Honoré Daumier, *La barricade*

The European Rescue of the European Union?

The existential crisis of the European political project

Edoardo Chiti, Agustín José Menéndez and Pedro Gustavo Teixeira (eds)

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Chapter 10

A radical strategy for Europe
From the endless bailout of Europe to taking leave from neoliberalism

Michel Husson
Institut de recherches economiques et sociales (IRES)

The structural roots of the crisis

The course of the economic crisis that erupted in late 2007 can be simply summarised as follows: during the two decades preceding the crisis, capitalism has been reproducing itself by accumulating a mountain of debt. To avoid the collapse of the system, states have taken over some of these debts, in transferring from the private to the public sector. The project of the ruling classes is now to present the bill to citizens through budget cuts, increases of the most unfair taxes and frozen wages. In a nutshell, the majority of the population – as workers and pensioners – must sacrifice through austerity to ensure the realisation of the fictitious profits accumulated over many years.

The global effects of the crisis have been made even worse by what is happening in Europe. For thirty years the contradictions of capitalism have been overcome with the help of an enormous accumulation of phantom rights to surplus value. The crisis has threatened to destroy them. The bourgeois governments have decided to preserve them claiming that we have to save the banks. They have taken on the banks' debts and asked for virtually nothing in return. Yet it would have been possible to make this rescue conditional on some assurances. They could have banned speculative financial instruments and closed the tax loopholes. They could even have insisted that they take responsibility for some of the public debt that this rescue increased so dramatically.

In Europe, the effort to build an economic integrated area via the European Union (EU) with a single currency in the form of the euro, but without a matching budgetary capacity, was not a coherent project. A truncated monetary union became an economic framework to generate heterogeneity and divergence in the countries of Europe. Countries with above average inflation and below average productivity lose competitiveness, and are encouraged to base their growth on over-indebtedness; while countries with below average inflation and above average productivity gain competitiveness and sustain structural surpluses.

In retrospect, the choice of the euro (with its launch in 1999) had no obvious advantage over a common currency system – a convertible euro for relations with the rest of the world, and adjustable currencies inside the zone. The euro was designed as an instrument of budgetary and above all wage discipline (following on the EU's Growth and Stability Pact): the use of devaluation is no longer possible, and the wage becomes the only adjustment variable for addressing competitiveness and external imbalances.

In practice, the Economic and Monetary Union also worked through over-indebtedness and, at least initially, the decline of the euro against the dollar. These expedients eventually had to run out. Things started to go off-track with the German policy of wage deflation through the 2000s, which has led to an increase of Germany's market share in Europe. Although the euro area was broadly in balance with the rest of the world, the gap has widened between the German surpluses and the deficits of most other countries in Europe. As a result, the growth rates inside the euro zone have tended to diverge, right from the first introduction of the euro.

This market configuration inside Europe has, not surprisingly, proven unsustainable. The crisis has sharply accelerated the process of fragmentation and financial speculation and it has exposed the tensions inherent within neoliberal Europe. The crisis has deepened the polarisation of the euro area. On the one hand, Germany, the

Netherlands and Austria enjoy trade surpluses and their fiscal deficits have remained moderate. On the other, the famous 'PIGS' comprised of Portugal, Italy, Greece and Spain (Ireland being partly another case) are in a reverse situation: high trade deficits and fiscal deficits above average and rapidly climbing. Although the depth of the economic crisis has led to an increase in fiscal deficits everywhere, it has been much less in the first group of countries.

We are now in the second phase. Having shifted the debt from the private sector to the public, the working class has to be made to pay. This shock therapy is delivered through austerity plans which are all broadly similar – a cut in socially useful spending and hiking up the most unfair taxes. There is no alternative to this form of social violence other than making the shareholders and creditors pay. That is clear and everyone understands it.

