

Debt crisis in Europe

by Jim H.

News about the crisis hitting Greece, Ireland, Spain and Portugal is no more than what should have been expected. Focus is on the financial management of the governments and the blowout debt that has afflicted the four countries.

In a way, an exaggerated focus on public debt obscures a much deeper problem.

The crisis facing these countries cannot be separated from the more general crisis in the capitalist global economic system. A combination of certain domestic and international factors has produced the present situation.

Take Greece, Spain and Portugal; while they are members of the European Union, there is also a strong US influence through various economic and political ties. It is inevitable that the contention between US imperialism and European imperialism (mainly Germany and France) would come into play here.

When the crisis emanating from the US was exported, these countries (along with Eastern Europe) were harder hit than the rest of Europe. Closer ties to US imperialism played a part in this. Ireland's connection is through its ties to British imperialism, which itself has an association with US imperialism.

Secondly, these countries have a weaker industrial base, meaning that they produce less value and are more vulnerable to shocks. This weakness propelled disastrous property and credit bubbles. The problem is that without the creation of sufficient surplus value to match the growing quantity of money in circulation, to create sufficient value to cover the debt, something has to give.

Thirdly, the US financial giants have used the need to borrow for stimulus packages to expand their presence in these economies. Governments were compelled to borrow from the giant global financiers, an arena where the US is currently dominant.

No doubt this was assisted in the longer run by the unequal position of these countries as relatively small players in the European Union. It has long been the case that membership ceded a measure of economic independence to the dominant players, rendering their countries open to foreign exploitation, and a tendency towards growing external debt, a weakening industrial base and the importation of crisis.

It is important to note that a substantial portion of the new public debt was created as a result of bailouts that were often provided to the same corporations that are now complaining

of excessive government expenditure.

Fourthly, the level of working class and people's struggle is relatively high, and for a time, this has held back the full imposition of the burden of crisis onto the backs of the working class and other working people. Governments have been compelled to maintain a range of services to a higher level than is the case in other countries, or face the risk of being toppled. The rising tide of struggle lies behind the so-called "socialist" governments in Greece, Spain and Portugal. In Ireland it has been the national struggle.

It is these conditions, of imperialist pressure and pressure from below, with the addition of some fundamental economic weaknesses, that has led to the spending blowout.

Greek workers mobilising to resist

The case of Greece is very instructive, because its case is the most exposed to date. When the government started to get into difficulty, a complex system of lies was set up to hide what was going on from the eyes of the people, and to show they were meeting European Union requirements.

Behind this is the simple truth that the debt was re-financed. This is something like taking out a second mortgage to pay off credit card debt. It leaves a larger debt in the longer run. Cobbling this together were the Wall Street financiers. At the head was the same Goldman Sachs that was bailed out by Obama. The deals were called "derivated contracts." With them, money is borrowed without increasing official debt.

There is now a palpable fear that Greece might default on its 402 billion Euro (113% of GDP) debt.

At the very least, the crisis has the potential of significantly weakening the Euro against the American dollar. At worst, it may hasten the process of stagnation across the continent. European imperialism has no other choice than to secure its position in relation to its rival.

A bailout has been proposed by the European Union that will be born by the major powers, especially Germany, in the form of loans. The European Union is also demanding a freeze on public sector wages, along with higher taxes. The burden is to be dumped on the backs of working people, but they are mobilising to resist.

The fairly new PASOK government has already caved in to scuttle pre-election promises and to take up cost cutting measures to pay the debt. The combination of spending cuts, tax cuts

Editorial

International solidarity and making revolution

An important part of revolutionary work is extending expressions of support and solidarity across the world to workers and working people engaged in struggles for a better life, against war and oppression, and for the victory of socialism in their land. But the main part of revolutionary work must always be making revolution in one's own country.

It is tremendously powerful for people in the heat of battle to know that their class brothers and sisters far away appreciate and identify with their struggles and sacrifices, and take joy in their victories.

This has been the experience of the struggle against apartheid in South Africa, against the US imperialist war in Vietnam, against the Zionist occupation of Palestinian land, and against the oppression of workers and peasants in the Philippines and Colombia, to name just a few examples.

In recent years, there has been a focus on Latin American countries such as Venezuela, Bolivia and Cuba, where socialist-led governments have improved the living standards of the people and have empowered working people to participate in the decisions affecting their lives and the future of their country. In building their new future, these countries and their people have withstood the intimidation, sabotage and interference of US imperialism and earned the respect of people across the world. It is right and fitting to express solidarity with their achievements.

Nevertheless, this is not the main focus of revolutionary work for communists and others who want to see fundamental change in society. Their first priority must be making revolution in their own country.

This may seem extremely difficult in developed western societies such as Australia, when compared to the excitement of momentous changes rapidly taking place in other countries. But charting the twists and turns in our own country is our main responsibility and the best contribution we can make to internationalism.

Like the comrades in struggle elsewhere, our starting base is to investigate and understand the particularities and details of our own country; the economic landscape, the social conditions, history of struggle, the political consciousness and fighting capacity of the working class, the balance of class forces, allies of the working class, and so on. This social investigation is the only basis from which to chart a way forward for revolutionary change in Australia.

We cannot apply the blueprint of revolution from another country with different economic, political, social and historical conditions. We study their experience to learn general truths and study Marxism as a guide to understanding.

To change our situation, we must *apply Marxism-Leninism to the reality of Australia as it really is, not the way we wish it to be*. A start has been made. The program of the Communist Party of Australia (Marxist-Leninist) aims to chart Australia's road for revolutionary change in Australian conditions. Investigation of our reality has identified the need for revolution by stages – a stage of anti-imperialist, democratic revolution leading to the expulsion of imperialism from Australia as the first stage to establishing socialism. With deeper knowledge and practice, the steps along this path can be mapped out, and suitable tactics developed to lift struggle to a higher level.

and wage cuts has been put on the table to satisfy the European Union.

The situation in the other troubled countries is not dissimilar, and the response is along the same lines. Ireland has already moved to comply. While Spain and Portugal are at the moment holding out from full compliance, most expect that they will cave in before too long.

The finger needs to be pointed at the financiers profiting out of their role in creating the crisis.

Even more important is to learn the lesson that running an economy on capitalist lines, without heed to ensuring the collective interest, is becoming much less tenable than it ever was. So long as the same road keeps on being travelled, episodes of crisis within the context of the general crisis will keep on happening.

The solution is that people need to fight for fundamental political change and do away with the capitalist order once and for all.