

Germany's Left Party defends the looting of Cyprus

Christoph Dreier
10 April 2013

As the euro crisis escalates, the Left Party is moving closer to the German government, supporting the brutal austerity measures the European Union (EU) has imposed on Cyprus, which mean the unprecedented looting of the country.

While making attacks on the workers' wages and social conditions like those already imposed on Greece, the German financial elite also wants to use the "rescue plan" for Cyprus' banks to eradicate a smaller competitor and strengthen Berlin's control over Europe's financial system. By hanging out the Cypriot banking system to dry, billions are freed up to be invested elsewhere.

This plundering operation has nothing in common with a struggle of the working class to expropriate the bourgeoisie and use its wealth to benefit society, but is rather an attempt to reorganize European financial markets under EU, and in particular German, domination. This approach has the full support of Germany's Left Party.

On March 27, the financial expert of the party's parliamentary faction, Axel Troost, indicated his support for the European Union's destruction of the Cypriot banks.

"Cyprus has focused on the property and banking sectors. These are not sensible areas of business that are sustainable," Troost said. "So it is reasonable that the credit sector and the financial services sector must now be shrunk."

Left Party vice-chair Sarah Wagenknecht said, "Oligarchs should not have any safe havens in Europe, neither in Nicosia, nor in Valletta or the City of London."

The former leader of the so-called "Communist Platform" in the Stalinist Party of Democratic Socialism praises the attacks on the oligarchs as a step

towards reining in "casino capitalism." But in fact, the German financial oligarchy is by no means better than their Russian counterparts. The financial elite in every country operates with essentially criminal methods.

Wagenknecht openly celebrates the EU measures against Cyprus as a victory. "The neo-liberal corset into which Europe has been forced is being undone by the crisis," she says. "First, banks were being nationalized throughout Europe. Now in Cyprus, a wealth tax was imposed for the first time, and the bloated banking sector is to be shrunk radically."

The only problem Wagenknecht sees is that these measures are not being implemented consistently enough.

This cynical position clearly reveals the class orientation of the Left Party at the side of the German bourgeoisie. In reality, all the measures Wagenknecht refers to as nails in the coffin of neo-liberalism strengthen the most powerful banks at the expense of the working class.

The EU's destruction of the Cypriot banking system means that an entire country is being plundered, and the livelihoods of hundreds of thousands of workers destroyed. It is estimated that the country's GDP will fall by 25 percent in the next two to three years, while the unemployment rate will double.

As in Greece, public sector jobs and wages are to be cut and state enterprises privatized. The health, pensions and welfare systems are to be dismantled. The consequences for the working class will be catastrophic.

If the size of the savings being demanded in Cyprus—a small country with a GDP of just 17 billion euros—were transposed to a country like Germany, then the German treasury would be expected to free up 800 billion euros to pay its debts, fully double Germany's tax revenues.

The Left Party unreservedly supports this brutal, imperialist policy, carried out at the expense of the working class. Its only differences with the government are over how the Cypriot banks are to be wrung dry.

Here, Troost recommends that the assets of rich bank customers should not be too heavily taxed, ostensibly so the banks do not lose access to capital. He is calling for the seizure of 20 to 25 percent of bank deposits over €500,000. The rest should be used to restructure the financial institutions. Wagenknecht calls for a higher rate.

Wagenknecht makes clear where all these considerations lead when she extols Iceland as a shining example for how to solve the Cyprus crisis. There, the population had prevailed and successfully overcome the crisis at the expense of investors, she claims.

“Of course, this turning away from the model of a financial oasis was not without painful cuts and adjustments,” says Wagenknecht. “But a terrible end is better than terror without end, which is inextricably linked with the takeover of horrendous bank debt by the state as well as the cuts and privatizations diktats of the Troika.”

Wagenknecht openly defends “painful cuts,” knowing that brutal attacks on the working class were enforced in Iceland. When the Icelandic banking sector collapsed in 2008, the government allowed a section of the banks to go bankrupt and provided the others with fresh supplies of state money. Afterwards, a severe austerity programme was launched, bringing the economy to the verge of collapse.

It is estimated that public sector wages have since fallen by about 10 percent, and by 20 percent in the private sector. At the same time, inflation has driven up consumer prices in the last three years by 26 percent. The number of households facing poverty rose from 24.2 percent in 2008 to 38.3 percent in 2011. Unemployment increased from 2.4 percent in February 2007 to 7.4 percent three years later. It has only fallen very slowly, and is still 5.1 percent this year.

In Germany, they also want to impose the same policy hailed by the Left Party in Iceland, and which it calls for in Cyprus. The alliance with the German financial elite is not only directed against workers across Europe, but especially against workers in Germany.

Recently, in the *Neftes* Party daily Troost defended the approval of the Left Party in Saxony for the inclusion of a “debt ceiling” or balanced-budget requirement in the state constitution—one of the most important instruments for imposing the social attacks in Germany. “The Left Party is not for unlimited debt but for orderly public finances,” Troost declared.

The anti-working class and chauvinist positions of the Left Party express their class orientation. The party is an undertaking of the ruling elite, resting on well-off sections of the petty bourgeoisie and adopting increasingly open reactionary positions as the crisis intensifies.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact