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European Union

# Capital goes on the offensive

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**Austerity! As the capitalist crisis has rebounded in the form of a crisis of sovereign debt, which is spreading from Greece towards the other countries of the European Union, the governments of the hard core of this Union have decided to impose everywhere an austerity policy without precedent.**

It involves, neither more nor less, the dismantling what remains of the gains of the "Welfare States" that European capital had to grant after the Second World War, afraid of the power of the workers' movement and seeking to legitimize its states as it rebuilt them. The goal that is announced is a reduction of 20 per cent of the purchasing power of the popular classes, the dismantling of pension rights and social security, and the dislocation-privatization of public services.

## The state, an instrument of neoliberalism

To do this, capital is using its state apparatuses and its international para-state apparatuses (the IMF, the World Bank, the European Central Bank, the European Commission...). It has drawn support from neoliberal theories, which, contrary to traditional liberalism, do not consider that "the market" and "competition" are "the natural run of things", but that it is a question of "something that has to be built" [1]. While letting their propagandists talk about the reduction of the role of the state, in order thus to justify deregulation thus and to build what the neoliberals regard as the essential motor of the market - competition -, the neoliberal leaders have set to work to modify the role of states and para-state structures. Pierre Dardot synthesizes this turn, which has been in progress for more than a quarter of a century, in the following way: "This role is rather new, insofar as, in the tradition of a certain liberalism, (...) there was an image which pretty well summed it all up, which was that of the state as a "night watchman". The state as a night watchman has firstly and above all the function of ensuring the security of private property and private individuals. (...) The neoliberals (...) consider that the action of the state is something very important. They take on board without any complex the idea that the state has to intervene in the field of the economy. (...) It must intervene initially to create, where it does not exist, and then to make respected where it exists, the norm of competition, since that is precisely the norm of the market. It is a state which decrees rules on the level of the functioning of the economy; it is not at all a state which remains completely in the background in a spirit of "laissez-faire" [2]. The objective of the state and para-state apparatuses conceived of in this way is "to transform all social relations", as Nicolas Sarkozy put it in connection with the law on self-employed entrepreneurs, to an audience of the first thousand self-employed entrepreneurs whom he had invited, or, as Margaret Thatcher formulated it well before him, "to change or transform hearts and minds" [3].

The "Washington consensus", the treaties of the European Union, from Maastricht to Lisbon, the multiple "reforms" - aimed at dismantling the gains of progressive reforms, therefore in reality counter-reforms - adopted by national parliaments made it possible to prepare the ground and to begin the transformation of society, to create the conditions so that "individuals are placed in situations such that they cannot do anything else but act in the direction which is precisely sought (...), to obtain from individuals by these incentives that they should act as it is desired that they act, without having to incessantly remind them and without having to incessantly tell them what to do. " [4]. So, it is not a question of liquidating the pension system, but of emptying it of its substance, by reducing payments in order to oblige individuals to "choose" to have recourse to pension funds. Not of completely privatising the health system, but of closing all the potentially profitable services so as to develop the private sector that citizens will have to "choose". Not of abolishing social housing, but of raising rents so as to push all those who can still save a little (and even those who cannot, as the recent real estate crisis has shown) to get into debt to buy a house. Not of abolishing public law, but of keeping the shell, emptied of its substance, "acting in such a way that it is private law which

increasingly prevails, including within the organization of the state and its administrative services (...), so that precisely the agents of public service become themselves the equivalents of self-employed entrepreneurs or rather of small entrepreneurs" [5].

## Tests carried out

Contrary to what many observers announced at the end of 2008, the interventions by governments, coming to the aid of the profits of the banks and the "strategic" sectors of industry, were by no means a break from this conception of the role of state apparatuses. It was a question of intervening in the field of the economy, at the service of the dominant sectors of capital, so as to reconstitute the conditions of their functioning. State apparatuses and international institutions took over from private capital in crisis, thus guaranteeing the profits of the dominant sectors. The rapid re-establishment of banking profits in 2009 was the result.

At the same time it was a question of testing, initially in the most affected peripheral countries - in Ireland, Latvia, Lithuania, Hungary, Iceland -, new mechanisms of "governing", brutal attacks against the gains of the working class. The result was considered to be positive. Hundreds of thousands of people took to the streets to protest, but the state apparatuses held good, even though, here or there, governments had to change, continuing the same policy, or governing parties suffered electoral setbacks.

