

THE TRADE UNION CYCLE

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I

THE POWER OF UNIONS OVER THE BUSINESS CYCLE

The current economic crisis has shaken the positions of labour unions within the EU. The underlying trend of globalization that also weakens Western trade unions was reinforced by the recession.

The power of trade unions typically tends to grow during economic booms and to fall during economic recessions. In order to explain this trend we first have to understand the phenomenon of the business cycle.¹ Artificial booms are triggered by the credit expansion of the banking system. Artificially low interest rates induce entrepreneurs to start more and longer investment projects than cannot be sustained by the available amount of real savings. There is a distortion between the behaviour of savers and that of investors. Entrepreneurs start more projects than savers are willing to sustain. Particularly, capital-intensive sectors are expanded during the boom due to the artificially low interest rates.

Resources are shifted into these expanding sectors. At some point it becomes obvious that the boom is only financed by newly created money and is not sustained by real savings. The erroneously started investment projects have to be liquidated or restructured. Factors of production have to be shifted into the sectors where consumers really want them.

In the recent cycle there was an overexpansion of highly capital-intensive sectors such as the construction sector and the automotive sector that attracted factors of production including

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¹ For an encompassing treatment of the causes and consequences of business cycles see Huerta de Soto, J. (2009): *Money, Bank Credit, and Economic Cycles*, Mises Institute, Auburn, Ala.

workers. Workers are employed in jobs that produce goods that consumers do not want as urgently as other goods. Thus, the workers must be transferred into sectors that are in line with consumer preferences for the economy to recover.

In order to achieve this, it is of the utmost importance for factor markets to be flexible. If factor markets are not flexible, factors of production such as labour will remain unemployed. Thereby, consumption is reduced, harming other companies that have to reduce costs and release workers, making the recession longer and harder than necessary.

What does all this imply for the power or influence of trade unions over the cycle?

There is a union power cycle over the course of the business cycle. During the boom the credit expansion ultimately raises prices and wage rates. Workers are attracted into the booming capital-intensive sectors by higher wages. In such circumstances trade unions may sell themselves as defenders of workers' interests and demand higher wages in all industries without being too disruptive. Indeed, wages will be bidden up due to the increasing money supply. Labour unions may seize the opportunity and portray them as the «cause» of wage increases even though the wages had increased without them.

The environment for trade unions changes dramatically during a downturn of the business cycle. During the boom workers are shifted into sectors where they should not be. In the recession they are set free. Workers try to find jobs in sectors where consumer preferences demand them to be at wage rates that make their employment profitable. For a fast recovery it is therefore essential for labour markets to be as flexible as possible.

Trade unions make labour markets more inflexible and raise the cost of labour, thereby disturbing the vital adaption of the structure of production during recessions. The public tends to understand that trade unions act as a disturbance during recession times.

Moreover, due to inflexible labour markets, unemployment increases. At all times, when unemployment increases, the position of trade unions is threatened as they lose members and are attacked by public opinion. People tend to grasp that unions make it more difficult for the unemployed to find new jobs as their policies make

labour markets more inflexible. As unemployment increases pressure rises on trade unions to be less dogmatic and allow for some flexibility to enable unemployment to be reduced.² What are needed are new jobs and flexibility and not labour unions demanding labour protection or hurting companies by strikes.

There are therefore three main factors that put pressure on unions during recessions:

- They are regarded as an obstacle to the readjustment of the economy.
- They are regarded as the cause of prolonged unemployment.
- They lose members due to the increase in unemployment.

We will now take a look at different countries of the European Union to illustrate and support our theoretical findings.

1. German unions during the recent crisis

During the crisis the German Union Federation (DGB) as well as other unions proved to be very cooperative. In fact, German unions were accused by the extreme left of cooperating with the class enemy.³

Unionists invited chancellor Merkel to the traditional first of May meeting of 2009 and even praised employers for their successful cooperation. They unconvincingly threatened to protest if there were massive job losses.⁴

² See Riexinger, B. and Sauerborn, W. (2009): «Weiter so – oder Krise als Chance?» Diskussionsbeitrag des AK Weltwirtschaftskrise ver.di Baden-Württemberg, accessed at <http://www.gew-hb.de/Binaries/Binary9852/Gewerkschaften-Weltwirtschaftskrise.pdf> on 10 October 2010, for the claim that approval rates for German unions increased during the crisis. This increase was caused by their cooperative behaviour.

