The European debt crisis and the threat of dictatorship

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Just two weeks ago, the Greek parliament passed a fresh round of austerity measures which will have a devastating impact on the living conditions of Greek workers. The parliamentary vote was preceded by a propaganda campaign by the finance houses, banks and leading European politicians, declaring that the new austerity measures were the only way to assuage the money markets and stabilize the euro.

Since then, the European debt crisis has only intensified. In line with the pattern throughout the crisis, the new round of social cuts and privatizations has been seized on as a benchmark to demand even more brutal attacks on the living standards of the working class in Greece, across Europe and internationally.

One week after the passage of the Greek austerity package, Moody's downgraded Portuguese government bonds to junk status. A few days later a combined assault by hedge funds and rating agencies forced up the interest rate on Italian government bonds and precipitated a near-panic over that country’s sovereign debt.

This move by the financial markets was in response to reports that the austerity program agreed by the Italian government might be watered down in the course of its passage through parliament. Responding to the market offensive, the Italian finance minister announced he was doubling the total of spending cuts to be carried out over the next three-and-a-half years. Within days, a sweeping austerity package for Europe's third largest economy had been passed.

At the start of this week, European finance ministers met in emergency session to discuss means to pacify the markets. In a major concession, they agreed to reverse their existing policy and make available the resources of the European Union bailout fund to directly buy up Greek debt.

The markets reacted to this concession with a renewed offensive. On Tuesday, Moody's downgraded Ireland's debt to junk status, and on Wednesday, Fitch Ratings downgraded Greek sovereign debt, declaring that default by Greece was "a real possibility."

At the same time, the major credit rating firms put US government debt on watch, warning that failure to raise the debt limit by August 2 would be considered a default.

These developments demonstrate that there is no peaceful or rational solution to the European debt crisis within the framework of the existing economic and political order. That is because the sovereign debt and euro crisis is an expression not simply of a conjunctural downturn, but of a fundamental and systemic crisis of the world capitalist system.

The Wall Street crash of September 2008 was the outcome of decades of ever more reckless financial speculation, centered in the US but increasingly characteristic of all of the major capitalist countries. A mountain of debt was created to finance an unprecedented enrichment of the ruling elite and this process of wealth creation was increasingly separated from the creation of real value.

In fact, the growth of a global financial aristocracy was based on the destruction of industry and productive infrastructure in the US and other advanced capitalist countries and a ruthless assault on the jobs, wages and living standards of the working class.

The result was an economy geared to the outright plundering of the social wealth and wedded to the creation of financial bubbles, resting on a banking system that was essentially insolvent. The inevitable bursting of the US home loan bubble in 2007-2008 exposed the insolvency of the financial system.

None of the measures taken since the crash have resolved the underlying crisis of the banks. On the contrary, they have shifted the losses from the banks to the state through massive government bailouts, while piling new forms of debt on top of the existing ones.

The bourgeoisie has only one answer to this dilemma—ever more savage attacks aimed at reversing all of the social gains won by the working class in the 20th century. At the same time, each national ruling elite adopts an increasingly aggressive and nationalistic posture toward its competitors, fueling the growth of militarism and war.

The representatives of finance capital are well aware that their counterrevolutionary policy will provoke social upheavals. Their answer is the preparation of new and more repressive forms of rule.

In its latest publication for subscribers, Aon, a risk insurance broker, warned against investment in Greece. The firm placed Greece on its “world map of terror dangers 2011,” declaring that the risk of a “revolution, a coup or a civil war” in the country is “high.”

A blog last week on the web site of the *Wall Street Journal* noted the growing economic crisis in a succession of European countries. It commented on the emergence of mass opposition in Greece in an article entitled: "Better Save Some of That Tear Gas for Portugal, Spain, Italy."

Such warnings are not restricted to Europe. Former US National Security Advisor Zbigniew Brzezinski warned this past week that mass unemployment and the growth of social inequality in the United States could lead to civil unrest. In an interview on the cable TV channel MSNBC he said: "I don’t want to be a prophet of doom--and I don’t think we are approaching doom--but I think we’re going to slide into intensified social conflicts, social hostility, some forms of radicalism. There is just going to be a sense that this is not a just society."

The conclusion is increasingly being drawn within bourgeois circles that the type of social devastation to be imposed cannot be carried through by traditional parliamentary means.

In Germany, the discussion on the necessity for "post-democratic" forms of rule is led by the Berlin professor, Herfried Münkler. The solution to the euro-crisis, Münkler argues, is not democratization, but rather more power for the German and European elites.

In a similar vein, the *Financial Times* publ editorial July 14 entitled: “Preserving Italy’s Fiscal Credibility” which declared that “Italy needs more than austerity” and called for the removal of Prime Minister Silvio Berlusconi and “his replacement by a broadly based government led by technocrats”—i.e., a government whose personnel had been hand-picked by the banks.

Either the crisis will be resolved by the bourgeoisie on the basis of mass poverty, dictatorship and war, or the working class will resolve the crisis through its politically conscious, collective and internationally coordinated revolutionary action. As Trotsky wrote in the 1930s, the alternative is socialism or barbarism.

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