European reactions to the financial crisis

Covering tracks

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Many European workers who have lost their incomes, jobs or social security in recent years must be rubbing their eyes in surprise: "turbo-capitalism"—the supremacy of finance capital over every aspect of social and personal life—is an exclusively Anglo-American invention, which the governments of Germany and France have opposed for a long time.

There has been a flood of articles arguing this line in the German and French media in reaction to the international financial crisis. Authors who yesterday lectured workers to scale down their wage claims for the good of the finance markets are now outdoing one another in denouncing irresponsible and unscrupulous finance speculators.

The tone for such commentaries has been set by the heads of government themselves.

Last weekend, German Chancellor Angela Merkel accused the US government of major errors and obstructionism. She told the newspaper *Münchner Merkur:* "I criticise the casual attitude of the finance markets—unfortunately they have opposed voluntary regulations for a long time, with the support of the governments in Great Britain and the US." She went on to declare that she had made her own appeal for more transparency in money transactions and urged new rating systems for hedge funds—but these proposals had not received the support of the Anglo-Saxon alliance.

At a meeting in the Austrian city of Linz, Merkel also indirectly accused the Bush government of drawing other industrial nations into the credit crisis. His government had consequently converted agreed upon targets for the banking sector "into national law, well aware that this would antagonise small business layers." She continued: "And when the day came, the Americans said: Not us. This cannot be tolerated in the international sphere." The consequences must now be borne by taxpayers well beyond the shores of America and Great Britain, Merkel complained.

On Thursday, German Finance Minister Peer Steinbrück joined the fray and declared the US to be the source of the crisis. In a speech to the German parliament Steinbrück declared, "The world will never be the same ... the US will lose its status as the superpower of the global financial system."

On Wednesday, French President Nicolas Sarkozy spoke to the United Nations General Assembly in New York and demanded changes aimed at "speedily improving the morals of finance capitalism.... We have held back too long a time from the necessity of equipping the globalised world with institutions that permit its regulation."

Prior to his UN speech, Sarkozy attended a reception in one of the finance capital's top restaurants to accept the Elie Wiesel Foundation's "Humanitarian Award." He used the occasion to demand that "those responsible for the [financial] disaster be held to account and punished."

Among the 800 guests were a number of the president's richest friends from the business and financial elite, including the media and property magnate Martin Bouyges, who has financed a number of Sakozy's luxury holidays. The conservative newspaper *Figaro* commented afterwards that one should take Sarkozy's claims "with the necessary pinch of salt: No one can be identified as guilty of originating the crisis—or at least there are so many of them that it would be impossible to lock them all up."

The media—both left-liberal and conservative—have also just discovered the evils of "Anglo-Saxon finance capitalism." The following are just a handful of examples.

On September 23, *Spiegel-Online* published a long analysis by Wolfgang Kaden, who calls for a "fundamental change of course ... from an economy in which the masters of Wall Street dictate the rules to their own advantage; in which there are obviously no inhibitions, no more generally accepted frameworks with regard to realising the lust for acquisition."

"Anglo-Saxon finance capitalism" has increasingly characterised society during the past 10, 15 years, Kaden continues. The continuing growth in power on the part of investment bankers has led to a situation where "confidence by society in the business world has eroded appreciably. The competitive economy, so is the common impression, has degenerated into a community of greed, where one cheats and deceives, investors are stripped of their savings, billion-strong fortunes are created and destroyed out of obscure securities, investment bankers and executives are able to enrich themselves in an uninhibited manner."

On the same day the *Süddeutsche Zeitung* complained about the "unscrupulous and irresponsible members" of the finance industry: "On the basis of utterly risky speculations they risk the well-being of the whole world without understanding their own business or giving a hang about the consequences." It was a big mistake "to award the finance industry this destructive power in the first place.... A lack of control and an absence of regulation, particularly in the United States," made the crisis possible in the first place.

The French left-liberal daily *Libération* commented: "For over a decade the Taliban have ignored all warnings of the god-given finance market, ignored all contradictions and rejected any attempt at regulation. The result: the god-given market has given birth to a monster, which like Frankenstein is now out of control."

The conservative *Figaro* declared: "The fundamentalists of self-regulating capitalism, which corrects its own excesses, only to rise like a Phoenix once again from the ashes, must accommodate themselves to the public: With the current crisis the great theories of 'creative destruction' have reached their limits; without the intervention of the American authorities and the nationalisation of the rotten mechanisms the whole system threatens to implode."

In his UN speech, Sarkozy called for a "regulated capitalism ... in which entire ranges of financial activity are not left to the good will of market participators ... for a capitalism, in which banks finance economic development and do not speculate."

The illusion of "regulated capitalism"

The call for a form of "regulated capitalism—that can prevent risky speculative transactions, cutting down to size the power of finance capital and giving priority again to production and trade—runs like a thread through the comments and statements of the press and politicians of all stripes. But it is an illusion.

The clock of history cannot be rewound. The cancer-like growth of finance capital is not simply the result of wrong decisions by individuals. Greed and criminal intentions have certainly contributed, but these are rooted in social conditions that can only be overcome through a revolutionary transformation of society.

