The euro crisis: Major powers plan new bank bailout

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With the major powers lurching back into recession, governments on both sides of the Atlantic are planning another huge bailout of the banks. There are significant differences over how such a bailout should be organised, but there is general agreement that hundreds of billions more in public funds must be allocated to cover the banks' losses from a sovereign debt default by Greece.

As occurred following the Wall Street crash three years ago—except on an even bigger scale this time—the wealth of the financial elite whose speculative activities triggered the global crisis will be underwritten through the plundering of state treasuries. This will be carried out even as governments intensify their attacks on the working class in the name of "fiscal consolidation."

To offset the new handouts to the banks, even more brutal austerity measures will be imposed in Greece and other highly indebted European countries that have already been thrown into slump and mass social misery, and social cuts will be expanded in the rest of Europe and the US.

This is the meaning of the demands coming out of last weekend's International Monetary Fund meeting in Washington to "recapitalize" European banks and expand the reach of the €440 billion European Financial Stability Facility (EFSF) by having it underwrite far bigger sums to be pumped into the financial markets by the European Central Bank (ECB).

These measures—aggressively promoted by the US and the IMF against the resistance of Germany and other northern euro zone countries—are being linked to a scheme to "restructure" Greek government debt by means of a 50 percent discount on the value of Greek state bonds. The massive losses European and American banks would suffer as a result of such a "managed default" would be covered by the new bailout organized through the EFSF and the ECB.

German officials have come out against such a European-wide bailout scheme, the cost of which would be largely borne by Germany. Instead, Berlin is planning its own national bailout of German banks in connection with a Greek default.

Over the weekend, a number of American and British newspapers wrote of a so-called "big bang" and "shock and awe" plan to deal with the European debt crisis. The resources available to the EFSF would be leveraged to reach €2 trillion and the European Central Bank would be given carte blanche to print up euros and increase its purchases of the government bonds of Greece, Ireland, Portugal, Spain and Italy.

Stock markets in the US and Europe soared Monday and Tuesday in anticipation of a new bailout of the banks and speculators. The first wave of bailouts three years ago enabled major banks and corporations to dramatically increase their profits even as unemployment reached depression levels in the US and most of Europe. The gap between wealth and poverty has widened, with the bourgeoisie utilizing the crisis to drive down wages and dismantle the remaining remnants of the welfare state.

The most recent wealth report issued by Merrill Lynch and Capgemini concluded that the combined wealth of the nearly 11 million "high net worth" individuals increased by 17 percent in 2009 and 9.7 percent in 2010, reaching a total of $42.7 trillion. This sum is far higher than the combined state deficits of all the countries in Europe and North America whose people are being impoverished as a result of austerity programs.

In Germany, which has pushed relentlessly for the implementation of austerity policies across Europe, private fortunes have increased over the past 15 months by a total of €350 billion—exactly equivalent to the total debt of Greece. *Der Spiegel* magazine recently reported that the Swiss bank deposits of Greek multi-millionaires totals €600 billion euros—nearly double the country's public debt.

Tensions between the US and Germany have intensified in the run-up to a key vote this Thursday in the German parliament on an extension of the existing EFSF. On Monday, US Treasury Secretary Timothy Geithner warned that Europe did not have "very much time" and needed to "get on with it." President Barack Obama complained that Europe was "scaring the world" with its inaction.

The response from Berlin was prompt. German Finance Minister Wolfgang Schäuble declared that the government had no plans to expand its current commitment to the EFSF. Chancellor Angela Merkel, addressing the German association of industrialists, declared that Germany was opposed to any further stimulus measures or increase in debt.

As the economic crisis deepens and Europe, following the US, sinks into recession, conflicts between the trans-Atlantic allies are escalating. At the same time, rivalries within the European Union itself are intensifying. Some senior European political figures with a sense of history have already pointed out the dangers arising from a break-up of the euro zone.

In comments earlier this month, the finance minister of Poland, Jacek Rostowski, warned that a collapse of the European project could result in war within a decade. Rostowski told reporters that war is likely "not in the months ahead, but maybe over a ten-year time frame."

This is the future that capitalism holds out to the world's people: depression, dictatorship and war. The current crisis represents the failure of the world capitalist system. It must be replaced by a new system based on public ownership and control of the productive forces under the democratic control of the working people, and a planned economy geared to social needs, not private profit—that is, by socialism.

This requires the mass revolutionary mobilization of the European, American and international working class to break the stranglehold of the banks and corporations and establish workers' governments.

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