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Economy

A European strategy for the left?

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Michel Husson offers a contribution to the debate on how the European left should respond to the economic crisis and argues that leaving the euro is not currently an option for countries which use it.

The global effects of the crisis have been made even worse by what is happening in Europe. For thirty years the contradictions of capitalism have been overcome with the help of an enormous accumulation of phantom rights to surplus value. The crisis has threatened to destroy them. The bourgeois governments have decided to preserve them claiming that we have to save the banks. They have taken on the banks' debts and asked for virtually nothing in return. Yet it would have been possible to make this rescue conditional on some assurances. They could have banned speculative financial instruments and closed the tax loopholes. They could even have insisted that they take responsibility for some of the public debt that this rescue increased so dramatically.

We are now in the second phase. Having shifted the debt from the private sector to the public the working class has to be made to pay. This shock therapy is delivered through austerity plans which are all broadly similar – a cut in socially useful spending and hiking up the most unfair taxes. There is no alternative to this form of social violence other than making the shareholders and creditors pay. That is clear and everyone understands it.

The collapse of a ruling class plan

But the European working class is also being asked to pay for the collapse of the ruling class project for Europe. The ruling class thought that it had found a good system with the single currency, the budgetary stability pact ("Stability and Growth Pact"), and the total deregulation of finance and the movement of capital . By creating a competition between social models and wage earners squeezing wages became the only means of regulating inter-capitalist competition and intensifying the inequalities that benefitted only a very narrow stratum of people in society.

However this model put the cart before the horse and wasn't viable. It presupposed that the European economies were more homogeneous than they actually are. Differences between countries increased due to their place in the global market and their sensitivity to the euro exchange rate. Inflation rates didn't converge and interest rates favoured property bubbles and so on. All the contradictions of a curtailed programme of European integration which the Euro liberals are discovering today existed before the crisis. But these are blowing apart under speculative attacks against the sovereign debts of the most exposed countries.

Underneath the abstract concept of "financial markets" there are mainly European financial institutions which speculate using capital which states lend to them at very low interest rates. This speculation is only possible due to the states' policy of non-intervention and we should understand it as a pressure applied to consenting governments to stabilise budgets on the back of the people of Europe and to defend the banks' interests.

Two immediate tasks

From the point of view of the working class it's obvious what has to be done: we have to resist the austerity offensive and refuse to pay the debt which is nothing but the debt from the banking crisis. The alternative plan on which this resistance must be based demands another way of sharing society's wealth. This is a coherent demand. It is in fact against the squeezing of wages, in other words the appropriation of an increasing portion of surplus value by capital.

The alternative requires a real fiscal reform which takes back the gifts which for years have been given to businesses and the rich. It also implies the cancellation of the debt. The debt and the interests of the majority of the population are completely incompatible. There can be no progressive outcome to the crisis which does not put the debt in question, either by defaulting on it or restructuring it. In any case some countries will probably default and it's therefore important to anticipate this situation and say how it should be managed.

Leaving the euro?

The offensive, which the peoples of Europe are facing, is undeniably made worse by the European straightjacket. For example the European Central Bank, unlike the Federal Reserve in the United States, cannot monetise public debt by buying treasury bonds. Would leaving the euro allow the straightjacket to be loosened? That is what some on the left like Costas Lapavitsas and his colleagues are suggesting for Greece as an immediate step. He proposes that it is done immediately without waiting for the left to unite to change the euro zone, something he thinks is impossible.

This idea is put forward elsewhere in Europe and is met with an immediate objection that even though Britain is not part of the euro zone it has not been protected from the climate of austerity. It is also easy to understand why the far right, such as the Front National in France wants to leave the euro. By contrast it is hard to see what could be the merits of such a slogan for the radical left. If a liberal government were forced to take such a measure by the pressure of events it is clear that it would be the pretext for an even more severe austerity than the one we have experienced up to now. Moreover it would not allow us to establish a new balance of forces, which is more favourable to the working class. That is the lesson that one can draw for all the past experiences.

For a left government leaving the euro would be a major strategic error. The new currency would be devalued as that is, after all, the desired objective. But that would immediately open up a space, which the financial markets would immediately use to begin a speculative offensive. It would trigger a cycle of devaluation, inflation and austerity. On top of that, the debt, which until that point had been denominated in euros or in dollars would suddenly increase as a result of this devaluation. Every left government which decided to take measures in favour of the working class would certainly be put under enormous pressure by international capitalism. But from a tactical point of view it would be better in this test of strength to use membership in the euro zone as a source of conflict.

It is basically true that the European project based on the single currency is not coherent and is incomplete. It removes a variable of adjustment, the exchange rate, from the set of different prices and salaries inside the euro zone. The countries in the periphery thus have the choice between the German path of freezing wages or suffering a reduction in competitiveness and loss of markets. This situation leads to a sort of impasse and there are no solutions that can be applied straight away: going backwards would throw Europe in a crisis which would hit the most fragile countries hardest.; and beginning a new European project seems out of reach at the moment.

