EU summit prepares new attacks on the working class

Peter Schwarz
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Once again great expectations have been placed in the latest European summit, which began on Thursday evening in Brussels. According to the German paper *Die Zeit*, the meeting constitutes a "European day of destiny." At issue is nothing less than "the future of Europe," the weekly writes.

The summit takes place at the end of a year in which every measure undertaken to stabilise the euro has been met with a new attack from the financial markets. Even large countries such as Spain and Italy are now barely able to refinance their debts. This week the Standard & Poor's rating agency intensified pressure on summit participants by threatening to downgrade the credit ratings of all members of the euro zone. Many economists and politicians no longer exclude a collapse of the euro, with catastrophic economic and political consequences.

Chancellor Angela Merkel of Germany and President Nicolas Sarkozy of France have vowed to adopt measures at this summit to satisfy the financial markets. A spokesman for Merkel said markets' high expectations should not be dashed by "rotten compromises" or "typical Brussels trickery" at the summit.

French Finance Minister Francois Baroin declared that neither Merkel nor Sarkozy would "leave the negotiating table at the summit without a powerful result." If necessary, the talks would continue on Saturday and Sunday, or a further summit would be convened before Christmas.

Merkel and Sarkozy want to force through a change in the European treaties compelling all members of the euro zone to undertake deep austerity measures. They are to be contractually obliged to include a balanced budget amendment similar to the German model, which sets a strict borrowing limit. In addition, those countries that exceed the deficit limit of three percent of gross domestic product are to be automatically punished. The task of ensuring compliance with these rules is to be handed over to the European Court of Justice.

There are fierce conflicts over this Franco-German proposal, which could easily lead to the failure of the summit. The British Prime Minister David Cameron has made clear that he will refuse to agree to any change of the European treaties that affects the interests of the UK financial industry. "In all of these debates my job is to defend and protect the British national interest," he told *The Times*.

Some smaller countries, together with Council President Herman Van Rompuy and Commission President Jose Manuel Barroso, warned against changing the European treaties, because these changes could be rejected by national parliaments or referendums. They favour changes to individual clauses and regulations—a proposal that the German government turned down with the words: "We have the impression that some participants have still not understood the seriousness of the situation."

There are also sharp differences over the role of the European Central Bank. While most countries are demanding that the ECB support ailing countries with loans, Germany has consistently opposed such an option.

Despite these conflicts, all the summit participants are agreed there is no alternative to the imposition of strict austerity measures. In response to the criticism that its rigid stance on the question of debt was endangering international economic growth, the German government responded by saying that sound public finances were not a "German obsession," but rather a prerequisite for overcoming the credibility problems of the euro zone.

At the beginning of this week, Italian Prime Minister Mario Monti, who supports the Franco-German proposals, put forward a draconian austerity package, which will condemnmillions of elderly people to poverty.

Even the American, British and some southern European governments, which insist that the European Central Bank must flood the markets with new money, combine this demand with the need for budget cuts. Thus, British Prime Minister Cameron demanded in his *Times* article that “as Germany has argued, there needs to be much tighter fiscal discipline.”

The situation in Europe is increasingly reminiscent of that of Germany in the 1930s. At that time, Reich Chancellor Heinrich Brüning introduced austerity measures which set in motion a spiral of recession, cost millions of jobs, incomes and savings and helped bring Hitler to power. Once again today, European governments have nothing to offer except more austerity, recession and decline.

Three years ago, after the bankruptcy of the US bank Lehman Brothers, which brought the international financial system to the brink of collapse, American and European financial experts and politicians claimed they had learned the lessons from the 1930s. On this basis they tried to justify their transfer of trillions of public funds into the vaults of the banks. Now, in a situation where the same banks are speculating against the very countries which ran up huge debts to save them, they are pursuing similar policies to those of Brüning.

This policy is motivated by class interests. A super-rich financial oligarchy has accumulated vast wealth in recent decades and will not rest until all the social gains won by the European labour movement after the Second World War are wiped out. In their eyes public expenditure on education, health, pensions, public services and infrastructure are unacceptable restraints on their pursuit of wealth—just like decent wages and labor rights.

The proposals of Merkel and Sarkozy aim to destroy these achievements. Balanced budget amendments and automatic sanctions rob governments of any fiscal leeway to respond to social protests. They are left completely at the mercy of the diktats of the financial markets that they unflinchingly support.

The arguments they use to justify their austerity policies are both hypocritical and false. No country can live beyond its means, they declare. Nobody, including a sovereign state, can spend more than it earns.

If anyone is living beyond their means, however it is not the workers and pensioners of Greece, Ireland, Italy or Germany, but rather the members of the financial oligarchy. The total assets of all European millionaires (there are now about 3 million of them) are growing faster than the sum of all European national debt. The private wealth of millionaires has doubled in the last 13 years, while public debt has doubled in 15 years. The total assets of Europe's millionaires, estimated at around $10 trillion, are sufficient to pay the debts of almost all European countries at a stroke.

In Germany alone, 830,000 millionaires have financial assets of €2.2 trillion—more than the total debt of all federal, state and local authorities. The principle cause for this growth in private assets is the tax cuts introduced for businesses and top earners. As a result, the ratio of government consumption to gross domestic product has fallen by 5 percent in ten years. If those tax cuts were reversed the state treasury would benefit by around €100 billion.

For European governments, however, the funds of the financial oligarchy are strictly off limits. Not a single government—be it social democratic, liberal or conservative—dares to touch this wealth, for fear of infuriating the financial markets. As was the case in the 1930s, Europe stands before enormous class struggles.

These class struggles must be prepared. The old reformist organisations—Social Democrats, ex-Stalinists and trade unions—have placed themselves entirely at the services of the financial oligarchy and faithfully implemented their austerity measures. They are immune to pressure from the population and can rely on the support of a host of pseudo-left organisations which do everything they can to prevent a break with the old, discredited bureaucracies.

The most urgent task now is to build a new party to unite the working class of all countries on the basis of a socialist program. This is the perspective advocated by the Socialist Equality Parties across the globe and the International Committee of the Fourth International.

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