The sovereign debt crisis has accelerated the move toward austerity, which was, in any case, already the neoliberal policy of adjustment and the planned policy response as the economic crisis stabilised. Speculation against Greece, then Ireland and Portugal, has been possible because no systematic measures have been taken to regulate banks in the wake of the crisis. The pooled management of the debt on a European scale, through the European Financial Stabilisation Mechanism and the European Financial Stability Facility, remained partial and always came late in the day. The central banks themselves have provided ammunition for this speculation by lending to banks, at a very low interest rate, money which the banks in turn lent to governments at the higher rates paid on sovereign debt, neatly pocketing the difference.

As sovereign debt takes over from private debt, the financial crisis moves into the public sector. The bailouts of the peripheral European countries under attack from financial capital are, in fact, the bailouts of European banks (concentrated in Germany, France and Britain, with US banks also implicated) that hold much of their debt. Speculative attacks are used as an argument in favour of moving quickly to drastic austerity plans, as in the cases of Greece and the Iberian countries. This strategy is a nonsense that can only lead to another recession, including in Germany, whose exports to emerging markets outside Western Europe might not offset its losses internal to European markets.

European governments and the European Commission have had one overriding goal: to return as quickly as possible to 'business as usual'. This goal is, however, out of reach, precisely because everything that had helped manage the contradictions of the flawed form of European integration, such as peripheral Europe indebtedness and internal European trade imbalances, has been rendered unusable by the crisis. These elements of the analysis of the current European economic conjuncture are now quite widely shared. However, they lead to quite opposite predictions and orientations, particularly on the Left: the bursting of the euro area, or overhaul of the pan-European political project.

The European working class is also being asked to pay for the collapse of the ruling class project for Europe. The ruling class thought that it had found a good system with the single currency, the budgetary stability pact ('Stability and Growth Pact'), and the total deregulation of finance and the movement of capital. By creating a competition between social models and wage earners, squeezing wages became the only means of regulating inter-capitalist competition and intensifying the inequalities that benefitted only a very narrow stratum of people in society.

However, this model put the cart before the horse and was not viable. It presupposed that the European economies were more homogeneous than they actually are. Differences between countries increased due to their place in the global market and their sensitivity to the euro exchange rate. Inflation rates did not converge and interest rates favoured property bubbles and so on. All the contradictions of a curtailed programme of European integration, which the Euro liberals are discovering today, existed before the crisis. But these are blowing apart under speculative attacks against the sovereign debts of the most exposed countries.

Underneath the abstract concept of 'financial markets' there are mainly European financial institutions, which speculate using capital that states lend to them at very low interest rates. This speculation is only possible due to the states' policy of non-intervention and we should understand it as a pressure applied to consenting governments to stabilise budgets on the back of the people of Europe and to defend the interests of the banks.

European policy: The endless bailout of Europe to shift costs from financiers to workers

The decision by former Greek Prime Minister Georgios Papandreou to put the Euro summit agreement to a referendum marks a new step in the European crisis. To understand the causes and what is at stake in this crisis, we must first situate it in the broad sweep of events.

It is not just a sovereign debt crisis. It is also, and more fundamentally, a crisis of the European construction. Today it is obvious that neo-liberal-style Europe was botched.

The single currency was supposed to serve as a wage-control instrument, since it became impossible for governments to devalue. But that constraint was in part evaded, circumvented by over-indebtedness, boosted by low real interest rates and growing external deficits.

For a decade, 1995-2005, the countries of Europe's 'South' (Spain, France, Greece, Ireland, Italy, Portugal) had growth rates almost one per cent higher than the countries of the 'North' (Germany, Austria, Belgium, Finland, the Netherlands).

That could not last, and the situation reversed from 2006. Since the crisis, and except in 2009, the growth of the countries of the 'South' has been clearly lower than that of the 'North'. The crisis has thus exposed the incoherences of the European model and deepened the divergence between the trajectories of the different countries.

