A socialist answer to the euro crisis

Peter Schwarz
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Tomorrow marks the third anniversary of the day Wall Street giant Lehman Brothers filed for bankruptcy. The resulting crisis of the international financial markets is now mushrooming into a full-scale collapse. Not just banks, but entire states stand on the edge of the financial precipice. The continued existence of the euro, the second most important currency in the world after the dollar, is now in doubt.

European leaders are openly contemplating the bankruptcy of Greece. The German economy minister and chairman of the Free Democratic Party (FDP), Philipp Rösler, has called for an orderly bankruptcy of the country, while the Bavarian prime minister and head of the conservative Christian Social Union (CSU), Horst Seehofer, has called for Greece's exclusion from the euro zone. Dutch Finance Minister Jan-Kees de Jager has endorsed Greece's exclusion from the euro zone.

The Swiss bank UBS has estimated the costs of such a move. The consequences of leaving—including state and corporate bankruptcies, a collapse of the banking system and a collapse of international trade—would cost every inhabitant of Greece in the first year an average of €9,500 to €11,500, or 40 to 50 percent of Greece's gross domestic product. The cost would rise by another €3,000 to €4,000 per capita each year thereafter.

The Japanese investment bank Nomura expects that a Greek withdrawal from the monetary union would lead to a massive flight of capital, a cut-off of credit to Greek companies, the disruption of trade, a sharp rise in unemployment, an upsurge in inflation, and energy and food shortages.

The consequences of Greek national bankruptcy would not be limited to that country. International experts fear bank failures, further state bankruptcies and the end of the euro.

Democratic institutions in Europe would not survive such an economic catastrophe. The experts at UBS have no illusions in this respect. "It is also worth observing that almost no modern fiat currency monetary unions have broken up without some form of authoritarian or military government, or civil war," they write.

There is no lack of voices urging caution and prudence. German Chancellor Angela Merkel of the Christian Democratic Union (CDU) indirectly called upon her Free Democratic Party and Christian Social Union coalition partners to show restraint. "We have to support the Greeks, not talk them into bankruptcy," her advisor Peter Altmayer declared. "That wouldn't help anyone."

The *Süddeutsche Zeitung* accused Rösler and Seehofer of economic ignorance and seeking to strengthen their profiles, and warned: "Expulsion [from the euro zone] would not only be a disaster for the Greeks, but also for Germany and the rest of Europe."

The crisis, however, is not following the rules of reason, but rather the logic of class interests. Although it obviously leads to disaster, nationalism in Europe is on the rise. Rösler and Seehofer are no exception in this respect.

In the latest edition of the *Financial Times*, columnist Gideon Rachman notes: "The appetite for international cooperation is gravely diminished. Key political leaders are looking inwards… With international politics drifting, there is now a clear danger that the world will belatedly slide into protectionism."

He then draws parallels to the crisis of the 1930s, when "a financial crisis on Wall Street turned into a Great Depression when it was followed by the rise of protectionism and a banking crisis in Europe."

Sections of the ruling class want to confront this danger and a possible bankruptcy of Greece with an enlargement of the euro rescue package, the introduction of euro bonds and a European economic government. This is not an answer to the crisis, however, but merely another form of shifting its consequences onto the mass of the population.

The proponents of this course insist that all loans to highly indebted countries be tied to strict austerity measures laid down by the European Union. “Whoever slides into debt can no longer decide alone on the politics of his country, but needs to implement decisions from Brussels,” the *Süddeutsche Zeitung* writes.

The Social Democrats and the Greens are especially enthusiastic about this policy. They are lining up—like George Papandreou in Greece and José Zapatero in Spain—to push through brutal austerity diktats from Brussels. In doing so, they rely on the trade unions and pseudo-left parties like the German Left Party and the French New Anti-Capitalist Party (NPA), which draw closer to the Social Democrats the more the latter distance themselves from the working population.

The crisis serves in this way as an instrument of social counterrevolution. While the banks are bailed out with trillions from the public purse and the wealth of the super-rich increases unabated, the standard of living of the working class is being pushed back to the levels which existed in the early days of industrial capitalism.

The difference between the supporters and opponents of bankruptcy for Greece is that the former seek to achieve this goal in a nationalist struggle of each against all, while the latter seek to attain the same end in a controlled process under European direction. They fear that the chaotic collapse of entire countries would provoke social upheavals.

This fear is also shared by the experts of UBS, who quote none other than the Russian revolutionary Lenin as an authority. Citing the economist John Maynard Keynes they write, “Lenin was certainly right. There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency.”

Workers cannot subordinate themselves to any of the contending bourgeois camps. They must vehemently oppose all those who respond to the euro crisis by witch-hunting “the Greeks” and stirring up national tensions. At the same time, workers must reject those intent on strengthening the institutions of the EU and establishing a dictatorship of European finance capital in order to “save Europe.”

The solution to the crisis is not a national, but a class and international question. Not a single social problem can be solved without breaking the power of finance capital, expropriating the banks and major industrial concerns, and placing them under democratic control.

To achieve this, workers must unite across Europe to unconditionally defend their rights and social gains and fight for workers’ governments within the framework of a United Socialist States of Europe.

The Socialist Equality Party and the International Committee of the Fourth International is the only party fighting for this perspective.

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