German Left Party's Oskar Lafontaine calls for return to national currencies

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Amid growing social conflicts in Europe, the founder and former chair of the Left Party, Oskar Lafontaine, has made a proposal about how the austerity measures in Europe can be intensified and the continent's workers divided. He wants to cut wages in the Southern European countries by 20 to 30 percent by reintroducing national currencies.

Last week, Lafontaine published a commentary on his web site, arguing for a "productivity-oriented wage policy".

"Wages and social expenditure have grown too much in Southern Europe," writes Lafontaine. Because wages in Germany have sunk, this has led to an economic imbalance that makes exporting from Southern Europe more difficult, he said.

"To again achieve an approximately balanced competitiveness", says Lafontaine, "countries like Greece, Portugal and Spain [must become] around 20 to 30 percent less expensive, and Germany 20 percent more expensive compared with the average of the EU countries".

The attempt to reduce wages in the Southern European countries with austerity measures has failed, he said. "The real devaluation through declining wages, leading to a 20 to 30 per cent loss of income in Southern Europe and even in France, is leading to disaster, as we can see already in Spain, Greece and Portugal."

By disaster, Lafontaine does not mean the social misery, unemployment or pay cuts, which he himself advocates a little later in the text. Rather, he means the risk of uncontrollable social uprisings and revolutions in the face of growing social anger and class tensions throughout Europe. He wants to prevent this by developing a new mechanism for imposing social attacks and stoking up nationalism and chauvinism to divide the European working class.

Concretely, Lafontaine suggests the re-introduction of parallel national currencies "alongside the euro", in order "to make controlled devaluations and controlled revaluations by means of an exchange rate regime underpinned by the EU possible again". According to Lafontaine, the Southern European countries should then devalue their own currencies to a level where their exports are competitive again on the world market.

Lafontaine advocated a similar model in 1990, when he was the Social Democratic Party (SPD) candidate for chancellor. At that time, he spoke out against the introduction of the West German deutschemark into East Germany, in order to keep wages as low as possible in the east before reunification.

Lafontaine's proposal to return to national currencies builds on the austerity policies of the German government. The Merkel government dictates a policy of wage cuts and cuts in social spending to all European countries. With the help of the EU and the IMF, it has unleashed a social disaster in Greece, Portugal, Spain and Italy. In Greece alone, real wages fell by an average of 40 percent. At the same time, unemployment rose to over 27 percent.

For Lafontaine, this does not go far enough. Through the introduction of parallel national currencies, and then devaluing them, he wants to cut wages, pensions and benefits to a minimum with the scythe of inflation.

Such parallel currencies are a common phenomenon in countries of the Balkans and the former Soviet Union, where the euro or the dollar function as a semi-official currency. Workers are paid abysmally low wages in the national currency and have no access to imported goods, international travel or expensive medication, while a wealthy section of the middle class with access to foreign currency is living a comfortable life.

Would Lafontaine's proposal be implemented, the countries in the south would become a paradise for foreign investors thanks to slave wages, with devastating social consequences. A section of the wealthy middle class would have access to funds and income in euros and to the funding pots of the EU, while their housemaids, gardeners and shoe-shine boys would receive starvation wages.

Lafontaine's proposal aims to mobilize these middle class layers in order to continue the austerity measures of the financial elite and to suppress the resistance of the workers against them. He aims to deepen the income differentials in Europe, to divide workers and play them off against each other.

Incomes in Europe are already drifting far apart. According to Eurostat, gross average annual wages in Germany in 2012 were €42,400, in Spain €26,300 and €17,400 in Portugal. Lafontaine wants this gulf to widen even further.

His contention that wages in Southern Europe have "grown too strongly" is simply a lie. According to figures from the pro-union Hans Böckler Foundation, real wages in Spain rose by just 4.6 percent from 2000 to 2008, and by only 3.3 percent in Portugal. As a result of the austerity measures they have since fallen dramatically and are mostly below the level in 2000.

The wage reductions proposed by Lafontaine would have a direct impact on Germany. Wages in Germany would not rise by 20 percent, as he suggests. Rather, as in the past, low wages in Southern and Eastern Europe would be used systematically to depress the wages in the Western and Northern European countries. The goal is the destruction of all workers' social achievements across the continent.

That Lafontaine employs such right-wing and reactionary arguments and openly stands behind the programme of social counter-revolution in Europe reveals the social nature of the Left Party. Emerging from the Stalinist bureaucracy in East Germany and the Social Democratic bureaucracy in the West, it represents the interests of a wealthy layer that is extremely hostile to the working class. The more the crisis sharpens, the closer these elements move to the financial elite and their state apparatus.

Lafontaine's views on this question hardly differ from those of the most right-wing formations. The proposal to introduce parallel currencies with the aim of devaluation was first advanced two weeks ago by Bernd Lucke, chair of the right-wing party *Alternative for Germany* (AFD). The AFD advocates a neo-liberal economic programme and is aiming to reduce social spending and other taxes for the rich. They want to maintain the EU and "streamline it through more competition and personal responsibility".

"In many ways, their criticism of the currently practiced euro rescue is right", said Left Party deputy chair Sahra Wagenknecht about the program of the right-wing formation to N-TV . It was "not yet clear" in which direction this party is going. "Like us, they are critical of the [German] chancellor's European policy. There is a lot of overlap", Wagenknecht said.

With her advances towards the right-wing fringe, Wagenknecht reveals the orientation of her own party, following the example of similar petty bourgeois and pseudo-left groups in other countries. The Greek Coalition of the Radical Left (SYRIZA) recently forged an alliance with right-wing populists. In Eastern Europe, the collaboration of self-proclaimed "left-wing" organizations with far-right and fascist parties is the order of the day.

Lafontaine's proposals have led to clashes in the Left Party. Chair Katja Kipping argues for the preservation of the European Union and its common currency. She is lining up behind the Merkel government, the SPD and the Greens, who currently uphold the EU and the euro, and use them to attack the social rights of workers throughout Europe.

In the final analysis, the differences between the two viewpoints are minimal from the standpoint of the working class. While Kipping clings to the past policies of social cuts under the dictates of the EU, Lafontaine is seeking to develop new mechanisms to achieve the same goal.

The workers of Europe can only confront the EU's austerity diktats and break the power of the financial elite by uniting and fighting for the United Socialist States of Europe. Lafontaine is trying to prevent such unity by dividing the working class and stirring up nationalism.