Europe’s class policy: A blank check for the banks, austerity for workers

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The same week that European officials announced the results of bank stress tests designed to give bankers a green light to continue their speculative ways, European Central Bank (ECB) President Jean-Claude Trichet published a column in the *Financial Times* (July 22) arguing for an end to economic stimulus programs and the rigorous imposition of austerity measures across Europe.

In the article, entitled “Stimulate No More—It is Now Time for All to Tighten,” Trichet wrote that following the financial breakdown of September 2008, the world was just able to avoid a “financial meltdown and a second Great Depression,” but at a high price. According to ECB calculations, “the volume of taxpayer risks earmarked to support the financial sphere ... was as high as 27 percent of gross domestic product.” Trichet noted that a similar percentage of GDP was made available to the banking system on the other side of the Atlantic.

The total cost to European taxpayers of the bailout of the banks in 2008-2009, Trichet wrote, amounted to more than €4 trillion, with a comparable sum made available to US banks.

Governments across Europe and, by implication, in the US and internationally, had to, Trichet declared, “confirm their determination to consolidate their public finances,” i.e., press ahead with austerity programs which will gut social programs and condemn millions of people to unemployment and poverty.

Trichet’s remarks followed the decision by the G20 group of nations in June to switch to a policy of coordinated budget-cutting. Following the emergency euro rescue package of €750 billion agreed to in May, European governments had already begun to implement unprecedented austerity packages across the continent.

According to one economic commentator for a French business TV channel, the Greek debt crisis has pushed European governments to do more to reduce social spending in the past 10 weeks than they have done in the past 10 years. Trichet is demanding that this dismantling of the European welfare state be accelerated and broadened.

In order to ensure that European governments “consolidate their public finances,” the European Union, together with the International Monetary Fund, is preparing punitive measures to be used against countries that fail to slash spending fast enough. EU commissioners are demanding the right to inspect national budgets and issue sanctions against states failing to comply with their demands.

Commenting on the need for such measures in the case of Hungary, European Economic and Monetary Policy Commissioner Olli Rehn declared recently, “We must sharpen our claws.”

The EU and the European Central Bank adopt a very different attitude toward the banks that unleashed the crisis in the first place.

The stress tests on European banks published last week were anything but “stressful.” Undertaken largely due to pressure from US and Asian investors and their respective governments, the tests were a “confidence-building” exercise dictated by the banks themselves to clam jittery money markets and stabilise the euro.

According to the business magazine *Money Week*: “The European bank stress tests were a whitewash, of course. You’d have to have been particularly naïve to expect anything else… to put it bluntly, Europe’s regulators didn’t even try to pretend that this was a serious exercise. Out of 91 banks, just seven failed. And those were the ones we knew were in a mess already.”

Prior to the tests, *Der Spiegel* reported that the 14

German banks being tested were told they had "little to fear because the criteria for the tests were watered down in hectic negotiations between the European Central Bank, the European Commission and European banking watchdogs."

Following the publication of the stress tests it was revealed that 6 out of the 14 German banks defied the parameters of the tests and withheld information about their sovereign debt holdings. The failure of these banks to release their figures indicates that they continue to hold large quantities of toxic debt on their books.

The stress tests throw light on Trichet's warning in his *Financial Times* commentary of "a future economic catastrophe." Trichet is well aware that many European banks remain burdened by huge amounts of bad debt. This is combined with the massive indebtedness of a number of ailing European economies. A renewed banking crisis in the event of a default on credit payments by a sovereign country or another major financial institution is entirely possible.

It is to pay for last year's bank bailout and prepare for more rescue operations to come that Trichet demands austerity measures directed against the working class. In this, he articulates the class-war policy of the international capitalist class.

The global economic crisis is the form in which a fundamental reordering of social relations is taking place, aimed at wiping out the past economic gains of the working class and reducing the wages and conditions of workers in the older capitalist centres to those of impoverished and brutally exploited workers in Asia and Latin America.

In response to the diktats of finance capital, governments across Europe, in North America, Japan and Australia are seeking to impose historic cuts in working class living standards. They and the ruling elites whose interests they serve rely on the services of the trade union bureaucracy to do so.

In country after country—Greece, Spain, Portugal—the unions are working to dissipate working class opposition by limiting it to token one-day strikes and protests, while they support the governments that are implementing the cuts. In June, the general secretary of the European Trade Union Confederation, John Monks, declared his complete agreement with EU-IMF plans for austerity in Greece.

There is growing popular opposition to these attacks. But the working class requires its own class program and strategy to counterpose to the class-war agenda of the bourgeoisie.

New, democratic organizations of workers, such as factory committees, must be established in opposition to the trade unions to carry out industrial action in defense of jobs, wages and basic social needs. Above all, the resistance of the working class must be guided by a new, revolutionary political perspective, based on the international unity of workers in the fight for workers' power and socialism.

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