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ANALYSEN

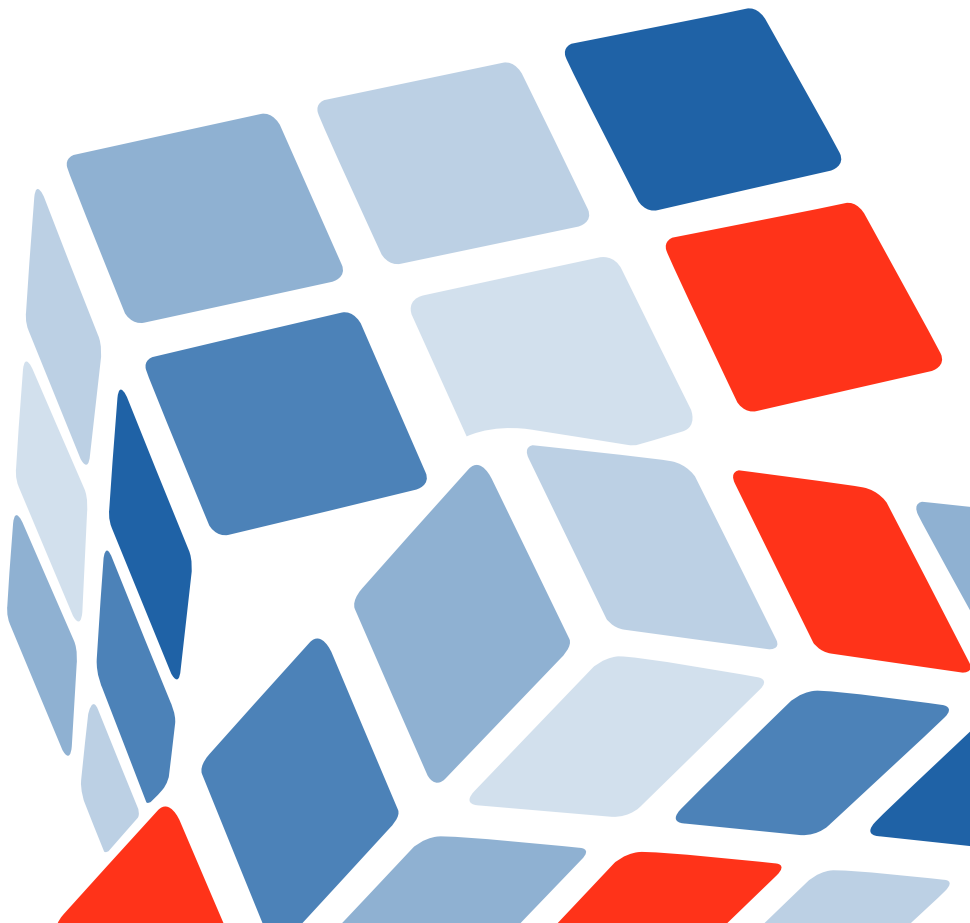
ROSA LUXEMBURG STIFTUNG

PARTIES AND DEMOCRACY

LEFT-WING STRATEGIES IN THE EURO CRISIS

A COMMENTED OVERVIEW

MARIO CANDEIAS



CONTENTS

1 Authoritarian neoliberalism and post-democracy in the European Union	2
1.1 Surfing on the waves of the crisis: The German export economy	4
1.2 A perspective for the countries in crisis?	7
1.3 Southern Europe – a special economic zone?	9
2 EUROPE.left? A synopsis of (diverging) positions in the Left Party	13
2.1 Short-term crisis intervention	13
2.2 Financial market regulation and a public banking system	15
2.3 A European clearing union	19
2.4 Marshall Plan, European industrial policy and a socio-ecological re-orientation	20
2.5 Fair taxes: wealth is taxable	21
2.6 Social corridors and minimum standards	22
2.7 The euro exit – selected positions from outside the party	23
3 Re-foundation of Europe	26
3.1 From pro-European to Euroscepticism	26
3.2 The condensation of societal mobilisation	28
3.3 Strategic disruption	30
3.4 Winning the majority in the heart of the beast?	32
Literature	35