The growth of public debts itself has three causes: the mechanical effect of the recession, the costs of bailing out the banks, and also the poisoned fruit of the policies carried through for many years of reducing the taxes paid by business and the richest households. The brutal shift to budgetary austerity thus sets a vicious circle going: by cutting expenditure, they slow down economic activity, and that cuts tax receipts and so the deficit is not cut.

A priori there were several possible scenarios. The austerity scenario meant getting into a long period of social regression to bring down the debt bit by bit at the expense of the living standards of the majority of the population. But it was known that a certain number of countries, in the first place Greece, could not meet their debt payments. Thus the risk of contagion to other countries, leading to a scenario of the breakup of the euro zone.

The scenario of federalisation would have meant taking responsibility for the totality of the European debts in a pooled way by various methods, of which the main one is the monetarisation of the European debts by the European Central Bank (ECB). That is in fact the only way to avoid exposing the financing of the states to speculation on the financial markets.

Finally, the radical scenario would, since the sovereign debts are in large part held by the European banks, mean nationalising those banks and organising default for the most exposed countries.

For almost two years the governments of Europe have been feeling their way between several pitfalls. The first is what economists called moral hazard: looking after a Greek default could be a signal encouraging other countries to evade austerity measures. The cost of the default would fall back on the 'virtuous' countries, especially Germany, and the financial markets would put the debt of numerous other countries under the rule of speculation. But a break-up of the euro zone is also seen as a major risk, including by Germany, which through such a break-up would lose its advantages in world competition.

The October 2011 agreement was, like the previous ones, a provisional and cobbled-together solution which confirmed Germany's refusal to accept a change in the statutes of the European Central Bank which would allow it directly to finance states. The Greek debt was theoretically cut by half, but at the cost of a veritable placing under supervision, sharpened austerity, and a massive programme of privatisation.

Technically, the weak points of this agreement, which was probably stillborn, were obvious. The debt cutback is voluntary, as the text of the agreement explains: 'We invite Greece, private investors and all parties concerned to develop a voluntary bond exchange with a

nominal discount of 50%'.[1] Indeed, they wanted to avoid declaring a Greek default which would unleash the diabolical mechanism of the CDS (Credit Default Swaps), whose owners would then come to demand their dues.

To avoid contagion for other countries, appeal was made to the European Financial Stability Facility. This fund, created in May 2010, had been endowed with 440 billion euros, but after the bailout plans for Greece, Ireland, and Portugal, it had only about 200 to 250 billion left.

For it to serve as a firewall, it had to be able theoretically to command 1 000 billion euros. But the states do not want to pay, and this sum was to be got by the same methods which led to the financial crisis: leveraging and a 'Special Purpose Vehicle', with an appeal to the emerging powers and especially to China.

The banks were also to be recapitalised, but not too soon, so that they should not be obliged to cut back their profits and their dividend distributions. As one of the negotiators of the agreement puts it: 'You don't have to be paranoid to be terrified'.[2] The most terrifying thing, however, is the drive of the ruling classes to make the peoples of Europe pay the cost of the crisis.

Is quitting the euro the best radical strategy?

The offensive, which the peoples of Europe are facing, is undeniably made worse by the European straightjacket. For example the European Central Bank, unlike the Federal Reserve in the United States, cannot monetise public debt by buying treasury bonds.

Would leaving the euro allow the straightjacket to be loosened? That is what some on the left like Costas Lapavitsas and his colleagues are suggesting for Greece as an immediate step. He proposes that it is done immediately without waiting for the left to unite to change the euro zone, something he thinks is impossible. Quitting the euro is presented as a miracle solution. It would allow the country involved

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[1] Euro summit statement, Brussels, 26 October 2011. Available at: <http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/125644.pdf>, at p. 4.
[2] *The Economist*, 29 October 2011, 'The euro deal: No big bazooka'. Available at: <http://www.economist.com/node/21534851>.

to devalue and re-establish its competitiveness. It is certainly true that the merging of national currencies within the euro zone has removed a crucial adjustment variable, namely the exchange rate. Countries with declining price competitiveness have no other options than a wage freeze and fiscal austerity or a further headlong rush into over-indebtedness.

