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Economic Crisis

An internationalist transitional program towards an anti-capitalist Europe

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The crisis laid bare the historical divergences within Europe, and led to a European crisis and a new stage in the global crisis. The existing policies in Europe has three fundamental flaws: First, they assume that the problem is a lack of fiscal discipline and repeats the old faith in strengthening the surveillance of budget deficits; it does not question the reasons behind the deficits; it ignores all the structural problems regarding divergence in productivity, and imbalances in current accounts due to the “beggar my neighbour” policies of Germany. Second, they are based on the argument that Europe has a sovereign debt crisis, which ignores the fact that public debt would not have increased at the current rates if it were not for the financial crisis, which was prevented by unprecedented bank rescue packages; which in turn increased the budget deficits along with loss in tax revenues and increased social spending because of the crisis. Third, they deny the underlying reason behind the current crisis, which was increased inequality in the distribution of income and wealth –a fundamental feature of neoliberal capitalism.

Emerging consensus within the anti-capitalist left

A consensus among the anti-capitalist forces for a strategy against the crisis is emerging across Europe around four pillars: i) resistance against austerity policies and all cuts, ii) a radically progressive/redistributive tax system and capital controls iii) nationalization/socialization and democratic control of banks, iv) debt audit under democratic control followed by default. These demands find their echo also among a broader left opposition, albeit in a descending order according to support. I find it crucial to start any tactical debate within the anti-capitalist left by emphasizing these four pillars as an extremely positive and important starting point to build a coordinated campaign across Europe.

How about the Euro?

The controversial issue of the Euro in the peripheral countries of Europe must be contextualized in the background of the above common points. There are two positions within the anti-capitalist left: a position, which promotes the exit from the Eurozone as suggested by e.g. Lapavitsas et al. (2010) or de Santos (2011), and a position, as suggested by e.g. Husson (2011), Samary (2011) or myself (Onaran, 2010a and 2010b), which primarily aims at building an alliance for alternative policies across Europe that could build a bridge to an anti-capitalist transition rather than seeing the currency as the core of the debate. The starting point of this second position is to push for an alternative Europe and changes in the economic policy framework within which the Euro operates. In a recent article, Costas Lapavitsas (2011) criticises the latter approach, and calls the supporters “reluctant Europeanists”, i.e. those who are aware of “class interests”, but are “terrified of the dangers of nationalism and isolationism”. Costas’ expression of “Europeanism, the official ideology that has for long haunted (the Left’s) collective mind” seriously misrepresents the internationalist and anti-capitalist character of this latter approach, which has little to do with an abstract defence of the capitalist EU with its current structures, but is committed to building a bridge from the urgent current demands of the broad opposition movements to an internationalist, ecosocialist Europe of people. Costas’ assertion that “much of the continental Left is still in the grip of Europeanism, and is concerned to develop strategies that have a European rather than a socialist character” seems to place most of the emphasis on the Party of the European Left despite his attempt to distinguish between “ardent Europeanists” and the others in his terms and misses the relevance of the

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European Anti-capitalist Left –a European front, which brings together around 40 organizations in Europe, and aims at a programme “that can lift the economy out of crisis on the basis of giving priority to people’s needs rather than profits and imposing democratic control over the market,” and stands “for an anti capitalist answer”. [1]

Coming back to the issue of the Euro, tactically, I see the issue of debt audit/default campaign to be a much more important departure point for mobilization than the debate around the Euro. The most important obstacle today to initiate any progressive economic policy in Europe and individual nation states is the speculation on public debt and the governments’ commitment to satisfy the financiers. Public finance has to be unchained via debt default in both the periphery and the core following a process of debt audit.

A debtor-led default is fundamentally different from the current creditor-led debt restructuring plans of the European elite, which are attached with further austerity policies. Debt default is also not just a question of solvency as in the case of Greece or Ireland; but it is also a question related to the origins of the public debt: thus the question is not only “can we pay the debt?”, but “should we pay the debt?” In Britain the newly generated debt because of the crisis that amounts to 33.4% of GDP raises the question why taxes of working people should be used to pay this debt. The recognition of the need for default is also important given the ecological limits to growth, which poses a constraint to the traditional Keynesian policies of growing our way out of debt. In Greece already activists, academics, and parliamentarians from across the world have supported a call to audit public debts, of which Costas has been one of the important initiators. [2] A similar campaign is about to take off in Ireland, and both initiatives have obvious importance for Portugal and Spain and hopefully for the core countries like Britain. A pro-labour solution of the crisis in the periphery as well as the core requires debt default, and a joint, coordinated struggle at the European level can create a stronger offense to the multi-national ruling elite of Europe.

The attack is international: multinational bank and business lobbies are determining the policies of the national governments as well as EU institutions by using boycotting of government bonds as a threat; thus the opposition also needs to be internationally organized. A European network of movements -broad fronts as well as anti-capitalist organizations- could be turned into a leverage to bring together peoples’ opposition to austerity in different countries. An internationalist solution might generate a more powerful front in the core and the periphery compared to national alternatives.

The relevance of a Europe-wide mobilization in the core and the periphery derives from the common interests of the working people. I disagree with Costas that “a radical left alternative would differ across the Eurozone”. The austerity packages throughout the EU are pushing the countries into a model of chronically low internal demand based on low wages. In the past in Germany low domestic demand was substituted by high demand for exports. But it is not possible to turn the whole Eurozone into a German model based on wage suppression and austerity, since without the deficits of the periphery German export market will also stagnate.

Particularly for the periphery of Europe contraction in domestic demand means prolonged recession, which may turn the problem of debt to insolvency for private as well as the public sector. The existing wage suppression policies hurt all working people alike. The popular discontent in Germany about Greece misses the fact that the German workers’ loss of wages, unemployment benefits, and pension rights created part of the problem. Uncovering this fact along with the idea of unequal distribution as the main cause of the crisis is an important step towards building a progressive alliance and a bridge to an alternative ecosocialist Europe. A pro-labour shift in the balance of power relations in Germany could certainly increase the area of manoeuvre in the periphery as well –not just politically but also economically by increasing aggregate demand as well as relieving part of the pressure on wage suppression policies in the periphery. Similarly the European austerity policies to deal with debt is a package to bail out the European banks, mostly based in the core countries; however these policies bring the countries of the periphery to the edge of insolvent via recession; thus austerity in Greece or Ireland will have consequences for the tax-payers in Germany, France, or Britain, who will again be pressurized to bail out their banks’ losses.

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A major debtor-led default will obviously have similar consequences for banks, and precisely therefore demands for socialization of banks under workers' control in both the periphery and the core form a natural compliment to debt default to end the vicious circle of austerity, deepening crises, and bail-outs. These struggles need to be coordinated as part of a broader campaign for progressive taxation of income and wealth to make the responsible pay for the costs of crisis and to reverse the origin of the crisis, i.e. pro-capital redistribution. Again these demands face broader acceptance by the masses when they are formulated as part of a European campaign for capital controls and tax coordination, since a united campaign is a stronger weapon against the threats of capital flight by a multi-national and mobile European finance capital. The demands for turning the European Central Bank (ECB) into a real Central Bank accountable to supply the funds for productive green investments across Europe and in particular in the periphery again makes sense when it accompanies debt default and a socialized banking system.

The solution to the problems in the periphery of Europe would also be tremendously facilitated by fiscal transfers within Europe as opposed to isolated national solutions in small countries, which can easily lead to a persistence of underdevelopment. This position is also consistent with the interests of the working people in the core countries: a low wage periphery as an alternative location for MNEs is a treat to the wages and jobs in the core as well.

Furthermore, I do not share the optimism about the international competitiveness effects of devaluation, which would follow an exit from the Eurozone in the periphery. Devaluation means an increase in the costs of imported inputs, and the pass-through effect of import costs to domestic prices in an import dependent country soon erodes the international competitiveness effects. Empirical evidence shows that the initial positive effects of devaluation on exports are offset within a couple of years via inflation in import dependent countries; at the end of the day competitiveness is about real forces of productivity rather than monetary variables like the exchange rate. Furthermore devaluation leads to devastating real income losses for workers.

