

# Conflicts over European financial policy point to coming attacks on workers

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This week, European financial circles were torn by ever more bitter divisions over financial policies pursued by the European Central Bank (ECB) in the aftermath of the 2008 Wall Street crash and the ensuing global economic crisis.

Near-zero interest rates and the printing of trillions of euros to purchase bonds and sustain financial markets have failed to revive European capitalism. These massive resources were used not to create jobs, but to bail out the super-rich, conditioned on ruthless social austerity measures dictated by the European Union (EU). With new storm clouds gathering on the horizon of the world economy, including signs of a possible crash in China, there are rising divisions in the European bourgeoisie over how to mount a new onslaught against the working class.

Top German officials are making clear that Berlin will no longer accept the uncontrolled easy-credit policies of the ECB and of central banks internationally, including the US Federal Reserve. In an April 8 speech to the Market Economy Foundation, German Finance Minister Wolfgang Schäuble attacked ECB President Mario Draghi, claiming ECB policies were responsible for the far-right Alternative for Germany (AfD) party's success in last month's state elections.

"I said to Mario Draghi ... be very proud: you can attribute 50 per cent of the results of a party that seems to be new and successful in Germany to the design of this policy," Schäuble said.

On Tuesday, Schäuble indicated even more bluntly that ECB policy was harmful to Berlin and was undermining support in sections of the German ruling elite for the EU. "It is indisputable that the policy of low interest rates is causing extraordinary problems for the banks and the whole financial sector in Germany.

That also applies for retirement provisions," he said.

"That is why I always point out that this does not necessarily strengthen citizens' readiness to trust in European integration," he added.

Schäuble's positions were echoed Monday by Markus Söder, the state finance minister of Bavaria. Calling ECB policy an "assault" on Germans who saved money for retirement, he told *Der Spiegel*: "We need a debate in Germany on the ECB's false policy. The [German] federal government must demand a change of course in monetary policy."

Officials of the AfD, which initially stressed opposition to the euro at its foundation in 2013 but increasingly turned to stirring up anti-immigrant sentiment, are again attacking the euro. "We don't want to leave the EU, but the euro, which is an economic absurdity," its vice-president Alexander Gauland told *Die Zeit* on Thursday.

These comments provoked a storm of angry reactions from financial newspapers and officials in countries that have relied on easy money or "quantitative easing" policies. The *Financial Times* of London titled its lead editorial Thursday "Germany should keep its hands off the ECB," attacking Schäuble's statements as "wrong in principle and unwise in practice."

The French Socialist Party (PS) government attacked Schäuble on free-market grounds, with Finance Minister Michel Sapin arguing that Schäuble was undermining the principle of central bank independence from elected governments.

"During the construction of the single European currency, the French learned that one must absolutely, wholeheartedly, totally respect the independence of the ECB. I hope our German friends will recall this quality that they pushed for from the beginning. The French have acquired a good habit, the Germans must not lose

theirs,” Sapin said.

US financial news channel CNBC issued a hysterical denunciation of German officials for attacking the easy money policies pursued not only by the ECB, but also by the Fed in the United States.

It wrote, “True to form, these ECB critics had no second thoughts about what they were doing to their fellow Europeans waiting, homeless, cold and hungry on long soup kitchen lines and in makeshift charity shelters. ... But the selfish cynics criticizing the ECB are undeterred. They continue to brainwash people that the ECB’s supportive credit policies are ineffective, and that they should be stopped immediately to let interest rates increase on saving deposits and insurance premiums.”

These mutual denunciations are hypocritical and false. Schäuble’s concern for small savers in Germany, like the concerns of CNBC and the PS government, which is imposing ruthless austerity against workers in France, are cynical pretenses hiding a ruthless struggle for the division of profits between rival imperialist powers.

More fundamentally, an economic crisis is gathering across the entire world capitalist economy, and the sharp divisions between the European imperialist powers are coming to the surface as each one seeks to position itself for new attacks on the working class.

The escalating industrial slowdown in China, signs of gathering recession in Europe, and the holding of talks by Russia and Saudi Arabia ostensibly to stem the collapse in world oil prices all point to deep tensions undermining the world economy. With unemployment in the double digits across Southern Europe after drastic EU austerity programs in Greece, Spain and Italy, the European economy is teetering on the verge of a major new crisis.

A recent IMF report pointed to a deep problems emerging in the European banking industry, with as many as one third of European lenders by total assets facing “significant challenges to attaining sustainable profitability without reform.” The report singled out Deutsche Bank and Crédit Suisse as particularly troubled within the euro zone financial system, while pointing to Lloyds and Royal Bank of Scotland (RBS) as weak in Britain.

The German population, increasingly forced to rely on private savings by the reactionary Hartz IV social

reforms passed in the last decade, faces a potentially catastrophic situation upon retirement. Fully half of retired workers are expected to live in poverty on the pittance still provided by the state, and those who have amassed small savings for their retirement will receive increasingly few returns.

While Berlin sheds crocodile tears for German retirees to justify turning the screws against debt-laden countries across Europe, the role of the defenders of “quantitative easing” is no less reactionary. The PS government in France is pushing for a change to labor laws designed to allow the trade unions and employers to ignore protections for workers in the Labor Code, and seeking to crush youth protests in order to ram it through.

Compared to when the global economic crisis erupted eight years ago, European capitalism is both socioeconomically and politically even less capable of addressing the insoluble contradictions it faces. Not only are socio-economic conditions facing broad masses of workers increasingly intolerable, but political tensions are at a far higher level.

Germany in 2014 announced the abandonment of its post-World War II policy of military restraint and has begun pouring hundreds of billions of euros into its military. The tensions between the major European powers over financial policy will increasingly take military form.

The increasing influence of neo-fascistic tendencies highlighted by Schäuble, such as the AfD in Germany and the National Front (FN) in France, is a warning that the ruling class as a whole in each European country is turning to ever more aggressive policies. They will escalate attacks on the working class and increasingly come into conflict among themselves.



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