This idea is put forward elsewhere in Europe and is met with an immediate objection that even though Britain is not part of the euro zone it has not been protected from the climate of austerity. It is also easy to understand why the far right, such as the *Front National* in France wants to leave the euro. By contrast it is hard to see what could be the merits of such a slogan for the radical left. If a liberal government were forced to take such a measure by the pressure of events it is clear that it would be the pretext for an even more severe austerity than the one we have experienced up to now. Moreover it would not allow us to establish a new balance of forces, which is more favourable to the working class. That is the lesson that one can draw for all the past experiences.

Still, the 'exit from the euro' scenario is inconsistent economically and politically miscalculated. Leaving the euro would not solve the issue of sovereign debt loads in peripheral Europe, but worsen it insofar as the debt owed to non-residents would be immediately increased by the rate of devaluation. The return to a national currency would directly expose the countries with a large external deficit to speculation. In any case, the debt restructuring should be made in the first place.

Devaluation makes a country's exports more competitive, at least against the countries which do not devalue. It is a non-cooperative solution in which a country seeks to gain market share against its trading partners. Moreover, by increasing the price of imports devaluation leads to inflation, which partly offsets the initial gains in competitiveness. Jacques Sapir, a French economist who supports the exit from the euro for France, acknowledges that inflation will impose 'devaluations every year or every 18 months to keep the real exchange rate constant'.[3] This means accepting an endless inflation-

[3] Jaques Sapir, 'S'il faut sortir de l'Euro…', working document, 6 April 2011, author's translation. Available at: <http://gesd.free.fr/sapirsil.pdf>.

devaluation loop. Yet, a country's competitiveness depends on many other elements: productivity gains, innovation, industrial specialisation, and so forth. To suggest that the manipulation of exchange rates may be sufficient to ensure competitiveness is an illusion, and, by the way, a central postulate of the 'Pact for the Euro'. There is little or no experience of devaluation that has not resulted in an increase in austerity that ultimately falls on workers.

A different distribution of income and an alternate mode of growth require as a prerequisite a profound change in the relation of social forces: this cannot be achieved by a currency devaluation. Taking devaluation as a starting point is equivalent to the reversal of priorities between social transformation and exchange rates. It is an extremely dangerous mistake. In his essay, Sapir stresses that the 'new currency should be embedded in the changes in macroeconomic policies and institutions [...] if it is to give all the desired effects'.[4] Among these changes, he cites a recovery of wages, the perpetuation of social systems, strict control of capital, requisition of the Bank of France, and state control over the banks and insurance companies. But all these measures should be imposed before any political project for leaving the euro.

A government of social transformation would, indeed, commit a terrible strategic mistake by leaving the euro, exposing itself to all kinds of speculative retaliation. The political risk that it would give legitimacy to the programmes of the far right is great. In France, as already noted, the exit from the euro is one of the cornerstones of the National Front. The exit strategy revives a national-socialist logic that combines xenophobia and a discourse denouncing European integration as the ultimate cause of all economic and social ills.

Moreover, while it is true that globalisation and neoliberal European integration has strengthened the balance of power in Europe in favour of capital, it is not the only factor. It is, therefore, a fundamental error to suggest that an exit from the euro would spontaneously improve the balance of power in favour of workers. It is enough to consider the British example: the pound keeps Britain out of the European Monetary Union and the euro, but that has not protected the British people from an austerity plan which is among

[4] Ibid., at p. 3 (author's translation).

the most brutal in Europe. It is hard to see how such measures could, as if by magic, re-establish a fairer distribution of income: it is not a border tax that will make the profiteers give up their privileges. In any case, competitiveness depends on many other factors besides commodity prices.

