

From stimulus to austerity: An international class-war policy

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The past several months have witnessed a shift in social policy by the international bourgeoisie even further to the right, marked by a turn from economic stimulus policies to brutal austerity measures. In the name of deficit reduction, the ruling classes of all the major capitalist countries are carrying out a frontal assault on the past social gains of the working class.

The long-term aim of these policies is to eliminate the welfare state, reestablishing the competitiveness of the older capitalist powers by slashing workers' living standards to the level of their impoverished counterparts in emerging economies like India and China. That the living standards of the world's people are to be equalized downward, rather than upward, is an indictment of the capitalist system.

The "Big Society" speech delivered Monday by British Prime Minister David Cameron exemplified this shift. It was a manifesto for a return to Dickensian conditions of working class poverty.

Seeking to camouflage the brutal implications of his plan to impose between 85 and 100 billion pounds in social cuts over the next four years, Cameron described his "Big Society" as a "huge cultural change" that will "empower" and "liberate" people. It will supposedly achieve this by privatizing and gutting government-run social services.

The shift from the stimulus policy of 2008-2009—which centered on the plundering of national treasuries to bail out the banks, without providing any serious relief to the working class—to the austerity programs of today coincided with the 750 billion euro bailout fund announced in May by the European Union and the International Monetary Fund. The fund was established to stave off default by euro-zone countries such as Greece, Portugal and Spain and the threatened collapse of the euro.

It represents yet another massive transfer of public funds to the big banks. As Mohamed El-Erian of the bond investment firm Pimco put it: "Through the ECB [European Central Bank], EU and IMF, the official sector has stepped in with its balance sheet to assume liabilities previously held by the private sector, thereby allowing private investors to exit in an orderly fashion."

When the fund was established, the major European governments agreed that the cost of offloading the banks' bad debts would be borne by the working class in the form of savage cuts in social programs, jobs, wages and pensions. Talk of stimulus to continue the "recovery" was dropped and replaced by the universal demand for "fiscal consolidation."

The shift was signaled at the G20 finance ministers meeting the first week of June and formally ratified at the G20 summit meeting held at the end of the month in Toronto.

In working out its class policy, the bourgeoisie was emboldened by the experience in Greece, where the social democratic PASOK government has been able to push through a series of austerity measures in the face of massive popular opposition.

In Greece, the ruling class has relied on the trade unions to contain and dissipate working class resistance by means of token one-day strikes and protests. The trade union bureaucracy has, in turn, been provided crucial assistance by the petty-bourgeois "left" organizations such as the Stalinist Communist Party and Syriza, which have insisted that popular opposition to the social cuts be subordinated to the unions.

The experience has been the same in Portugal and Spain, where social democratic governments have announced one set of social cuts, layoffs and wage cuts after another, and mass working class opposition has

been suppressed by the unions.

A series of political changes have been carried out corresponding to the shift in economic and social policy and reflecting the growth of international tensions. In May, the Conservative-Liberal Democrat coalition government headed by Cameron was installed in Britain.

At the beginning of June, the same week as the G20 financial ministers meeting, Japanese Prime Minister Yukio Hatoyama resigned and was replaced by Naoto Kan, who immediately announced an austerity program that includes a doubling of the 5 percent sales tax, combined with a cut in the corporate tax rate from 40 percent to 25 percent.

At the end of June, Australian Prime Minister Kevin Rudd was ousted in a coup within the Labor Party apparatus and replaced by Julia Gillard. In addition to reaffirming Australia's commitment to the US occupation of Afghanistan, Gillard immediately scrapped a proposed tax on Australian mining companies and announced a turn to austerity policies.

In Europe, sweeping budget-cutting programs have been announced from Ireland in the west to Eastern Europe and Russia. Germany, economically the strongest European state, is imposing 80 billion euros in cuts. France has announced sweeping cuts in pensions and a 10 percent reduction in local government budgets.

The 750 billion euro rescue package and the launching of austerity programs to make the working class pay for it have revived the European bourgeoisie's self confidence—at least for the present. The euro, which fell 15 percent in relation to the US dollar in the first six months of 2010, has rebounded sharply over the past two months. Hovering around \$1.30, it has recouped 10 percent of its loss.

While the Obama administration has been at odds with Europe over the timing and pace of European austerity measures, it has made a similar shift from stimulus to deficit reduction. It has abandoned even its paltry proposals for new federal aid to the states. The weeks-long delay in extending federal jobless benefits for the long-term unemployed is the preparation for ending them completely.

The administration and the Democratic leadership in Congress are tacitly encouraging a “debate” on jobless benefits—in which aid to the unemployed is being

depicted as a “disincentive to work” and a “new entitlement”—in order to condition public opinion for depriving millions of laid off workers of any source in cash income.

In the US and internationally, mass unemployment is being used to bludgeon workers into accepting poverty wages and brutal speedup.

The international bourgeoisie is proceeding in a highly conscious manner to intensify its war against the working class. It is keenly aware of the crucial service provided by the trade unions in stifling the resistance of the working class. In his recent television interview over the Bettencourt scandal, French President Nicolas Sarkozy made a point of praising the unions for their “responsible” role in the economic crisis.

The ruling class is likewise well aware of the critical political role played by the various petty-bourgeois pseudo-left organizations, such as the Communist Party and Syriza in Greece, the CP and New Anti-Capitalist Party in France, the Left Party in Germany, the Socialist Workers Party in Britain, and the International Socialist Organization in the US.

The central concern of these organizations is the danger that the working class will enter into struggle outside of and to the left of the social democratic, “labor party” and trade union bureaucracies. They are above all determined to prevent such a development.

The Socialist Equality Party anticipates that the working class will seek to free itself from the reactionary grip of these treacherous agencies of the bourgeoisie. We fight precisely for such a break and the building of an international socialist movement of the working class to take power and put an end to the bankrupt capitalist system.

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