For the first time nominal wages in the public sector have been reduced: since 2008 (then again in 2009) in Ireland, between 5 and 15 per cent, Iceland (cuts of between 5 and 10 per cent) and in Hungary (a wage freeze for two years, suppression of the 13th month in October 2008); since 2009 in Latvia (in September, a 50 per cent cut in teachers' wages) and Lithuania (cuts of between 20 and 30 per cent). Since then, the same measures are being imposed in Greece (cuts in wages of about 25 per cent as a result of all the measures already announced and a wage freeze for 5 years), in Spain (5 per cent wage cut followed by a wage freeze), in Portugal (wages frozen for 4 years), in Romania (a drop of 25 per cent)... The project in France aimed at increasing pension "contributions" [6] for workers in the public sector has no other goal than to reduce wages.

In the whole of Europe the retirement age has been or will be raised and the number of years that have to be worked to qualify have been or will be increased, in order to reduce the pensions paid. In Latvia the government has gone further, deciding to lower the nominal level of pensions by between 10 per cent and 70 per cent on January 1, 2010. The law that had been adopted was declared "illegal" by the Constitutional Court, which was appealed to by 9,000 pensioners - and so has to be revised, but the breach has been opened. The Romanian government has already announced a cut in pensions of 15 per cent, the Greek government has frozen them while planning to raise the starting age for retirement to 67.

The same applies to VAT. The restoration of capitalism in the countries of Eastern Europe had first of all made it possible to test the mechanism, admittedly in conditions of great confusion - it was possible to proclaim "modernization" and "levelling out". This indirect and particularly unequal tax - it falls much more heavily on low incomes and thus allows considerable reductions of tax on capital (and thus also propaganda about "lower taxes") without reducing the budget revenue - was introduced at the beginning of the 1990s all over Eastern Europe, with the result of increasing prices (and thus reducing real wages) by around 18 to 20 per cent. Subsequently the same measure was adopted in Iceland (24.5 per cent in 1990). A little later, because of the war, in Croatia (23 per cent in 1998), in Bosnia (17 per cent in 2006) and in Kosovo (16 per cent). The success of the operation is inspiring the governments of "old Europe": since 1994 in Germany the normal rate of VAT has increased by 4 per cent (and new increases are being prepared), in France by one per cent, in Cyprus by 5 per cent, in Greece by 5 per cent, in Malta by 3 per cent, in Portugal by 5 per cent, in Spain by one per cent (and a new increase has been announced), in Hungary by 5 per cent, in Estonia by 2 per cent, in Latvia and Lithuania by 3 per cent... It seems that the maximum

rate at the present time within the European Union (25 per cent), applied in Denmark, Sweden and recently in Hungary, represents the objective. The increases also affect the reduced rates reserved in certain countries for essential basic products (for example an increase of 5 per cent in the Czech Republic since 2004, an increase of 2 per cent in Greece in May).

To this we have to add the cuts in social allowances, the staffing cuts in public services, the transfer of central expenditure to local budgets, unaccompanied by an equivalent transfer of revenues... In other words, in the name of "the fight against the crisis", it is a question of continuing, and indeed speeding up, what was at the origin of the current crisis: the decline of the share of labour in overall revenues since 1980 [7]. The choices of the Irish government are from this point of view exemplary. The austerity programme preserved only one gain, and that belonged to capital: the ultra-reduced 12.5 per cent tax on profits was saved! On June 8 the Hungarian government of Viktor Orban, which recently replaced the unpopular social democratic government after the previous austerity measures, followed suit: the new austerity plan, which includes freezing the wages of civil servants and new taxes of 16 per cent for everyone, also envisages reducing from 19 per cent to 10 per cent taxes on profits lower than 1.77 million euros!

## Coordinated attacks, disorganized responses

However, all these attacks have not been simultaneous over the last few years. Within a common framework common, decided on the level of the Union (for example through the so-called "Stability and Growth Pact"), each European government could adapt its policies to the particular conditions of its country, using at its own rhythm the levers of taxes, welfare expenditure, wages and public employment, etc. That corresponds to objective constraints:

\* The European Union is not a consummated state in the classical sense and the choices which have oriented the construction of this supranational apparatus take account of the fact that there are "European capitalisms", that there are the interests of each capitalist class on the national and international levels, but not "a European capitalism" as such. Capitalist globalization projected directly on a world level the economies and the projects of each bourgeoisie. The biggest European companies and banks are allied with American companies or those of emergent countries in air transport, cars, pharmaceuticals... Although there exist some big properly European groups, such as EADS, they are the exception. The European ruling classes took advantage of the single European market to conquer new market shares in the globalized world rather than to build an economically, socially and politically integrated Europe.

