

The specter of catastrophe returns

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In certain critical respects, the world of 2010 resembles the conditions that existed on the eve of World War I and World War II. Economic crisis, geopolitical tensions and social instability are greater today than at any time since 1945—report on “Perspectives and Tasks of the Socialist Equality Party,” January 2010

[I]t is clear that since September 2008 we have been facing the most difficult situation since the Second World War—perhaps even since the First World War. We have experienced—and are experiencing—truly dramatic times— Jean-Claude Trichet, president of European Central Bank, interview with *Der Spiegel*, May 15, 2010

In the late evening of Friday, May 7, 2010, an extraordinary scene unfolded in Brussels at a meeting of the leaders of the 16 eurozone member countries. A deadlock had developed between France and Germany over the feasibility and terms of a financial bailout of Greece. With the backing of the Obama administration, French President Nicolas Sarkozy insisted that the EU fund a €750 billion safety net for the single currency. German Chancellor Angela Merkel continued to resist this demand.

Suddenly, sometime between 11:30 p.m. and midnight, the meeting exploded. President Sarkozy, according to observers, began “shouting and bawling,” banged his fists on the table, and demanded that Germany withdraw its opposition. If Merkel refused, Sarkozy warned, France would abandon the euro. He added, for good measure, that lasting damage would be done to Franco-German relations. Faced with this threat, which had been issued with the backing of the Obama administration, Merkel assented to the establishment of the safety net.

This confrontation took place on the very eve of the 65th anniversary of the end of the Second World War in Europe.

In the immediate aftermath of the agreement, the markets celebrated the latest “solution” of the expanding global economic crisis. The financial community was heartened by the pledges from the governments in Greece, Spain, Romania, Portugal and several other

European countries that they would implement unprecedented and draconian austerity measures demanded by the European Central Bank (ECB). The agreement in Great Britain between the Tories and the Liberal Democrats to form a coalition government and tackle the country’s massive budget deficits contributed to the market’s rebound. However, as the week drew to a close, the euphoria dissipated and markets again suffered substantial losses as the realization spread that the shotgun agreement between Sarkozy and Merkel had settled none of the underlying problems—and, indeed, will make the situation worse.

First, the austerity policies demanded by the European Central Bank in return for financial support will force a slashing of consumption in the targeted countries and drive them into recession. This, in turn, will lead to an erosion of important markets for EU-based manufacturers, particularly in Germany. Thus, the most likely outcome of the austerity measures demanded by US and European financiers is a continuation and deepening of the recession that began in 2008.

Second, the battle over the €750 billion safety net has shattered confidence in the viability of the single-currency project, little more than a decade after its inauguration. Merkel gave in to Franco-American pressure on the evening of May 7, but rumors are sweeping financial markets, according to a report in the British *Guardian*, “that Merkel is printing Deutschmarks in preparation for a split” within the eurozone.

The break-up of the euro does not mean merely the end of a currency. It threatens a devastating and potentially bloody breakdown of political relations between European states. The *Süddeutsche Zeitung* offered this scenario in its May 15 edition: “The European Union collapses, as its most important political clamp, the common currency, disintegrates. Twenty-seven nation states fight again for markets. Germany, as the largest country with a healthy industrial structure, acquires enemies, and is possibly boycotted: the specter of the ‘Hegemonic Power’ is revived.”

This is the context within which ECB President Trichet warned that the current world political and economic situation is the “most difficult” since 1939-1945, and, perhaps, even since 1914-1918.

One can be certain that a person who occupies so critical a position in international finance as Mr. Trichet chooses his words carefully. Speaking to a correspondent of one of the most widely read and influential news magazines in Europe, Trichet places the present crisis at a level comparable to the two major global catastrophes of the 20th century.

Mr. Trichet is not exaggerating. He is familiar with European history. The outbreak of World War I in August 1914 was the outcome of irrepressible political and economic conflicts between the major European capitalist states that had accumulated during the previous four decades of relative peace. The conclusion of the war in 1918, which cost the lives of at least 15 million people, resolved none of the contradictions that had caused the war. Rather, these unresolved contradictions festered and grew malignant, leading to the economic calamity of the Great Depression, the emergence of fascist dictatorships, and, finally, in 1939, the outbreak of World War II. During the six years of barbarism that followed, approximately 80 million human beings lost their lives.

In the decades that followed the war, the European ruling class—under the leadership of the United States—attempted to establish economic and political institutions that would make another catastrophic breakdown impossible. In particular, “peace” between Germany and France—which had fought three wars between 1870 and 1945—would be secured by welding the two countries together in a complex integrating network of cooperative economic relationships. The establishment of the European Union and, above all, the common currency, was the high point of this post-war effort to secure European stability.

Paradoxically, by the time the common currency was actually launched in 1999, the objective conditions that had sustained European economic growth and political stability were fast eroding. A major factor in this deterioration was the intensifying crisis of American capitalism, expressed most dramatically in the transformation of the United States into the world’s largest debtor nation and, consequently, in the protracted decline in the value of the dollar. Far from promoting European stability, the accumulating contradictions of American capitalism—which finally exploded in 2008—dealt a deathblow to Europe’s already fragile

economic and political equilibrium.

Mr. Trichet recognizes the historical character of the crisis that confronts Europe. But neither he, nor the leaders of the governments in Europe, nor, for that matter, the Obama administration in the United States have any idea how to resolve the spreading crisis—other than to prepare for war, first against the working class and, inevitably, against each other.

In the aftermath of the dissolution of the Soviet Union in 1991—the outcome of the betrayal of socialism by the reactionary Stalinist regimes—the propagandists of global capitalism proclaimed the historic triumph of the market. The revolutionary struggles of the 20th century against capitalism had been futile and misguided efforts, aberrations from the “normal” process of history, doomed to failure. The Marxist materialist conception of history, and its analysis of the contradictions of the capitalist mode of production, had been refuted.

Now, the refutations of Marxism have been refuted by the objective development of the crisis of world capitalism. This crisis has reached such an advanced level that the system’s leading representatives invoke the specter of catastrophes that, in the last century, cost the lives of tens of millions.

The events of the past two weeks are a warning and a challenge to the working class. The unfolding crisis that is sweeping the globe threatens mankind with a cataclysm of unimaginable dimensions. No solution can be found within the framework of capitalism. The survival of mankind depends upon the development of a politically conscious international revolutionary movement of the working class, for the overthrow of capitalism and the establishment of socialism.

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