

“Austerity”: The 1%’s Global Battle Cry

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Whether we are left with the Fiscal Cliff or a Grand Bargain, workers in the U.S. face massive cuts to programs such as Medicare, Medicaid, Social Security, unemployment insurance, Food Stamp assistance and other needed social safety nets. This is an example of “austerity” which has largely been pursued in the U.S. until now, on a statewide and local level.

The policies of austerity are not unique to the U.S. They are being enacted internationally. In Europe they have been aggressively put into play for four years. While austerity has been pursued on all continents, this article will focus on Europe and the U.S.

What are the policies of austerity?

They involve the cutting of public investment and services such as education, health care, and retirement insurance. In addition they also include the privatizing of existing government assets. Public employees suffer wage freezes or cuts and mass layoffs as part of austerity measures. Labor laws are revised to empower employers at the expense of employees’ job security, wages, benefits, and voice on the job. And austerity also involves increased taxes and fees on working class people.

Austerity is sold as the only available means of reducing the debt. However, there is plenty of money to take care of these financial imbalances. It is in the pockets of the wealthy and big business elites whose think tanks and politicians are, not coincidentally, the architects of austerity. They want nations’ economies to be run more like the corporations and banks, prioritizing that their shareholders get paid first and foremost at the expense of everyone else.

In Europe the level of debt is 87 percent of its collective GDP, necessitating a severe approach, according to their outlook. However, in the U.S., which is in the beginning stages of an austerity campaign, the level of debt is over 100 percent of our GDP. Considering this level of debt and the size of the U.S. economy, the largest dose of austerity measures are yet to come, and it will be working people who will be expected to swallow them.

Austerity and Recession

What are the results of austerity? They depress the economy in the countries in which they are enacted and reduce the government’s revenue while fattening the big business elites’ financial reserves. With the January 1st Fiscal Cliff deadline in the U.S., the Economist Intelligence Unit cut its expectations for growth. According to the International Monetary Fund (IMF), Spain’s economy will contract by 1.5 percent, Italy’s by 2.3 percent, Portugal’s by 3 percent, Greece’s by 5.2 percent, Britain’s by 0.6 percent, Germany’s by 0.9 percent, and France’s by 0.1 percent.

These contractions are in addition to the devastating impact the Great Recession has had on workers internationally with high unemployment rates and a declining standard of living. Today life in Greece has been likened to living under occupation during World War II. Spain and Italy are not far behind. Given this, clearly what benefits the financial powers behind austerity comes at a great cost to the vast majority of people and the health of the economy as a whole.

The truth is that the world economy is not in crisis because of debt. It is because too many have too little to buy what has been created. Without a stronger consumer base the capitalists have no reason to invest in making more commodities and creating more jobs. How are they going to realize a profit if few can afford to buy what is produced?

Before the Great Recession the big business elites of the world had gotten around this problem by indulging in an orgy of financial speculation, especially in the U.S. This extra cash, created out of nothing, enabled them to continue handing out dicey loans while repackaging and selling these toxic assets as good investments. As long as the cash spigot was flowing today, why worry about tomorrow, was the line of reasoning for the 1%. This created massive financial bubbles in, for instance, housing in the U.S. and several European nations.

The ultimate effect of all this financial gambling was to inflate the fundamental problem with the economy, which was the crisis of overproduction. When it was no longer possible to get beyond this limit, the resulting crisis was so deep and wide that even today, four years later, there is no real end in sight. This has been greatly exacerbated by massive bailouts to the banks both in the U.S. and Europe as well as costly wars in Iraq and Afghanistan conducted by the U.S.

Shared interests?

Given the ongoing suffering of working people as a result of the Great Recession and austerity's stunting effect on economic growth, why are the big business elites and their politicians pursuing these measures now? Aren't we all in the same boat? Shouldn't our fortunes rise together?