\* After the start of European mobilizations - the European marches at the time of the EU summit in Amsterdam in 1994, followed by several trade-union demonstrations in the following years, as well as the strike movement of December 1995 in France - and the failure of the attempt to legitimize a neoliberal political orientation on the level of the Union through the European Constitutional Treaty, the European governments took care not to provoke a generalized social response.

The world capitalist crisis, however, accelerated the process. After having demanded that Greece, Portugal and Spain practise brutal austerity, Angela Merkel has just announced new measures in Germany, including cutting employment in the public sector (between 10,000 and 15,000 jobs will be suppressed between now and 2014), new taxes and cuts in social security benefits (family benefits, unemployment pay, etc.), so as not to "disadvantage the competitiveness" of German industry. The new British Conservative government is preparing Draconian cuts in public expenditure. In France, the Sarkozy government, having to take account of its unpopularity, chose the terrain of pensions to go on the offensive, while also surreptitiously preparing an austerity budget for 2011. The neoliberal norm of competition is thus an unending downward spiral: first of all they demand that customers tighten their belts, then it is those who produce who have to do it, and so on. If the austerity policy announced in Germany is not defeated, it will extend to the other countries of the centre, then that will justify fresh large-scale cuts in the peripheral

countries.

The weakness of the response of the working class on the level of the European Union to the successive hammer blows in Ireland, Hungary and the Baltic States, then in Greece, Spain and Portugal has changed the situation. We are seeing a simultaneous generalization of the attacks against the working class. The way this crisis is being managed is revealing: neoliberal Europe is a straitjacket, and the euro is an instrument of wage and social discipline, carrying out its common project in a decentralised fashion, country by country.

Adapted to the socio-economic and political reality of each country, the broad outlines of the austerity plans follow the same axes: reduction of deficits, freezing of expenditure, reduction in the number of jobs in the public sector, wage cuts, lower pensions, lengthening of the duration of work by raising the legal age at which people can retire. The objective of reduction of deficits has gone as far as the German demand- backed by France - that the budgets of each country should be controlled by European institutions, in fact by Germany.

At the top of the EU, in spite of the persistent tensions between the divergent dynamics of each capitalist class on the national and international level, because of the place that each occupies in the world economy and in the division of labour - the financial power of British capital, the role of German capital in the market for industrial capital equipment, the specializations of French capital, backed by the state, in nuclear power, the arms industry, aeronautics and transport... -, immediate class interests prevail. We are dealing with a coordinated policy, a class war of capital against labour.

## Take back the initiative

It is not the same story, for the moment at least, on the side of the working class. In the Baltic States, then in Greece, Romania, Portugal and Spain the governments' attacks provoked big popular mobilizations, often demonstrations of historical size. But they remain scattered, in time and space. And the battles that have been conducted do not (yet?) demonstrate the ability to formulate a response in terms of demands that is at the height of the crisis and the attacks that the austerity plans represent.

In Europe, the new simultaneity, even relative, of the attacks of capital, should help to coordinate resistance. The austerity plans converge and provoke mobilizations in each country. All that is missing is the will or the imagination to carry out an "all together!" European mobilization. The European Confederation of Trade Unions (ECTU) has for the moment confined itself to proposing a demonstration in Brussels, on September 29 - a Wednesday. Without a call for a strike throughout the EU it would just be the umpteenth trip to the European capital of a few thousand full-time trade-union officials. However the austerity plans that have been announced also endanger the advantages that the trade-union bureaucrats have acquired... And the trade unions of the Spanish state are calling for a general strike the same day...

"On the side of the social movement, the crisis has contradictory effects", writes Michel Husson [\[8\]](#). "On the one hand, it gives strength to the criticisms of a system whose very foundations are being hit by a crisis whose scale shows chronic instability and increasing irrationality. But, on the other hand, it forces struggles into a posture of often uncoordinated defence. This tension has always existed but it is being carried to its paroxysm by the crisis: it is at the same time necessary to fight step by step against the measures of a "way out of the crisis" and to open up a radical alternative perspective. "

To get out of the crisis implies a significant modification of the distribution of income, to the detriment of capital and in favour of labour. Inequalities must be reduced: on the one hand by increasing the volume of wages, both direct wages and socialized wages (social protection), on the other by a modification of taxation to the detriment of

