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As EU crisis summit opens: 23 million unemployed across continent

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As the leaders of the European Union assembled for a summit on the economic crisis Monday, the unemployment toll across the continent reached 23 million. But the capitalist politicians meeting in Belgium, whether conservative or social-democratic, have nothing to offer hundreds of millions of working people but further austerity measures.

The nominal purpose of the EU summit is to address the crisis in Greece, where savage cuts in jobs, wages, pensions and social services have had the predictable effect of driving the economy further into slump and making it even more likely that the country will be forced into bankruptcy and out of the euro zone.

According to the Greek Chamber of Commerce, 20 percent of all Greek businesses closed in 2010-2011, and another 15 percent are near bankruptcy. The unemployment rate stands at 18.8 percent, with 46.6 percent of young people jobless.

But what is taking place in Greece is only one example of the havoc being wreaked by an economic crisis of continent-wide and global proportions. All of the major European countries are now either officially in recession or sliding rapidly towards it, including Germany, the supposed economic powerhouse.

The figures for the four largest European economies are grim:

Britain: Fourth quarter GDP fell 0.2 percent, with manufacturing down 0.9 percent.

Italy: The country’s economy is forecast to shrink 1.5 percent this year, according to the Bank of Italy, while the International Monetary Fund forecast a contraction of 2.2 percent.

France: The unemployment rate has risen to 9.7 percent, the highest in 11 years, and French state debt has jumped to 630 billion euros. Standard & Poor’s downgraded French debt from AAA status on January 14.

Germany: The largest economy in Europe shrank by 0.25 percent in the last three months of 2011, according to the German Statistical Office, its first decline since early 2009 in the wake of the Wall Street financial crash.

Spain: The fifth largest European economy may be in the worst shape of any, at least in terms of the impact on working class living standards. Spain reported that a record five million workers are now unemployed. The jobless rate topped 23.9 percent in the fourth quarter of 2011, while the youth unemployment rate is approaching 50 percent.

The unemployment rate climbed from 21.5 percent in the third quarter to 22.9 percent in the fourth, as the number of unemployed increased by 348,700, according to the National Statistics Institute.

The response of the newly installed right-wing government of Prime Minister Mariano Rajoy has been to demand wage and benefit cuts and fewer holidays, and the dismantling of what little remains of job security for workers, a policy which Rajoy describes as “labor market reform.”

The Spanish economy received a further shock Friday when the regional airline Spanair suddenly halted operations, canceling 220 flights and stranding 22,000 passengers. The regional government of Catalonia, which announced that it could no longer subsidize operations given the “current economic climate”, controls the Barcelona-based airline. More than 3,200 workers at the airline and its subcontractors were thrown out of work.

The Rajoy government has already proposed 40 billion euros in budget adjustments, mainly spending cuts, but also increases in fees and consumption taxes. The budget cuts will be targeted especially at the country’s 17 regional governments, which run social services like health and education. These austerity measures will deepen the economic downturn, now forecast at 1.7 percent by the International Monetary Fund.

Rajoy’s policies have provoked mass protests. An estimated 200,000 people took to the streets January 26 in Valencia, Alicante and Castellon to oppose cuts by the regional government. Another 100,000 turned out for a protest January 28 in Barcelona over cuts in the Catalan region.

Other economic black spots in Europe include Ireland, whose 14.6 percent unemployment trails only Spain and Greece; Portugal, whose credit was downgraded to junk status after a bailout by the European Union and the European Central Bank; and Belgium, where the country was paralyzed by its first general strike in 19 years on Monday. The protest action against budget cuts was timed to coincide with the EU summit in the Belgian capital, Brussels.

Rail, airline and local public transportation were shut down, as well as the postal service, most government offices and many schools. Stores were shut down and strikers erected barricades to bar access to factory districts.

European stock prices slid throughout the day, finishing with their worst overall performance in six weeks, since the supposed “solution” to the Greek debt crisis was announced December 9. There is now widespread expectation in financial markets that Greece will default on March 20, the next date for a major debt payment, or soon thereafter, with consequences that are difficult to estimate.

The effects would go far beyond Europe. According to a *New York Times* report Sunday, “Five large American banks, including JPMorgan Chase and Goldman Sachs, have more than $80 billion of exposure to Italy, Spain, Portugal, Ireland and Greece, the most economically stressed nations in the euro currency zone…”

The *Times* noted that all five banks have used credit default swaps, the same financial device that exacerbated the subprime mortgage crisis in 2008, to hedge against losses on their European sovereign debt. While there have been repeated pledges to forestall any recurrence of the destabilizing role of such derivatives, the article pointed out that “only 9.4 percent of the $29.6 trillion credit default swap market is centrally cleared, according to the Bank for International Settlements.”

In other words, the bulk of credit default swaps and other derivatives are beyond the reach of any financial regulator. These deals will come to light only when one or the other party to the swap cannot meet its obligations and defaults, like the insurance giant American International Group in 2008.