

# Banks burn in Lebanon amid collapse of state institutions

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Lebanese banks were set aflame last week as the country's increasingly desperate people took to the streets of Beirut in protest as the Lebanese pound fell to a new all-time low of 80,000 against the dollar. This came amid bank strikes and the government's failure to take any measures to alleviate the long-running economic crisis.

There were reports of protesters rallying outside the house of Salim Sfeir, the Association of Banks in Lebanon's chief, and starting a fire. The association began an open-ended strike last week in protest at recent judicial actions that had ruled against them and in favour of depositors.

The official exchange rate of 1,507 pounds to the dollar was set in 1997, remaining roughly the same until the start of the economic crisis in October 2019. Since then, the pound has lost more than 90 percent of its street value and multiple exchange rates have emerged. Earlier this month, the government was forced to devalue the pound, setting the official exchange rate at 15,000 pounds to the dollar, well below the actual rate on the street, enabling the banks to offload their massive losses onto the public.

This has intensified the misery of Lebanon's 6.7 million population that includes 1.3 million Palestinian refugees and their descendants, as well as 1.5 million Syrians who fled the 12-year long proxy war waged by the US, its Gulf allies, Turkey and Israel to replace the regime of Syrian President Bashar al-Assad with one subservient to Washington. Syria—due to its close ties with Iran—is seen as a “linchpin” in a broader drive to redraw the borders of the Middle East and strengthen the position of the US against its main geopolitical competitors.

The war and US sanctions on Syria have profoundly destabilized Lebanon—part of Syria before the defeat of the Ottoman Empire in World War I—with longstanding economic, family and cultural links to its neighbour. The economic and financial crisis has been intensified by the pandemic; Lebanon's default on its sovereign debt to

international lenders in March 2020; the blast at the port of Beirut in August 2020—the result of the criminal negligence of successive governments that killed more than 200 people, injured thousands and destroyed much of the surrounding neighbourhood—and the war in Ukraine that has pushed up food prices, and has thrown at least 80 percent of the population into poverty.

The venal financial elite has syphoned off the country's wealth. Last summer, a World Bank report accused the Lebanese authorities of orchestrating a “Ponzi finance” scheme, pursuing fiscal policies harmful to citizens in a bid to bolster the country's power-sharing religious-sectarian system. It has described Lebanon's economic crisis as a “severe and prolonged economic depression” likely ranking as one of the world's worst since the 1850s, calling it “a deliberate depression... orchestrated by [an] elite that has long captured the state and lived off its economic rents.”

The scale of the economic devastation is almost unimaginable. According to the World Bank, the economy more than halved between 2019 and 2021, with GDP falling from about \$52 billion in 2019 to \$21.8 billion in 2021, the largest contraction of 193 countries.

Hyperinflation has been ongoing for nearly three years, with inflation running at nearly 200 percent last year, the second-highest rate in the world. Prices change throughout the day. Wages, when or even if they are paid, are effectively worthless. There has been a surge in unemployment. According to a UNICEF survey last year, 70 percent of households borrow money to buy food or purchase it on credit, while children are being sent to work to support their families and young girls married off to ease financial expenses.

Many are only surviving thanks to remittances from family members working overseas which accounted for 54 percent of GDP in 2021, equal to \$7.15 billion, according to a study by Mercy Corps.

Electricity provided by the corrupt state corporation is only available for a couple of hours a day. For the rest of the time, people are dependent upon private generators, if they can pay for the fuel, or solar power.

Public anger has been directed at the banks, largely owned by the country's oligarchs and ruling families, lending vast sums to the government to finance handouts to the plutocracy, while imposing strict controls on withdrawals by workers and their families that make it impossible for them to access their savings. On several occasions last year, desperate individuals stormed the banks with firearms to withdraw money for life-saving medical treatments.

There have been repeated protests and strikes. Protesters blocked roads and burned tyres near the central bank in Beirut and chanted slogans against central bank governor Riad Salameh, under investigation in at least five European countries on suspicion of laundering public money. Swiss authorities suspect Salameh and his brother Raja of embezzling more than \$300 million from the central bank between 2002 and 2015 via transactions to an obscure offshore company, controlled by Raja. Riad Salameh is also the subject of a corruption investigation in Lebanon, but the investigative judge has repeatedly stalled the inquiry.

Last month, teachers went on strike against the massive devaluation of their salaries, leading to the suspension of "morning shift" classes, attended mainly by Lebanese students. The next day, the Education Ministry, which has received funds from foreign donors to teach Syrian as well as Lebanese students, closed the "afternoon shift" attended by refugee children.

The judicial system has been at a standstill for months due to the judges' five-month strike over pay that has only recently ended.

Many of Lebanon's doctors and healthcare workers have emigrated in search of paying jobs. Fees for private hospitals are sky-high. Many are dying due to lack of treatment, errors or hospital viruses. People have turned to drugs—captagon, cannabis, salvia and alcohol and, more recently, crystal meth—for self-medicating issues such as stress, depression or insomnia.

The International Monetary Fund (IMF) has offered a \$3 billion loan in return for economic reforms that would pave the way for an additional \$11 billion of assistance pledged by international donors at a Paris conference in 2018, but the political elite is so bitterly divided that all the political institutions and mechanisms have collapsed.

Politicians are deadlocked over the choice of a new

president after former President Michel Aoun's term expired at the end of October. This has left the designated prime minister Najib Mikati, who was unable to form a government following last May's elections, as interim prime minister with no ability to pass legislation or a budget.

While there is explosive social discontent, the pressing need is to build a new political leadership based on a revolutionary programme. What is driving the collapse of the old political post-colonial equilibrium in Lebanon and elsewhere is the inability of the bourgeoisie to resolve the longstanding economic and political legacy of the post-World War I imperialistic carve up of the former Ottoman Empire. All the ruling factions are determined to hold onto their share of the country's wealth at the expense of their rivals and already impoverished working class.

The situation in Lebanon is mirrored throughout the Middle East and Africa, with the political institutions of the ruling class impervious to the demands of workers and the rural masses.

Nothing can be resolved within the framework of a global economic system in which every decision and every government is subordinated to the interests of the giant banks and corporations.

The way forward is a struggle to unify workers across the region around a programme to take power and replace the existing political institutions with a federation of workers' states—the United Socialist States of the Middle East. This perspective must be carried out in opposition to all defenders of capitalism. The waging of such a struggle is inseparable from the building of sections of the International Committee of the Fourth International in Lebanon and throughout the Middle East.



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