Austerity measures throughout Europe

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Two weeks ago, European heads of state and the International Monetary Fund reached agreement on a €750 billion rescue package for the euro. Since then, not a day has gone by without the announcement of a new round of draconian austerity measures. Working people are now being ordered to pay the price for plugging the massive holes in public finances that are the result of various rescue measures for the banks and the euro.

In order to meet a 2013 deadline for compliance with EU stability criteria, which permit a maximum deficit of 3 percent of gross domestic product, the eurozone countries and Britain will have to slash their budget deficits by a total of €400 billion. This huge sum will be recouped primarily at the expense of public service employees, pensioners, the unemployed and those who depend upon social provisions.

Following the example of Greece, which has adopted a plan to reduce its budget deficit by €30 billion over the next three years through wage and pension cuts, slashing social programmes and an increase in VAT (sales tax), the government of Spain decided last week on cuts amounting to €80 billion. To this end, 13,000 jobs in the public service will be cut, the salaries of state employees will be reduced by 5 percent and pensions frozen. The allowance of €2,500, which previously was paid on the birth of a new baby, will disappear without any compensation.

In order to reduce its budget deficit by €2 billion, Portugal has imposed a hiring freeze, public salaries have been frozen and an increase in VAT adopted.

Earlier this week, the British government announced immediate cuts amounting to €7.2 billion, including a hiring freeze in the civil service. But this is only the beginning. In total, Britain's budget deficit will be cut over the next four years by more than €100 billion. This will include slashing 300,000 posts in the public service and a freeze on public sector pay.

On Wednesday, the Italian government launched measures that will result in cuts of €24 billion by 2012. They include a reduction in civil service jobs, salary cuts, raising the retirement age and cuts in the health care system.

France plans to reduce its budget deficit from 8 percent to 3 percent of GDP by 2013. This will be achieved by raising the retirement age; cuts in housing benefits, employment compensation and museums funding; as well as a 10 percent cut in administrative costs.

The German government will decide upon concrete austerity measures on June 6 and 7. The so-called "debt brake", anchored in the constitution, imposes a reduction in new debt of €60 billion by 2016. Among the many measures under discussion are cuts in social provisions, such as family, child, welfare and disability benefits, annuities and pensions.

The EU Commission has now suggested that the retirement age in Europe should continue to rise steadily. This is to ensure that in future, no more than a third of one's adult life could be spent in retirement. In the long term, this would mean raising the pension age to 70 years.

For millions of workers and youth, the newly adopted measures mean unemployment and grinding poverty. In particular, old-age poverty will again become a mass phenomenon in Europe. Nothing will remain of the post-war welfare state. A study by the Carnegie Endowment for International Peace think tank in the US concludes that "the welfare states set up across Europe from the 1940s onwards with the aim of suppressing popular unrest and paying off tensions that could lead to another continental war" are "unaffordable".

But there is no shortage of money. The budget shortfalls that are being used to justify the dismantling of the welfare state are the result of the systematic redistribution of income and wealth from those at the bottom of society to those at the top. At least since the 1980s, both right-wing and supposedly "left" governments have reduced income and property taxes for the rich, depressed wages and created new forms of low-wage work. This is one of the main causes of the increase in public debt.

The trillions that governments pumped into the banks in 2008 and 2009 to prevent their collapse meant the public debt rose sharply. Recently published figures from the

German Bundesbank prove this. In 2008 and 2009, some 53 percent of Germany's new debt was a result of measures taken to rescue various financial institutions. The total new debt rose in these two years by €183 billion; the costs involved in supporting the financial institutions amounted to €98 billion.

Now the banks are exploiting the crisis they created to escalate their plundering of the working class. The governments and the EU act as their accomplices. This became clear last Friday, when in expedited proceedings the German parliament issued a blank cheque worth €148 billion. While parliamentary committees usually haggle for months over smaller amounts, the Bundestag approved the fast-track loan guarantees amounting to half the federal budget, without even being clear to whom and under what conditions the money would flow.

This undemocratic procedure was justified by citing the "nervousness of the financial markets". The disenfranchisement of parliament was so obvious that the government only secured a majority with difficulty. It had to accept some symbolic (and completely ineffective) measures against the financial markets, such as banning short selling, in order to gain sufficient support at all. But that in turn sparked furious reactions from Washington and London, where Germany's solo efforts were regarded as an insubordinate assault on the freedoms of the financial markets.

To push through the austerity measures against the working class, the ruling classes of Europe rely primarily on the social democrats and the unions. Either, as in Greece, Spain and Portugal, it is social democratic governments that are imposing the austerity measures, or, as in Britain, France and Germany, the social democrats have so discredited themselves by their previous cost-cutting measures that now the right-wing parties have reaped the political benefit. In all cases, the social democrats leave no doubt that they support the cuts, telling working people that there is "no alternative".

The trade unions too maintain there is "no alternative" to the cuts and cooperate with their respective governments in their implementation. If occasionally they organize demonstrations and strikes, these are used to keep any popular opposition under control and grind it down. They isolate the protests, keep them limited to just a few hours or days, and prevent the development of any international solidarity.

In this they are supported by numerous middle-class groups. Despite differences between Germany's Left Party, France's New Anti-Capitalist Party or Greece's SYRIZA, for example, all these groups have two things in common—their unconditional support for the trade unions, which they never criticize, and their willingness to help the social democratic governments achieve a majority. In this way, they try to stop the formation of an independent political movement of the working class.

The deepening capitalist crisis and the haggling over the cuts have also exacerbated tensions within Europe. The future of the euro and the European Union are in the balance. In some countries—like Hungary, Slovakia or Italy—governments are stoking up national antagonisms in order to divert attention from the social tensions.

The fragmentation of Europe into warring nation-states would have devastating social and economic consequences. But the capitalist class is organically incapable of uniting the continent. That is the task of the working class and it is inextricably linked to the defence of their social and democratic rights.

The intensification of the crisis will drive wide layers of the population into social and political struggle. But this requires a political perspective and the development of a new party, the International Committee of the Fourth International. The capitalist system cannot be reformed, it can only be overthrown. The big banks and corporations must be taken into social ownership and placed under the democratic control of the working class. This would create conditions for utilizing the available resources to meet social needs, instead of fuelling the greed for profits of the individual capitalists.

The European working class can only achieve this goal by uniting in a struggle for the United Socialist States of Europe.

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