

Euro crisis - urgent need to build a socialist alternative

The leaders of the European Union (EU) are desperate for a way out of the crisis in the eurozone. Political quarrels between different capitalist politicians have caused a decision on the eurozone's

next steps to be postponed at least until 26 October. As the crisis gets deeper, new conflicts have arisen in Italy and even in Britain, which is outside the zone.

In this analysis, an update of an article written for November's *Socialism Today*, Robert Bechert examines both the crisis and the test it poses for the left.

“The Euro should not exist (like this)... Under the current structure and with the current membership, the euro does not work. Either the current structure will have to change, or the current membership will have to change,” said a statement in September by leading Swiss bank UBS.

This blunt statement brutally summed up the deepening crisis in the eurozone that threatens not only the European economy but could even help trigger a dreaded “double-dip” recession worldwide. European governments face a potentially massive crisis with no easy way out, as long as capitalism remains.

At the recent G20 meeting, one minister warned of a “world of pain” if no solution was found. Desperate attempts are being made to patch up such a ‘solution’, however temporary. Governments and EU institutions, seen as helpless and incapable of putting forward a solution, increase popular fears of what lies ahead.

This is not an abstract crisis. The eurozone disarray is adding to the misery facing many workers and youth across Europe. Living standards are falling, inflation is rising, and unemployment increasing in many countries.

Cuts in services and wages are widespread. In Greece, currently the worst hit country, the vast bulk of the population is suffering “planned tax increases and spending cuts for 2011 ... equivalent to about 14% of average Greek take-home income” according to the *Financial Times*. Europe faces a possible banking and financial meltdown that could paralyse much of the ‘real’ economy.

Governments, inside and outside the eurozone, now see the devastating impact that a sudden Greek default could have throughout the international financial system. This made the main eurozone countries attempt again to defuse the situation.

Banks in crisis

Many banks face a critical situation and the European Central Bank (ECB) again tried to prop some up. In October, the Belgian-French Dexia bank collapsed and was nationalised. One reason for Dexia's collapse was its exposure to Greek government debt, estimated at 39% of its equity capital. But this was not unique. This summer the comparable figure at Germany's second biggest bank, Commerzbank, was 27%.

Dexia's collapse was a wake-up call. It would be very expensive to maintain a financial firewall around Greece should it suddenly default. For now, discussion of forcing Greece to leave the euro has stopped.

If Greece or other weaker countries were kicked out of the single currency massive collateral damage could follow across the international banking system. Other governments tried to stem the crisis by making Greece's creditors accept that they will actually get less of their loans back. The banks, of course, would attempt to offload the cost onto taxpayers and customers.

Andreas Schmitz, head of German banking federation BdB warned politicians not to declare “war” against banks. He said that the 15 October



Angry Greek pensioners protest at the fierce austerity measures

anti-bank protests were “a diversion from the fundamental problem: that we can no longer finance our welfare states”.

Any capitalist solution that Europe's ruling classes attempt would run up against growing popular opposition in all countries to the idea of underwriting other countries' banking debts. Falling living standards in most countries and the bitter understanding since 2007/8 that much of the bailout will actually end up in the hands of the banks and finance markets also fuel the opposition.

The tensions inherent within the eurozone will increase, especially when there is no immediate prospect of sustained economic growth. There is rising anger among workers, youth and the middle class as the crisis bites deeper. This is the reason for the unpopularity of most European governments and the mass demonstrations and strikes in many countries.

Determined struggle, or a very serious economic or social crisis may force governments to make temporary concessions, but generally the ruling classes will be forced by their system's crisis, at best, to hold down living standards.

The CWI - the socialist international organisation to which the Socialist Party is affiliated - warned before the euro's launch that it would not lead to unity. It would break down as a result of clashes between the rival national capitalisms and, in the absence of a workers' alternative, strengthen nationalism. What develops will depend on the character and policy of the opposition movements, particularly what the workers' movement does.

In some countries, right-wing populists have, in the absence or weakness of left parties, made electoral gains by combining taking up some social issues with nationalist based anti-EU and anti-migrant slogans.

