UK’s major parties unite to demand action from Germany over euro crisis

Julie Hyland
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Political leaders from all Britain’s major parties have joined in warning of “economic Armageddon” should the eurozone collapse.

Business Secretary and Liberal Democrat MP Vince Cable made the dire prophecy in an interview at the weekend, as “technocrat” governments were being installed over the heads of the populations of Greece and Italy, with the aim of forcing through even more severe austerity measures.

Earlier, Conservative Chancellor George Osborne described the situation as “dangerous”, while former Labour Prime Minister Tony Blair said the break-up of the eurozone would be “catastrophic”.

Their warnings came in advance of figures, to be published today, expected to show an increase in UK unemployment, with youth joblessness passing the 1 million mark for the first time on record. A report by the European Union (EU) has said the UK is at serious risk of a double-dip recession, while the Bank of England is forecast to halve its 2.1 percent forecast for growth in 2012.

With 40 percent of UK exports going to the eurozone, Prime Minister David Cameron said the Treasury was making contingency plans for “all eventualities”.

Their statements have nothing to do with concern over the growing hardship facing working people. In Britain, the Conservative-Liberal Democrat coalition government has imposed one of the most severe austerity packages in Europe, leading to tens of thousands of job losses across the public and private sector. In the first instance, the government is using the eurozone crisis to justify its spending cuts. Osborne said the crisis in Europe was “all the more reason that we in Britain weather this storm by taking the difficult decisions we take on our own terms—rather than being forced to do so by the markets.”

More importantly, the purpose of the cross-party warnings is to pressure Germany to relinquish its opposition to the European Central Bank (ECB) acting as the “lender of last resort”. Cable said, “The key political issue is Germany and Germany’s willingness to do what it has to do make the eurozone work.”

Chancellor Angela Merkel and the *Bundesbank* have consistently opposed the demands from Washington and London that Germany stump up additional funds to the European Financial Stability Facility (EFSF) to bail out Europe’s economies. *Bundesbank* head Jens Weidmann has insisted that this is a violation of European treaties that impose “legal prohibition on monetary financing.”

French President Nicolas Sarkozy is also known to favour a greater role for the ECB. In the run-up to October’s summit of the 17 eurozone members, however—faced with the prospect that Greece would fail to meet the terms of its loans from the European Union, International Monetary Fund (IMF) and European Central Bank—he was forced to give way to Germany. Instead, the eurozone summit announced vague plans for the EFSF to be “leveraged” from €440 billion to €1 trillion with additional funds from the IMF, China and Russia, and for Greek debt bondholders to take a “voluntary” haircut of up to 50 percent.

This did nothing to stave off the threat of a Greek default. Wolfgang Münchau in the *Financial Times* wrote that it was the decision to “renegotiate the private sector participation of Greek sovereign debt holders” that particularly irked the markets. “Investors interpreted it—correctly in my view—as a precedent. They then dumped their Portuguese, Spanish, Italian and even French government bonds.”

As the crisis mounted, the G20 summit in Cannes saw London and Washington refuse any specific commitment for IMF monies to be used to help the eurozone. With China also refusing to play ball, Cameron said the world had “sent a clear message to the eurozone…. Sort yourselves out and then we will help. Not the other way round.”

The calls for ECB intervention are aimed at engineering a further massive transfer of public funds to the banks, particularly those in Washington and London that are involved in insuring the debts of the so-called “PIIGS”—Portugal, Italy, Ireland, Greece and Spain—and are heavily invested in other European countries.

The ratings agency Fitch noted that by May 2011, the US money markets had direct exposure of around US$1.2 trillion to the European banking system—almost half of its overall assets. The Bank for International Settlement stated that US banks have US$500 billion direct exposure to the EU’s periphery countries through derivative contracts, and a loan exposure to

German and French banks of more than US$1.2 trillion.

In his interview, Cable said the ECB must be given "unlimited powers to intervene". "We discovered in 2008 in our own country that you need to have a strong central bank that can do that".

This was a reference to the multibillion-pound "quantitative easing" package given to Britain's banks by the Labour government. Last month, the Bank of England printed a further £75 billion and pumped them into the banking system. These funds are being recouped out of the jobs, wages and services vital to working people. The same class agenda, in an even more draconian form, is being applied in Greece and elsewhere.

Notwithstanding alarm bells over the fate of the eurozone, national tensions are growing apace between Europe's main powers. Writing in the *Observer* on Remembrance Sunday, European Commission President Jose Manuel Barroso pointedly said: "I hope when historians look back on these unprecedented times, they will understand that we stepped back from the brink of fragmentation."

"The euro area must not be treated as an 'opt-out' from the European Union. The challenge is how to further deepen euro area integration without creating divisions with those member states that are not yet part of it."

This was taken as a rebuke to Germany and France, which are reportedly drawing up plans to create a more integrated and smaller eurozone, without Greece and other weaker economies. It was also directed against the sizeable eurosceptic wing of Britain's Conservative Party, which is demanding a full or partial withdrawal from the EU. Last month saw the largest-ever rebellion by Conservative MPs against the government's refusal to hold a referendum on British membership in the EU.

The eurozone summit had set punitive austerity measures for Greece and Italy, subject to the fiscal discipline of the "Frankfurt Group". *Guardian* business editor Larry Elliot described this as "an unelected cabal made up of eight people", including the IMF's Christine Lagarde, Merkel, Sarkozy, ECB president Mario Draghi, and Barroso. This ended with the imposition of unelected governments, headed by "technocrats" and directly accountable to the Frankfurt "cabal". Blair defended this, saying: "The reason people are bringing in these types of leaders is they just want it sorted."

The crisis for the British bourgeoisie is that its demand for ECB intervention, and support for even greater austerity measures in Europe, strengthens the moves to greater political and fiscal consolidation in the eurozone. With France now in the markets' sights, and still no agreement on how the EFSF can raise funds, Germany is dictating the terms of any "rescue" of the euro. This development risks the UK's complete marginalisation.

On Monday, Merkel told the conference of her Christian Democrat Union that the task was "to complete economic and monetary union, and build political union in Europe."

The EU's treaties must be changed to support integration, including powers to subject indebted countries to tough sanctions unless they enforced monetary discipline. She had earlier reportedly warned Cameron that the UK must sign up to these changes, or Germany and France would proceed to a "two-tier" Europe.

In his speech to the Lord Mayor's banquet in London that evening, Cameron hit back. "We sceptics have a vital point," he said, attacking the EU for its "pointless interference, rules and regulations". The eurozone crisis was an "opportunity to begin to refashion the EU so it better serves this nation's interests," he said.

While stating that leaving the EU would be damaging for Britain, Cameron told his audience of leading financiers that any referendum on EU treaty changes must "ebb back" powers from Brussels to the nation states.

Cameron was not criticising the policy of regime change being carried through in Greece and Italy. He wants the power to overturn EU regulations covering working hours and conditions, and a vast extension of the privatisation of public services in Europe, for the benefit of private capital. It has also opposed German proposals for a European-wide tax on financial transactions. Chancellor George Osborne has described this as a "bullet aimed at the heart of London."

Conservative policies are supported by Labour. Shadow Chancellor Ed Balls has argued for Britain to withhold additional funds to the IMF, until Germany makes guarantees to protect the eurozone. Labour's foreign affairs spokesman, Douglas Alexander, said government should "engage now with the reality that Germany is seeking treaty change that enforces greater discipline within the eurozone, and seize this opportunity to safeguard the rights of non-euro members."

The *Independent* proclaimed, "The leaderships of the two parties, and perhaps of all three, almost agree with each other on an issue that has torn apart British politics for four decades."

This unity is predicated on policies aimed at accelerating the disintegration of Europe along national lines, which can only have the most disastrous consequences for the working class.