# The crisis in Europe and the financial aristocracy

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The latest meeting of European Union (EU) finance ministers held at the start of this week once again revealed the complete subservience of the European political establishment to the European and international banking and finance cartels. (See "EU finance ministers meeting: No agreement on euro crisis".)

Commenting on the relationship between European governments and the finance markets, British economist Phillipe Legrain writes: "So far, EU governments have decided that banks' bondholders must be protected at all costs, preferring to impose losses on taxpayers instead—even if this stretches governments' solvency to breaking point."

For their part, reassured that they have the full backing of European treasuries behind them, the moguls of the finance world are undertaking their destructive work with renewed vigour.

An editorial in the German *Süddeutsche Zeitung* at the start of the year describes the activity of the modern breed of finance speculators:

"Just back from their two-week ski holiday, the currency dealers and finance managers have renewed their speculation against highly indebted Euro countries. Their first victim in the new year is Portugal…."

The editorial then refers to the "long-established ritual" on the part of the speculators, who bet against the currencies and bonds of indebted countries in order to force them under the financial umbrella of the European Union. Greece and Ireland were the first victims of such financial operations last year, while Portugal, Spain and Italy are in the crosshairs of speculators in the early part of 2011.

One by one, these countries are being forced to accept loans from the European Union and International Monetary Fund attached to punishing rates of interest. The principal function of the multibillion-euro loans (€110 billion in the case of Greece, €90 billion in the case of Ireland) is to restock the vaults of European banks holding mountains of bad debt due to their criminal investment practices over the past two decades. The entire process of sovereign debt bailouts combined with zero-interest rates for speculators wishing to raise funds has opened up new opportunities for superprofits.

According to the latest data from Dealogic, Deutsche Bank overtook the US-based JPMorgan Chase as the top earner in Europe for the first time, based on such transactions. More than a third of the European revenue for Deutsche Bank, Germany's largest, stemmed from the trade in company and government bonds.

Topping the list of the top 10 financial groups for European governme nt debt sales in 2010 was Barclays Capital, the investment arm of Barclays Bank (with Deutsche Bank in second place).

Flushed with the success of his operations in Europe, the chief executive of Barclays, Bob Diamond, defiantly defended the profits and bonus culture of his bank. Just over a week ago, he told the British Treasury Select Committee that the bankers' "period of remorse and apology should be over."

In fact, there has not been the slightest remorse on the part of the financial aristocracy for their role in bringing the world to the brink of catastrophe. Following a brief dip in earnings at the end of 2008 and the start of 2009, pay and bonuses for leading finance executives have once again risen to astronomical levels.

Diamond's own pay packet for this year is expected to total around £8.5 million—a princely sum, but one that pales in comparison, for example, with the $1 billion average income paid out to the top 25 hedge fund managers in 2009. This latter sum exceeds the previous record total paid out to leading hedge fund managers in 2007, prior to the Wall Street crash and global financial crisis in 2008.

Leading the pack in banking bonuses is Wall Street's Goldman Sachs, which revealed at the start of this week that it paid a total of $15.4 billion in pay and bonuses last year—a 3.5 percent increase on the previous year's total.

This moneyed elite raking in record levels of profits and bonuses on both sides of the Atlantic is intent on ensuring that the tab for its wild, speculative enterprises is picked up the world's working populations. In Europe, this takes the form of the systematic destruction of the welfare state gains won over decades by the struggles of the working class.

In a series of European countries, austerity programmes sponsored by the EU and IMF have slashed the wages for public service workers and civil servants by between 5 and 15 percent. Not enough, scream the markets. Already, calls are being made in the financial press for 30 percent pay cuts. At the same time, workers faced with shrinking pay packets face growing bills for basic necessities as governments implement increases in consumption taxes such as VAT.

In one country after another, social systems are being dismantled and health care provision ravaged. Echoing a demand from the money markets, the German chancellor called last week for an increase in retirement age to 67 years for all of Europe.

The slash-and-burn tactics advocated by the financial elite and introduced by compliant governments across Europe are rapidly impoverishing workers and the middle class. The rapacious and completely reckless nature of this layer introduces a new and explosive element into world politics.

The recent protests and social upheavals in Tunisia, which in the space of days have brought down a hated dictator, represent a powerful response by the working population to the cuts in living standards being enforced in countries across the globe. The lesson from Europe, however, is that not the slightest confidence can be placed in the parties and trade unions that once claimed to defend the working class, or their allies in the middle-class groups who occupy the left-wing of the official political spectrum.

In fact it is "socialist" and social-democratic governments with the trade unions in tow that have been the most active in implementing austerity programmes on behalf of the banks in Greece, Portugal and Spain. In order to divert attention from the role of the banks and their own complicity with the financial aristocracy, these same governments are seeking to whip up the most pernicious forms of nationalism and chauvinism.

Only the independent intervention of the working class can prevent a renewed catastrophe for mankind as a result of the activities of this international financial mafia and its accomplices in government and the unions. This means a struggle for the socialisation of the banks and all major international financial institutions under the supervision and democratic control of the working class.

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