Drastic social cutbacks unveiled throughout Europe

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14 May 2010

In the wake of the $1 trillion euro bailout agreement reached at the beginning of this week, governments throughout Europe have unveiled austerity measures that include sweeping attacks on jobs, wages and basic social rights.

It has now become abundantly clear that the nearly $1 trillion package cobbled together by European finance ministers and the International Monetary Fund was not merely aimed at staving off the bankruptcy of Greece and other European Union member states gripped by sovereign debt crises.

It was designed to effect a massive transfer of social wealth from the masses of the population to the international banks and investment firms. And it is to be paid for by compelling governments across the continent to implement the kind of draconian attacks that have brought hundreds of thousands of Greek workers into the streets in strikes and mass protests.

The European bourgeoisie is acting on the cynical adage of “never let a crisis go to waste.” It has seized upon the dramatic events in Greece and the threat of a worldwide financial meltdown, largely the product of the financial elite’s own speculative activities, to ram through an assault on conditions of life for European workers that is without precedent since the continent lay in ruins at the end of World War II.

An unannounced corollary to the agreement on the bailout package reached in Brussels early Monday was the immediate implementation of austerity measures in Spain and Portugal, whose public deficits have made them the targets of international financial speculators seeking super profits by bidding up interest rates on the countries’ debt offerings.

After the Spanish stock market rose a dizzying 14.4 percent on Monday, “It has belatedly dawned on Spaniards that the Iberian peninsula, not Greece, is the main target of the financial ‘bazooka’ unveiled by the European Union and the International Monetary Fund,” the *Financial Times* commented Wednesday.

With the euro zone’s third largest public deficit, Spain has been increasingly targeted by financial speculators and forced to pay ever higher interest rates to secure foreign credit.

The country’s social democratic Prime Minister José Luis Rodriguez Zapatero went before parliament on Wednesday and announced a series of austerity measures, including: a 5 percent pay cut for public employees, followed by a wage freeze; the freezing of most pension payments; the elimination of the so-called *cheque-bebé*, a 2500-euro government subsidy for families with new babies; elimination of a program funding elder care and public funding for prescription drugs.

Also to be slashed are over 6 billion euros in public investment, including on public transportation projects. Billions more will be eliminated in funding to local governments and development aid, necessitating still further layoffs and cutbacks.

Under conditions in which the country’s official unemployment rate already stands at over 20 percent, the austerity program will mean millions more being thrown on the unemployment and a further turn by the country’s economy towards slump as consumption is curtailed.

Portugal followed suit on Thursday with its own proposal for across-the-board cuts in public spending and increases in regressive valued-added taxes.

“If we fail to show we can implement credible measures to cut the deficit, the tap of overseas financing will be turned off,” Fernando Teixeira dos Santos, Portugal’s finance minister, told members of parliament during a debate on the proposed austerity package.

The social democratic government of Prime Minister José Sócrates did not spell out where the budget ax would fall, but indicated that it would include reductions in funding for local governments, and that the plan comes on top of already announced measures that include an elimination of public sector jobs, cuts in unemployment benefits, a freeze on salaries, and the sale of publicly owned enterprises.

The European Commission, speaking for the European and international banks, warned Bulgaria, Cyprus, Denmark and Finland Wednesday that their budget deficits have grown too large, and that they will be subjected to “excessive deficit procedures” (EDPs), imposing deadlines for slashing public spending.

Meanwhile, the International Monetary Fund, working together with the EU, has approved the latest tranche of a “rescue package” for Romania, or more precisely for international financial interests holding Romanian debt.

The condition for releasing the latest outlay from the 20 billion euro package (12 billion euros have been paid out thus far) was the government’s approval of an economic plan to reduce the public deficit to 4.4 percent of GDP by next year, compared to 7.2 percent for 2009.

The Romanian government produced a proposal for a devastating round of budget reductions that includes cutting public workers’ pay by 25 percent and slashing state pensions by 15 percent. It is estimated that the austerity measures could mean the wiping out of as many as a quarter of a million jobs.

The announcement provoked demonstrations by workers and pensioners throughout the country and scenes of older retired workers clashing with security forces in the capital of Bucharest. Strikes have been called for next week.

The official unemployment rate in Romania already stands at 10 percent, while according to some estimates fully two thirds of the population is living at or below the poverty line.

These unprecedented attacks are to be carried out throughout Europe. In Germany, Roland Koch, deputy leader of Chancellor Angela Merkel’s Christian Democratic Party and considered a likely candidate to succeed the ailing Wolfgang Schauble as finance minister, warned that no cutbacks could be “considered taboo” as Germany confronts its own 10 billion euro fiscal deficit, as well as the cost of its 123 billion euro contribution to the EU rescue package.

Koch, the minister president of the state of Hesse, called for reconsidering a policy that provides for kindergarten for all children under the age of three. The proposal has provoked outrage. “Anyone who starts talking about such cuts is acting like an arsonist,” Christine Haderthauer, Bavaria’s social affairs minister, told the *Passauer Neue Presse*. “If we have to take the red marker specifically to the areas of education and family, we’re playing the lottery with our future.”

Meanwhile, economists are predicting that the decline in the value of the euro will slash the real wages of the working class in Germany and throughout Europe. “We can expect inflation to rise sharply over the next few years,” German economist Wolfgang Brachinger told the British *Guardian*. “The euro is losing value, and consumers will have to dig deeper in their pockets as a result.”

In Britain, with the new Tory-Liberal Democrat coalition just beginning to unveil its right-wing agenda of “emergency” measures, the governor of the Bank of England, Mervyn King, stated that there could be no delay in implementing a deficit-reduction program.

King described the crisis in Greece as an opportunity to “tackle the excessive fiscal budget deficit.” He added, “The bigger risk at present, given the experience of the last two weeks, would be for a new government not to put in place clear and credible measures to deal with the fiscal deficit.”

On the other side of the Atlantic, the Obama administration’s chief budget official sounded a similar note, warning that Washington must take action to slash its deficit, which is expected to exceed $1.5 trillion this fiscal year, or “wind up facing the sorts of choices that Greece now faces.”

“I would prefer to be addressing this sooner rather than later,” said Peter Orszag, the White House budget director in an interview Wednesday with the Reuters news agency. Orszag declined to discuss specific measures, saying that the administration wants to allow a bipartisan commission on the deficit formed by Obama to complete its work.

The panel is taking aim at so-called entitlement programs, including Social Security, Medicare and Medicaid. It is co-chaired by Alan Simpson, a former Republican Senator from Wyoming, and Erskine Bowles, a former Clinton administration official and investment banker. Bowles sits on the board of directors of Morgan Stanley, the Wall Street investment firm, where he chairs its compensation committee, approving eight-figure salaries and bonuses for top executives.

That such an individual could combine these two roles underscores the class character of the economic policies being pursued, not only by the Democratic administration of Barack Obama in the US, but by governments throughout Europe and internationally. All of them are attempting to impose the full burden of the financial crisis on the backs of the working class, while transferring massive amounts of social wealth to the financial parasites who are responsible for it.