the first to receive shares from the levy. After a scare campaign the Social Democratic government eventually diluted the proposed share levy, and set up social funds financed by a more modest profits-related tax. These came to own 7 per cent of the Swedish stock market but were wound up by the incoming Conservatives in 1992, and the proceeds used to finance a string of scientific research institutes. So Meidner’s plan has yet to be properly tried, though even in its diluted form it helped to propel Sweden to the forefront of the knowledge-based economy.

A redistributive EU?

The visible crumbling of Europe’s ability to protect its own citizens weakens its voice in international affairs. A determined effort to rescue and restore Europe’s collapsing social model could help to demonstrate the need for Europe-wide democratic controls and tax harmonization. It would help if the Union were itself to sponsor at least some new social provision for all citizens. Interestingly enough, this was the approach of Franklin Roosevelt in the 1930s when the us faced its own most serious social crisis. The Social Security Act of 1935 became the so-called ‘third rail’ of us politics. Eventually it covered everyone, and the Social Security card became a badge of civic identity.

us Social Security redistributes from rich to poor—including from rich regions to poor ones—in ways that promote a minimum of national unity. The European Union today has no social programmes. The best it has are so-called ‘convergence’ funds, the Common Agricultural Policy and schemes targeted at the new members. But these do not cover everybody as Social Security does, and they have far fewer resources than the us programme. While the CAP has a budget of 50 billion euros per year—roughly \$40 billion—us Social Security has a Federal budget of nearly \$400 billion annually to pay old age and disability pensions for forty million us citizens. Of course us Social Security is far less generous than most European equivalents at national level, and is today threatened with privatization. Nevertheless it does help to bind together the citizens of the different states and to focus attention on Federal affairs.

Its trustees warn of a deficit by 2042 but the programme is highly cost-effective and thoroughly deserves any revenue boost it requires.²⁰ It is very significant that Bush's attack on the programme is encountering strong resistance.

From the beginning the founders of the European Community intended it to be more than a free-trade agreement. As Jean Monnet pointedly inquired: 'Is it possible to have a Common Market without federal social, monetary and macro-economic policies?'.²¹ On this, Monnet's American backers agreed, taking emulation as a compliment. The European Community was founded, in part, to avoid the social catastrophes of the pre-war (and postwar) periods, as well as to make another European war impossible. Internationalist currents within the European Left spoke of a 'United States of Europe', but where supra-national social programmes are concerned the EU has never got beyond aspiration.

As yet, there is not even an aspiration to build a Europe-wide pension scheme. The EU still periodically calls for a 'social Europe'. The Lisbon summit in 2000, the Nice Treaty of 2001 and the unratified Constitutional Treaty of 2004 all urged European governments to coordinate their policies on pensions. The Nice Treaty supposedly committed members to strive for a 'high degree of social protection', while the draft Constitution inserted the phrase 'solidarity between the generations' in a long list of desirable goals like 'equality between men and women' and 'protection of children's rights'. At the limit such lip service does not explicitly prevent the EU devising a common programme, with its own continent-wide apparatus and redistributive scope, akin to the Social Security programme in the United States.

Three economists—James Galbraith, Pedro Conceição and Pedro Ferreira—have argued for a 'truly *European* welfare state, with a continental retirement programme' and 'the creation of major new universities of the first water . . . in the beautiful, lower-income regions of the European periphery' and 'the full funding of students to attend

²⁰ I show how us pension problems could be tackled in 'The Pension Gap and How to Fix It', *Challenge*, July–August 2004. Gar Alperovitz has also argued for capital levies and against relying solely on payroll taxes in *America Beyond Capitalism: Reclaiming Our Wealth, Our Liberty and Our Democracy*, 2005.

²¹ Quoted in Perry Anderson, 'Under the Sign of the Interim', in Peter Gowan and Perry Anderson, eds, *The Question of Europe*, London 1997, pp. 125–48, 62.

them.²² A Europe-wide welfare regime could also encourage better childcare provision. As we have seen, the problem of the ageing society is as much the result of a low birth rate as it is of increased longevity. It is striking that today Scandinavia, with its generous attention to childcare, has a much higher birth rate than Mediterranean Europe. It is also interesting that the introduction of the 35-hour week in France coincided with a small but significant recovery in the French birth rate. Improvements to social welfare, education and working conditions should be pursued for their own sake, but they will often contribute to a broader social framework of wellbeing.