1 AUTHORITARIAN NEOLIBERALISM AND POST-DEMOCRACY IN THE EUROPEAN UNION

It seems to have been confirmed that authoritarianism is (probably) the 'last conjuncture' of neoliberalism (Candeias 2004 and 2009). Neoliberalism confronts the crisis (as in earlier major crises) through an intensification of the old mechanisms of regulation (Candeias 2008; IfG 2011). The crisis is being used to strengthen neoliberal principles through the implementation of cuts in social services and the intensification of the 'debt brake' (or *Schuldenbremse* in German), and to help anchor these principles constitutionally in the whole of Europe. The aim is to re-establish the 'trust' of financial markets and to discipline politics. Whenever it is perceived as necessary elected governments are forced to step down and are replaced by supposedly neutral technocrats, as happened in Greece and Italy in 2011. This leads to power being re-distributed via constructed, supra-national constraints to justify social cuts including cuts to working rights, as well as privatisations and the expropriation of debtors. This serves to delegitimise the claims of people whose primary interest is not 'stability-oriented': employees, unions, the unemployed and the socially marginalised. "To an even greater extent than before, the re-orientation of the EU is becoming a decisive terrain for the struggle surrounding social developments, also in Germany" (IfG 2011: 6).

Marx describes a post-democratic situation in the following terms: democracy is the "complete" political form of the capitalist mode of production. "Instinct", though, teaches the bourgeoisie that democracy "at the same time under-

mines the bourgeoisie's social foundation" and therefore – particularly in times of crisis – makes the bourgeoisie "yearn for the former more incomplete, more undeveloped, and precisely on that account less dangerous forms of this [democracy's] rule" (Marx, MEW 8: 140). For Friedrich August von Hayek (1980: 156), a pioneering neoliberal theorist, and ordoliberalists such as Wilhelm Röpke (1958: 107) democracy and dictatorship are therefore not irreconcilable opposites, but rather different methods of gaining power.

By no means does the technocratic political 'solution' help to overcome the (organic) crisis; it simply ensures an unjust distribution of crisis outcomes, and safeguards dominant interests in times when the ruling neoliberal bloc has long forgone its ability to lead and to organise an active consensus. The increasing political instabilities, particularly in some eurozone countries, are a symptom of this. Between 2009 and 2012, there were early elections and government reshuffles in 12 EU countries, of which nine were eurozone countries. With the exception of Belgium, these were all caused by disputes over the extent of social cuts under the diktat of the Troika: the European Commission, the European Central Bank and the International Monetary Fund. But the governments that remained in office, for example, in Greece, Portugal, Spain and Slovenia, are also unstable. At the end of February 2013, the Bulgarian government stepped down, and establishing a government proved to be very difficult in Italy. Be it by social demo-

crats or conservatives, authoritarian 'austerity measures' are being enforced on populations irrespective of mass protests. Even within their own ranks, political parties are losing legitimacy: 1.5 million Portuguese citizens (15 per cent of the population) followed the call by the Indignants movement to protest on the first March weekend in 2013 and demanded – much like demonstrators in Spain – that the government step down and end their destructive cuts. The Troika price tag for loans of 78 billion euros for Portugal, 65 billion for Spain and 31.5 billion for Greece (the next credit tranche) consists of strict austerity measures that will do away with the last remnants of the European welfare state. In Bulgaria, with its rudimentary welfare state, the drastic rise of electricity prices and other living expenses have not been compensated by social security. Consequentially, people took to the streets day after day, asserting their right to a home with heating. Severe confrontations between the police and protesters occurred at the end of February 2013, which eventually led Prime Minister Bojko Borissow to step down. How long the Greek government can continue to withstand the pressure of protests and general strikes is as unclear as the situation in Slovenia or Spain, where government politicians are involved in corruption, and austerity measures are implemented without remorse.

