S&P downgrades and social counterrevolution in Europe

Peter Schwarz
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The downgrading of nine euro zone countries by Standard & Poor's is a politically motivated decision. The rating agency represents the interests of an international financial elite for whom the destruction of working class living standards is not proceeding far or fast enough. This is clear from the official rationale for the downgrade.

"Today's rating actions are primarily driven by our assessment that the policy initiatives that have been taken by European policymakers in recent weeks may be insufficient to fully address ongoing systemic stresses in the euro zone," the agency declared.

Italy, whose government has just whipped a draconian austerity package through parliament and is now set to deregulate the labour market, is threatened with further downgrades by Standard & Poor's if "we see that the technocratic administration fails to implement structural reform measures due to opposition from special interest groups." By "structural reform measures" S&P means the elimination of legal and contractual provisions that give workers a measure of protection. "Special interest groups" is a euphemism for the working class, i.e., the vast majority of the population.

The same fate is threatened for Spain if the government does not rapidly deregulate the labour market even further and take additional measures to reduce the budget deficit.

European politicians from all parties have expressed outrage at the actions of Standard & Poor's. French presidential adviser Alain Minc grumbled, "It's worse than pyromaniac firemen, it is seriously perverse." German Economics Minister Phillip Rösler of the Free Democratic Party accused the agency of pursuing "its own aims." The chair of the Left Party, Gregor Gysi, spoke of a "war against the peoples of Europe."

The *Süddeutsche Zeitung* commented: "A monopolist threatens to roundly condemn the politics of democratically elected governments.... The Americans are openly pushing continental Europeans to adopt the Anglo-Saxon principles of their own economic and financial policy."

Many European politicians are angry that the US credit rating agency is undermining their efforts to save the euro and—as some see it—deliberately driving a wedge between the European governments. Nevertheless, they agree with Standard & Poor's on the fundamental issues.

They too are of the opinion that the standard of living and what remains of the welfare state for which the working class fought for after World War II must yield to the demands of the financial markets. This is the significance of the fiscal pact that was agreed at the European Union summit in December, which obliges all members of the European Union to implement drastic austerity measures and introduce labour market flexibility.

Europe is the focus of the international financial crisis because the financial markets believe that in Europe the state claims too high a proportion of gross domestic product (GDP), spending far too much on education, health, social provisions, infrastructure, etc.—outlays that detract from the profits of the private owners of capital.

A measure of this is the so-called state spending ratio, i.e., the share of government spending in relation to the total economic output of a country. The average for the industrialized countries in the Organization for Economic Cooperation and Development (OECD) is 41 percent. For the euro area, the figure is 46 percent. The leader here is France, with 53 percent. Germany, where the Hartz welfare "reforms" and other reactionary measures condemn broad layers of the population to poverty, the level, at 43 percent, is closer to the OECD average.

At 39 percent, the US is considerably lower. The difference is even greater when one considers that a large part of American state spending flows into the military budget. In the banking paradise of Switzerland, the state share is only 33 percent.

All the establishment parties in Europe, those nominally of the left as well as the right, have signed up to brutal public spending cuts. Typical in this regard is the reaction of the presidential candidate of the French Socialist Party, François Hollande, to the downgrading of France by Standard & Poor's. In an effort to exploit the issue tactically in the presidential election campaign that is now underway, Hollande attacked the conservative incumbent, Nicolas Sarkozy, from the right. Accusing him of not reducing the budget deficit sufficiently and failing to significantly increase the competitiveness of the French economy, he blamed Sarkozy for losing the confidence of the markets.

The Greens too advocate a policy of spending cuts throughout Europe. As for Germany's Left Party, its record in numerous state governments shows that it supports austerity measures and defends them as being necessary and unavoidable.

The background to this onslaught on the working class is an unprecedented social polarization. The richest tenth, the richest one percent and the richest thousandth of society have amassed fabulous wealth, which they defend with tooth and nail.

Over the last 15 years, the assets of the three million European millionaires have grown faster than the sum total of Europe's national debts. If seized, these assets could pay off this debt in one fell swoop.

It is estimated that wealthy Greeks have twice as much money stashed in foreign accounts than the total Greek government debt. But today's financial aristocracy is no more willing to give up their privileges than the French aristocracy before the revolution of 1789.

In Greece, the financial aristocracy is setting an example for all of Europe. Although previous cost-cutting measures have dramatically increased unemployment and poverty and the country is sinking into a depression, a new delegation of the "troika"—the European Union, International Monetary Fund and European Central Bank—is travelling to Athens this week to force Greece to impose further austerity measures under threat of state bankruptcy.

The global financial elite is insatiable and knows no limits in its attacks on working people.

All of Europe is heading towards violent social conflicts and revolutionary struggles. The need is to prepare for them. Without breaking the power of the financial aristocracy, seizing their fortunes, nationalising the banks and large corporations and placing them under democratic control, not a single social problem can be solved. The working class of Europe must unite and take up the struggle for an international socialist programme.

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