Surging prices in Europe: The ruling class makes workers pay for the capitalist crisis

Peter Schwarz
1 September 2022

Europe's working class is facing the greatest assault on its standard of living in a century, when postwar inflation and the aftermath of the 1929 stock market crash destroyed the livelihoods of large segments of the working and middle classes. Under the combined effect of high inflation and low wage settlements, incomes today are melting away like snow in the rain.

According to Eurostat, the European Union's statistical office, consumer prices in the EU's 27 member states were 9.8 percent higher in July than a year ago; 16 states are above this mark. The frontrunners are the Baltic states, with inflation over 20 percent, followed by the Czech Republic, Bulgaria, Hungary and Poland, where prices rose between 14 and 17 percent. In the UK, which is no longer part of the EU, inflation stands at 12 percent and could rise to 18 percent by the end of the year, according to experts.

Incomes are not nearly keeping pace with price increases. Wages in Germany, for example, have only grown by 2.9 percent, with prices rising by 8.5 percent. Real wages have thus fallen by an average of 4.4 percent within a year, as calculated by the Federal Statistical Office. Real wages had already shrunk in the pandemic years 2020 and 2021. The situation is similar in other European countries.

However, the official statistics barely reflect the real impact of inflation. Above all, prices for food, gas, electricity and gasoline, which place a particularly heavy burden on working class households, have risen at an above-average rate and are now exploding. This presents millions of working families with the alternative of either starving or freezing—with many forced to do both.

In Germany, the price of food has risen by 12.7 percent and that of energy by 38 percent since a year ago. Next month, prices are expected to surge further as several government relief measures expire on October 1 and the gas surcharge comes into effect, a kind of special tax on all end users to compensate energy companies for the loss of Russian energy supplies. In addition, the high world market prices for electricity and gas are beginning to be passed through to household bills. The price of electricity on the European Energy Exchange (EEX) has risen twenty-fold in some cases. The Bundesbank therefore expects the inflation rate to be well above 10 percent this winter.

In the UK, the official energy price cap for households will increase by 80 percent to £3,549 pounds (€4,200) a year on October 1. A further doubling to £7,200 is expected by April next year. The price cap as recently as October 2020 was still £1,042. Around 50 percent of all British households are at risk of falling into poverty as a result. The National Health Service expects thousands to die because they can no longer heat their homes.

In the Netherlands (inflation rate 11.6 percent), price increases threaten to plunge 1.4 million of the 17.4 million inhabitants into poverty, according to the government's economic research institute. One in five Dutch households will be unable to pay their gas and electricity bills this winter, according to the institute.

In Eastern Europe, where wages are lower and price increases are higher, the situation is even more catastrophic. In Romania, for example, electricity in July was about twice as expensive as in Poland and six times as expensive as in Finland—making it unaffordable for a large section of the population.

Governments portray inflation and its social consequences alternately as an unforeseeable natural disaster or as a sacrifice that must be made to "defend democracy and freedom in Ukraine." But these are brazen lies. In reality, the attack on the living standards of broad sections of the population is a continuation of the class war that the financial oligarchy has been waging with growing intensity against the working class since the 1980s.

This is shown by the very fact that profits continue to grow—as they did during the financial crisis and the pandemic—while wages collapse.

Symptomatic is the development in Britain, where profit margins for the largest listed companies (FTSE 350) are 73 percent higher than in 2019, the year before the pandemic. According to the Office for National Statistics (ONS), corporate profits increased by 11.7 percent between October

© World Socialist Web Site

2021 and March 2022 alone, while wages grew by only 2.6 percent over the same period, falling by just under 1 percent when adjusted for inflation.

The big energy companies are flush with cash. The big six multinational oil giants ExxonMobil, Chevron, Shell, BP, TotalEnergies and Eni reported combined profits of more than $64 billion for the second quarter of 2022. Half of that went directly into share buybacks and dividends to enrich shareholders. The gargantuan sums that are being wrung out of working families for heating and electricity thus ended up directly in the bank accounts of the super-rich.

The attacks on the living standards of the working class show above all the inseparable connection between imperialist war and class war.

Contrary to how official propaganda portrays the situation, the proxy war the US and NATO are waging against Russia in Ukraine is not a war for "freedom" and "democracy" but an imperialist war for the redivision of the world. It follows on the heels of the criminal wars in the Balkans, Iraq, Afghanistan, Libya, Syria and elsewhere through which the US and its European allies sought to bring oil, gas and other raw materials under their control and gain strategic dominance over the Middle East, Africa and the Eurasian landmass.

The Ukraine war began not with the Russian attack of February 24, 2022 but with NATO's systematic encirclement of Russia, the installation of a Western puppet regime in Ukraine, the systematic arming of the Ukrainian army and refusal to provide Russia with any security guarantees.

President Putin, who represents the interests of the Russian oligarchs, reacted with the most reactionary of all conceivable responses. He attacked Ukraine militarily, strengthening the most right-wing, nationalist forces and providing NATO with the desired pretext for war. Since then, NATO has been ruthlessly driving forward the confrontation with the world's second-largest nuclear power, supplying Ukraine with vast quantities of weapons and ammunition and effectively directing the war effort.

In doing so, it is pursuing tangible economic and geostrategic goals: The colonial subjugation of Russia, the carving up of its vast territory, the plundering of its wealth of raw materials and the elimination of a potential ally, in China.

All the experiences of the 20th century show that imperialist wars require the ruthless suppression and exploitation of the working class at home. Not only must it bear the costs of rearmament, for which almost inexhaustible sums are available, while schools, clinics and social infrastructure are broken. It is also being saddled with the consequences of the violent disruptions of the world economy that accompany the preparations for war and the war itself.

Inflation is one of the forms in which this happens. When governments and the media preach that the population must make "sacrifices" to become independent of Russian energy supplies—or Chinese computer chips and electric car batteries—they are really talking about war.

Hitler and Mussolini promoted national autarky when they prepared for World War II. Whereas economic nationalism "in its day, led mankind forward … decadent fascist nationalism, preparing volcanic explosions and grandiose clashes in the world arena, bears nothing except ruin," as Leon Trotsky wrote in 1933 in the article "Nationalism and Economic Life," which is highly topical again today.

Those who promise workers that it is possible to fight the consequences of inflation without at the same time rejecting the US-NATO war in Ukraine and the preparations for war against China are deceiving them. Living standards cannot be defended without rejecting war and militarism.

Across Europe and around the world, workers are resisting attacks on their living standards. There is a noticeable increase in the number of protests against social cutbacks and strikes for higher wages. But these struggles need a clear orientation and perspective. They must be developed into a European and worldwide socialist movement against capitalism.

The trade unions and their political supporters are doing their best to prevent this. Nationalist to the core, they stand unreservedly behind their government's war policies and do everything to isolate, stifle and sell out workers' struggles. Without the support of the well-paid union apparatus, the corporations would not have been able to push through the cuts in real wages and layoffs of recent years.

The prerequisite for a successful defence of living standards is a break with the unions and the building of independent rank-and-file action committees that organize the struggle against wage cuts, price increases, welfare cuts and layoffs and that network workers nationwide and internationally. To launch such a global working class counteroffensive, the International Committee of the Fourth International has created the International Workers Alliance of Rank-and-File Committees (IWA-RFC).

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site