The European Trade Union Confederation has long called for a proper, continent-wide Social Fund, with resources that it could invest to generate productive employment and which could underwrite future welfare expenditure. In 1958 the EEC established a European Investment Bank, which was meant to counterbalance the power of the central banks. With the scrapping of the Stability and Growth Pact, there is more than ever a role for the EIB.²³

A Europe-wide welfare regime could be organized on a universal basis so that every citizen, every country and every region would make a contribution and each citizen, country and region would receive some benefit. Payroll taxes—of the sort used to fund both European social benefits and us Social Security—have regressive contribution conditions but become at least mildly progressive overall because of their payout provisions. A share levy would be progressive in terms of contributions as well as payouts, because the majority of shares are held by the rich. The requirement on companies to issue new shares transfers a sliver of income-generating assets from the existing owners of shareholding wealth to the social funds which are beneficiaries of the scheme.

If an EU-wide Meidner-style corporate levy—set initially at 10 per cent of corporate profits—was introduced, the resources raised could be put in the hands of regional networks of democratically-administered social funds. This should be conceived of as an addition to—not replace-

²² James K. Galbraith, Pedro Conceição and Pedro Ferreira, 'Inequality and Unemployment in Europe: The American Cure', *NLR* 1/237, Sept–Oct 1999.

²³ For a call that the EIB should be built up as a counterweight to the ECB, see Philip Arestis, Kevin McCauley and Malcolm Sawyer, 'Commentary: An Alternative Stability Pact for the European Union', *Cambridge Journal of Economics*, January 2001.

ment of—national welfare policies which, where necessary, might also be able to draw on emergency help from the Europe-wide fund. Levied on a continent-wide basis the arrangements would contribute towards ‘tax harmonization’ and help to deter social dumping. The new member states have low corporate taxes—Estonia’s are to be zero on reinvested profits—while their income taxes are broadly similar to those in many parts of Western Europe. Under a share levy scheme, all companies and subsidiaries would have to issue new shares to the social funds based on their profits in the states in which they operate. The rate of the levy would be the same in all member states. The network of social funds would be organized on both a national, regional and an all-Union basis, such that, say, 40 per cent of the new assets would go to regional funds, 40 per cent would go to a national pension reserve in each state and 20 per cent would go to an all-Union fund. So the social funds located in new member states would benefit from central as well as local distribution. This would not only help them to raise expenditure for social and educational purposes, but also give their local funds greater leverage, as institutional shareholders, over the multinational corporations. On the other hand, since the regional and national funds would receive shares in enterprises active in their own state, there would be a tendency towards a ‘nationalizing’ as well as civic sharing of corporate assets.

Balance of forces

It might be objected that if the powerful Swedish Social Democrats and trade unions were defeated when they tried to introduce such a measure, why is there any reason to think that something similar could be achieved in the new Europe where labour is now much weaker? My answer would be that there are reasons why the outcome could be different, so long as objections were carefully anticipated. Consider the following:

- ▶ Most European corporations are no longer as tightly organized and cohesive as those controlled by Sweden’s 20 families. The professional managers of the modern corporation would not be menaced in the same way by ownership dilution. The levy would create a new type of institutional shareholder who might well be less capricious than today’s herd-like fund managers. Indeed the new social funds would be barred from selling the shares they held, so they would furnish an element of stability and committed ownership. And, as already noted, the levy would not complicate

financial planning, as does corporation tax, by subtracting from cash flow.

