

Euro aid package inaugurates offensive against working class

Peter Schwarz**13 May 2010**

Last weekend, European leaders and finance ministers agreed to a rescue package for the euro which inaugurates the most comprehensive offensive against the working class since the end of World War II. This offensive must be repulsed by the combined resistance of the European working class.

On Friday evening, the leaders of the euro-zone countries met in Brussels to formally pass the €110 billion package for Greece drawn up during the week. But a two-hour dinner then turned into a six-hour crisis meeting.

Two days beforehand, a general strike in Greece had clearly shown the scale of the resistance to the austerity measures being introduced by the Greek government. The financial markets, which had seen massive profits garnered through speculation on a Greek sovereign default, were then gripped by panic. On Thursday, America's Dow Jones stock index at one point plummeted by up to nine percent.

This increased the pressure on the European governments to provide debt guarantees not only for Greece, but also for all other deficit-ridden euro countries. President Obama picked up the phone personally to convince German Chancellor Angela Merkel to abandon her opposition.

In a night session, the heads of state and government leaders then established the foundations for a comprehensive financial package that was then further elaborated at another summit meeting on Sunday. It was to be finalised in the early hours of Monday morning, before the Japanese markets opened and the wave of speculation against the euro resumed.

The members of the euro-zone, the European Union and the International Monetary Fund set up a fund of €750 billion to be used if necessary to refinance the debts of those euro-zone countries facing payment difficulties. In addition, the European Central Bank (ECB) purchased government bonds from highly indebted countries to curb the rapid increase in interest rates.

The leaders and finance ministers presented this huge financial package as an indispensable measure to rescue the currency union, and as an aid to highly indebted euro area

countries. In reality, it is a financial gift to the international banks and investment funds. It is, in the language of official politics, meant to "calm down the markets" and regain their "trust". Speculators, who have earned vast sums by betting against the Greek government's debt and the euro, are to have all their risks underwritten at public expense.

For this reason, the stock exchanges celebrated the new rescue fund on Monday with an enormous upsurge in prices. After last Thursday's panic, they now had assurances that the European governments stood on their side and had declared war on the working class.

The extent of the powerful wave of speculation against the euro was made clear by Jochen Sanio, head of the German financial supervisory board Bafin, speaking last week to the budget committee of the Bundestag (parliament). Sanio spoke of a "war of aggression by the speculators, against the euro zone", which involved "crazy sums" running into tens of billions. In the case of Greece, speculators exploiting CDS (credit insurance) were able to reap about 500 percent profit in three to four months.

These record profits are also reflected in the balance sheets of the major investment banks. The Deutsche Bank recorded a pre-tax profit of €2.8 billion in the first quarter of 2010, a return on investment of 30 percent. In the same quarter, Goldman Sachs, for the first time in its history, reported a profit on each day of trading, on most days amounting to \$100 million.

The working class will now pay for these huge sums of money in the form of welfare cuts, wage cuts and unemployment. With the new euro rescue package, the European governments have placed themselves completely at the mercy of international financial capital. If they do not drastically reduce their budget deficits, the next wave of speculation will inevitably follow. If the financial guarantees are then called upon, the holes in the state budgets will grow, demanding even greater austerity measures.

Experts therefore agree that the euro rescue package is only the beginning of a massive European-wide austerity program, which will spell the decimation of the European

welfare state. This shows the real character of the European Union as a tool of the banks and the most powerful sections of the European bourgeoisie.

The *Financial Times* commented on the package: “Most of the European Union is living beyond its means.... Many Europeans have come to regard early retirement, free public health care and generous unemployment benefits, as fundamental rights. ... Yet if Europeans do not accept austerity now, they will eventually be faced with something far more shocking—sovereign debt-defaults and collapsing banks.”

In Germany too, many economists demanded tough austerity measures. The leader of the so-called “economic wise men”, Wolfgang Franz, said the rescue package had merely extinguished the “fire in the Euro-house”, now it was time to “clean up”. Economics expert Kai Carstensen said radical austerity plans were called for in the euro countries. “If they do not all reduce their debts, the problems will be even larger in three years,” he said.

What began in Greece—lowering wages by 30 percent, the reduction of pensions and benefits, mass sackings in the public sector—is now a model for all Europe. Opposition to these measures must be organised across Europe. Workers in all European countries must support Greek workers and unite together with the international working class.

This requires a complete break with the social democratic parties and trade unions which declare that there is no alternative to slashing state budgets and offer their services to finance capital in order to implement these cuts. In Greece, the social democratic PASOK has taken up the task of enforcing a drastic austerity program. In Spain the social democratic head of government Zapatero announced public service wage cuts immediately after the euro rescue package was announced and in Portugal his socialist colleague Socrates is pursuing a similar policy.

In Britain, the Tories and Liberal Democrats, with the support of the Labour Party, have just taken over the government in order to push through a drastic austerity program. In Germany, after the state elections in North Rhine Westphalia, consideration is once again being given to the participation of the Social Democratic Party (SPD) in government, in order to impose a new round of austerity measures. The Greens have also supported the bank rescue packages and the related austerity measures. Christian Democratic Union (CDU) right-winger Roland Koch, who is being discussed as a future finance minister, is already calling for strict austerity measures and the abandonment of all reforms in the education system adopted in recent years.

The trade unions in all of these countries play a key role in suppressing resistance against the cuts, dividing workers and diffusing opposition. They enjoy the support of a host of

petty-bourgeois organisations that formerly described themselves as “left” and today strictly reject a revolutionary perspective.

With the aid package adopted over the weekend, the attacks on the working class take on a pan-European form. Several regulations governing the monetary union—such as the prohibition of mutual financial assistance and the independence of the European Central Bank—have been abandoned. If a government does not meet its savings targets, all the others are directly affected. This will significantly exacerbate tensions within the European Union.

The working class must prepare politically for the coming class struggles. It must break with the political parties and organisations that support the rescue packages for the banks and the associated austerity measures, and with the unions and the many petty-bourgeois organisations which stoke up nationalism to divert attention from the class issues. The conflict is not between Germans and Greeks, or Europeans and Americans, but between the international working class, on the one hand, and capital and its political lackeys, on the other.

Opposition to the attacks must be organised at all levels. The only alternative to a future of poverty, repression, unemployment and growing national tensions is the unification of the European working class on the basis of a revolutionary socialist program: repudiation of all debts, the socialisation of banks and major companies under the democratic control of the working class, the confiscation of speculative profits and a high level of taxation for large incomes and fortunes.

The progressive unification of Europe is only possible on the basis of such a revolutionary socialist program in the form of the United Socialist States of Europe. The International Committee of the Fourth International is the only political tendency worldwide which advances such a perspective. We call on workers, students and critical intellectuals to study our program, read the WSWS and join the ranks of the International Committee.

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