As popular opposition grows, European ruling class demands austerity

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Amidst an upsurge of political opposition to economic austerity, Europe's ruling classes are escalating their assault on government spending and social services.

A number of credit downgrades from financial agencies are increasing pressure on governments to carry out deep cuts. Fitch, the Paris-based ratings agency, downgraded its long-term rating for Greek sovereign debt Friday, bumping it down three notches, from double B plus to B plus. Yields on Greek government bonds soared to the highest levels since the country's entry into the eurozone.

Standard & Poor's, the US ratings agency, took a similar measure Saturday, changing Italy's sovereign debt outlook from "stable" to "negative," citing "political gridlock," i.e., the failure to move quickly enough in imposing austerity measures.

Contagion fears spread to the eurozone as a whole, driving up bond yields and sending the euro to an all-time low against the Swiss franc, and to a two-year low against the US dollar.

The downgrades came in the midst of electoral upsets for the ruling parties in Germany, Italy, and Spain. In the local and regional elections held Sunday in Spain, the ruling Socialist Party (PSOE) was soundly defeated in almost every region, due largely to growing opposition to its austerity measures and the economic crisis. The PSOE is one of the principal ruling class parties in Spain. Its main opposition, the Popular Party, is also committed to austerity measures.

The elections were overshadowed by mass protests throughout the country in opposition to the austerity measures carried out by the government of José Luis Rodríguez Zapatero. Protests were staged in hundreds of locations, and tens of thousands of people occupied the Plaza del Sol in Madrid beginning May 15.

In response, figures within the European establishment have called for an even more aggressive liquidation of social services to pay outstanding debt.

Jean-Claude Juncker, prime minister of Luxembourg and the president of the Eurogroup organization of finance ministers, has called for the wholesale stripping of assets controlled by the Greek state, in order to more quickly pay off the country's debts.

In an interview with German magazine *Der Spiegel* published Monday, Juncker called for the Greek government to sell off its assets in the same way as East Germany liquidated its assets during the capitalist restoration.

"I would welcome it if our Greek friends were to establish a privatization agency independent of the government, based on the model of Germany's Treuhandanstalt privatization agency, one that would also be staffed with foreign experts," he said.

Juncker added, "The country has significant assets that the government owns," and these should be sold off on the private market to generate revenue. The newspaper estimated these assets to be worth €300 billion. The various political factions in Greece should "settle their petty differences," Juncker said, and "jointly declare their commitment to the reform agreements with the EU." Popular sentiment, Juncker indicated, was irrelevant.

At the same time, there are growing fears of a downturn in the European economy. A closely watched survey of European purchasing managers showed the sharpest fall-off of economic activity in May since the collapse of Lehman Brothers in 2008. The austerity measures implemented throughout the continent have mixed with the impact of high oil prices to slow economic growth.

The figures dampened optimism following statistics earlier this month that showed that the European Union grew at twice the rate of the US in the first quarter of the year.

The combination of political turmoil and economic uncertainty triggered a global stock sell-off Monday, with the Dow Jones Industrial Average and S&P 500 falling 1.05 and 1.19 percent respectively. The German DAX fell 2 percent, and the British FTSE 100 fell 1.89 percent.

In its downgrade warning to Italy, Standard & Poor's said that the basic economic prospects for economic growth in the country had not changed drastically, but that "political commitment for productivity-enhancing reforms appears to be faltering."

The agency made the announcement after an electoral setback last week for the ruling coalition headed by Silvio Berlusconi. In local elections, Berlusconi's coalition failed to receive more than half the vote for the first time in 20 years.

The Berlusconi government reacted by redoubling its pledge to implement cuts, saying that it would seek to balance the country's budget by 2014.

Italian Finance minister Giulio Tremonti responded to the debt downgrade with reassurances that the government would pay its debts, saying that Italy will "do what is necessary to always respect the pledges it has made."

He added that the government would not waver in its pursuit of austerity, and that the "risk of political gridlock … is absolutely out of the question."