And, above all, this approach would mean getting into a doubly perverse logic. First into the logic of competition: but a country can improve its situation by better competitiveness only by taking market share (and thus jobs) from neighbouring countries. And then into the logic of productivism, which sees no way to create jobs other than more economic growth.

Supporters of the exit from the euro advance another argument: it would be an immediate measure, and relatively easy to take, while the strategy of a refoundation of the European project would be out of reach. This argument misses the very possibility of a national strategy that does not presuppose a simultaneous rupture in all European countries.

Other solutions exist which need a complete recasting of the European Union: a budget which is financed by a common tax on capital and which finances harmonisation funds and investments which are both socially and ecologically useful and richer countries help poorer ones with their public debt. But again this outcome is not possible in the short term, not through lack of alternative plans but because implementing them requires a radical change in the balance of forces at the European level.

We have to make sure that the resistance is strengthened by arguing for an alternative project and work out a programme which offers both 'practical' answers as well as a general explanation of the class content of the crisis.

The specific task of the radical, internationalist left is to link the social struggles happening in each country with arguing for a different kind of Europe. What are the ruling classes doing? They are facing up to the policies they have to follow because they are defending interests which are still largely nationally based and contradictory. Yet as soon as they have to impose austerity measures on their own working classes they present a solid united front. There are better things to do

than emphasise the very real differences that exist between the countries. What is at stake is having an internationalist point of view on the crisis in Europe. The only way of really opposing the rise of the far right is by suggesting other targets than the usual scapegoats. We can affirm a real international solidarity with the peoples who are suffering most due to the crisis by demanding that the debts are shared equally across Europe. Thus we have to oppose an alternative project for Europe to that of the European bourgeoisie, which is dragging every country backwards socially. How is it possible not to understand that our mobilisations, which are faced with coordination of the ruling class at a European level, need to be based on a coordinated project of our own? While it is true that struggles happen in a national framework they would be strengthened by a perspective like this instead of being weakened or led down nationalist dead ends. The students who demonstrated in London chanting 'all in this together, all in this together' are a symbol of this living hope.

The best radical solution: The refoundation of Europe

As often put, the dilemma seems to be between a risky adventure of 'exit' from the euro and a utopian European harmonisation giving 'voice' to workers' struggles. The central political issue for socialists is to get out of this false choice. The main distinction here is between ends and means. The objective of a programme of social transformation is to guarantee all citizens a decent life in all its dimensions — employment, health, retirement, housing, and so on. This can be achieved by a change in the primary distribution of income between profits and wages and by tax reform. But advancing the struggles for these goals implies the questioning of dominant social interests, their privileges and their power. This confrontation takes place primarily within a national framework. But the resistance of the dominant classes and their possible retaliatory measures exceed the national framework.

The only viable strategy is to rely on the legitimacy of progressive solutions that arise from their highly cooperative nature. All neoliberal recommendations are ultimately based on the search for competitiveness, such as reducing wages, trimming social contributions, and cutting taxes to win market share. As European growth levels will continue to be weak in the period that has begun with the crisis in Europe, the only way for any individual country to create jobs will be by competing for them with neighbouring countries, especially since the largest part of foreign trade of European countries is within Europe. This is true even for Germany as the second largest world exporter: it cannot rely only on emerging countries. The neoliberal way out of the crisis is inherently non-cooperative: you can only win against the others, and this is the ultimate cause of the deepening crisis of European integration.

In contrast, progressive solutions are cooperative; they will work even better if they are generalised to a larger number of countries. For example, if all European countries reduced working time and charged taxes on capital income, such coordination would avoid the backlash that the same policy would undergo if adopted in only one country. It is incumbent, therefore, that a government of the radical left follow a strategy of extension:

(1) 'good' measures are implemented unilaterally as, for example, with the taxation of financial transactions;
(2) accompanying plans for protection such as capital controls are adopted;
(3) the political risk of breaking European Union rules to implement these radical, initially nationally-based, policies is accepted and challenged;
(4) the proposition is made to amend these rules by extending them on a European scale to allow these measures to be adopted by member states, for example, in the extension of a European tax on financial transactions; and
(5) the political showdown with the EU and other European states is not avoided and thus the threat of exit from the euro is not excluded as a viable option.

