Europe’s dirty secret

Stefan Steinberg, Barry Grey
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In a revealing admission concerning the relationship between capitalist governments and international financial interests, the *Financial Times* on Tuesday wrote of “Europe’s dirty secret.”

The newspaper editorialized against the plan of the European Union, the European Central Bank (ECB) and the International Monetary Fund to loan Ireland tens of billions of euros in order to guarantee in full the investments of international bankers and bondholders in the country’s failing banking system.

Under the plan, Ireland will effectively surrender sovereignty over its economic policy to the EU and the IMF and agree to claw back the latest bailout of the global financial elite by imposing a new and even more savage round of attacks on the wages and living standards of the working class.

The *Financial Times* argued that using the €440 billion European Financial Stability Facility (EFSF) to cover the bad debts of the financial elite by propping up zombie banks, while driving the Irish state closer to default, would be “a fatal mistake.” The *Times* insisted that such a policy was shortsighted and self-defeating, since sovereign defaults would trigger new financial panics and bankruptcies.

“It would,” the *Times* wrote, “keep the Irish people indentured to those who recklessly fund their banks: EFSF funds must, after all, be paid back by taxpayers. It would also give an official EU imprimatur on Europe’s dirty secret: public treasuries will do anything to make private bank creditors whole.”

What the *Financial Times* calls a “dirty secret” is hardly news to those who have followed developments since the collapse of Lehman Brothers 26 months ago. What is remarkable, however, is the bluntness with which this organ of British finance capital acknowledges the existence of a dictatorship of the banks over government policy throughout Europe. Nor is it any different in North America, South America, Africa or Asia.

The newspaper admits that a tiny financial elite, which it describes as “reckless,” is looting public treasuries in order to cover its speculative failures, reducing entire populations in the process to the status of “indentured” servants. It is this single-minded pursuit that drives the decisions of governments throughout Europe.

Regardless the nominal political coloration of a particular government—whether “left of center” (as the social democratic PASOK regime in Greece and the Fianna Fail government in Ireland) or “right of center” (as the Conservative-Liberal Democrat coalition in Britain and the Gaullist regime in France)—it takes its orders from the major banks. This is the meaning of the recurrent references by government leaders to “market realities.”

The *Times*’ acknowledgement of the “dirty secret” of bourgeois politics lifts the veil on the fraud of so-called democracy under capitalism. Governments uniformly pursue anti-social policies in defiance of popular opposition. The state is, as Marxism has long explained, the instrument of the corporate-financial ruling class for the suppression of the working class.

Over the past year, finance capital has intensified its offensive against the working class. The Irish events, following the Greek debt crisis of last spring, marks a new stage both in the objective crisis of world capitalism and the response of the ruling classes to this crisis.

Taking their cue from the United States, governments all over the world initially reacted to the financial crash of September 2008 by pumping trillions of dollars in public funds into their respective banking systems to prop up the major banks. This was the essence of the so-called “stimulus” programs enacted by governments around the world.

In part to prevent an uncontrolled collapse in consumption and a downward spiral into global deflation, and in part to provide political cover for the looting of public funds to rescue the financial aristocracy, governments enacted limited relief measures to minimally buffer the social impact of the recession. These measures enabled the ruling classes to buy time.

By the second half of 2009, however, when it was clear that the immediate threat of collapse had been averted, that the bankers and speculators would suffer no consequences for their semi-criminal activities, and that no serious financial reforms would be enacted, the stock markets bounced back, along with bank profits and CEO bonuses.

The most powerful financial firms were allowed by the political elites to emerge from the first stage of the crisis more dominant and wealthy than ever. Emboldened by these developments, at the end of 2009 global finance capital intensified its offensive, targeting Greece to establish a precedent for a global shift from stimulus to budget-cutting and austerity.

Last spring, under pressure from the banks and bond markets, the European Union adopted its program of austerity, launching historic attacks on what remains of the welfare state and all of the past social gains of the working class. The Irish crisis represents a new stage in this class-war offensive.

Its aim is a fundamental realignment of class relations worldwide. Whatever remains of welfare programs are to be obliterated. Wages in developed capitalist nations are to be slashed to a level comparable with low-wage "developing" countries. Conditions for the working class are to be rolled back to those which prevailed a century ago.

Such a social transformation cannot be carried out within the framework of the traditional methods of bourgeois democratic rule. In one country after another, workers and young people protesting against the budget cuts—in Greece, Portugal, Spain, France, Great Britain—have faced state repression.

An article in the *Wall Street Journal* this week, headlined "Crisis of Democracy Faces Euro Zone," notes that the establishment of an EU-ECB-IMF troika dictating Irish economic policy means that the country's "independence is no more than notional." The author warns of the danger of social upheavals because "designing a new form of government that does not have democracy at its heart will anger voters and provide an opening to extremists."

None of the measures being taken can resolve the crisis of the world capitalist system. More than two years on, it is clear that the crisis is not merely a conjunctural downturn, but rather a systemic crisis of the system as a whole. As in the 1930s, slump and austerity go hand in hand with ever more bitter international economic conflicts and the slide toward world war.

The global financial elite is on the offensive not because the working class accepts its demands. Workers in country after country have demonstrated their willingness to fight, carrying out mass strikes and protests. These struggles have to date been sabotaged and defeated because of the treachery of the trade unions and their allies in the official "left" parties and middle-class pseudo-left organizations.

New and greater struggles are coming. The critical issue is the building of a new leadership and new organizations of struggle, the fight for a socialist and internationalist program, and the development of revolutionary consciousness in the working class. This is the key to mobilizing the working class internationally to break the dictatorship of the banks and establish genuine democracy and social equality on a world scale.

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