Wherever the left has become insignificant, or social movements are weak or without political partners or where these partners (and this includes the left) have become part of the establishment and therefore incapable of providing society with alternatives, anti-parties develop. In Italy it is Beppe Grillo's Cinque Stelle

(the five stars movement), and in Poland, the Palikot Party. Even more worrying is the fact that the strength of right-wing parties (both populist and extremist) is growing in Greece and Italy. It is growing even more so in Hungary, which has become the first EU country whose parliament has withdrawn the right of the constitutional court to determine the conformity of new laws with the constitution. This turns the defence of democracy into a European task, whereby, considering the widespread perception of a lack of opportunities for participation, it is necessary to unite the struggles of social movements and left-wing parties.

In the core European Union countries, the number of protests will also rise. Particularly if the agreements – which had to be signed by Ireland, Greece and Portugal in order to receive EU rescue packages – on the deregulation of national labour markets and further privatisations contained in the Memoranda of Understanding are implemented. France is already witnessing protests against socialist government policies that, based on the Gallois report¹ and similar to the German Agenda 2010, are spurring a cutback of worker's rights and social security.

In southern Europe, coercion is laid bare; effort is no longer made to develop a consensus. Faced by the uncertainties caused by the crisis, the ruling classes are divided over the measures needed to end it. The regulation of financial markets has come to a halt, debt reduction has failed and financial over-accumulation is

¹ In a report for the French government ex-EADS CEO Louis Gallois proposes 22 measures, part of which he calls "competitiveness shock", to promote competitiveness particularly in industry and the labour markets. In essence, these measures are about reducing unit wage labour costs by 30 billion euros (see also Dell Home/Wolf 2013).

growing (albeit more slowly than before 2008). Still, with a view to the authoritarian preservation and exercise of state power, the ruling classes are unified in their strategic focus on “the state as the ultimate guarantor of their survival” (Porcaro 2013: 135). This is done ‘step-by-step’ in the dark, and an incremental policy is enthroned as an act of rationality in uncertain times. The crisis continues to require adaptation, and principles have to be thrown overboard: whether this means debt cuts, emergency lending institutions, further rescue packages, a loosening of payment terms, a buy-up of government bonds by the European Central Bank (ECB) or European banking control, in nearly all these cases the German government has at least had to revise its position. Often this has happened too late and actually further aggravated the crisis.

“Due to its lack of attractiveness and inadequate economic potential, authoritarianism is certainly too limited to develop into a hegemonic project in its own right” (Candeias 2009: 16). As a result, “The elements of a solution cannot develop with the necessary speed. Those in power cannot solve the crisis; yet they wield the power (which prevents other people from solving the crisis). As such the only power they have is the power to prolong the crisis” (Gramsci 1991–2002, Gef., H.14, § 58). In fact, solutions to the inherent systemic crisis are being blocked: financial over-accumulation cannot be tackled without either a massive destruction of capital or the development of new fields for accumulation. In this respect, the dynamic of ‘Green Capitalism’ – the green economy – is restrained by the *fossil fuel faction of capital* and the limitations caused by austerity measures.

The green economy’s potential cannot be exploited under authoritarian neoliberalism (left-wing Keynesian solutions are currently even less enforceable). Antonio Gramsci distinguished between two forms of authoritarianism (or Caesarism): one that permits only a quantitative development of the particular society (the policy of Napoleon III), and forms (relating to Caesar and Napoleon Bonaparte) that actually lead to qualitative innovation (see *ibid.*: Heft 1, 194 f.). Neoliberal authoritarianism is not capable of Caesarism.

1.1 SURFING ON THE WAVES OF THE CRISIS: THE GERMAN EXPORT ECONOMY

“We have managed the crisis well,” the German government and media repeat. The gap between the economic situation in Germany and the rest of the EU is becoming ever greater. Whereas the European periphery is sinking ever deeper into a debt crisis and depression, crisis corporatism and crisis management have been comparatively successful in Germany. The magic words are bank rescues, short-time working benefits and the cash-for-clunkers programmes (to stimulate car purchases), that is, quite the opposite to the policies of cuts inflicted upon other countries. Economic stimulus packages helped balance in part the enormous investment needs of schools and other infrastructure. Cuts in social and public services were comparatively moderate because benefits (from unemployment benefits to pensions) were cut before the crisis, the retirement age was raised and public goods were left without funds and sold off. After Fukushima, Merkel’s government rapidly changed its position and called for

