

# The Economic Crisis in Europe: Austerity Imposed by the Banks, Soaring Unemployment, Poverty

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*A two-day summit of European heads of state and finance ministers ended on Friday with general agreement to extend and deepen the austerity measures which have already plunged millions of Europeans into unemployment and poverty while reaping huge returns for the banks.*

The original mandate of the December summit was to flesh out proposals originally presented by the European Commission in June this year for moves towards the fiscal and political union of Europe.

During the last six months of fierce haggling between nation states, however, all that really remains of the original “European roadmap” is a firm commitment by all parties to press ahead with their plans for a social counterrevolution across the continent. This was underlined by an opinion piece published in the *Financial Times* by the vice president of the European Commission, Olli Rehn, three days before the summit. The comment was titled: “Europe must stay the austerity course.”

In the run-up to this week’s summit, European Commission President José Manuel Barroso and European Council President Herman Van Rompuy put forward a series of proposals, including euro zone bonds and some very limited funding for industrial projects, aimed at encouraging bigger European nations to play a greater role in the financial bailout of ailing economies.

In fact, the eurobonds proposal was struck from the agenda even before talks began, and plans by Barroso and Van Rompuy for a European “solidarity mechanism” to encourage growth were whittled down to a pittance by the end of the summit.

At a news conference after day one of the summit, Van Rompuy told reporters he would only present proposals for an embryonic form of “solidarity mechanism” for the summer of next year. In the same breath he made clear that any transfer of funds from the “mechanism” would be dependent on applicant states carrying out cuts and structural reforms.

In her own comments to the press, German Chancellor Angela Merkel stressed that any common euro zone funding for such “solidarity” measures would be minimal. “It’s a question of a very limited budget”, Merkel said. “... maybe €10bn or €15bn.”

The only substantive measure agreed by the summit were moves towards the banking supervision of European banks. Once again on this issue Germany was largely allowed to dictate the agenda.

A week earlier, European finance ministers had been unable to come to a final agreement on moves towards a banking union. The main opposition came from Germany, which is resisting proposals that the European Central Bank be given powers to directly fund bankrupt banks. Germany also opposes European supervision of its dozens of local savings banks which play an important role in funding German industry at a state level.

For its part, France, with the support of a number of smaller European countries, has called for extended powers for the ECB and its ability to supervise all of the continent's 6,000 banks.

On both issues Germany was able to make an accommodation with France and get its way at this week's summit. The agreement struck by European leaders on Thursday was that supervisory powers be extended only to around 200 of the continent's biggest banks and that supervisory operations only commence in March 2014 at the earliest. In comments to the press, the German finance minister, Wolfgang Schäuble, stressed that even at this later date the direct funding of European banks by the ECB was "a relatively unlikely scenario."

The postponement of supervision of European banks until 2014 means that the policy which permits the European Commission and ECB to dictate harsh austerity terms and exercise control over the economies of countries applying for loans will continue unhindered for the next 18 months.

This is the single most significant decision to emerge from the agreement by a majority of EU members on a European banking union. At the same time, Germany and France plan to tighten the austerity screws by supporting a proposal from the European Commission for establishing "bilateral contracts" with each member of the euro zone. The aim of such contracts is to stipulate labour market and tax reforms aimed at boosting competitiveness.

In an article dealing with the German insistence on such structural reforms the *Financial Times* noted: "Ms Merkel wants agreement on the parameters to be used to design such contracts, using countries such as China, India and Brazil as benchmarks for global competitiveness."

While huge new financial injections are being prepared for the banks, the wages and working conditions for the population of Europe are to be reduced to the level of those prevailing in the sweatshops of Asia.

As has been the case for the past five years, Greece is the test laboratory for the social reaction to be introduced all over Europe. On Thursday, euro zone finance ministers finally agreed to pay a loan to Greece which was originally scheduled for June of this year. Payment of the loan was made conditional on the government in Athens introducing yet another round of vicious austerity measures.

Not a cent of the €34 billion loan will end up in the hands of working people and their families struggling to survive after five years of recession. €16 billion are earmarked for re-capitalising Greek banks, €7 billion for the financing of state-owned enterprise and the remaining €11 billion for buying back government debt.

Years more of austerity, misery and crisis for all of Europe. This was the message from the latest European summit. Four years after the outbreak of the finance crisis in 2008, Europe is officially in a double dip recession. Britain is in the throes of a triple dip recession.

Unemployment has soared across the continent and the indebtedness of many leading European nations has doubled or even trebled as the banks rake in billions. And the worst is yet to come.

In her remarks to the press Merkel pointedly praised the austerity measures of Italian prime minister Mario Monti for boosting “trust in Italy in the international markets” and warned at the same time that Europe faced years of pain ahead.

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