³ Henning, D. (2010): «German Trade Union Congress Closes Ranks with Government and Employers», World Socialist Web Site, accessed at <http://www.wsws.org/articles/2010/may2010/germ-m22.shtml> on 10 October 2010 or Rucht, D. (2009): «Ruhe ohne Sturm», Taz.de, accessed at <http://www.taz.de/1/debatte/kommentar/artikel/1/ruhe-ohne-sturm/> on 10 October 2010.

⁴ Die Zeit (2009): «Die Gewerkschaften sind zurück», accessed at <http://www.zeit.de/2009/19/Gewerkschaften> on 10 October 2010.

At the same time, union membership has kept falling as it has done for two decades. The situation is severe as unions are failing to attract new members among the young workers. Due to globalization they have been paralysed in the face of job losses, a reduction in social security, part-time work etc. German unions themselves acknowledge their predicament.⁵

During the crisis there was indeed no alternative to a pragmatic stand despite their obligatory interventionist rhetoric. If German unions had proved to be more inflexible, they might have completely lost their already-fading support in the population. Moreover, it was in their interest to cooperate and extend part-time work in many companies, thereby preventing unemployment. Unemployment would have accelerated their loss of members.⁶

The cooperative stand during the crisis led to an increased trust of the public in the unions. German unions tried to capitalize on their earned political capital during the recovery and demand higher wages.⁷ The German economic recovery is occurring faster than in other European countries because German unions reacted prudently, the government did not interfere too much with the restructuring of the economy by employing Keynesian measures, and the distortions had been less than in other European countries in the first place. Therefore, German unions will be better off relative to their fellows in countries where the crisis continues to put pressure on labour markets and unions.

⁵ Riexinger, B. and Sauerborn, W. (2009): «Weiter so – oder Krise als Chance?», ver.di.

⁶ Wisdorff, F. (2009): «Warum die Krise den Gewerkschaften nicht hilft», *Die Welt*, accessed at <http://www.welt.de/wirtschaft/article3708896/Warum-die-Krise-den-Gewerkschaften-nicht-hilft.html> on 10 October 2010.

⁷ DPA (2010): «Gewerkschaften fordern nach der Krise höhere Löhne», *Handelsblatt*, accessed at <http://www.handelsblatt.com/newsticker/unternehmen/gewerkschaften-fordern-nach-der-krise-hoehere-loehne;2644517> on 10 October 2010.

2. Spanish unions during the recent crisis

Spanish trade unions are in a slightly different position from German ones. Traditionally, they have more power than German unions. They are more leftist and faced with a socialist government that has close ties to them.

Spanish trade unions were quite calm during the crisis. They were even accused by the extreme left of disappearing, and of being associated with the government.⁸

There are several reasons for this behaviour beside their close political ties to the government. Spanish trade unions lost members massively during the crisis and had to become more pragmatic, even though, in their rhetoric, they opposed the austerity measures.⁹

In addition, the rise in unemployment put trade unions on the defensive. Spanish unemployment rose more than that of other EU states. An inflexible labour market and unions were made responsible for the surge in unemployment by public opinion, which rose against trade unions. The public wanted unions to cooperate and not pose obstacles to the recovery. Fewer people showed up at union protests.

Another reason for the calmness of Spanish unions was an increase in their subsidies during the crisis.¹⁰ Thus, only hesitantly and half-heartedly did Spanish unions organize a general strike on 29 September 2010 against austerity measures and a labour market reform.