Last but not least, in the current situation, anti-European and anti-Euro positions are more likely to mobilize nationalist, right-wing currents. Nationalism is certainly a problem among the working class in the core; the far right is also quickly mobilizing the discontent in the periphery. I share the concerns of Michel (Husson, 2011) and the Scientific Committee of ATTAC-Germany (2011) on both economic and political grounds, which Costas seems to disagree. As the Scientific Committee of ATTAC-Germany (2011) writes, "the Euro is still no "optimal currency", but given its existence, we need to think of alternative policies to bring together broad opposition movements. As Cédric Durand (2011) writes "in the absence of political perspectives in each country and at the European level, these movements might collapse and leave room for nationalist forces of the most violent and reactionary kind which are reinforcing themselves already everywhere in Europe. The dislocation of neoliberal Europe could then become a nightmare." This is not about "fear of disrupting the monetary union," as Costas sees it, but a sober recognition of the consequences of a failure to build an internationalist strategy.

History will show us how much of the mobilization for default in the periphery will find echoes in the core –we may see multi-speed reactions. An anti-capitalist radicalisation in the periphery of Europe is in its early growth phase and simultaneously there are core countries, e.g. France, with mass anti-capitalist parties, which are already discussing the issue of default. It is yet to be seen whether there will be a synchronisation of mobilization or rather significant differences in the speeds of mobilization. Thus we could well start with an internationalist strategy as opposed to putting more hope in nation state level alternatives. Clearly, both are at their initial phases.

Obviously without a major Europe-wide mobilization in both the periphery and the core for debt default as well as institutional and political change, if one or more countries in the periphery succeeds in pushing for debt default and if the existing institutions of the European Union cannot be captured and forms a barrier to progressive economic policy, an exit from the Euro can follow default. No socialist would ask the people of the periphery to stay in the Eurozone at all costs. However, this is a rather tactical issue, and not the crucial starting point. Thus Euro is not a taboo. Furthermore, we should not underestimate the power of the threat of a coalition of peripheral countries to leave the Eurozone. Given the interests of the European capitalists, these countries certainly have a bargaining

power. At this stage it is crucial to work for mobilizing the working people across Europe for a joint struggle and make use of the areas of manoeuvre that may open up, rather than having now a pre-mature and technical debate around the currency itself.

An internationalist transitional programme

A radical transformation in Europe requires a major change in the institutions and policy framework that builds a bridge from the urgent demands of people for decent living standards and a sustainable environment to an alternative democratic, participatory, ecosocialist, feminist alternative. In the following I briefly outline alternatives for such an anti capitalist agenda for Europe. [3]

Along with debt default, a radical restructuring of public finance has to involve a highly progressive system of taxes, coordinated at the European level, on not only income but also wealth, higher corporate tax rates, inheritance tax, and tax on financial transactions.

Fiscal, monetary, and industrial policy should aim at full employment, ecological sustainability, and equality. The reconciliation of full employment with a low carbon economy based on possibly zero/low growth requires three policies: creating labour-intensive public jobs (e.g. social services such as education, child care, nursing homes, health, community and social services), public ecological investments, and a substantial shortening of working time. This complements our aims of creating gender equality.

This programme requires a socialized banking sector under workers' control. Financial regulation and capital controls are important but not enough.

On the incomes and labour market policy level, there is need for a fundamental correction of the wages in both the periphery and the core of Europe to reflect the productivity gains of the past three decades. To facilitate convergence within Europe a minimum wage should be coordinated. Higher productivity growth in poorer countries of Europe will help to create some convergence in wages, but regional convergence should be supported by fiscal transfers and public investments to boost productivity in poorer regions. Furthermore a European unemployment benefit system should be developed to redistribute from low to high unemployment regions. This requires a significant Europe budget financed by Europe level progressive taxes.

Last but not least, the coordination of economy-wide vital decisions requires public ownership and the participation and control by workers in the firms, of consumers, and regional representatives in critical sectors such as finance, housing, energy, infrastructure, pension system, education, health, and major productive sectors. Such a transformation will build the bridge to a democratic, participatory, feminist ecosocialism.

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[1] See [Statement on the European crisis](#), and [Third European Anti-capitalist conference](#).

[2] See Toussaint (2011) for more details.

[3] See Onaran (2010a and c) for a fuller version.