- ▶ The Meidner scheme established generalized ‘wage-earner funds’ but no specific social purpose was mentioned. The share levy proposed here would be tied to pension provision and would thus respond to the demands of many recent social mobilizations in Europe.
- ▶ In Sweden in the 1970s and 1980s, even union members were concerned that trade union leaders would become too powerful if they were also, in effect, the owners of the major corporations. Today voters do not fear trade union power and often favour a strengthening of labour representation. The regional network of social funds would anyway be broadly accountable to the community as a whole.
- ▶ The campaign against Meidner managed to exploit divisions between different groups of worker. Care would have to be taken to ensure that employees in the large companies received tangible benefits—better insurance for their existing occupational schemes as well as a new layer of coverage. The case for the levy would have to stress its broad social benefits, so that today’s private sector employees would see its relevance to their friends and relatives, and to themselves if they lost their job. The programme would seek to allay the new sense of economic insecurity.
- ▶ Taxes were already quite high in Sweden in the 1980s; today even the Centre Right concedes that profits are too lightly taxed. Following a 55 per cent increase in French corporate profitability in 2004 compared with 2003, Raffarin, the then French premier, was reported as declaring: ‘When I hear on the radio . . . about the profit generated by a certain number of companies, I tell myself that if they want to continue making profits, they will have to share them out.’²⁴ The increase in profitability was especially marked for the top 40 companies and, like a similar profits boom in Germany, was linked to adoption of the ‘shareholder value’ model.

²⁴ Ralph Atkins and Peggy Hollinger, ‘Germany and France Find Big Profits Just Too Rich’, *Financial Times*, 31 March 2005.

- ▶ At the present time real estate, including the homes people live in, is subject to tax nearly everywhere—it is an anomaly that shareholdings are not.

Making the case against big capital

Big capital will certainly mobilize against even the modest annual dilution that the levy would represent. The ownership of shares is still very unequal, so the levy would work like a wealth tax. But this would not stop opponents from arguing that the levy was an attack on the millions who have some very modest shareholding, perhaps in a personal savings account or, indirectly, in an occupational pension fund. Contrary to myth, individual shareholding is still confined to a small minority in most European countries. Nevertheless bona fide pension funds also hold shares, and it might be claimed that they would lose out. In the UK, for example, employee pension funds owned 15.6 per cent of the shares in public companies in 2003.²⁵ Most pension funds would be likely to gain more than they lost by the levy—if there was any doubt about this they could be directly compensated by an extra allocation from the social funds. The effect of this would be to accelerate the redistributive impact of the levy.

While occupational and personal pension plans could be compensated for any loss entailed by the levy, this would by itself not be an adequate response. A wider case for taxing the wealth stored up in businesses would have to be made. These businesses would not be profitable without the wider context of law and order, communications and public services, education and health, so it is only right and proper that they make a contribution. So far as small shareholders are concerned, the workings of the new social funds could have another significant advantage. In today's 'grey capitalism', small shareholders are often taken for a hugely expensive ride by irresponsible and overpaid CEOs. The social funds would have the resources and personnel to monitor corporate behaviour and to use their steadily-growing voting power to curb abuse.

Corporation tax still represents an important source of revenue in the old member states of the EU, but one which is under threat. In April 2005 the European Court of Justice ruled that companies would, in future, be

²⁵ Office of National Statistics, July 2003, press release on the pattern of shareholding.

able to offset losses in one European market against profits in another. This ruling, if upheld, will greatly assist corporations in the elaborate ‘tax planning’ they already engage in to reduce their liability. Indeed unless a new directive is forthcoming, European companies will be able to offset losses twice over—once in the state where they are incurred and again in the state where the company is registered. As the *Wall Street Journal* commented: ‘European governments face the potential loss of billions of euros of tax revenue and the prospect of being pushed toward European Union-wide tax policies.’²⁶

The social funds would also be as much about producing wealth as distributing it. In a continent where stock exchanges are already of greatly increased importance, the social funds could help to protect productive enterprises from ‘financialization’, promote socially responsible business objectives and assert a degree of popular control over the accumulation process. The network of pension funds would have significant power in corporate affairs, both because of its shares and its investment policies. The fund network could develop its own cadre of financial specialists and would have reason to assist the tax authorities in monitoring and enforcing fiscal regulations.²⁷

This does not mean that funds could micro-manage enterprises. But they could set broad targets relating to such topics as minimum labour standards, executive remuneration and ecological best practice. The boards of management would be accountable to their local communities, and it could be thought that the latter might favour abuses simply in the expectation that this would lead to a fatter pension in the future. There would obviously be some risk of this type of calculation, but also every opportunity to challenge it as reactionary and delusive. The employees’ or citizens’ stake in any one corporation would be very small, and the gain in a few decades from a specific, current abuse would be remote. It

²⁶ ‘Ruling on Tax Could Cost EU States Billions of Euros’, *Wall Street Journal*, 8–10 April 2005.