If the euro zone explodes the most fragile economies would be destabilised by speculative attacks. Not even Germany would have anything to gain because its currency would appreciate in value uncontrollably and the country would undergo what the United States is today trying to impose on several countries with its monetary policy.[ii]

Other solutions exist which need a complete recasting of the European Union: a budget which is financed by a common tax on capital and which finances harmonisation funds and investments which are both socially and ecologically useful and richer countries help poorer ones with their public debt. But again this outcome is not possible in the short term, not through lack of alternative plans but because implementing them requires a radical change in the balance of forces at the European level.

What should we do at a very difficult moment like this? The struggle against the austerity plans and refusing to pay

the debt are the launch pad for a counter offensive. We then have to make sure that the resistance is strengthened by arguing for an alternative project and work out a programme which offers both “practical” answers as well as a general explanation of the class content of the crisis.[iii]

The specific task of the radical, internationalist left is to link the social struggles happening in each country with arguing for a different kind of Europe. What are the ruling classes doing? They are facing up to the policies they have to follow because they are defending interests which are still largely nationally based and contradictory. Yet as soon as they have to impose austerity measures on their own working classes they present a solid united front.

There are better things to do than emphasise the very real differences that exist between the countries. What's at stake is having an internationalist point of view on the crisis in Europe. The only way of really opposing the rise of the far right is by suggesting other targets than the usual scapegoats. We can affirm a real international solidarity with the peoples who are suffering most due to the crisis by demanding that the debts are shared equally across Europe. Thus we have to oppose an alternative project for Europe to that of the European bourgeoisie which is dragging every country backwards socially. How is it possible not to understand that our mobilisations, which are faced with coordination of the ruling class at a European level, need to be based on a coordinated project of our own? While it is true that struggles happen in a national framework they would be strengthened by a perspective like this instead of being weakened or led down nationalist dead ends. The students who demonstrated in London chanting “all in this together, all in this together” are a symbol of this living hope.

For a European Strategy

The task is as difficult as the period which the crisis has opened. However the radical left must not get locked into the impossible choice and start the risky adventure of leaving the euro and a utopian idea of currency harmonisation. We could easily work on some intermediate targets which challenge the European institutions. For example:

Â· The states of the European Union should borrow directly from the European Central Bank (ECB) at very low rates of interest and private sector banks should be obliged to take over a certain proportion of the public debt.

Â· A default mechanism should be put in place, which allows public sector debt to be written off in proportion to tax breaks for the rich and money spent on bank bailouts.

Â· Budgetary stabilisation has to be reformed by a fiscal reform which taxes movements of capital, financial transactions, dividends, large fortunes, high salaries and incomes from capital at a standard rate across Europe.

We have to understand that these objectives are neither further or closer away than an “exit from the euro” which would be beneficial to working people. It would definitely be absurd to wait for a simultaneous and co-ordinated exit by every European country. The only strategic hypothesis that one can then conceive of must take as its starting point the experience of a social transformation which starts in one country. The government of the country in question takes measures, for example imposing a tax on capital. If it is thinking clearly it will anticipate the retaliation for which it will be the target and will impose controls on capital. By taking this fiscal reform measure it is openly in conflict with the rules of the European game. It has no interest in unilaterally leaving the euro. This would be an enormous strategic mistake since the new currency would immediately come under attack with the aim of pulling down the economy of the “rebel” country.

We have to give up on the idea that there are “technical” shortcuts, assume that conflict is inevitable and build a favourable balance of forces of which the European dimension is a part. One point of support for that is the ability to damage capitalist interests. The country, which starts, could restructure the debt, nationalise foreign capital etc, or

threaten to do it. The “left” governments of Papandreu in Greece or Zapatero in Spain have not even dreamed of doing this.

The main point of support comes from taking the measures cooperatively. This is completely different from classic protectionism, which basically always tries to gain ground by nibbling at parts of the global market. Every progressive measure on the other hand is effective to the extent that it is shared across a number of countries. We should therefore be talking about a strategy, which is based on the following idea: we are willing to tax capital and we will take the necessary steps to protect ourselves. But we are also hoping for these measures, which we propose, to be implemented across Europe.

We can sum up by saying that rather than seeing them in opposition to each other we have to think hard about the link between breaking the neoliberal European project and our project of creating a new Europe.

[ii] Michael Hudson, “US Quantitative Easing Is Fracturing the Global Economy”, <http://gesd.free.fr/hudsonqi.pdf>

[iii] Bloco de Esquerda (Left Bloc) Portugal: “On the crisis and how to overcome it”, May 23rd 2010,

<http://gesd.free.fr/bloco510.pdf>