

The EU - the next Corona victim?

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Since the beginning of the Corona crisis, it has seemed as if EU regulations were little more than smoke and mirrors: border closures, debt for rescue packages, business support, procurement of medical goods and protective clothing etc. - everything was done purely on the initiative of the individual states, without any reference to the EU institutions, and often in competition with each other. However, this is not the case for one institution whose address is in Frankfurt: the European Central Bank (ECB).

Contradictions and similarities

When the threat of a general financial crash loomed in March, on top of the collapse of the healthcare systems, the ECB, in cooperation with the US Federal Reserve, immediately intervened by purchasing trillions of government and corporate bonds to provide support. Even faster than in the euro crisis of 2010-12, the ECB thus prevented the crisis from developing into a currency and financial disaster for the euro zone. Whatever the policy measures might point to in terms of drifting apart in Europe, the common monetary policy (even the non-euro countries of the EU are effectively tied to the ECB) and its effectiveness in the crisis, underlines the persistence of the compulsion to cooperate.

This inconsistency is reflected not least in the increasingly fierce wrangling over how to deal with the coming economic crisis in the EU area. In the euro zone alone, a year on year slump of more than 10 percent of GDP is expected. Although there are great differences in how countries are impacted, just think of the catastrophic situation in Spain and Italy with lockdowns lasting months, the economic slump is affecting all EU countries. As far as markets, production chains, services and investment movements are concerned, even the major "Nordic" capitals are heavily dependent on a restart of all EU economies.

Italy, along with Germany, France, the Netherlands and Sweden, is one of the countries with the largest assets and capital blocks in the EU. Northern Italy in particular is the end point of many production chains and the headquarters of large service and banking groups. The same is true of Spain and both countries already had enormous debt problems before the crisis. Italy has a mountain of debt of 2.5 trillion euros with a government debt of 135 percent of GDP. Spain is also at the upper end of the debt scale with 97 percent. Meanwhile, the stagnation of production and the lack of cash remittances from labour migrants is hitting the Eastern European EU economies hard, and many other countries, such as Greece, will suffer from the enormous decline in tourism, probably for the whole year. While each of these countries is currently pursuing its own Corona policies, they are all calling for the EU's economic bailouts. How can this contradiction be explained?

Nation states, international cooperation and EU imperialism

Friedrich Engels remarked in "Socialism, Utopian and Scientific" that the contradiction between the increasingly socialised character of production and the private appropriation of the product (which is also expressed in an ever increasing concentration and internationalisation of capital) gives a special role to the

capitalist state, especially in times of crisis: "And the modern state, again, is only the organisation that bourgeois society takes on in order to support the external conditions of the capitalist mode of production" and thus acts as the "ideal personification of the total national capital".

Capital has long since outgrown the original form of this ideal total capitalist, the form of the nation state. At the same time, because of unequal economic development, it has proved impossible to produce supranational associations that go beyond partial agreements and compromises. In the era of monopoly and finance capital, the only supranational form of regulating the common global "external conditions" is imperialism: the global dominance of a few big capital and military powers, which sometimes cooperate with each other, sometimes compete with each other.

In the period of globalisation, the competition between the big capitals for market shares and political control over important regions has increased enormously, not least because of the appearance of new powers such as China and Russia, but also because of the cracks in US hegemony. It is precisely in this situation that the EU project has emerged as an alliance of major European capital interests, which otherwise threatened to drown in the competition of the world market and world power. The EU treaties served to create a protected economic area, which was to create uniform trade and investment conditions, especially for the big capitals. In this respect, the EU is an alliance of imperialist states, which also partially includes its own semi-colonial periphery. With the "free movement of people" regulations and the common monetary policy, the conditions of profitability have in the meantime actually been greatly harmonised. The interdependence of the markets for goods and services as well as the production processes has therefore developed to such an extent that even Britain, with its Brexit, has enormous problems untangling itself.

Disagreement over the costs of the crisis

On the other hand, part of the EU compromise was that the major individual states insisted on autonomy in important policy areas: not only in security policy, but also in economic and fiscal policy. The EU, therefore, is not only divided and immobilised by international conflicts or on the migration issue. Particularly in times of economic crisis, the contradiction between a common economic and monetary area on the one hand, and the question of budgetary policy and debt management on the other, breaks out with great severity. Even in the last euro crisis, highly indebted euro countries had to refinance themselves at ever worse interest rates and credit conditions, while the "northerners" were virtually pouring their money into the capital markets. Even then, the proposal of common European bonds as a compensatory mechanism for this was rejected.

The finance ministers of Germany, the Netherlands and other "thrifty countries" fought against a "transfer union" in which supposedly "profligate" southern countries (especially Greece) would be supported by countries with "proper financial policies". As today, however, the southerners had not got into the crisis through their own fault. Financial market deregulation (including that of the EU) brought them a banking crisis during the financial crisis, in which the large "northern" capitals were also heavily involved. The "rescue packages" that were finally adopted then transformed the banking crisis into a sovereign debt crisis from which these countries are still suffering today. This is because the main mechanism, the European Stability Mechanism, ESM, combined the refinancing of this debt with onerous conditions in terms of savings, tax policy, "pension reforms" and the sell-off of previously protected areas.

It is therefore no wonder that with the current severe crisis, the dispute over Eurobonds, renamed "coronabonds", has flared up again. This time, under the leadership of France, the conflict with the major "thrifty" countries has been much tougher. After all, it is not just an economic conflict. Meanwhile, most governments have Eurosceptic populists breathing down their necks, using every opportunity of "dictates from Brussels" to pursue their kind of pseudo-opposition.

