Class war in Europe

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4 April 2013

The punitive measures imposed on Cyprus mark a qualitative deepening of the European bourgeoisie's class war offensive.

Under terms dictated by the troika—the European Union (EU), European Central Bank (ECB) and International Monetary Fund—the €10 billion bank bailout loan is tied to destroying the economic basis of life on the small Mediterranean island. Its major banks are being wound up or heavily restructured, with haircuts of as much as 60 percent on deposits over €100,000, to repay the ECB.

That this is a looting operation by more powerful sections of finance capital is made plain by the leaked draft "memorandum of understanding" between the Cypriot government and the troika.

Marked "sensitive," it stipulates that Cyprus must implement immediate "structural reforms," including a hike in the retirement age, the slashing of public-sector jobs, extensive privatisations, and a "roll-out plan" for the exploitation and "market organisation" of the country's natural energy resources.

It must also establish "a system of wage indexation commensurate" with the "competitiveness of the economy." Under conditions in which Cyprus' GDP is forecast to fall by up to 25 percent and unemployment to double in the next two years, this means savage wage cuts.

What accounts for such political criminality on the part of the ruling elite? Its motives were set out by Maria Damanaki, European Commissioner for Greece in an interview with *To Vima* FM radio as the crisis in Cyprus began to unfold.

"The strategy of the European Commission over the past year and a half or two has been to reduce the labour costs in all European countries in order to improve the competitiveness of European companies over the rivals from Eastern Europe and Asia," she said.

This basic agenda underlies the socially destructive bailouts that the EU has imposed on Cyprus, Greece and countries throughout Europe. If the EU is willing to devastate entire countries, it is because its basic agenda is to return masses of European workers to poverty, in the name of ensuring the competitiveness of European capital against its international rivals.

The implication of Damanaki's casual reference to the need to compete against China and Eastern Europe is the return of the European working class to conditions not seen since the 1930s, so as to fatten the profits of the European financial aristocracy.

In China, the official monthly minimum wage varies by province from €60 to €200 a month. But Eastern Europe is not far behind, with the monthly minimum set at €157 in Romania, €159 in Bulgaria, rising to €312 in the Czech Republic and €377 in Poland.

These poverty-level wage rates are the direct outcome of the "shock therapy" carried through in Eastern Europe in the 1990s, following the collapse of the Soviet Union and its satellite states.

Pioneered in East Germany by the Treuhand—the privatisation agency run by handpicked confidantes of Germany's major corporations and banks—the industrial and social infrastructure of these countries were closed or sold off at fire-sale prices.

With millions unemployed, the region was transformed into a cheap labour reservoir for the transnational corporations who rushed to set up shop. Now, the entire European bourgeoisie is utilising the global economic crisis to establish the Eastern European "model" as the new normal throughout the continent.

Some 20 years since the liquidation of the Soviet Union, the ruling elite makes no pretence that the eventual outcome will be rising prosperity in a "social Europe." Instead, workers' rights are condemned as an obstacle to the competitiveness of European capital that must be brutally overturned in a race to the bottom.

Entire countries are being declared the equivalent of "failed states," their economies plundered and unemployment driven up so as to achieve the levels of super-exploitation found in Bulgaria.

As German Foreign Policy.com reported last year, "In Greece, the state-owned foreign trade promotion agency 'Germany Trade and Invest' (GTAI) acts as a 'consultant' for the 'Hellenic Republic Asset Development Fund' (HRADF) which, since the end of March, has all the property titles on Greek state assets and is preparing their sales."

"[P]atterned after the German Treuhand," the HRADF is "benefiting from the 'German experience in the privatization and restructuring process of the newly formed German states,' according to the German Ministry of Economics," it wrote.

This same pattern, involving plans for special economic zones, privatisation agencies and sweeping labour reforms and welfare cuts, are being rolled out in Spain, Portugal and elsewhere.

As a result, the Conference Board, a conference group, reported in January that unit labour costs—which factor in workers' social rights, such as pensions and compensation—had "tumbled" in these countries between 2011 and 2012, and by almost 10 percent in Greece.

This is only the start. In Greece, where the minimum wage was cut last year by 25 percent to €510 per month for under-25s and €740 for others, business leaders openly demand reductions to €250 per month.

It is this drive to destroy workers' wages and conditions that accounts for the ruthlessness with which the EU has dealt with Cyprus. It is intended as a warning by Europe's ruling elite that it will stop at nothing to achieve its ends.

That it feels free to act with impunity is the responsibility of the trade unions and the pseudo-left groups, such as SYRIZA in Greece, which function as the most strident political defenders of the EU and suppress political opposition in the working class. These organisations, which represent a privileged stratum of the upper middle class, have a vested interest in enabling European capital to gain the upper hand against its rivals.

The social counterrevolution underway in Europe can only be defeated through the methods of class struggle. Everything depends on the development of a united continent-wide offensive against the EU, its constituent governments and their political apologists in the fight for the United Socialist States of Europe.