The strike might well be considered a fake strike. The unions knew they would not change the government's decisions. The

⁸ Publico (2008): «Qué papel juegan los sindicatos en la crisis?», accessed at <http://www.publico.es/dinero/178995/-que-papel-juegan-los-sindicatos-en-la-crisis> on 10 October 2010. See also López M. (2010): «Los sindicatos en crisis: "Corren malos tiempos, compañeros"», *Elconfidencial.com*, accessed at <http://www.elconfidencial.com/espana/sindicatos-crisis-corren-malos-tiempos-companeros-20100619-66657.html> on 10 October 2010.

⁹ GEES (2009): «Los sindicatos y la crisis», *Libertaddigital.com*, accessed at <http://www.libertaddigital.com/opinion/gees/los-sindicatos-y-la-crisis-47593/> on 10 October 2010.

¹⁰ Cuesta, C. and Mazo, E.S. (2009): «Zapatero mima los sindicatos en plena crisis económica», *Expansion.com*, accessed at <http://www.expansion.com/2009/04/23/economia-politica/1240522196.html> on 10 October 2010.

reform of the labour market did not introduce any important changes. The «reform» seems to be more important than it is through the union's protest.

The general strike was sometimes considered a strike against the opposition. The government, indeed, had an interest that the strike would not be a total failure. The Spanish government had to show to markets that they really had made some reforms that hurt.¹¹ A general strike would show that they really had done their homework, even though in reality this was not the case.

Participation in the strike was weak and the media considered it a failure on a day when unions had called for strikes throughout the European Union.¹² Why would one not go to work, if one fears for one's job and an increasing number of people are out of work? A dubious result of the strike was that union subsidies were maintained.

Because of the Keynesian policies of the government and the inflexible labour market the Spanish economy will take more time to recover. Consequently, the pressure on the Spanish trade unions will continue.

3. French and Italian unions during the recent crisis

In France and Italy, there was no general and strong rise of organized labour. Indeed, during the crisis unions did not have much leverage. When factories are closed anyway, the threat of striking and halting work is not worth much.¹³ In Italy unions were accused by the extreme left of organizing fake protests and strikes. During

¹¹ Mallet, V. and Pignal, S. (2010): «Unions Across Europe Protest Over Cuts», *Financial Times*, accessed at <http://www.ft.com/cms/s/0/98a76e72-cb9b-11df-a4f5-00144feab49a.html> on 10 October 2010.

¹² De la Varga, J. (2010): «La huelga general en la prensa: “fracaso general”, “impacto moderado”, “coacción” y “violencia” los referentes», *Forum Libertas.com*, accessed at http://www.forumlibertas.com/frontend/forumlibertas/noticia.php?id_noticia=18055&id_seccion=6 on 10 October 2010.

¹³ Bennhold, K. (2008): «French Unions Losing Influence in Downturn», *New York Times*, accessed at http://www.nytimes.com/2008/12/26/business/worldbusiness/26union.html?_r=2 on 10 October 2010.

the worst time of the crisis unions and employers actually worked together in attempts to secure help from the government.¹⁴

Fiat is an interesting case that demonstrates once again the weakness of trade unions during recessions in a globalized world. Fiat promised to invest in its Italian plants and create jobs in exchange for a change in work rules, namely reduced sick leave and no strikes after agreements.¹⁵ In the recovery from a severe crisis, the position of trade unions continues to be weak. Employers want to increase production and can do so in several locations at home and abroad. Thereby, they can gain concessions from trade unions.

4. Irish and Greek unions during the recent crisis

In Ireland and Greece unions were also accused by the extreme left of collaborating with the governments and employers.¹⁶ Unions were seen as an industrial police force helping to impose austerity measures.

In Ireland, unions had a long tradition of being pragmatic, in favour of tax cuts, reducing strikes and thereby attracting foreign capital. During the financial crisis, Irish unions continued to be responsible and even called off a strike, sending a signal that unions would not be an obstacle to austerity measures. Without austerity measures both Greece and Ireland most probably would have had to default on their debt and opposing unions would have had to share the blame.

¹⁴ Colin, M. (2009): «Italian Government Granting Fiat, Union Assistance in 10 Days», *The Car Connection*, accessed at http://www.thecarconnection.com/martyr-blog/1018181_italian-government-granting-fiat-unions-assistance-in-10-days on 10 October 2010.