In Italy in particular, Matteo Salvini, when he was still in government, was a master at presenting himself as an anti-Brussels hero which, given weight of the Italian economy, gave him far better prospects than the Greek government under Tsipras. In view of the severity of the crisis and the harsh reaction of the northerners, the current Conte government is now under pressure from strong popular opposition to the EU, which could bring Salvini back into government. After Brexit, Macron and the French bourgeoisie desperately need countries like Italy and Spain as a counterweight to German dominance, and they are striving for a more far-reaching fiscal union anyway.

Even the shaky Dutch government under the "liberal" Prime Minister, Mark Rutte, is under strong pressure from the euro-critical right-wing populists before next year's elections. As a leader of the "Hanseatic Group" (Northern European countries that see themselves as "liberal" star pupils), it therefore fell to the Dutch Finance Minister, Wopke Hoekstra, at the beginning of April to play the antagonist to Macron/Conte/Sánchez. After the telephone conference on 9 April, during which Hoekstra refused any form of Eurobonds for 36 hours, some EU politicians were already announcing the possible end of the EU. Portugal's prime minister even considered excluding the Netherlands from the Euro group.

Two camps against the background of a new Euro crisis

The real positions, however, seem not to have been so far apart. The emergency funds of the European Investment Bank (EIB) for ailing companies of 200 billion and of the EU Commission of 100 billion for short-time work, were undisputed. The ultimate aim was that all states should be able to borrow up to 2 percent of their GDP via the ESM for their immediate financial needs in the Corona crisis. Hoekstra would only agree to this if it meant signing the well-known conditions of the ESM regarding "reform policy", in other words, that the budgetary policy of the countries concerned would be practically placed under the control of the EU savings commissioners.

In view of the situation in Italy, this could only be seen as a tremendous provocation, which caused the summit as a whole to collapse. This actually brought the EU to the brink of a serious crisis. What further use was it if it could not save one of its central members from financial and political collapse, but on the other hand the right-wing authoritarian Viktor Orbán regime continues to be financed without any problems because it adheres to the rules of financial policy?

This led to another "decisive battle" via video on 23 April. As a typical further EU compromise, a kind of European Marshall Plan, a corona reconstruction programme financed from the EU budget, now appeared. As this is a programme in the range of 1 to 1.5 trillion euros, it is of course not something that can be financed directly from the budget - but only by raising capital on "the markets". It is therefore, of course, (as was the case with the ECB's measures) in fact again a form of Community debt. The only difference is that, unlike Eurobonds, it is not the individual states but the EU as a whole that will be liable. Ironically, this would actually make the EU a major player in the field of fiscal policy (so far, agricultural policy is the largest budgetary area).

It is therefore clear that the old conflict had to take on a new form: a conflict about the conditions of access to the reconstruction fund. In view of the debt situation, which was already desperate before the crisis, the Macron/Conte/Sánchez front is demanding that the funds flow as grants ("investments"), while Hoekstra/Scholz insist that it is a matter of loans (that is, further debt). Here too, the fronts were so hardened that no agreement could be reached. Now the EU Commission is to find a compromise with a mix of investments and loans.

EU capitalist nightmare or United Socialist States of Europe?

The solution to the dilemma between indebtedness, rescuing companies and long-term industrial reorientation is of course difficult, if one assumes the "inviolability" of private property, that is, that it can only be expropriated through bankruptcy. For socialists, the answer is simpler: cancel all debts, nationalise ailing companies under workers' control across the EU and develop a plan for the socially and environmentally sustainable transformation of European industries.

Given the scale of the expected crisis, this sharpening of contradictions in the EU is a preparation for something more violent. On the one hand, the economic pressures to maintain economic and monetary union continue to have the effect of patching up the EU ship on stormy seas through ever new compromises. During the crisis, the EU may even stumble on further steps towards fiscal union. But it is equally possible that the political dispute and the further rise of anti-EU populism could develop into a crisis of disintegration for the EU.

For socialists it is clear that the EU as a whole is an imperialist project, especially in the interest of the big EU capital. The current "rescue packages" are also financed from capital inflows, not least because of the world market position of the EU and the Euro. Those who suffer especially in times of crisis are thus mainly semi-colonial regions, and those who are forced to flee are then confronted with the "democratic" EU border regime of "Fortress Europe". We do not defend this EU in any way - it must be overcome!

On the other hand, any return to nationhood would be a step backwards and not an alternative. The degree of Europeanisation of productive forces, the supranational connections on many levels, the tendencies towards cultural unification, all these are real advances that should not be sacrificed on the altar of nationalism, protectionism and probably also a new militarism. Therefore, the crisis-ridden EU must be replaced not by less, but by more Europe - something that the European bourgeoisies with their petty shopkeepers' policies are not capable of.

As Trotsky summed it up after the First World War: "A more or less complete economic unification of Europe from above through an agreement of the capitalist governments is a utopia. They could never get beyond partial compromises and half measures. That makes it all the more clear that an economic unification of Europe, which would be of great benefit to both producers and consumers and for cultural development in general, has become a revolutionary task for the European proletariat in its struggle against imperialist protectionism and its tool, militarism" (Trotsky, Peace Programme, 1915, translated from the German). The United States of Europe will therefore only become a reality as a socialist project!

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