This strategic scheme acknowledges that the making of a 'good' Europe cannot be the precondition to the implementation of a 'good' policy. The retaliation measures must be neutralised through counter-measures which effectively involve resort to a protectionist policy arsenal if needed. But the strategy is not protectionism in the usual sense: this protectionism defends an experience of social transformation emerging from the people and not the interests of the capitalists of a given country in their competition with other capitalists. It is, therefore, a 'protectionism for extension' whose very

logic is to disappear once the 'good' measures have been generalised across Europe.

The rupture with European rules is not based on a petition of principle, but rather on the fairness and legitimacy of measures that correspond to the interests of the majority and are equally proposed to neighbouring countries. This strategic challenge for change can then rely on social mobilisation in other countries and hence build a relation of forces that can influence EU institutions. The recent experience of the neoliberal rescue plans implemented by the ECB and the European Commission has shown that it is quite possible to bypass a number of the provisions of the EU Treaties.

For this strategy of rupture, exit from the euro is not a prerequisite. It is rather a weapon to use in the 'last resort'. The immediate break should proceed on two points which would allow real room for manoeuvre: the nationalisation of banks and the restructuring of debt.

The first point of support is the ability to harm capitalist interests: the innovating country can restructure its debt, nationalise foreign capital, and similar steps, or threaten to do so. Even in the case of a small country, such as Greece or Portugal, the capacity of response is considerable, given the intertwining of economies. Many could lose; the showdown is not wholly unequal. But the main point of support lies in the collaborative nature of actions taken. It is a profound difference than the classic strategy of protectionism which occurs on the plane of a single state striving to succeed against its competitors.

Quite the contrary, all progressive measures are most effective when they are generalised to a larger number of countries. This strategy of rupture is ultimately based on the following discourse: we affirm our will to tax capital and we take the necessary protective measures to do so. But we propose the extension of this measure to the whole of Europe. It is on behalf of another Europe that the rupture with really existing Europe would be initiated. Rather than seeing them as opposing courses of action, we must consider the relationship between the rupture with neoliberal Europe and a project for the refoundation of Europe.

The main objective of any Left alternative for Europe must be the optimal satisfaction of social needs. The starting point is, therefore, the distribution of wealth. From the capitalist point of view, the way out of the crisis requires a restoration of profitability through additional pressure on wages and employment. But that approach does not take into account the real causes of the crisis. It is the decline of wage share which has fed the financial bubble. And the neoliberal fiscal counter-reforms have deepened deficits, even before the eruption of the crisis.

The political equation for the Left is simple: we will not emerge from the crisis on top without a radical change in income distribution. This question comes before economic growth. Certainly, higher growth in itself could lead to more employment and higher wages, although such a growth-fixated strategy needs to be assessed from an ecological point of view. In any case, we cannot rely on growth if, at the same time, income distribution becomes increasingly unequal.

We must therefore squeeze inequalities from both sides: by an increase in the payroll for workers and by a tax reform. The upgrading of the wage share could follow the rule of three thirds: one third for direct wages, one third for socialised wages (or welfare) and one third to create jobs by reducing working hours. This rise of wages would be at the expense of dividends, which have neither economic justification nor social utility. The fiscal deficit should be gradually reduced, not by cuts, but by a re-fiscalisation of all forms of income (bringing them back into public finances), which have gradually been exempted from taxes. The immediate cost of the crisis should be borne by those responsible: this means that the debt should be in large part cancelled and the banks nationalised and socialised.