¹⁵ Forden, S.G. (2010): «Fiat Tests Union Strength in Shift to Worst Plant», *Bloomberg*, accessed at <http://noir.bloomberg.com/apps/news?pid=newsarchive&sid=aiLTCDnOFkqk> on 10 October 2010.

¹⁶ James, S. (2010): «Irish Unions Seek New Partnership with Government-Employers Against Working Class», *World Socialist Web Site*, accessed at <http://www.wsws.org/articles/2010/mar2010/irel-m06.shtml> on 10 October 2010. Salzmann, M. and Stevens, R. (2010): «The Greek Trade Unions: Partners in the Government's Austerity Program», *World Socialist Web Site*, accessed at <http://www.wsws.org/articles/2010/feb2010/gree-f27.shtml> on 10 October 2010.

In Greece, the socialist government faced bankruptcy and introduced severe austerity measures. Union leaders publicly acknowledged that Greece was facing severe problems. Unions limited themselves to calling for sporadic strikes to demonstrate their indignation about the situation to appease frustrated workers. However, they were not fundamentally opposed and even said that they were willing to accept tough measures if they were just.

The accusations from the left do not take into account that unions in a severe recession in a globalized world have no alternative than to be cooperative. With rising unemployment they lose members and cannot pressure strongly multinational companies that can just switch their production abroad.

In sum, European unions have reluctantly accepted the anti-crisis measures of European governments. In a time of rising unemployment they were seen as obstacles to the recovery; they basically had no other choice. Their ideology is not changing, at least not their basic leftist rhetoric. However, their strategies are becoming more adapted to their weaker position, i.e. they are becoming more cooperative. Slowly their ideology may also be moving towards a more moderate position.

II

INTERACTIONS BETWEEN TRADE UNIONS IN THE EU WITH UNIONS FROM «EMERGING ECONOMIES»

1. Contradictions in union ideology

A long-term factor undermining the power base of trade unions in the EU is globalization. Long before the crisis there was an important loss in power for European trade unions. Emerging economies have been opening their economies and introducing free market reforms. The economic growth in these countries has been astonishing and is continuing to be so.

Manufacturing jobs have been transferred from Western nations to emerging countries. Thus, the positions of Western trade unions toward emerging countries have often been hostile,

revealing a contradiction in union ideology and workers' interests.¹⁷

Union ideology is based on the Marxian class theory, which identifies an irreconcilable conflict of interest between the working class and the capitalist class (employers). Supposedly members of the working class and members of the capitalist class each share the same interests while the interests of the two classes are opposed.

In reality, there are opposing interests within each «class». Businessmen compete with each other. They also compete to obtain the best workers at the best prices. At the same time, workers compete with each other to acquire the best jobs at the best companies.

In addition, workers and businessmen both share the interest that their companies flourish. Thus, the conflict of interest on which trade union ideology is based is artificial. Workers compete with each other and compete especially with the unemployed. One traditional strategy of trade unions in this context is to eliminate the competition of «unqualified workers» by imposing minimum wage laws.

The same competition between workers also occurs on an international level. Yet, unsurprisingly, Western trade unions have so far failed to impose minimum wage laws to remove the competition of cheap labour on the international level.

Emerging countries reveal the contraction in trade union ideology. There is a conflict between workers from different nations. On the international level unions tend to give up their Marxian class analysis. Thus, Western unions regard Chinese workers as competitors and protest against moving factories to emerging countries.

If a «class interest» of workers really existed, Western unions would welcome the shift of factories to emerging countries

¹⁷ See for instance, IG Metall (2004): *Offshore? Total Global?*, München. This publication of a German trade union opposes globalization and implicitly the creation of jobs in emerging countries. Similarly, US unions wanted to keep China out of the WTO in order to impede competition and implicitly the rise in living standards of Chinese workers. See Nyhan, P. (1999): «Labor Unions Ready to Fight Hard to Keep China out of WTO», *Seattle Post*, accessed at <http://www.seattlepi.com/business/chi09.shtml> on 10 October 2010.

because fellow workers could profit from industrialization. Yet, unions just defend the short-term interests of workers with jobs in their country against potential competitors from the inside and from the outside.

