Austerity Can't Solve Crises of Capitalism

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Millions of workers across the United States received a rude and unpleasant jolt this January when they discovered that their take-home pay had just shrunk by 2 percent. The Social Security payroll tax cut of 2009 was restored, costing workers an average amount of $850 a year, a significant wage decrease for workers on the edge of financial ruin.

This de facto pay cut is part of a march towards government austerity going on in the U.S. and around the world. What austerity really means is cutting government spending for social benefits and/or raising taxes to guarantee loan payments to banks. Austerity is an article of faith not only for the right wing, but for centrist politicians like the Obama administration and most European governments.

There was little to no discussion of the increase in the payroll tax, which will have a far greater negative economic impact than the small increases in taxes on the very rich that were ballyhooed in December.

More dangerous even than restoring the payroll tax are the proposed cuts in federal spending, including cuts to Social Security benefits. A preposterous lie, generated by the ruling class and its lackey media, is that Social Security and other benefits based on earlier contributions are somehow responsible for the large deficit, and that "reforms" must be made in order to "save" them.

In reality, Social Security has $2.6 trillion in its trust fund, enough to adequately fund it for at least the next 25 years, according to Jack Lew, President Barack Obama's former budget director and new nominee for secretary of the Treasury. (Forbes.com, July 13, 2011)

Social Security should not even be included as part of the federal budget, and certainly not seen as a way to "reduce the deficit." Its trust fund has been accumulated from the lifetime contributions of millions of workers through its own payroll taxes and should be used for that purpose only. To reduce the benefits of older workers in order to reduce the deficit is outright robbery of the working class.

Deficits, austerity and economic growth

There are many reasons why most capitalist governments worldwide have inadequate revenue to cover costs. For the U.S., they include outrageous military spending (over a trillion dollars on the Iraq and Afghanistan wars alone), tax cuts for big business and the very wealthy, and gigantic bailouts for the banks.

Most important though is the worldwide economic crisis, which has impoverished the working class by permanently removing tens of millions of jobs, thus reducing the tax base.

There has been no capitalist upturn following the 2008 crash. Every attempt to start new production involves bringing in new technology that destroys more jobs than it creates. Thus, capitalism has reached a dead end.

The ruling classes, desperate to have governments guarantee loan and interest payments to banks, have ignored the advice of many of their own economists and agencies, and embarked on a policy of governmental austerity that only exacerbates the overall capitalist crisis.

For example, an International Monetary Fund study of 17 countries that implemented austerity plans in the last 30 years showed that alleged debt-reduction plans, aimed at reducing debt and leading to prosperity, on the whole failed to do so. (Allvoices.com, Jan 29)

Moreover, says the IMF, "Income and employment don't fully recover even five years after the austerity program is enacted." (Washington Post, May 7)

Since the IMF's own study shows that its austerity policies reduce economic growth, why does it continue to dictate such measures to governments all around the globe, especially in Africa, Asia and Latin America, and lately in southern Europe?

Policies please the banks, corporations

The answer is that these policies please the big capitalists and imperialists, especially the banks. They also please multinational corporations since they weaken unions and lower labor costs. The IMF's real goal is not to grow any economy but to increase the power of capital over labor and the power of the imperialist countries and their allies over oppressed nations.

For example, five years of austerity in Greece has resulted in deep economic depression and increasing misery for Greek workers. The Greek gross domestic product, which is a measure of the value of the total goods and services produced in a country, stands at only 70 percent of what it was before the European Union and IMF imposed austerity measures on Greece.

The 17 eurozone governments, which have embarked on a policy of severe austerity, have not only produced a "double dip" recession throughout Europe. They have not even been able to significantly decrease their debt. (See "Eurozone Debt Burden Stuck Amid Low Growth," AP, Jan 23)

The latest official estimate of U.S. economic growth, released Jan. 30 by the Department of Commerce, has provided further proof that budgetary austerity depresses the economy. According to this report, "the just-completed fiscal cliff deal … is expected to trim anywhere from 1 to 1.7 percent from economic growth this year. With economic growth averaging 1.8 to 2.4 percent over the past three years, the impact of the just passed budget package… may bring economic growth to a standstill." (Beforeitsnews.com, Feb 1, 2013)

Capitalism is, in fact, at a dead end. Unable to solve the economic crisis which it caused, the ruling classes seek to squeeze a solution out of the world's working and poor people through a combination of higher taxes and draconian cuts in needed health and social services. Progressives around the world must see to it that the rulers' lies are exposed and that workers are not made to pay the price for the crises caused by capitalism.

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