

Europe's economic crisis spins out of control

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The crisis of the world's stock exchanges and financial markets is increasingly spiralling out of control. Governments are being driven by developments which they are unable to influence.

On Tuesday, Angela Merkel and Nicolas Sarkozy, the leaders of the fourth- and sixth-largest economies in the world, met at an emergency summit with the aim of calming the markets. Two days later the stock markets responded with the biggest fall in three years.

The German DAX lost just under 6 percent on Thursday, the French CAC 40 fell 5.5 percent, Britain's FTSE declined 4.5 percent and the US Dow Jones Industrial Average dropped 3.7 per cent. On Friday, the downward slide continued. Since the beginning of the month, the DAX has fallen by 20 percent. Falls on this scale evoke memories of the Great Depression of the 1930s.

The panic on the stock markets shows that traders are expecting a deep recession, already heralded by stagnating growth and rising unemployment rates. Corporations will respond with new waves of layoffs, governments with further budget cuts.

The bitter experiences of the 1930s threaten to repeat themselves—not only economically, but also politically. The decline of the world economy is accompanied by growing national tensions, threatening the continued existence of the European Union, and increasingly brutal imperialist wars, as in Afghanistan, Iraq and Libya.

The current crisis is even more fundamental than eighty years ago. At that time, as Europe slid into fascism and war, the American bourgeoisie responded with a program of social reforms, in the form of President Franklin Delano Roosevelt's New Deal. The United States emerged from the World War II as the dominant economic power. Today, the US is itself the focus of the crisis, and no country or alliance can assume its role as the anchor of the world capitalist

economy.

After the war, the reconstruction of capitalism in Western Europe was carried out with reference to the lessons drawn from the Great Depression—the need to temper the market economy with social policies. In 1991, when the Soviet Union was dismantled at the hands of the Stalinist regime, the demise of the USSR was proclaimed as proof that socialism had failed and the unrestricted capitalist market had triumphed.

The past three years had shattered these claims. The markets, and particularly the financial markets, have demonstrated their destructive power. Speculators are driving governments and dictating policies that plunge society into ruin and destroy the livelihoods of broad layers of the population.

The public purse is being looted in order to save the banks and the assets of the wealthy, while education, health and old age care are being destroyed and the youth pushed onto the streets with no prospects. One austerity measure follows the next, aggravating the recession, which in turn rips new holes in the public sector, creating a vicious circle with no way out.

Not a single bourgeois government or party can meet the insatiable demands of the financial markets. In order to bring the impending depression under control, it is necessary to launch a massive programme of public works running to billions of euros, and to tax speculative profits, high incomes and wealth accordingly, or confiscate them. But such measures are not even being discussed, let alone carried out.

The power of the financial aristocracy is inviolable. All the official parties, whether “left” or right, lie prostrate before it. Nothing shows the class nature of society today more clearly than the contrast between the treatment of British youth arrested in the recent riots, who are being given draconian prison sentences for minor offences in summary proceedings, and that of the stock exchange gamblers and speculators who have

driven entire national economies to the wall, without being in any way held accountable for their crimes.

In Europe, governments and parties are arguing over whether the insatiable appetite of the financial markets can be satisfied by the creation of so-called euro bonds, or whether the euro should be abandoned and the highly indebted countries left to their fate.

The first option is supported by the governments of those countries experiencing debt repayment difficulties, as well as the German and French social democrats and Greens. They link the creation of euro bonds to demands for strict cost-saving measures, subjecting the budgetary policies of individual states to the dictates of unelected EU bodies. The introduction of euro bonds would extend the brutal austerity measures, to which countries such as Greece, Ireland and Portugal have had to submit, throughout the rest of Europe.

The second option is favoured by right-wing populists and sections of the bourgeois establishment, like Germany's Free Democratic Party (FDP). They regard the national interest as paramount, are prepared to abandon the euro, break up the European Union and follow the path of national rivalries, conflicts and wars. An echo can be found among the middle-class ex-left, who advocate national or regional independence as an alternative to the EU.

Workers must reject both these camps. The conflict in Europe does not run between nations, but between classes. Only the united struggle of all European workers can break the dominance of the financial aristocracy, which is defended both by the advocates of a strong EU and their more rabidly nationalist opponents.

The prerequisite for the defence of social and democratic rights is a socialist programme. Not a single social problem can be solved as long as control over the trillions in assets remains in private hands, and the gamblers on the stock exchanges decide the fate of entire national economies. The financial institutions and large corporations must be expropriated and put under democratic control. Economic life must be planned according to the needs of society rather than the anarchy of the market and the profit interests of the owners of capital.

The trade unions and social democratic parties will never embrace such a programme. They are linked to the ruling elite by a thousand threads, sitting in

governments and on boards of directors, and enjoy countless privileges. They do not defend the interests of the working class, but seek to divide, paralyze and suppress all opposition from below.

A socialist programme cannot be realized through applying pressure to the existing state institutions. It necessitates the independent mobilization of millions of workers for the establishment of a workers' government and the United Socialist States of Europe. This requires the building of a revolutionary party, the International Committee of the Fourth International, and its sections around the world.

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