In Greece overwhelming opposition to the cuts and the country's downward spiral created a potentially revolutionary situation but, so

far, there is no mass-based genuinely socialist force that can give concrete direction to the movement.

Unfortunately the response of the workers' movement's official leadership has been limited, with most of the pro-capitalist trade union leaders only organising action when they are pushed from below. Even when actions are organised, the trade union leaders try to restrict them to symbolic actions and strive to avoid them becoming steps in a serious struggle.

Trade unions reluctant

The trade unions and many left parties seem reluctant to challenge the EU or euro itself, a position sometimes justified by pointing to the EU's right-wing nationalist opponents. Socialists explain that the EU is not a step towards socialist internationalism but a club of capitalist nations run in the interests of big business and the big powers.

The largest grouping of European left parties, the European Left Party (ELP), talks of “refoundation” of the EU without mentioning any break with capitalism and, by implication, supports the continuation of the euro. But the EU, a complete capitalist institution effectively run by the major powers, is not a vehicle for either socialist change or democratic socialist planning.

The ELP's strongest parties, Die Linke in Germany, the Parti Communiste in France, Left Bloc in Portugal and Izquierda Unida in Spain, put forward some policies that socialists support, although often these are vague, loose formulations. However it does not link these together into an overall anti-capitalist, socialist programme.

Die Linke's demands on what the German government should argue at the October G20 finance ministers' meeting included worldwide strict regulation of “finance casinos” and a tax on financial transactions. However, these proposals cannot be fully implemented under capitalism. Die Linke also mentioned its call for public ownership of the banks, but

simply demanded measures that could be taken within capitalism.

Naturally, socialists argue for individual measures to immediately improve the conditions of working people and the poor. But such campaigns have to be accompanied by an explanation that such demands can only provide temporary improvement. Especially in this time of crisis, a socialist transformation of society is required. Without this explanation they are attempts to run this system in a ‘better’, ‘fairer’ way, and will ultimately fail.

For 40 years there has been a huge explosion of the finance markets. The figures are mind-blowing. In 2010 finance transactions in the EU were 115 times the EU's 12,300 billion euro GDP. All the political leaders bow to these markets, and often direct their official statements simply to them.

It cannot be ruled out that different capitalist nations, or groups of nations, may attempt to isolate themselves or place some controls on these markets, in effect clipping the speculators' wings in the wider interests of capitalism. But this would be no long-term solution. An attempt to go back to a system of fixed exchange rates would not, in the medium or longer term, prevent currency crises or forced devaluations.

There is now growing support for a tax on financial transactions (a ‘Robin Hood’ or ‘Tobin’ tax). Socialists would not oppose such a tax, but it would leave untouched the power of the huge financial and trading institutions that run these markets.

Similarly simply leaving the euro would not solve the problems of Greece or other countries. Socialists opposed the introduction of the euro and today support breaking its grip and that of the “Troika” - the EU, ECB and IMF - that effectively dictates what the Greek government should do. The key question in Greece is breaking with the capitalist system. Without this, living standards will fall for some time whether or not it stays with the euro.

Socialists would not oppose leav-

ing the euro but would firmly link it to a socialist policy of bank nationalisation. In the case of a single country breaking from capitalism, a state monopoly of foreign trade and exchange controls would be necessary as a defence from the international markets until a similar movement spreads to other countries.

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These steps, as part of a policy to bring the commanding heights of the economy into democratically run public control and ownership, would allow a start to be made in planning the use of economic resources for the benefit of all.

Much opposition to the EU centres on the privileges of its bureaucratic elite and the way it is run in the interests of the big countries and companies. Existing EU institutions, the EC, the ECB etc, are clearly agencies of the capitalist ruling class, incapable of surmounting capitalist limitations.

The task facing socialists is to argue for a socialist internationalist alternative to the pro-business EU, a voluntary socialist confederation of European states. Without this there is the danger that opposition will take a nationalist direction.

This new period of sharper struggles will provide an opportunity to rebuild the workers' and socialist movement, and to build the forces that can fundamentally change society, end the chaos and instability of capitalism and make poverty a thing of the past.

Socialism Today



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