This myth is what is brought to center stage to justify the fanciful notion of "shared sacrifice" when confronting economic ills. However, it is working people who are doing all the sacrificing while the 1% fattens their shares. The relationship between the ruling economic circles and everyone else is that of predator to prey. Austerity is the result of especially acute conditions regarding this relationship today and revealing its essential antagonism to millions of people.

If governments were to take a growth approach and provide federal funds to create jobs according to social need, this would result in inflation. While it would be easier for people and governments to pay off debts, the money paid back to the investors who hold the bonds would be worth less. This is unacceptable to those who hold the purse strings, though such an approach would greatly benefit the vast majority. Austerity is a way of putting a stop to such hopes.

Big business is hoarding trillions of dollars rather than investing these funds in job creating production and services. In the U.S. alone it is estimated that these funds are up to \$2 trillion. (1) Without a thriving consumer base, the big business owners have no motivation to

invest in goods and services. Without this investment, there will be no thriving consumer base. The economic elite sees no way out of this Catch 22, so they are looking for other ways to enrich themselves.

One way they are doing this is by treating the world economy as an enormous casino. For instance, it has been estimated that the total amount of derivatives being played in the market comes to \$1.2 quadrillion — 20 times the amount of money currently in the global economy. (2) While the results of such reckless investment produce impressive portfolios for a few today, everyone else is exposed to potentially disastrous risks in the future.

The 1% does need to obtain real money from somewhere, however. Productive investment is out of the question for the reasons discussed above. Austerity is a weapon they can use to muscle their way towards grabbing the vast pools of social capital in government programs meant to benefit working people. Rather than acting as organizers of production, the corporation and bank owners are using austerity to act as parasites, draining the economy as a whole.

Austerity also serves the business elite's interests at the expense of everyone else in another way. Without a strong safety net, workers are left in an even more desperate competition with one another to find work. This enables those on top of the economy to depress wages, benefits, and rights since they have a larger reserve of workers to pick from who are willing to take anything.

Finally, austerity is a weapon to weaken the Labor Movement, the first line of defense for working people against corporate greed. For instance, in the U.S., it is not a coincidence that austerity measures are aimed first and foremost at public employees and teachers. These are the nation's two most heavily unionized sectors. If their unions can be broken into accepting austerity, sweeping aside the rest of Labor in the pursuit of greed will be an easier task for the 1%. In short, austerity is a program of class war.

Push Back

Such an aggressive tearing up of social contracts that generations have taken for granted, as is required by austerity, has been provoking a fight back. In Europe this response has taken place at different rates across the continent. Greece is where the struggle is most acute with at least 18 general strikes in the last two years, and many more mass mobilizations against austerity. This example is beginning to spread.

On November 14, a series of Labor protests and political strikes swept across Europe in a coordinated protest called by the European Trade Union Confederation (ETUC). Many millions of people are estimated to have participated in these events. In Spain and Portugal there were national general strikes. Nine million Spaniards stayed at home, or 77 percent of the workforce of the country.

Even in the U.S., where the struggle has yet to advance to this potentially pre-revolutionary level, we have been experiencing an upsurge in mass collective protest as a result of austerity. The occupation in Madison, Wisconsin's capital was in response to cuts aimed at union public workers and teachers as well as an attempt to gut their collective bargaining rights. Occupy's proclamation of "We are the 99 percent" was an appeal for mass unity against those promoting austerity for their own enrichment. Finally, the inspiring example of the Chicago Teachers Union strike, which unified wide sectors of the city's workers and

community, was provoked by attacks on public education justified by bipartisan austerity arguments.

A Counter Proposal?

Frightened by these responses, some leading policy makers, especially in Europe, have been arguing for the need to curb austerity, combining it with growth investment to relieve the downward pressure on their nations' rebellious countrymen for now. The business magazine "The Economist" put forward this line in the following way when countering the Financial Times pro-austerity writer Gideon Rachman:

"One puzzling mistake Mr. Rachman makes is in implying that the only fiscal alternative to austerity is stimulus; in fact, *less austerity* is also a decent option."

