

Europe: Prison of Nations

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Sarkozy's 'incoherence' is a sign of the euro-impasse.

Riots swept across Eastern Europe this winter. In Latvia 100 were arrested when they attacked the Finance Ministry with cobblestones from the quaintly restored tourist area protesting unemployment, budget and wage cuts. In Lithuania, riot police fired rubber-bullets and tear gas on a trade union march. A demonstration in the Bulgarian capital turned violent leading to the arrest of 150 protesters. These three states are all members of the Exchange Rate Mechanism (ERM2), the euro's pre-detention cell. They must join.

The IMF calls for devaluation of the currencies of these "economies", which are not really economies at all after their deindustrialisation over the past two decades, but the euro-agreements prevent this. And even if they could do the IMF number, their huge mortgage debts contracted in euros and Swiss francs over the past decade would still be unrepayable.

Latvia's government was trying to comply with IMF-imposed measures to qualify for an emergency loan, much like Argentina in 2001, when brutal cuts to education and social programmes sparked a general strike and radicalised the entire nation (except, or course, those responsible for the crisis). The riots in Latvia brought the government down and its credit rating was just lowered to junk status.

It's no better inside euroland. Q: What's the difference between Ireland and Iceland ? A1: The letter "c". A2: Six months.

We haven't even mentioned Greece, which is already considered a failed state, virtually in a state of civil war since last September. And now the very pillars of the European Union are crumbling. In January, hundreds of thousands marched in French cities in the biggest protest in two decades. An ongoing month-long strike in France's far-flung Guadeloupe is now full-scale urban warfare, with the dead including a trade union leader. The ruling white elite and tourists are at this very moment fleeing in panic. Martinique and Reunion have joined in.

In Britain demos are breaking out across the country protesting unemployment and the bank bailouts. The British National Party shocked the establishment by winning a council seat in Kent, "penetrating" the south of England, and are expecting major gains in the EU elections in June. Spain lost a million jobs in 2008 and the unemployment rate is expected to reach 25 per cent this year. Spain's (and Ireland's) so-called wage inflation now requires wage deflation, workers are told. With Spain's high debt levels, this is impossible. Even if it were possible, wage deflation is a recipe for revolution.

Marches protesting the economic plight of the people are expected to grow and lead to further violence throughout Europe, with Greece as the prequel. Suddenly, the spectre of

the end of the EU, certainly the end of the common currency, is being raised. Coined to convince the “free world” of the dangers of Communism, the domino effect is back with a vengeance.

The string pullers over the past two decades managed to transform the face of Europe, destroying the Soviet Union and expanding the EU and NATO rapidly eastward. But just as Napoleon and Hitler before them, the over-confident conquerors moved too far too fast, and now face the prospect of losing everything. The marvel of the euro zone is now derided as the *Völker-Kerker* (prison of nations) recalling the Austro-Hungarian Empire. Italian journalists have begun to talk of Europe’s “Tequila Crisis”, referring to the collapse of Mexico’s peso in 1993 when the elite took their money to the US. A similar capital flight from Club Med could set off an unstoppable process and even bring the euro down.

What is the euro, except a fixed exchange rate agreement among members? Sceptics have always dismissed it as a dangerous straight-jacket, since Europe is far from uniform. It means national governments are highly restricted in their monetary and fiscal policies to deal with crises. It also means that ripples in Europe become tidal waves, as all the countries’ economic successes or failures happen together.

This is fine if governments are united in pursuing a common agenda to promote stability and prosperity for the common Europeans, but neoliberalism allows for no such political will. The common economic space has merely allowed large companies and banks to take control of the whole market, supposedly to be equal competitors to their big brothers in the US, China and elsewhere. But riding the wave of privatisation and euro-expansion, they threw caution to the winds, with no strong national governments to clip their wings. The EU “government” is exposed as worse than useless, a rubber stamp for this Thatcherite mania, fooling Europeans into thinking there was someone controlling the private chaos.

As the euro begins to slide against the worthless dollar (that’s right), no one is seriously preparing for the possibility of its immanent collapse and what to do about it. Instead, incredibly, a *Financial Times* columnist calls on the EU to drop its euro-entry requirements for the “economies” of eastern Europe and quickly shepherd them into the “safe” euro-fold. Just as mad as this strategy may seem is the one presently being implemented: to pump endless cash into the banks that have recklessly moved into this economic wasteland.

It is vital to keep the edifice afloat, after all. Virtually all of Eastern Europe is in hock to Western banks and as they go bankrupt, or for the “lucky” ones, their exchange rates plummet with respect to the euro, they represent bargain-basement fire sales for the West. The Polish zloty plunged 50 per cent in the past six months, making it impossible to repay the countless euro-Swiss loans contracted by unwitting Poles, lured by low interest rates.

The banks have lent Eastern Europe about \$1.7 trillion, since “independence” and this must be saved from disappearing at all costs. The currently proposed \$31 billion to be pumped into the banks is peanuts — as long as national governments (that is, the people) pay it, of course.

If the steely-nerved bankers can stay the course, the pay-off is potentially immense. Lured into euro-clutches, these orphan nations can now be squeezed. Integration with a vengeance, on a par with their WWII and post-WWII occupations. At least under post-WWII socialism (which many Eastern Europeans remember fondly), the common people were

provided for and the ruling party's privileges circumscribed. But if today's unsupervised elites keep sending their money abroad, the pit becomes bottomless. Riots turn into revolutions.

France will no doubt lead the way. Students occupied the Sorbonne recently in a long-running battle against President Nicolas Sarkozy's education reforms, supported by 70 per cent of the population. French radical politicians Jose Bove and the popular New Anti-Capitalist Party leader Olivier Besancenot have already travelled to Guadeloupe in solidarity with the strikers. "Their fight is our fight — against capitalism, exploitation, the big supermarkets," exhorted a newly radicalised Bastille district activist.

Sarkozy's popularity is at its lowest at 36 per cent, with a similar number of French saying they would welcome strikes "on a huge scale". The pollster Dabi said, "There is a sense of incoherence and a sense that Sarkozy does not really know where he is taking France. But that's largely because there is an incoherence and Sarkozy doesn't know here he is taking France."

The same can surely be said of all Western leaders these days. United States President Barack Obama has it easy. He at least has a clear agenda to tear up — the Reagan-Bush one. But the only common policy of Western leaders so far is one dictated by the banking elite: "Bail us out, but leave us alone." If anything, they are demanding coordinated bailing out and calling for a new international banking institution, which of course they will control, and which, we are supposed to believe, will avert any further unpleasantness. Such an institution may well act to avert capitalism's collapse, but there will be lots of "unpleasantness", evenly distributed among the common people.

The sunny euro-vistas of yesterday are no longer. Eastern Europe risks being eaten alive by Western banks. Western Europe risks mere stagnation and endless political unrest. All indications are that this is a deadend, that the only way forward is to break the hold that the economic system has on both East and West. The upheavals have begun and the real domino effect will spread throughout Europe this summer. That the European parliament elections in June will take place in a hostile atmosphere is an understatement.

Using a crisis to push through unpopular measures doesn't work anymore, as Greek and Latvian politicians have discovered. The streets are already ringing with the cry: "We won't pay for your crisis!"

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