2. Globalization and the power of trade unions

Globalization and the rise of emerging economies put pressure on Western wage rates and labour standards, and thereby on trade unions. Trade unions must allow for more flexibility in labour markets and cannot push through exaggerated wage increases as these would cause an immediate transfer of jobs to emerging countries.

Trade unions are thus in a dilemma. Either they have to disappoint their traditional members and allow for more flexibility or they cause massive job losses to emerging countries, causing opposition from the general public and governments. Globalization, thereby, has threatened both the ideological grounding of unions as well as their power.

We will now take a look at trade unions in the emerging markets, where in general union influence has also been declining and is much lower than in Europe.¹⁸

3. Cooperation with China

China is paradigmatic for the problems of possible cooperation between European unions and emerging market unions. In addition, China is crucial for unions as it is setting the global norm for working standards.¹⁹ With the lowest labour standards, China

¹⁸ Das, S., Kuruvilla, S., Kwon, H. and Kwon, S. (2002): «Trade Union Growth and Decline in Asia», *ILR Collection, Articles & Chapters*, Cornell University, accessed at <http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1216&context=articles> on 10 October 2010.

¹⁹ Global Labor Strategies (2008): «Why China Matters: Labor Rights in the Era of Globalization», accessed at http://laborstrategies.blogs.com/global_labor_strategies/files/why_china_matters_gls_report.pdf on 10 October 2010. Working

is the standard of comparison for other countries. If unions in other emerging countries raise wages or labour standards (or if they are not lowered in Western countries), then these countries lose investments to China.

Unionists are beginning to understand that Chinese working conditions are indirectly connected to working conditions in their own country and union power. Thus, they maintain that a common worldwide union interest exists. They push for «human rights» and higher labour standards in China and oppose globalization.²⁰

In China there are no free unions. The state union ACFTU (All China Federation of Trade Unions) is a longer arm of the Government used to ensure «harmonious» relationships between workers and employers. In other words, European unions have to cooperate with the Chinese Government to attain their aims of higher labour standards and wages in China.

As Western unions begin to understand the importance of China for international labour standards there is a change in strategy of trade unions from non-interference to attempts at cooperation.²¹ Thus, the German federal union DGB tried to intensify contact with the ACFTU. The International Trade Union Confederation announced in December 2007 the end of its critical opposition and initiated a dialogue.

China cannot be ignored any more as it is a powerful drag on union power and labour standards around the world. Thus, the DGB wants harmonization of labour standards and no «competitive» disadvantages for Germany.

As Anne Sander writes:

The adjustment of labour standards worldwide is presented as an instrument to both preserve German jobs and fight for social

or labour standards are interpreted in this article as all the privileges trade unions have obtained, the regulations that make labour markets inflexible and government subsidies interfering with a free labour market.

²⁰ IG Metall (2004): *Offshore? Total Global?*, München.

²¹ Sander, A. (2009): «German Trade Unions and China: From Non-Interference to Cooperation?», Hintergrundinformationen, EU-China Civil Society Forum, accessed at http://www.eu-china.net/web/cms/upload/pdf/materialien/eu-china_2009_hintergrund_09.pdf on 10 October 2010.

justice in developing economies. Following this approach, the IG Metall [German union] has focussed on implementing minimum standards and tried to establish trade union cooperation.²²

However, one has to understand that the competitive German disadvantage is a competitive advantage from the point of view of the Chinese Government in control of the ACFTU.

It is not in the interest of the Government to choke economic export-led growth by introducing higher labour standards and giving more power to trade unions. In fact, the Chinese Government has demonstrated for a long time through its exchange rate policy against strong international pressure that it wants export-led growth. Accordingly, it will not risk this growth by raising labour standards.

