Austerity policies heighten national divisions in Europe

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In recent weeks, debate has been raging in political circles and the media over the merits of implementing austerity measures in Europe. The background to the polemics is the rapidly worsening economic crisis in Europe and the emergence of mass opposition to austerity policies in Europe.

The Italian election in February was the most recent and clearest expression of the mounting hostility to austerity. The unelected technocrat regime of Mario Monti, which had carried out a series of swingeing spending cuts at the behest of the EU and the banks, suffered a devastating defeat. The right-wing populist comedian Beppo Grillo was the initial beneficiary of the broad anti-government sentiment, which exposed the alienation of millions not only from the Monti government, but all of the established parties.

The revolt against austerity in Italy, which could not find progressive expression due to the bankruptcy of the country's so-called left, is mirrored in other European countries, notably Greece, Spain and Portugal, where millions have taken to the streets in recent months to defend jobs, basic rights and living standards.

Staring economic disaster in the face, the European political elite demonstrates increasing disorientation. Conflicts between individual national bourgeoisies are proving increasingly impossible to resolve and criticism is growing of the German government in particular, which has played the leading role in devising austerity policies since the 2008-09 crash.

In a discussion on the implications of the EU's austerity policy in Brussels on April 22, European Commission President Manuel Barroso admitted: "I am deeply concerned about the divisions that we see emerging: political extremes and populism tearing apart the political support and the social fabric that we need to deal with the crisis; disunion emerging between the centre and the periphery of Europe; a renewed demarcation line being drawn between the North and the South of Europe; prejudices re-emerging and again dividing our citizens, sometimes national prejudices that are simply unacceptable also from an ethical point of view."

Barroso's comments on the escalating tensions in Europe provoked by brutal austerity policies constitute a devastating indictment of the policies pursued by the European Commission which he heads.

Barroso's warnings of social division and upheaval in Europe have been echoed throughout the European press. In a recent analysis of mass unemployment in Europe titled "And suddenly there's a Bang," the *Süddeutsche Zeitung* cited a sociologist who declared that southern Europe "will go up in flames" when people feel sufficiently alienated from their governments.

Leading European politicians, whose austerity policies have produced mass unemployment in their own countries and who now fear an explosion of social protest, are trying to distance themselves from austerity.

In his first speech to the Italian parliament on Monday, the new Italian premier Enrico Letta declared: "Italy is dying from fiscal consolidation. Growth policies cannot wait any longer." Commentaries in the Italian and international press described his remarks as a rallying call for a change of policy and also against Germany, which has been the leading force behind the drive to impose austerity in Europe.

Letta's comments are worthless. One day after his speech in parliament, he travelled to Germany to plead with Merkel for some alleviation of the spending targets laid down by Berlin and the EU bureaucracy in Brussels. He received short shrift from the German chancellor, who insisted that Italy paying off its debts was the necessary prerequisite for growth. On Wednesday, Letta repeated his growth mantra in Paris and Brussels while also reassuring his hosts, Barroso and French President François Hollande, that Italy would abide by its debt repayment schedule.

Other leading European politicians criticized the German government's role in the European crisis more directly.

At the start of this week, the EU employment chief Laszlo Andor called for a rethink on EU strategy and, in an interview with the *Süddeutsche Zeitung*, directly attacked the German government's policy as "wage dumping." He went on to call for the introduction of a minimum wage in

Germany.

He warned that if Germany and other wealthier northern states refuse to change their policies, “the currency union will break apart. Cohesion is already half lost.”

And in a document on Europe released last Friday, the French Socialist Party openly attacked the German Chancellor’s “selfish intransigence” which, “in an alliance of convenience” with the current British prime minister had “scarred” the EU project. (See, “Amid jobs collapse, French President Hollande backs austerity in Europe”)

The increasingly public criticism of Berlin by other European leaders is rooted in the huge and growing economic divisions across the continent. The period since the economic crisis of 2008 has witnessed not only soaring levels of social inequality in individual countries, but also a growing economic gulf between European economies.

Based on its massive low-wage sector created by the former Social Democratic-Green Party coalition ten years ago, the German business and financial elite has benefited handsomely from the European crisis. Germany’s economy has actually expanded its GDP by three percent since the 2008 crash. The French economy has registered no increase over the same period, and the rest of the euro zone has recorded a 5.3 percent contraction.

The German banking elite has also been able to make huge profits from the crisis. A recent commentary in Germany’s *Handelsblatt* business newspaper noted enthusiastically: “It is as if the country were a gigantic hedge-fund, able to profit from the euro rules of the game which we determine at the moment.”

The article refers to the huge flood of capital shifting to Germany which, combined with the almost zero interest rates available to German banks, acts like a “special growth program” for the country.

The ruling elites throughout Europe have increasing qualms about austerity measures dictated by Berlin, aiming with their criticisms of austerity to dampen anger in the working class and to re-direct the flow of capital back towards themselves.

Their objections to Berlin are entirely cynical. They voted in favour of the “debt brake” advocated by Berlin, which lays down strict limits on national debt and spending targets. They are all united in their determination to ensure that the European working class pay the full price for the crisis. At the same time they are demanding measures to reverse the flow of funds from southern Europe to Germany.

This is behind their calls for a comprehensive European banking union and the introduction of euro bonds, which would force Germany to subsidize weaker European economies. In addition, they are calling upon Berlin to stump up more money for nominal conjuncture programs and work scheme programs for the unemployed in other countries, which in turn can be used as a sop to their national electorates.

For its part, the German government and Finance Minister Wolfgang Schäuble have made clear that they will not accept any fundamental change to the current policy and combine calls for more budget cuts with demands for far-reaching structural reforms aimed at transforming Europe into a cheap-labour economy.

As for so-called “opponents” of austerity, they are back-pedalling as fast as they can. One day after his remarks in Brussels, a spokesperson for the European Commission explicitly denied that Barroso’s comments should be interpreted as an end to Europe’s austerity drive.

In Italy, Letta’s nomination of central banker Fabrizio Saccomanni as his new finance minister was a clear signal to the finance markets that the assault on the wages, jobs and rights of the Italian working class in Italy will continue unabated.

In Germany, head of the parliamentary fraction of the German Social Democrats, Frank-Walter Steinmeier, supported the French Socialist Party’s (PS) criticisms of Germany’s conservative chancellor, Angela Merkel. The German SPD has consistently supported all of the austerity measures implemented by the German government.

In a remark last week that illustrated the right-wing character of the SPD’s criticisms of Merkel, Steinmeier insisted it was France’s PS president who was best suited to carry out “especially unpopular decisions”—i.e., the type of social attacks demanded by Merkel and the banks.

None of the forces involved in the current debate on austerity offer any progressive way out for the working class. The social democrats and their supporters in the trade unions and pseudo left groups are offering their services to the banks and the financial elite to enforce much more radical attacks on the working class.

At the same time, against a background of deepening recession, the drive to impose austerity across Europe is fuelling explosive nationalist divisions. The only progressive solution of the crisis is through the unification of the continent’s working population under a new socialist leadership in a struggle to topple the EU and its institutions and replace it with the United Socialist States of Europe.