The deregulation of the financial markets, which began approximately 30 years ago, was the reaction of the capitalist class worldwide to the economic crises and class warfare of the 1960s and 1970s. The abolition of existing regulations and the development of new forms of speculation served to overcome falling profit rates. They were accompanied by non-stop attacks on the rights and living standards of the working class, and with an aggressive foreign policy that took on an increasingly military direction.

As at the dawn of imperialism in the last century, the development of capitalism leads inevitably to the growth of monopolies and to the dominance of finance capital. Already in those early years, the financial oligarchy span "a dense mesh of interlocking dependencies over absolutely all economic and political institutions of modern bourgeois society," Lenin wrote.

This financial oligarchy will not cede its powers voluntarily. It will not abandon its privileged positions without plunging all of society into the abyss. European governments know this and defend their interests, which is shown by the fact that they unconditionally support the so-called "rescue plan" of the Bush administration.

The finance ministers of Germany, France, Britain and Italy have refused to contribute to the $700 billion fund with which the US government wants to buy up the banks' toxic debts. However, in a telephone conference on Monday the governments of the seven leading industrial nations unanimously supported the Bush administration's plan and declared their unconditional readiness to undertake "anything" that can aid the stability of the international financial system.

The US government plan amounts to throwing open the state coffers to the banks for them to help themselves and to continue their orgy of enrichment. Until two years ago, the man who would now be responsible for dispensing the $700 billion, Treasury Secretary Henry Paulson, stood at the head of a Wall Street bank, and he has a private fortune of over half a billion dollars. It is as if "a drugs advisory service contracted with the drugs Mafia," wrote Nikolaus Piper in the *Süddeutsche Zeitung*.

It is completely disingenuous to present this plan as being a step towards restraining finance capital or the nationalisation of the banks. The whole affair more closely resembles the privatisation of the state itself, which is offering up its resources for finance capital to plunder.

Covering tracks

The campaign against "Anglo-American finance capitalism" by European leaders serves primarily to cover their own tracks. It would have everyone forget that German governments under Gerhard Schröder and Angela Merkel and French governments under Jacques Chirac and Nicolas Sarkozy all praised this "turbo-capitalism" for many years as the model to adopt. In Germany, the reform of labour laws, the deregulation of the jobs market, the cutbacks in spending on social programmes and health, the constant lowering of workers' wages and the increase in top manager salaries was always justified by saying it was necessary to create an attractive climate for international investors.

Moreover, the European banks have shown no reluctance in engaging in risky speculative transactions themselves. It was not so long ago that the head of Deutsche Bank, Josef Ackermann, wanted to completely abandon the so-called High Street business and concentrate exclusively on investment banking. Today he can be glad that he did not succeed. The Deutsche Industriebank (IKB) has squandered away billions in US real estate. The government has since pumped up IKB with taxpayers' money and is now looking to dispose of it at a bargain basement price to the US private equity fund Lone Star.

Increasingly, economic experts believe that the financial crisis will develop into an international recession. The chief strategist of the major French bank Société Générale, Albert Edwards, told finance daily *Handelsblatt*, "The result will be a deep recession, and there's not much that one can do about it." The recession, according to Edwards, will not only hit the US and Britain, but also parts of the euro-area as well as developing countries, which would be affected dramatically by the decline in demand for export goods.

In view of the expected effects of a serious recession, the governments of Germany and France see value in putting some distance between themselves and Wall Street, at least as far as appearances go. They are afraid that otherwise the anger at the criminal machinations of the finance speculators could soon be directed against them.

However, there is also another reason for wanting a certain dissociation from the US, which can be heard in numerous press comments. In view of the economic decline of the West's former "protective power," the European elite is trying to escape from its influence, to pursue their own interests independently.

"America is experiencing a decline in its power, and the financial crisis is only one indication of this. Europe must take on more responsibility," begins a recent column by Joschka Fischer, the former German foreign minister, who, as always, expresses the prevailing thinking in German government circles.

The 80-year-old Herbert Kremp, a veteran of the Cold War, headlines his comment in *Die Welt* with the words: "The consequences of the crisis: Europe abandons its old model—the US." Kremp expresses his regret about this, but considers it to be inevitable. "The temptation will become ever greater to follow the flows of gas and oil instead of pursuing a long-term geo-political strategy which unites liberty and prosperity," he writes, meaning by the latter the transatlantic alliance.

President Sarkozy, in his rather abstract UN speech, emphasized two concrete points: The desire for a close partnership between Europe and Russia, and the creation of a common European-Russian economic area, as well as an extension of the G8 (the seven leading industrial nations plus Russia) to become the G14, including China, India, South Africa, Mexico and Brazil. Both would mean diminishing the power of the US.

There is nothing positive in this demarcation from the US. It will inevitably aggravate the conflicts between the imperialist powers, including setting the European states against each other. A real opposition to the dominance of finance capital can only be developed through the unity of the international working class, including American workers, on the basis of a socialist programme.