The Chinese Government needs growth in order to satisfy its workers and allow people to come from the countryside to work in the industrial areas. In this line, the Government has repeatedly stated the importance of free trade. It cannot allow a rise in labour standards to cause unemployment as this would result in social unrest. China's political elite needs continuously rising living standards to contain social unrest. In fact, during the crisis, when some factories were closed, social unrest was a threat.²³

In addition, local Chinese Governments do not want to scare investors and use their autonomy to compete with low labour standards.²⁴ Chinese workers want neither problems with their management nor higher labour standards. They only want jobs and see their real wages progress anyway. Many understand

²² Sander, A. (2009): «German Trade Unions and China: From Non-Interference to Cooperation?», EU-China Civil Society Forum, pp. 5-6.

²³ Wong, S. (2008): «Impacts of the Financial Crisis on Labour Conditions in China», *Werkstatt Ökonomie*, accessed at http://www.eu-china.net/web/cms/upload/pdf/materialien/wong_2008_impacts_of_the_financial_crisis.pdf on 10 October 2010.

²⁴ Grassi, S. (2008): «Die neuen Aufgaben der chinesischen Gewerkschaften», *China Aktuell* 1/2008, accessed at <http://www.ak-rlp-fujian.de/08-01-grassi-fokus-gewerkschaft.pdf> on 10 October 2010. Recently, the government has been less hard on strikers. See *The Economist* (2010): «The Rising Power of the Chinese Worker», accessed at <http://www.economist.com/node/16693333> on 10 October 2010.

that higher labour standards would threaten their jobs and only benefit unions in industrial countries.²⁵

The logic of competition in a globalized world, thus, ensures that labour standards remain low in emerging economies. Moreover, the movement of Chinese labour from the countryside to the cities maintains downward pressure on wages.

Obstacles to cooperation with Chinese unions:

- it is not in the interest of Chinese workers
- it is not in the interest of the Chinese Government (local and central)
- European unions have been hesitant to cooperate with a state union.

4. Cooperation with other emerging economies

In other emerging economies the situation is similar. Unions have lost members and influence in emerging economies such as the Philippines, India, Thailand, Vietnam and Brazil.²⁶ The story is basically the same as in China.

European trade unions understand that the competition from emerging countries poses a threat to their power.²⁷ Thus, they want to «cooperate» and harmonize labour standards. Their cooperation efforts mainly concentrate on building networks, participating in campaigns such as «Fair Play» and spreading their socialist ideology.²⁸ Yet, there is still no coherent and promising strategy.

²⁵ Wisdorff, F. (2007): «Wie die IG Metall Sozialstandards in China prüft», *Die Welt*, accessed at http://www.welt.de/wirtschaft/article915446/Wie_die_IG_Metall_in_China_Sozialstandards_prueft.html on 10 October 2010.

²⁶ Datt, R. (2008) «Emerging Trends in Trade Union Movement», *Mainstream XLVI*, n.º 20, accessed at <http://www.mainstreamweekly.net/article678.html> on 10 October 2010.

²⁷ Greven, T. (2008): *Competition or Cooperation. The Future of Relations Between Unions in Europe and the United States*, Briefing Paper 07/2008, Friedrich Ebert Stiftung.

²⁸ Friedrich Ebert Stiftung (2010): «Regional Trade Union Program Asia-Pacific», accessed at <http://www.fes-asia.org/pages/regional-programs/regional-trade-union-program-asia-pacific.php> on 10 October 2010. Institutional cooperation is proving to be difficult. The International Trade Union Confederation is dominated by industrial nations with the exception of Brazil.

Indeed, emerging markets' governments do not want to threaten the benefits that globalization brings to their citizens. By raising labour standards international companies would leave for competing countries. Thus, it is not in the interest of emerging countries' governments and workers to give up their competitive advantage and increase labour standards.

The economic crisis has not changed this trend. After the crisis the global economic situation is still delicate and there is a danger of falling back into the recession. Unions in emerging countries cannot cooperate in the way European unions want them to cooperate. Either they are directly controlled by the government or restrictive labour legislation by governments has taken privileges away from unions. Emerging markets' unions tend to side with the interests of their governments and workers.