²⁷ Though multinationals have many ways of evading tax through the use of transfer pricing and the manipulation of allowances, the fiscal authorities, if properly supported by legislators, are far from powerless. For example they can combat the siphoning-off of profits as interest on intra-group loans—‘thin capitalization’—by using operating profit as the basis for their calculations. See the interesting—if over-optimistic—working paper by Michael Devereux, Rachel Griffith and Alexander Klemm, ‘Why Has the UK Corporation Tax Raised So Much Revenue?’, Institute for Fiscal Studies, London, February 2004.

would not be easy in such circumstances to publicly advocate, say, child labour, the poisoning of the environment or the denial of trade union rights. Today's corporations often neglect the social cost of their malpractices and negligence because it does not show up in their accounts. But a 'universal investor', such as a pension fund for the whole community, would not be able to escape such 'externalities'. The model proposed would not guarantee the right outcome but it would represent a structure within which progressive outcomes could be fought for.

But, it might be objected, is not a fund based on shares vulnerable to the inevitable swings of the market? Dividend income is, in fact, much less volatile than share price and the networks would count on dividends, not share sales, for their income. The pension fund network would be encouraged to use dividend revenue to buy corporate and public bonds to diversify their holdings. The network would also have to offer unquoted private companies the option of contributing bonds rather than shares. Private companies and partnerships with more than twenty employees would be required to issue bonds or partnership rights of equivalent value. Subsidiaries of foreign companies would also be obliged to issue shares to the funds. I have urged that the networks would be barred—at least in all normal circumstances—from selling the shares they held. Meidner's approach to social provision is to follow the method of 'de-commodification'. In the classic work of Gøsta Esping-Andersen the concept of de-commodification was used to refer to forms of social provision.²⁸ In this case we also have a de-commodification of the means of production. The social fund would, in the first instance, concentrate on building up resources for the future to pay for the sharp increase in social expenditure that will be required by the ageing of the population.

The social funds would also be able to take some of the strain away from pay-as-you-go pension systems. The payroll taxes used by these schemes would certainly not be scrapped, since they are highly cost-effective and have public acceptance. But they might in some cases be reduced a little, since this would help to strengthen demand and because social assets nourished by a share levy would be an appropriate match for future pension liabilities. Since there are many urgent claims on current taxation—education, childcare, health and so forth—it is best if future

²⁸ Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism*, Cambridge 1990.

pension promises can be met, as far as possible, by taxing capital rather than current income.

In the end, of course, the social expenditure of the future will have to be paid out of the production of the future, and this means that some future incomes will have to be allocated to this purpose.²⁹ The share levy approach ensures that rentier incomes—returns to capital—will be diverted from wealthy individuals to the network of social funds. Of course provision will still have to be made for investment. The levy would gradually, but inexorably, squeeze capitalists' consumption, eventually replacing it with pensioners' consumption.

There is much evidence that capitalist saving in Anglo-Saxon countries has declined sharply—sometimes to near zero—as a consequence of a remarkable surge of luxury consumption.³⁰ This has been fuelled by asset bubbles and the associated 'wealth effects'. Both the easing of some pressure on current taxation occasioned by the share levy, and the eventual payout by the social funds, would help to create a broader and less feverish pattern of public and private consumption. The levy-supplied social funds could help to encourage popular saving if a 'matching contribution' supplement were adopted; this would top up by, say, 40 or 50 per cent any retirement saving made by individuals up to a threshold amount—say £2,000 annually. At the present time employees are encouraged to save by the offer of tax relief. This is very regressive since high earners stand to gain much more than medium or low earners—in the UK, 51 per cent of tax relief is garnered by the top 10 per cent of savers.³¹ The 'matching funds' approach could offer, by contrast, a

