A revealing decision by the European Union economic summit

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Every so often an event takes place which sends a beam of light through the fog of "free market" ideology that surrounds the operations of the profit system. Such an occurrence was the European Union's economic summit meeting decision in Barcelona last week to increase the European retirement age from 58 to 65.

Consider the implications of this move. After a reduction in the retirement age in the latter half of the 20th century, the leaders of European capitalism open the 21st by declaring that the average working life must be lengthened by almost 20 percent.

Why is this? It certainly is not because the pace of technological change and productivity increases has slackened. On the contrary, the far-reaching changes throughout the economy over the past 20 years associated with the application of computerised methods have led to major increases in productivity. This should lead, on the face of it, to expectations that the retirement age should be further lowered, not increased.

After all, if technology enables greater productivity, that is, a reduction in necessary working time, then this should bring more free time in which working people can enjoy their retirement years while still in relatively good health. Instead the opposite has taken place.

The origins of this contradictory result lie in the operations of the profit system in general and the specific issues confronting European capitalism.

Like all social services and welfare expenditures, pensions represent, in the final analysis, a deduction from the surplus value extracted from the working class and available to capital in the form of profit. Any decision to increase the retirement age and lessen pension benefits therefore represents a drive by capital to increase the rate of profit. During the post-war boom, when profits rates were rising, or at least stationary, capitalist governments were able to make social welfare concessions, including a general lowering of the retirement age.

But in the recent period, this tendency has been reversed, not only in Europe but in other parts of the world as well, indicating that despite significant increases in labour productivity, profit rates have tended to stagnate and even fall. Hence the drive to lift them by clawing back social welfare concessions made in the past.

Of course, there is no public discussion of the issue in these terms. If there were, questions would be raised about the profit system itself, pointing to the necessity for a reorganisation of the economy so that increases in labour productivity and the production of material wealth were reflected in improved social conditions, including a further reduction in the retirement age.

The obscuring of the social processes that lie behind this decision takes place through a tried and tested method. The lifting of the retirement age is presented as the inevitable outcome of natural processes. In this case, it is argued, this necessity arises from the aging of the population, which means that there are insufficient people of working age to sustain the pension systems of the past.

The real reason, however, is not a decline in the workforce, but the pressure on all capitalist governments to reduce corporate taxes, and consequently social welfare spending, in the struggle for markets, profits, and sources of investment funds.

In the case of the European Union, now in an increasingly bitter struggle with its global rivals, in particular the United States, this pressure is intensifying.

When the EU launched the euro as a single currency at the beginning of 2000, it was hoped that it would pose a formidable challenge to the US dollar as the premier international currency. However, after being launched at a rate of $1.17, the euro rapidly fell to parity with the US currency and then to around 90 cents. One of the chief reasons for this decline has been the flow of capital out of the eurozone seeking more profitable opportunities for investment in US financial and equity markets.

In order to arrest this flow and compete more effectively with its trans-Atlantic rival, the European Union unveiled a program of rolling economic "reforms" in Lisbon two years ago. The declared aim of the "Lisbon process" was to initiate measures that would make the EU the "most competitive and dynamic knowledge-based economy in the world" by 2010. In other words, in order to better compete in the battle to attract globally mobile investment capital, the EU determined that it had to undertake measures to lift profit rates across the continent.

Since the program was launched, political and military factors have resulted in added pressure for economic changes. There is growing concern in Europe—in the wake of the war against Serbia in 1999 and now the war on Afghanistan—that it is falling far below the US in terms of military capacity. Large increases in defence budgets will be needed if the European powers are to assert their interests on the international arena.

However, such increased military spending cannot be financed out of increased taxes—that would only worsen the EU's competitive position on the economic front—and so a concerted drive has begun to cut back social welfare provisions. The lifting of the retirement age is a step in that direction.

In implementing their program the capitalist politicians of the EU face major political problems—not least of which is the emergence of an anti-capitalist movement. While it was politically confused, the size of the demonstration in Barcelona at the conclusion of the EU summit—estimated at up to half a million and one of the largest protests ever seen in Spain—is testimony to the deepening hostility to the economic and political agenda of the European bourgeoisie.

The European ruling classes are faced with an acute political problem. On the one hand economic, and now military, considerations—the struggle to maintain their competitive position with regard to the US—dictate that they attack the social conditions of working people. On the other hand, in the face of growing anti-capitalist sentiments, they must try to maintain the fiction that there is some softer "European capitalism" not quite so "red in tooth and claw" as the American variety.

These political considerations were reflected in remarks quoted in the *Australian Financial Review* by John Palmer, the director of the European Policy Centre, described as "keen observer at Barcelona."

"There is no prospect of Europe adopting the American model in its entirety [because] the European welfare model is too deeply entrenched," he said. "What this process is doing is working out what the balance will be."

Such attempts to promote the illusion that social welfare measures can be maintained within a "European model" are aided and abetted by political groups such as Attac (Association for the Taxation of Financial Transactions for the Aid of Citizens). Operating as the left-wing of the European bourgeoisie, it calls for nationally-based regulations to prevent the development of "American" forms of capitalism.

The use of this type of anti-Americanism, aimed at trying block the development of an independent international movement against the capitalist system as a whole, has been seen before.

More than eighty years ago in his pamphlet *Imperialism*, Lenin pointed out that in the age of finance capital "'American ethics', which European professors and well-meaning bourgeois so hypocritically deplore," had become universal. (Lenin, *Collected Works*, Volume 22, p. 236)

What was true then is even more valid today. There is not some European versus American form of capitalism but rather the global domination of finance capital which presses upon each government its demands for the destruction of previous social welfare concessions in order to increase profits. This is the significance of the EU summit decision to lift the retirement age.