III

IMPLICATIONS FOR THE EU AND GLOBAL ECONOMIES

Trade unions will continue to lose influence. The long-term trend of globalization and the competition of workers from emerging countries are undermining the power of Western trade unions. They cannot yield the same influence as before without threatening massive resistance and job losses.

Trade unions are driven by globalization. They have to give in to the flexibilization of labour markets and moderate collective wage settlements. Otherwise, they will speed up their own destruction.

The long-time loss of the influence of trade unions due to globalization has been accelerating recently due to the crisis. In recessions trade unions come under pressure because they represent a main obstacle to a fast recovery and are perceived as such. They oppose reforms of labour markets but increasing unemployment puts them under pressure.

During the present crisis cooperation and the fragile recovery are becoming even more difficult as each country has to deal with unemployment. Emerging countries need export growth and cannot allow for «cooperation». Thereby, the crisis throws back

and slows down cooperation. Everyone has to look to their own interest and survival first.

The only way out of the long-term downward trend for trade unions is globalization of the trade union movement and the institution of an effective worldwide cartel of trade unions. Only in this case would the competitive pressure from emerging markets on Western labour units be remediated. There have been some recent attempts at collaboration initiated by Western unions, yet there have been no strong results.

The problem for trade unions is that their interests are simply too diverse. Applying the same or similar legal labour conditions and minimum wages in emerging economies as in the EU would put emerging market workers out of their jobs. Their productivity is not high enough. They are not equipped with the same capital or education as European workers. Trade unions from emerging countries, therefore, will not cooperate closely with EU trade unions. Their interests are directly opposed. Consequently, the influence and power base of EU trade unions is destined to continue to fall.

In order to stop this trend, unions would have to win the battle of ideas over globalization. All over the world ideas tend to favour the division of labour and free trade, i.e. globalization, because their benefits are obvious and strong.

It is true that free market ideas have been under attack due to the crisis.²⁹ Yet, the attacks have been aimed more at financial institutions and greedy bankers. The general idea of free trade is still generally accepted. The problems that tariffs caused in the 1930s are still remembered. Maybe the currency wars appearing on the horizon will eventually change the picture. However, up to now, unions have failed to paint an attractive alternative to globalization.

Unions are in search of such an alternative vision.³⁰ They would have to convince emerging markets' workers not to compete with

²⁹ See Erne, R. (2010): «European Unions after the Crisis», second draft for book chapter – on the prospect of a counter-movement against the marketization of society – for the forthcoming *Festschrift for Colin Crouch* ed. by L. Burroni, M. Keune and G. Meardi, *Economy and Society in Europe: A Relationship in Crisis*, Edward Elgar, Cheltenham, forthcoming, accessed at http://ucd-ie.academia.edu/documents/0143/7638/Roland_Erne_2010_European_Unions_after_the_Crisis.pdf on 10 October 2010.

³⁰ See Erne, R. (2010): «European Unions after the Crisis».

European workers and live in autonomy, as before globalization. Yet, after the failure of communism this task is difficult. The picture of central planning is not appealing any more. Autonomy, closed borders and a restriction of trade are not appealing either.

How could autonomy be painted attractively? Maybe the invocation of strong nationalist feelings might help to draw such a vision, but currently ideas broadly condemn nationalistic and especially national socialist dreams of autonomy.

As unions cannot paint autonomy as an appealing vision they will have to stick to the picture and logic of free trade. Once they implicitly accept the benefits of globalization and free trade that are obvious to the general public, unions will have lost the battle of ideas. They will continue in a defensive uphill battle and continue to lose power. Only if they change their ideology and start to defend the real interests of workers by favouring free markets, savings and capital accumulation may they regain importance.

If they do not change their ideology their power will continue to fall. Labour markets will become more flexible and wage accords will be more moderate. As a consequence, the role trade unions play in society will keep falling and unemployment may be reduced. This may help to reduce public deficits and boost economic growth both in Europe and in the emerging markets.

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