Unemployment and job insecurity were already two of the most serious social ills of neoliberalism and the capitalist system. The crisis worsens both of them as the austerity plans hit the living conditions of the poorest. Here again, a return to some hypothetical new growth regime should not be considered as the solution – producing more in order to create more jobs. This is to take things in reverse. What is needed is a total change of perspective that takes the creation of useful jobs as a starting point. Whether by reduction of working time in the private sector, or by *ex nihilo* creation of public jobs, the objective must be to respond to social needs, and create 'true wealth', not necessarily in the form of commodities. Such an approach is both economically coherent and consistent with environmental concerns:

the priority to free time and useful employment are two essential elements of any radical programme to fight against climate change.

The issue of income distribution is the correct starting point for a socialist response to the crisis based on the simple – but entirely correct – principle: 'we will not pay for their crisis'. Such an approach has nothing to do with a Keynesian 'wage stimulus', but with a defence of workers' wages, employment and social rights, none of which should be a matter of discussion. A socialist strategy would then also highlight the complementary notion of control: control over what they (the capitalists) do with their profits (dividends versus jobs) and control over the use of taxes (subsidise banks or finance public services). Such an approach would allow, in turn, the indictment of the private ownership of the means of production, and the central anti-capitalist message to acquire a mass audience in Europe.

As Özlem Onaran puts it:

> A consensus among the anti-capitalist forces for a strategy against the crisis is emerging across Europe around four pillars: i) resistance against austerity policies and all cuts, ii) a radically progressive/redistributive tax system and capital controls iii) nationalisation/socialisation and democratic control of banks, and iv) debt audit under democratic control followed by default.[5]

A programme aimed only at regulating the capitalist system at the margins would not only be undersized but insufficiently motivating. Conversely, a radical perspective can seem discouraging because of the sheer magnitude of the tasks at hand. What we need, as socialists, is somehow to determine the optimal degree of radicalism in this conjuncture. The difficulty is not, as so often suggested, to develop technical devices: such capacities are obviously essential and many of these capacities well advanced. But no clever measure can avoid the inevitable political clash between conflicting social interests.

[5] Özlem Onaran, 'An Internationalist Transitional Program towards an Anti-Capitalist Europe: A Reply to Costas Lapavistas', *International Viewpoint*, IV Online magazine, IV435, April 2011. Available at: <http://internationalviewpoint.org/spip.php?article2096>.

Concerning the banks, the strategic range of possible departures stretches from full nationalisation to more or less restrictive regulations, through the establishment of a public financial entity. Similarly, public debt could be cancelled, suspended, renegotiated, all along innumerable lines. Full nationalisation of banks and the renunciation of public debt are measures that are both legitimate and economically viable. But they seem out of reach, due to the current balance of forces. Herein lies the real debate: what is the degree of radicalism in the strategy of rupture that is most capable of mobilising workers and the political movements? It is clearly not for economists to decide. That is why, rather than proposing a complete set of economic measures and plans, the emphasis here has been to ask questions of method and highlight three essential ingredients for a radical Left response to the crisis: (1) a radical change in the distribution of income; (2) a massive reduction of working time; and (3) a rupture with the capitalist world order, starting with 'really existing' Europe.

This debate cannot – and should not – be summarised as an opposition between anti-liberals and anti-capitalists, or between Europeanists and progressives. These distinctions obviously have a sense, depending on whether the project is to get rid of finance or of capitalism. But this tension should not prevent us from beginning a long journey together, with the Left leading this debate. Such a 'common programme' as presented here could be based on the will to impose other rules on the functioning of capitalism. And this is, indeed, a dividing line between the radical Left and the social liberalism of centre-left political forces. The priority today for the radical Left is, in any case, to build a common European horizon as a basis for a genuine internationalism.

Quitting European neoliberalism, not quitting the euro

The preconditions for a way out are to establish a balance of forces favourable to the working class and to wipe out at least a portion of the debt. A feasible strategy is thus composed of unilateral measures which clash with the rules of neo-liberal Europe but which would aim at the extension of progressive measures across Europe.

The technical responses exist and are based on this coherent triangle:

(1) Monetarisation of the debts by the European Central Bank;

(2) Nationalisation of the banks;

(3) Cancellation of the illegitimate portion of the debts.

This combination of measures would allow for settling the crisis by way of making those who profited from the frenzies of financialised capitalism pay. But the issues at stake are above all social, and the situation is in the last analysis simple to sum up: thanks to deregulation, financialisation, etc., a small minority grabs the wealth produced, as the rise of inequality shows.

It goes further: that minority organises economic and social life in line with its interests, and has the power to decide social priorities and deprive the peoples of any say in their fate. That minority will not give up those privileges without a powerful social intervention which must combine a global point of view with local or sectoral initiatives.

In any case, capitalism is in an impasse: the neo-liberal model can no longer function, and return to capitalism of the 'golden age' of 1945-75 is impossible.

A progressive solution must therefore involve a radical questioning of this system: the redistribution of wealth is the immediate point of leverage, but the approach must include a total inversion of the capitalist logic.

We must make the satisfaction of social needs the decisive priority, and from that work out what are the necessary and useful jobs, and prioritise non-market public services and the development of free time above the search for profit and individual consumption. Those are, besides, basic preconditions if we want to meet aims for the reduction of greenhouse-gas emissions.

Since such a project puts the very logic of capitalism in question, a very broad alliance is necessary, between the social movements defined in the broad sense.

For a European strategy

The task is as difficult as the period which the crisis has opened. However the radical left must not get locked into the impossible choice and start the risky adventure of leaving the euro and a utopian idea of currency harmonisation. We could easily work on some intermediate targets which challenge the European institutions. For example:

- The states of the European Union should borrow directly from the ECB at very low rates of interest and private sector banks should be obliged to take over a certain proportion of the public debt.
- A default mechanism should be put in place, which allows public sector debt to be written off in proportion to tax breaks for the rich and money spent on bank bailouts.
- Budgetary stabilisation has to be reformed by a fiscal reform which taxes movements of capital, financial transactions, dividends, large fortunes, high salaries and incomes from capital at a standard rate across Europe.

We have to understand that these objectives are neither further nor closer away than an 'exit from the euro' which would be beneficial to working people. It would definitely be absurd to wait for a simultaneous and co-ordinated exit by every European country. The only strategic hypothesis that one can then conceive of must take as its starting point the experience of a social transformation which starts in one country. The government of the country in questions takes measures, for example imposing a tax on capital. If it is thinking clearly it will anticipate the retaliation for which it will be the target and will impose controls on capital. By taking this fiscal reform measure it is openly in conflict with the rules of the European game. It has no interest in unilaterally leaving the euro. This would be an enormous strategic mistake since the new currency would immediately come under attack with the aim of pulling down the economy of the 'rebel' country.

We have to give up on the idea that there are 'technical' shortcuts, assume that conflict is inevitable and build a favourable balance of forces of which the European dimension is a part. One point of support for that is the ability to damage capitalist interests. The country, which starts, could restructure the debt, nationalise foreign capital etc, or threaten to do it. The 'left' governments of Papandreou in Greece or Zapatero in Spain have not even dreamed of doing this. The main point of support comes from taking the measures cooperatively. This is completely different from classic protectionism, which basically always tries to gain ground by nibbling at parts of the global market. Every progressive measure on the other hand is effective to the extent that it is shared across a number of countries. We should therefore be talking about a strategy, which is based on the following idea: we are willing to tax capital and we will take the necessary steps to protect ourselves. But we are also hoping for these measures, which we propose, to be implemented across Europe.

We can sum up by saying that rather than seeing them in opposition to each other we have to think hard about the link between breaking the neoliberal European project and our project of creating a new Europe.