

The crisis of the euro

Peter Schwarz
25 November 2011

Since this year began, hardly a month has passed without a major summit to decide on new measures to save the euro. Now the year is approaching its end, and the crisis of the euro is deeper than ever.

The creation of the European Financial Stability Facility (EFSF); its increase and leveraging; acquisition of government bonds by the European Central Bank; harsh austerity measures in Greece, Portugal, Spain, Italy, and France; the monitoring of the Greek budget by the troika of the EU, the European Central Bank and the IMF; changes of government in Portugal, Greece, Italy and Spain—all these measures, which have dominated headlines in recent months, failed to stop the onslaught of the financial markets. On the contrary, the markets are now panicking.

The debt crisis has moved from the periphery of the eurozone to its core. After Greece, Ireland and Portugal, Spain, Italy and even France have to pay such high interest for their government bonds that they can no longer escape the debt trap. On Wednesday, even a German bond sale worth €6 billion failed to attract buyers. Analysts described this as a “motion of no-confidence for the entire Euro zone.”

Many experts no longer believe that the euro can survive in its current form. A poll by Reuters of 20 prominent academics, policymakers and business leaders found that only six believe that the currency union will survive. An additional ten saw a new “core” eurozone with fewer members as a possible alternative.

The collapse of the eurozone would have disastrous economic and social consequences—on this point experts agree. It would plunge the continent into social upheavals and national conflicts similar to those in the first half of last century.

In this context, national tensions in Europe are increasing. France and Italy, supported by Britain and the US, are calling for joint European bonds (euro bonds) and unlimited ECB funds for indebted countries

to satisfy the insatiable appetite of the financial markets. Germany has rejected this categorically, insisting that every country must restructure its own budget through hard austerity measures, even if this means—as in the case of Greece—recession and ruin.

When European Commission President José Manuel Barroso presented his own plans for euro bonds on Wednesday in Brussels, Berlin reacted hysterically. The media fumed over “Barroso’s provocation,” and Chancellor Angela Merkel denounced his initiative in front of Parliament. “Never before in the history of the EU has a President of the Commission been publicly slapped by a German Chancellor in such a way,” the *Süddeutsche Zeitung* commented.

Alexander Dobrindt, the general Secretary of the Bavarian CSU, attacked Barroso in the *Bild* tabloid as “a mercenary of the Dolce Vita states, who want to get their hands into our cash box”. Economy Minister Philipp Roesler insisted as well, that Germany will take no financial responsibility for other Euro states. “We say ‘no’ to euro bonds,” he said. “A transfer union would be wrong because it would mean German taxpayers pick up the costs. Euro bonds are wrong because they would mean a rise in interest rates for Germany.”

Meeting with French president Nicolas Sarkozy and the new Italian Prime Minister Mario Monti on Thursday, Chancellor Merkel insisted on her ‘No’ to euro bonds. Instead she announced that Germany and France will present proposals for changes in the EU treaties within a few days. The aim is to give Brussels the means to enforce even harsher austerity measures. Those who violate the Stability and Growth Pact “must be called to account,” Merkel insisted.

There are indications that Merkel might ultimately agree to euro bonds, as she agreed to the EFSF and other measures after initial opposition. But she will ask for a high price. In return, the German government is

asking for a tightening of the Stability Pact, enabling Brussels to install a veritable dictatorship over the budgets of individual member states. This would allow the EU to drop the burden of the crisis on the people without bothering about public opinion and democratic procedures.

Euro bonds aim to save the assets of the banks and the funds of the super rich with public money, while the burden of the crisis is shifted on the working class. Nonetheless, the Social Democrats, the Greens and the German Left Party are enthusiastically calling for euro bonds.

Euro bonds would just as little resolve the crisis, as the EFSF and other measures have done.

The idea that Germany can tear Italy, France and Spain out of their difficulties by its economic strength is an illusion. Even if one ignored the fact that Germany itself is highly indebted and very susceptible to the fluctuations of the world economy due to its dependence on exports, its economy is not large enough. The German GDP of \$3.3 trillion is only one fifth of the GDP of the entire European Union, and just half of the combined GDP of France, Italy and Spain.

Furthermore, the basic cause of the crisis is not the indebtedness of the European countries. In fact, the average debt in the EU is considerably lower than in the US, Japan or Britain. Rather it is an international crisis of the capitalist system whose epicenter is in the US. Europe is the target of the financial markets' attacks because it is internally riven and split.

The European Union has not "unified" Europe, it has only subordinated it to the most powerful financial and industrial corporations; nor has it overcome national antagonisms, which resurge whenever the crisis intensifies. The capitalist class is organically incapable of unifying the continent in the interest of its people, because capitalist private property is insolubly tied to the nation state.

A progressive resolution of the crisis is possible only on the basis of transforming existing property relations. The banks, large corporations and major private fortunes must be expropriated, subjected to democratic control and devoted to serving society as a whole. Social needs must take precedence over the drive for profit.

Such a socialist perspective can be realized in the economically and socially closely-knit continent of

Europe only through the close international collaboration of the working class. The aim must be to build the United Socialist States of Europe. The alternative, as in the 1930s, is the balkanization of the continent and a slide into dictatorship and war.

Peter Schwarz



To contact the WSWs and the
Socialist Equality Party visit:

wsws.org/contact