Challenging the Bailout Economy: Popular Protests across Europe

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As Europe frantically shores up an unravelling economic system, popular protests are erupting against adjustments made to placate the finance markets. Austerity measures and bailouts may keep the banks happy, but what about the people?

The inherent instability of the current financial system, largely to blame for the recent credit crisis, has raised its ugly head once again. What began in October last year with Greece admitting to a budget deficit exceeding 12 percent of its gross domestic product (well beyond the EU's supposed limit of three percent) has burgeoned into a Europe-wide sovereign debt crisis threatening to split the monetary union apart.

When it became clear that the €110 billion bailout loan to Greece had not placated market fears that the crisis would spread to other weaker economies such as Spain and Portugal, EU leaders and the International Monetary Fund (IMF) constructed a €750 billion emergency fund to restore market confidence. The fund is not actually intended for use, but rather to protect eurozone countries from speculative attacks and to ensure that they can continue borrowing from the private sector.

While many commentators are quick to blame overblown government budgets for the current crisis, more measured assessments recognise that there are structural factors at play. Like most of the world, these governments had their excesses during boom years of easy credit, but they can hardly be blamed for the downturn that sent their national deficits skyrocketing. The fact that private banks, a number of which were implicated in the credit crisis, willingly lent vast sums to supposedly profligate and corrupt governments is hardly mentioned (for an exception, see C.P. Chandrasekhar). In what is becoming a familiar pattern, the burden of adjustment has fallen not on the financial sector, but on the Greek people and the taxpaying citizens of Europe.

The Greek public are now facing austerity measures of eye-watering severity – pay and pension freezes, public spending cuts and tax increases – the effects of which will be ongoing declines in income and employment. The IMF has admitted that even if the program 'works', Greece's debt will rise from 115 percent of GDP today to 149 percent in 2013. In other words, the economy is likely to enter into an even deeper recession, with devastating impacts for the working and middle classes.

Why not just restructure Greece's debt and let the international money lenders swallow the losses? According to economist Jayati Ghosh, this is the most obvious solution. Austerity measures will not correct the existing imbalances but actually worsen them. The problem, she argues, is that "the power of finance – in politics, in media and in determining national and international economic policies – remains undiminished despite its recent excesses and failures."

Here lies the crux of the matter. The EU/IMF bailout is not intended to ensure that Greek workers will be able to pay the bills, but purely to restore confidence in the markets. Of course, the justification spouted by the IMF's managing director Dominique Strauss-Khan is that market confidence will "deliver the growth, jobs, and prosperity that the country needs for the future", but the underlying assumption is that a placated international finance sector is a precondition for this future prosperity. The same can be said of the new EU stability fund. Markets may be reassured that Spain and Portugal are safe from default for now, but they too must implement harsh austerity measures that will negatively affect incomes and employment.

The Greek bailout and the EU stability fund are merely temporary solutions to the underlying problem of privatised finance. Neither addresses the structural faults of a system in which the health of the real economy – the part concerned with actually producing goods and services – is entirely dependent on the conditions of an overblown financial sector whose only purpose seems to be fattening the pockets of speculators and bankers. Austerity measures and bailouts may keep the banks happy, but what about the people? Popular protests, which have already caused three deaths in Athens, are likely to spread as other governments across Europe cut spending.

Perhaps for once, governments should start listening to their citizens instead of the financial lobbyists, market gurus and policy technocrats. The process could yield some surprisingly common sense results. Rather than frantically shoring up an unravelling economic system that has proven inherently unstable, unsustainable and unjust, policy-makers would be forced to address a fundamental question: how can we build an economy that best serves the needs of the people whilst protecting the environment upon which we depend? With the inequality gap widening, unemployment rising and the world's ecosystems on the brink of collapse, one thing is for certain: throwing more money at the bailout economy is not the answer.

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