Frontier
Vol. 44, No. 18, November 13-19, 2011

PANIC IN HEAVEN

'A Capitalist Spectre is Haunting Europe'

Farooque Chowdhury

DARK CLOUDS LOOM OVER Europe and the US and the time to tackle the problem is short. None but the International Monetary Fund and the UK chancellor make the warning. As desperate capital continues to press people with intolerable burdens Europe, broadly, is now a continent of protests, demonstrations, strikes, and possible political upheavals.

As the UK chancellor George Osborne warned that the time was running out, only "six weeks", to end the eurozone debt crisis, and the world's share markets experienced another volatile week, Christine Lagarde, the IMF chief warned: "There are dark clouds over Europe and there is huge uncertainty in the US. And with that we could risk a collapse in global demand." Lagarde advised countries to collectively "act now". "We are linked by a common destiny." She assumes that the "turbulent times" is the bond of unity. She was speaking at the IMF-World Bank annual meeting in Washington. She assures that "there is a path" to recovery, but the path has narrowed down "than it was three years ago".

But capital is failing to unite. There are voices in Europe to force out of eurozone some countries including Greece. There are also talks of abandoning the zone. Signs of fracture in the bond of capitals' "unity" should not astonish onlookers.

World Bank President Robert Zoellick's "confidence is being eroded daily by the steady drip of difficult economic news", although he "still thinks a double-dip recession for the world's major economies is unlikely." He was addressing policy makers at Washington. Zoellick warned: Europe, Japan and the US must immediately tackle their financial problems before it becomes a world crisis. "A crisis made in the developed world could become a crisis for developing countries."

The IMF said days ago that the global financial system is more vulnerable now since the 2008 financial crisis. "Risks are elevated, and time is running out to tackle vulnerabilities that threaten the global financial system and the ongoing economic recovery," the IMF said.

In the slowing growth, rising risks report, the IMF mentioned the urgently need to halt the deepening crisis in the single currency area. The euro zone is expected to have a slower growth in 2011 and 2012 while the emerging markets are expected to attain a much more rapid growth this year: 6.4%. But there is dramatic increase of financial stability risks, the report said. It mentioned geopolitical tensions and vulnerabilities in emerging markets as among other factors that pose threats to global growth. Capitals, one should not forget, cannot operate without creating tensions in geopolitics and making economies vulnerable.

The US Federal Reserve's warning that the US economy is facing significant risks slumped world shares, Moody downgraded eight Greek banks' rating, rumors circled that Greece was contemplating defaulting on its debts, the G-20's commitment "to take all necessary actions to preserve the stability of banking systems and financial markets" by November failed to impress investors. Markets declined to listen to leaders, loyal believers of market. The debt crisis in Europe is haunting the market leaders. World markets on September 22 made their deepest dip in more than a month. Fears of a double-dip recession have come back.

The European Commission apprehends "a virtual standstill" in economic growth in the eurozone in the second half of 2011. Jose Manuel Barroso, the European Commission president, warned in August that the sovereign debt crisis was spreading beyond the periphery of the eurozone.

The euro, since officially coming into existence in 1999, is in crisis. With an accumulated public debt reaching 100% of GDP on average in the OECD countries, uncontrollable fiscal deficits, and unemployment, all creations of ruling elites, a permanent bailout fund with about 500bn euros, the European Stability Mechanism, now stands guard against failures. But powerful crisis is declining to surrender. Rather, anguish is brewing up even within establishment. Greece with its debts of 300bn euros, 113% of GDP, the highest in modern history, is feeling that it has been, as the Greek finance minister complained, "blackmailed and humiliated" and made a "scapegoat" for the EU's incompetence.

Debt rating downgrading of European countries now sounds old news. Italy is the latest one, from A+ to A by the Standard and Poor's. There are accusations of "political considerations" in grading the rating as Italy has voiced. Now, it is not only the poor PIGS that are feeling the fang of capital. Strong economies including Germany are staring at the horizon of crisis.

Without the continued payments, Greece is set to run out of cash by mid-October. Its debt rating has been cut down seven times since 2009, from A to CC. In last May, Portugal became the third eurozone country to receive a huge EU/IMF bailout - 78bn euros. Its rating has been cut down four times since 2009. With 21% unemployment, the highest rate in the EU, Spain is feeling the grinding weight of freewheeling capital. As its growth has slowed Germany plans to cut the budget deficit by record 80bn euros by 2014. "Poor" Greek capital, considered a junk, is reportedly planning to pull down the mighty German economy. France plans to cut spending. Romance with Greek banks has created a threat to the French bankers busy to don Napoleon's coat in Africa. The UK, a proud partner of the Empire, now owns the biggest cuts in state spending since World War II. Eurozone cannot bail out the trans-Mediterranean warrior, Italy, with the highest total debt in the eurozone and stagnant growth. With a collapsed banking system and rating cut down five times since 2009 the Irish Republic is standing as a threat to the British banks. Small Cyprus has not been spared by the powerful bankers.

Capitalism is trying to find out its survival path, eternal growth with finite resource base and a fragile world ecology. The monopoly finance capital is playing; playing with its speculation tools, time, and people's hardship and misery. It declines to admit that its options are running out. It has competition within its camp. But they dream to bury the competitions with nice promises that they know are hollow. They also deny people's limits of patience, an exercise with ignorance.

Allowing markets to function with the least possible government intervention has proved wrong. Now market believers look for intervention. Now, section of mainstream admits that "fundamental principles of capitalism - that human beings are rational and markets behave rationally, and that markets will assign prices - are flawed.... That game is over ....capitalism has essentially hit a wall." A social matrix of protest is being created.

Cuts in social security, monthly pensions, public sector wage, public investment, subsidies for local government, education spending, family tax benefits, and subsidies to parents, cap on wages and bonuses, increased health care fees, raised retirement age, freezed/slowed down recruitment, frozen salaries, and closing down of schools are the "gifts" financial elites are now presenting to, broadly, the Eurozone people. They have planned to sale out ports, airports, land and mining rights, telephone, water and electricity services, refineries, and many more public assets. It seems the finance elites are going to formally and privately own almost entire countries but the social responsibility. There is also a "golden rule" in the constitution of a country, Spain, to keep future budget deficits to a strict limit. In an European country, France, the highest earners will be required to pay an extra 1% income tax while working people in other countries will "contribute" more by sacrificing much higher portion of their income.

Vigorously unpopular austerity budgets now are degrading life of common people in countries in Europe. Thousands of Romanian police officers went on strike over their pay cut. Protests have spread across Europe. European cities are witnessing marches against new austerity measures. Trade unions are vowing bigger protests.

It will not be astonishing if dominating capitals plan to rely on the emerging economies. But these are not free of capital's "virtues" - crisis, bubbles and bursts, unemployment, disparity, and anguish. At the same time, countries that rely on selling labor in European markets should take into account the unfolding situation in the continent. □