Later the article states:

"But structural reforms are not an inseparable part of some reform cocktail that necessarily includes austerity. On the contrary, structural reform and adequate demand are two great tastes that taste great together; without some wage inflation in Germany, efforts to boost Spanish mobility won't succeed in generating sufficient migration."

Aside from the jeers that would greet the suggestion that Eurozone fiscal policy should encourage Spaniards to migrate to Germany to find good jobs, there are other problems with the method of this argument. A little stimulus for some European countries, a little austerity for others, is not a recipe for the golden mean. It is more like trying to mix water and oil.

"*Less austerity*" is not a decent option for workers still suffering from the effects of the international economic crisis.

Considering the depth of this crisis and that there is no end in sight that relies on capitalist investment, either fiscal policy will benefit the 1% or workers, not both. Ultimately the outcome will be determined by a showdown between these social forces that will require a fundamental transformation of the political/economic system if workers are to prevail.

Moving Forward

The first step for workers is the building of an independent social movement that can advance its political understanding and organizational strength through mass collective struggle. To do this it is necessary to mobilize on the basis of what workers are willing to take united action on now in the fight against austerity cuts.

Each nation's working class will proceed at their own pace in this process according to their own national situation influenced by international developments. It is inevitable that some national social movements will be able take mass action around more revolutionary demands sooner than others. A slogan that may work in one country might not connect in another. The criteria for a slogan should be if it can unite workers into taking collective action now and how this struggle increases their strength, political understanding, and ability to take on more advanced demands.

For instance, in the U.S. President Obama won the election, in part, because of his promise to increase taxes on the rich. However, it has become clear that he is more resolute in

pursuing austerity policies, proposing a Grand Bargain to slash the deficit \$4 trillion over 10 years with a 3 to 1 mix of spending cuts and revenue increases. (3) Consequently, in order to combat austerity, it is necessary that workers mobilize not only for taxing the rich, but also to demand that the tax rate is raised high enough to prevent cuts, create good jobs for all, and rebuild the public sector.

Likewise, the call for a general strike against austerity policies in Eurozone nations is becoming more familiar and possible in a growing number of countries. The Greek unions have used this weapon numerous times. Still, austerity presses on, necessitating, in the minds of Greek workers, the need to build from the unions higher forms of organization that encompass the vast majority of working people so as to advance their struggle for a government that truly represents the majority of working people, not the rich. As a result, the Greek left party, Syriza is rapidly growing, having won 52 percent of the vote of people between 18 and 24 years of age in the last elections.

In the U.S., calling for general strikes to oppose the Fiscal Cliff or Grand Bargain cuts has no connection to the actual level of consciousness of most working people at this time. Even the rank and file in the unions are insufficiently organized to push this demand from the bottom up now. In addition, the call for a Labor Party, while an absolutely necessary development, is still a good distance away from what will connect with and compel millions of people into united action today.

At this point, however, it is possible to agitate for Labor taking the lead in building mass mobilizations against the looming cuts to Medicare, Medicaid, Social Security, public education and other needed social programs. From this organizing and its resulting political lessons, it will be possible to advance a discussion on how U.S. workers can better combat austerity.

While austerity presents a great threat, the struggle against it holds the promise of establishing a world founded on majority rule, where equality and solidarity on an international basis can flourish.

Notes

1.) "US firms hoarding \$2 trillion" by John Aidan Byrne

http://www.nypost.com/p/news/business/hoarding_cash_Yzfk2c8aK1wAPrZCRdEVnj

2.) "Big risk: \$1.2 Quadrillion Derivatives Market Dwarfs World GDP" by Peter Cohen

<http://www.dailyfinance.com/2010/06/09/risk-quadrillion-derivatives-market-gdp/>

3.) "Fiscal Cliff Will Likely Target Medicare, Social Security, Programs for the Poor" by Ryan Grim and Sarah

Bufkin. http://www.huffingtonpost.com/2012/11/11/fiscal-cliff-talks-medicare-social-security_n_2113259.html

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