

European Union summit argues over corona bonds

Peter Schwarz
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The European Union (EU) and its member states have already mobilised €3.4 trillion to cover the economic losses triggered by the coronavirus, according to the calculations of the European Commission. This sum almost amounts to Germany's annual gross domestic product and about one quarter of the EU's total GDP. In the opinion of the EU Commission, at least another €1 trillion will be required to revive the economy.

Only a tiny fraction of these vast sums is being directed to lessen the medical and social crisis caused by the pandemic, which with 1.2 million cases and over 110,000 deaths in Europe remains ahead of the United States, the worst affected country in the world. The overwhelming majority of the money is flowing directly into the accounts of the big banks, major corporations and the super-rich.

By the end of this year, the European Central Bank (ECB) will purchase €700 billion of state and private bonds. Of the €756 billion emergency bailout adopted by the German government in March, €600 billion is going directly to the major corporations. The wealth of the world's richest 500 people, which declined at the beginning of the crisis, has risen by 20 percent since March 23, according to the Bloomberg Billionaires Index. "The wealth gap that currently exists will only increase with what is happening," commented a finance expert.

A bitter struggle is raging between the EU member states over how the trillions should be distributed and who will pay for it. The conflict has dominated preparations for the EU summit taking place today via video conference. While Germany, with the support of several wealthy northern European states, is attempting to strengthen its economic and political control over the EU, France, Italy and other southern European countries fear being left behind.

The dispute threatens to tear apart the EU, which is already heading towards a sharp break with Britain. The chances of an orderly Brexit being concluded at the end of the year are decreasing with every passing day.

In the struggle over the multi-trillion coronavirus bailout, vile nationalism is being promoted on all sides, recalling the two world wars of the last century. Even the representatives of the ruling class who advocate holding the EU together no longer do so by invoking the claim that it is a project for peace. Instead, they argue that Europe can only stand up to the United States, China and Russia, and pursue its imperialist interests on the world stage, if it sticks together.

As at the last EU summit two weeks ago, the main issue in dispute are the so-called "coronabonds." Italy in particular is insisting that it is not enough for loans to be made available from the European Stability Mechanism (ESM), European Investment Bank (EIB) and other EU institutions, which would all be tied to tough regulations and have to be paid back. Instead, Rome is calling for joint bonds for which all EU states would bear joint liability.

Economists warn that a failure to follow this approach will result in Italy's state debt rising from its current level of 135 percent of GDP to 160 percent by the end of the year, forcing the country into state bankruptcy. Since Italy uses the euro and does not have its own currency, it would not be able to get through the crisis by printing money and using other inflationary measures.

The German government opposes coronabonds by arguing that EU treaties do not countenance a transfer of debt. Despite the common currency, each EU state is responsible for its own debt.

Germany already exploited the 2008 economic crisis to expand its economic hegemony. While Italy, Greece

and other countries were forced to impose sweeping austerity measures, which decimated the living standards of the working class and led to an increase in state debt, Germany enjoyed budget surpluses and reduced government debt to 62 percent of GDP. The German bourgeoisie now wants to further extend this advantage.

Giuseppe Conte is stoking nationalism with the claim that Italy was left to deal with the coronavirus crisis alone. The Italian Prime Minister, who owes his post to the Five Star Movement and the far-right Lega and now leads a coalition of the Five Star Movement and social democrats, has sought to force the hand of his counterparts by threatening a return to power of the anti-EU Lega. According to recent polls, 49 percent of the population in the traditionally EU-friendly country would now vote to leave the bloc.

At the same time, Conte has insisted that not a single German euro would be used to pay for Italian debt. He has boasted of his ruthless austerity policies, which have had devastating consequences for the working class. Apart from 2009, “no Italian government in the past 22 years spent more money than what came in,” he told the *Süddeutsche Zeitung*. The high indebtedness is the legacy of the lira era, for which Italy has to pay high interest rates, he added.

Conte is backed by Emmanuel Macron, who demanded in a *Financial Times* interview more “European solidarity” from Germany. “We need financial transfers and solidarity for Europe to remain together,” said the French President. Otherwise, the economic consequences of the pandemic threaten to bring populists to power across Europe. Now is “the moment of truth where the issue is posed, is the EU a political project or just a marketplace.”

Similar sentiments exist within sections of the German bourgeoisie. They argue that a further weakening of the EU would also undermine Germany’s imperialist interests on a global scale.

In an article on 5 April, former foreign ministers Sigmar Gabriel (Social Democrats) and Joschka Fischer (Greens) warned that Russia and China would profit from a failure of the EU. Germany must therefore “now show its readiness to lead in Europe.” According to the two former foreign ministers, “If we don’t do that, Europe will not realise its economic sovereignty, but will always be dependent when it comes down to

business on the policy of the dollar region.”

A possible compromise prepared by German EU Commission President Ursula von der Leyen appears likely at today’s summit. According to this, there will be no coronabonds, but reconstruction programmes will be funded through the EU’s 2021-27 budget, which is currently under discussion. Sums ranging from €500 billion to €1.5 trillion are being considered.

But even if the heads of government agree to this, which is by no means assured, the conflicts within the EU would not be resolved. In the final analysis, they are rooted in the impossibility of uniting Europe on a capitalist basis. The private ownership of the means of production and the struggle of powerful monopolies for market share and profits leads inevitably under conditions of crisis to an intensification of the class struggle and nationalist conflict. To this, the bourgeoisie knows only one answer: nationalism, war and dictatorship.

The only way to prevent a repetition of the catastrophes of the 20th century is through the unification of the European working class in struggle against capitalism and for the united socialist states of Europe.



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