²⁹ In an otherwise acute discussion of pension finance, Nicholas Barr simply assumes that all future payments would have to come from labour income, omitting capitalists' claims on future income and ignoring capitalists' consumption. See *The Welfare State as Piggy Bank: Information, Risk, Uncertainty and the Role of the State*, Oxford 2001, pp. 149–56. Of course, from a Marxist standpoint returns to capital stem from the value workers create collectively. But this does not seem to be Barr's reasoning. If it was, the Meidner approach would simply be about 're-appropriation of surplus value', or *Wertfassung* as the German Independent Socialists (USPD) of the 1920s called it. (It is quite likely that Meidner, a refugee from Nazi Germany, knew about the policy of *Wertfassung*, which required companies to issue shares gratis to social funds, and was influenced by it.)

³⁰ 'Special Report: The Economics of Saving', *The Economist*, 9–15 April 2005.

³¹ Gerard Hughes and Adrian Sinfield, 'Financing Pensions by Stealth', in Hughes and Stewart, eds, *Reforming Pensions in Europe*, pp. 163–91, 182.

progressive incentive to personal savers by offering matching funds up to the annual limit. This would enable them to build on the universal entitlement which all would receive. At the same time existing tax relief could be reduced or abolished, yielding extra revenue to national treasuries (in the UK the annual tax lost because of pension relief is worth around £13 billion, in the US over \$100 billion, or five times the size of the farm subsidy).

The regional funds would be administered, I have urged, by accountable boards of management who would have the power to vote the shares of which they were custodians. However, all such boards would be bound to follow actuarially fair rules of distribution and would be subject to independent audit. While every citizen would have an equal claim to the proceeds of the funds at regional and EU level, the national reserve pension funds could be available to strengthen existing public or occupational schemes that were in difficulty. In the UK a Pension Protection Fund has been set up but, as noted above, it has woefully inadequate resources and will not be able to offer a full indemnity to employees who have lost their pension rights because of the failure of their employer. In France and Italy there are also fragile occupational schemes which need the backup that could be furnished by the national pension reserve. The social funds would receive a sample of the shares of all companies with significant undertakings in their state and would acquire increasing influence over them. This would avoid the currency risk run by pension funds today in the Netherlands and elsewhere which have extensive holdings in non-EU assets.

I have been able to calculate that if the share levy were applied in the US or UK, then at the end of a 25-year period it could be expected to build funds that would generate revenues worth about 2 per cent of GDP.³² There is reason to believe that the yield could be very much the same in Europe. Two per cent of GDP would, by itself, cover only about half of the pension-funding gap that I identified above. Nevertheless it represents a very significant contribution and would help to reduce the funding problem to more manageable proportions. (As noted above, the entire budget of today's EU only comprises 1 per cent of GDP.) Other revenue sources which could be tapped to boost social and educational

³² See 'The Pension Gap and How to Fix It'; and 'How to Rescue a Failing Pension Regime'.

expenditure include a tax on increases in the value of commercial land and a tax on fossil fuels. Together these levies and taxes would ensure that corporations helped to finance the social fabric on which their operations entirely depend, and give all citizens a share in the fruits of economic advance.

Europe will, of course, be better able to dedicate itself to saving and improving its welfare arrangements and educational provision if it does not allow itself to be dragged into us military adventures. Washington's bellicosity is itself prompted by the desire to distract us citizens from grave social problems and ballooning inequality at home. Europe should aspire to a quite different model, both for its own people and in its relations with the rest of the world. Developing some welfare ties at a continental level, binding together old and new members, would help to build the civic confidence which might underpin a more generous approach to overseas development, and a sense of common citizenship that could support an independent and progressive foreign policy. On the other hand, the specific measures which I have advocated would certainly not solve all problems or usher in the ideal society. Nor are they socialism. But they could help to meet the revenue needs of social programmes, especially those related to the ageing society, and they could build social funds that were both accountable and well-informed, thus redressing some of the information asymmetries of 'grey capitalism'. This would be a help so long as it was understood as a complement to, not a substitute for, progressive legislation, effective trade unions, vigilant social movements and active citizens.