EU Summit: German Finance Minister Schäuble calls for a commissioner for austerity

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Two days before the EU Summit, which started today in Brussels, German Finance Minister Wolfgang Schäuble unveiled a new plan for a political union of the euro zone countries. Schäuble explained his conception above the Indian Ocean, to a group of selected journalists accompanying him on his return from Singapore.

Central to his plan are wide-ranging powers for the European Commissioner for Monetary Affairs, an office presently held by the Finn Olli Rehn. In future, the Commissioner for Monetary Affairs must be "feared worldwide just as the Commissioner responsible for competition is today", Schäuble said. He should have the power to overrule a country's budget, even when it has been agreed by a national parliament and without needing to consult the other commission members.

According to Schäuble, the Commissioner for Monetary Affairs should also be able to unilaterally introduce deficit proceedings, or apply for sanctions for countries which overshoot EU debt limits.

Schäuble's proposal means that euro zone members would give up their sovereignty on budget issues to Brussels, where a Commissioner for Austerity would lay down the law without any democratic control or legitimacy. All euro zone member countries would have to submit to strict austerity guidelines like Greece, Ireland and Portugal, who have applied for support from the euro rescue fund.

Since Germany sets the tone in Brussels on matters of finance and is the most insistent on the need for austerity measures, this amounts to Berlin dictating the budget policies of euro zone member states.

It is unlikely that Schäuble's proposal will be accepted in this form by all EU members, or even just by the euro zone members. The fear of German hegemony is too great. Moreover, the proposal could only be realised by amending EU treaties, which is impossible in some countries without submitting the issue to a referendum. But this is precisely what most governments wish to avoid, since they expect defeat. The thrust of Schäuble's proposal is primarily to strengthen Germany's negotiating position at the EU summit.

An alternative plan has been presented for consideration at the summit by European Council President Herman Van Rompuy, European Commission President José Manuel Barroso, Euro Group President Jean-Claude Juncker and the European Central Bank President Mario Draghi.

Like Schäuble's plan, this "plan of the Four Presidents" provides for stricter control of the national budgets by the EU. However, this would occur by means of the existing institutions and through bilateral agreements between individual member states and the European Commission, and not, as in Schäuble's proposal, through an all-powerful Commissioner for Monetary Affairs.

Moreover, the presidents' plan contains several elements rejected by Berlin, because they amount to redistributing the debts and other burdens on all members of the euro zone, and would thus strain Germany's budget.

The plan includes proposals for a common fund to liquidate bankrupt banks and secure savers' deposits. Such funds have previously only existed within a national framework. The plan also calls for a separate euro zone budget—up to now, only the EU as a whole has its own budget—to regulate macro-economic imbalances. It suggests the establishment of a debt redemption fund and the issuing of common bonds (“euro bonds”).

These proposals are above all a result of pressure from France, which has been harder hit by the financial and economic crisis than Germany, and which collaborates closely with Spain and Italy. Conflict at the summit is pre-ordained.

However, Berlin has more than simply arguments to force the other summit participants to bend to its will. According to a study by the economic research bureau Prognos, commissioned by the Bertelsmann Foundation, the disintegration of the euro zone would have disastrous consequences for France above all.

Spain’s and Italy’s departure, write the researchers, would unleash “unparalleled economic eruptions throughout Europe and worldwide”. The scale of this would “not be measurable with the scale we presently associate with concepts such as ‘crisis’.”

According to simulations run by Prognos, incorporating creditors’ losses as well as other factors such as the repercussions on the global economy, the departure of Greece and Portugal from the euro could just be coped with. However, were Spain and Italy to leave the euro zone too, this would create worldwide costs of up to €17 trillion.

France, whose economy is closely aligned with that of Spain and Italy, would have to reckon with damage of up to 155 percent of its GDP—by far the highest cost of any country studied. The researchers estimate the cost to Germany would be 70 percent of GDP.

Since the preservation of the euro mainly depends on Germany, Europe’s strongest economy, the impending catastrophe gives Berlin considerable potential for coercion. Schäuble’s plan reveals how the German government intends to utilise this potential—to reorganise Europe under German domination.

The conservative government of Angel Merkel can count on the support of the entire parliamentary opposition. The president of the European Parliament, Martin Schulz, a Social Democrat, has welcomed Schäuble’s plan, just as has the Green Daniel Cohn-Bendit. For the latter, Schäuble’s proposals do not go far enough. He wants the “powers of enforcement” of the Commissioner for Monetary Affairs to be considerably strengthened by having him elected by the European Parliament, as he told the *Süddeutsche Zeitung* in a lengthy interview.

For all the differences, Schäuble’s plan and the plan of the four presidents agree on the fundamental question: the crisis must be resolved on the backs of working people. Both plans mean handing over ever more massive sums to the banks and financial investors, which are then recouped through cutting back on social expenditure, layoffs and wage cuts.

Both plans also mean that the vision of French President Charles de Gaulle of a “united Europe from the Atlantic to the Urals” will be buried for good. They rely on a core group of members of the euro zone (plus perhaps Poland and the Czech Republic) grouped around Germany and France, while the non-euro countries, and especially Britain, will only play a peripheral role.

The proposal by the four presidents, supported by France, for the establishment of a separate budget for the euro zone points in this direction, as does Schäuble’s plan to divide up the European parliament into country-specific sub-parliaments. Votes could then only be taken by deputies from the countries directly affected, i.e. on questions relating to the euro, only by members of euro zone countries.

In the name of “saving Europe”—the argument that both Schäuble and the four presidents use to justify their proposals—not only are the social contradictions within Europe to be intensified, but the national tensions as well.