dividends, which do not have any economic justification or social utility. The reduction of budget deficits is only possible by the taxation of all the forms of incomes which were exempted from taxes following the neoliberal "reforms". "The justifications, both technical and political, for the nationalization of the banking system have again appeared with force: the rescue plan of the euro is in fact a new rescue plan of the European banks, which hold a large part of the Greek debt and that of other countries threatened by speculation. In order to sort out all these intermingled debts, the best solution would be full nationalization, making it possible once and for all to compensate for, re-schedule or restructure these debts. Public debts, in addition to the mechanical impact of the crisis on revenues, correspond essentially to the accumulation of tax exemptions for companies and shareholders. It would be logical for them to be cancelled, or largely restructured." [9] So to respond to the "debt crisis" we need radical solutions. There exist proposals that go in this direction: "Cancellation of the public debt, a citizens' audit to cancel this debt, expropriation of the banks in order to transfer them to the public sector, nationalization of the banks or a unified public banking service under the control of the workers and the people", those are some of the demands which are put forward by the Committee for the Cancellation of Third World Debt (CADTM), or the international appeals supported by the British revolutionary Left, the Portuguese Left Bloc, the Polish Party of Labour and the New Anticapitalist Party in France [10]. Such demands constitute a "bridge", open a passage, between defensive mobilizations against measures aimed at the dismantling of gains and aspirations to "another possible world".

Both the radical character of the solutions to the capitalist crisis and the breadth of the offensive launched by the representatives of capital in Europe make it necessary to build a social relationship of forces. Both the weakness of the traditions of European mobilizations and the scattered nature of the current defensive mobilizations in various countries, like the "national" conservatism which dominates the workers' organizations, political and trade-union, and the relative weakening of the forces of the global justice movement in Europe [11], require anticapitalists to demonstrate imagination and a capacity for initiative when they address this task. That means taking the initiative for European actions, bringing together the initiatives of those political, trade-union and associative forces who are already ready, even if such actions are have at the beginning a minority character, in order to indicate the road of a possible mobilization [12]. But it also means seizing all occasions - even if they appear routine, like the demonstration called by the ECTU for September - to make the mobilizations as massive as possible and to put forward within them the radical demands that the situation imposes, in particular the demands for the cancellation of public debt [13] and the socialization of the banking system and credit, a demand that the justification of austerity plans by governments and the illegitimate character of the debt in the eyes of the masses makes naturally comprehensible today.

That also implies, for anticapitalists, establishing links of solidarity and co-operation between the national mobilizations against the austerity plans which are developing in various countries, with the aim of fighting together against the austerity plans of the European Union. Because if, as the opinion polls indicate, a large majority of European workers are hostile to the various austerity measures, they are disorientated and lack confidence in the possibility of opposing them. The experience of the scattered and uncoordinated mobilizations of recent years, carried out in a routine way by the trade-union leaderships, which in general did not make it possible to block neoliberal policies - except, significantly, with the mobilization against the payment of the debt in Iceland, which after having imposed the organization of a referendum saw 93.2 per cent of voters reject the government project - weigh heavily today. By breaking from routine, class-struggle European initiatives can help to change this climate.

June 8, 2010

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[1] See Pierre Dardot (author, with Christian Laval, of *La Nouvelle Raison du monde*, La Découverte, Paris 2009), "Qu'est-ce que la rationalité néolibérale ? Sa généalogie, la question de la démocratie, le projet alternatif" (monthly meeting of the "Socialism Now Club", March 13 2010) : <http://www.socialisme-maintenant.org>.

[2] Ibid

[3] Ibid

[4] Ibid

[5] Ibid

[6] The word "contributions" is in this case an abuse of language, because civil servants in France do not have a pension fund (contrary to workers in the private sector). It is the budget of the state which deals with their pensions and the resources of this budget cannot be allocated in advance. In other words, by increasing these "contributions" the state simply reduces its wage bill.

[7] See on this subject "Fiscal crisis or a crisis of redistribution" by Ã-zlem Onaran, *International Viewpoint* 424, May 2010.

[8] Michel Husson, "Quelles r ponses progressistes", to be published in *Les temps nouveaux*, accessible on <http://hussonet.free.fr/>, and on <http://www.cadtm.org>.

[9] Ibid

[10] See "Statement on the European crisis", *International Viewpoint* 424, May 2010

[11] Which is testified to by the relative weakness of the European Social Forum in Malm  (Sweden) in September 2008.

[12] The appeal by left MEPs for massive and coordinated demonstrations in the week from 21-27 June 27 went in this direction. See "Initiative for a European-wide 'Euros' Week of Protest and Solidarity' from Left MEPs": [www.europe-solidaire.org/spip.php?article\\_17328](http://www.europe-solidaire.org/spip.php?article_17328).

[13] The CADTM proposes an approach that goes in this direction - the demand for a "unilateral moratorium (without accumulation of back interest) on the payment of the sovereign debt, while conducting an audit (with citizens' participation) of the public debts" - in order to "on the basis of the result of the audit (...) cancel the illegitimate debt".