A new stage in the euro crisis

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26 July 2012

Reading the latest headlines on the euro crisis, one experiences a feeling of déjà vu. Like last summer, the rating agencies are lowering their ratings, interest rates for government bonds are rising to astronomical heights, and governments are announcing new austerity measures. Only this time Spain has supplanted Greece, whose economy is just one fifth the size of Spain’s, as the focal point of the crisis.

Despite the billions in bailouts and trillions injected by the European Central Bank, as well as round after round of austerity measures, the euro stands closer to the abyss than ever before. “We believe that Europe is sleepwalking toward a disaster of incalculable proportions,” 17 leading European economists warn in a report published this week.

It would be naïve to attribute the worsening of the crisis to a purely technical response by the markets to rising public debt in Southern European countries. Even the *Financial Times*’ editorial on Wednesday acknowledged that Spain’s public debt is “well below the euro zone average,” and that “there are no underlying economic reasons to feel differently about Spain now than a week ago”. Nevertheless, interest rates on ten-year Spanish bonds have risen far above the critical level of 7 percent.

Behind the onslaught on the euro lie fundamental class interests. The international financial oligarchy that dominates the financial markets and stock exchanges will not rest until all the social gains won by the European working class after World War II have been destroyed. In their eyes, collectively agreed upon wages and workers' rights are illegitimate restrictions on their wealth, as is government spending on education, health, pensions, public services and infrastructure.

A definite pattern has been established. First, the rating agencies downgrade the creditworthiness of a country, which results in an increase in the interest it must pay on its debt. The country falls into a debt trap and turns to the European Union (EU) and the International Monetary Fund (IMF). These institutions, dominated by the major international banks, guarantee the creditors’ loans and dictate drastic austerity measures to the country. It slides into recession, the debt continues to rise, there follow further austerity diktats, and the recession deepens—until the welfare state is destroyed and the working class is ruined.

The *World Socialist Web Site* repeatedly warned that Greece was being made an example for all of Europe. Now it is Spain’s turn.

This week, Moody's cut its outlook for Germany’s triple-A rating to negative and downgraded its outlook as well for the Netherlands, Luxembourg and the European bailout fund (European Financial Stability Facility—EFSF), underscoring that the attacks on the working class will not stop at the Spanish or Italian border. The financial markets will not rest until the standard of living of the working class throughout Europe has fallen to the level of China and other low-wage countries.

By driving up the interest rates for Spanish government bonds, the banks and hedge funds are reacting to the mass popular opposition in the Spanish working class to the Rajoy government’s latest round of cuts. Last Saturday, millions took to the streets in 80 cities to protest against the increase in the VAT sales tax and wage cuts in the public sector (See: “Mass protests throughout Spain against government cuts”). The Spanish working class has made ??clear that it is not willing to return to the conditions of poverty and oppression that dominated the country for decades after the 1939 victory of the fascists in the Civil War.

For this resistance to be successful, the workers of Spain and all of Europe must learn the lessons of the events in Greece. There as well, millions fought against the austerity dictates of the EU, the IMF and their own government. General strikes and mass protests paralyzed the country time and again. But they achieved nothing.

Over the past two years, the standard of living of the Greek population has fallen by up to 50 percent. Unemployment has reached record levels, poverty and homelessness are exploding. The social situation is catastrophic. The right-wing New Democracy party, which was driven out of office in the autumn of 2009, is back in power. Now state bankruptcy looms under conditions of a "national unity" coalition government led by the bourgeois right.

How could this happen?

Responsibility lies first and foremost with the social democratic PASOK party, which won the elections three years ago by promising social reforms and proceeded to ruthlessly impose the austerity measures dictated by the troika—the European Commission, the IMF and the European Central Bank. But PASOK relied heavily on its accomplices in the apparatus of the trade unions, who deliberately worked to contain and dissipate working class resistance and protect the government by limiting workers' opposition to one-day strikes and impotent protests. Whenever a struggle by workers threatened to escape the control of union officials and mobilize broader sections of the working class, the unions set out to isolate and strangle it, and stood by as the state intervened to crush it.

The unions, in turn, relied on their allies in the Coalition of the Radical Left (SYRIZA) and its numerous pseudo-left defenders. They insisted that the workers subordinate themselves to the union apparatus and covered up for its betrayals.

SYRIZA presented itself as an opponent of the austerity measures and thus became the second strongest party in the country in the recent elections. At the same time, it assured the international lords of finance that it would keep Greece in the euro zone and guarantee the repayment of Greece's debts. SYRIZA categorically opposed a break with the European Union.

Despite its left rhetoric, SYRIZA upholds the political interests of the Greek bourgeoisie. Its differences with PASOK and New Democracy are purely tactical. SYRIZA is based on privileged sections of the upper-middle class who feel threatened by the austerity measures demanded by the EU, but even more threatened by the resistance of the working class. These layers seek to protect their privileges by offering their services to the bourgeoisie in undermining and suppressing working class opposition, hoping in return to negotiate a better deal for themselves. SYRIZA's bottom line is resolute opposition to social revolution and defence of Greek and European capitalism.

Greece shows that the working class can secure its rights and defend its past social gains only by breaking with the unions and pseudo-left organizations such as SYRIZA, turning to a socialist and internationalist programme, and building a new revolutionary leadership.

It is impossible to fight against the austerity measures of the EU while defending the EU and capitalism. The EU is the main instrument for the subjugation of Europe to the dictates of the financial markets. The entire European working class must be mobilized to overthrow the bankers' union and its constituent capitalist governments and establish the United Socialist States of Europe.

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