an end to nuclear power, and an energy transition. At her party's last party congress, she spelled out the key issues for the future: consolidation of budgets and ecological modernisation (which sounds like a programme for a future coalition between the CDU and the Green party). Currently Angela Merkel and Ursula von der Leyen are even talking about introducing a kind of minimum wage, combatting poverty among the elderly and more generally emphasising social needs. This gamble is aimed at taking the wind out of the sails of the struggle for a higher statutory minimum wage. All of these measures are relatively successful attempts to manage the crisis, take the edge off protests and involve the unions. Faced with the upcoming parliamentary elections, social democrats and greens have also begun emphasising social questions. The playing field for DIE LINKE (the Left Party) is certainly becoming smaller.

From the German government to the IG Metall union, many people see their ideas as having been confirmed by the success of the 'German model'. For a long time it was said that in the future we would be living in post-industrial societies. The focus in the US and Britain on well-paid financial services and low-wage proximity or personal services was seen as a model. Meanwhile though, it is clear that the weight of industry in Germany's economic make-up has secured employment (although this is a controversial debate between service sector and industrial unions, because Scandinavian countries, which have a large services and relatively small industrial sector, also fared relatively well in the crisis). However, employment and relatively high wages in the core industrialised countries often depend on considerable increases

in workloads, as well as overwork and an increasing lack of time. At the same time, the salaries of many people who are not part of the core workforce or who work in other branches are too low, as are unemployment benefits. Real wages have stagnated for over a decade and salaries have dropped by over 20 per cent in the low-wage sector since the introduction of Agenda 2010. For many people and households this is hardly enough to cover their basic needs. Accordingly, even during economic upturns domestic demand is weak. Government investments cannot balance this, because public services and infrastructure have been thinned out for decades. Moreover, the continuation of the old industrial model of economic development is reaching its ecological limits. Both government and media fail to mention the lack of development in salaries in Germany, the trade surplus and the loan policies of German banks as causes of the euro crisis. Instead, they prefer to rant about the supposedly lazy Greeks. This invokes the spectre of the euro crisis: that other people are worse off in other countries is used to show that in Germany the reduction of wages and salaries, the drop in the standard of living and the cuts to social security – that is, Agenda 2010 – were both right and necessary.

Prognosis confirmed: obviously, Germany has not gone unscathed in the crisis. Its one-sided dependency on exports in combination with the austerity measures implemented throughout Europe endangers the existence of its industry. Hardly any other country is so dependent on exports as Germany (exports account for nearly 50 per cent of GDP). As could be expected, southern Europe delved into a depression and the rest

of Europe went into recession in 2012 (Candeias 2010b: 61). Still, our prognosis that Germany would basically be able to continue as before, has been confirmed. Global demand did decrease but there was no dramatic drop. "In this case, successful German exports (albeit at a lower level) could well ensure German growth without requiring a fundamental change of model. At most there will be small and gradual changes – driven by a loss of acceptance and events such as the Fukushima disaster – towards energy transition and ecological modernisation. Within the context of a weak global dynamic, reduced demand from the new capitalist centres – China, India and Brazil – combined with a half-hearted ecological modernisation could be enough to temporarily maintain the benefits of the German economic model of exportism at the expense of other countries. Precisely the weakness of the eurozone could lead to a relative undervaluation of the euro and improve the position of Germany vis-à-vis competitors such as Japan" (IfG 2011: 8).

Germany's export industry is clearly suffering. Still, it is growing, although slower than before, and is even achieving record surpluses (188 billion euros in 2012 according to the *tageszeitung*, 9.2.2013). Although exports are still mainly into eurozone countries (in 2012 a total of 411.9 billion euros), the value of exports (minus 2.1 per cent compared with 2011) and exports to eurozone countries as a share of total German exports (still slightly over 37 per cent) are decreasing. "This is the continuation of a longer-term trend" (IfG 2011: 8; see also Candeias 2010a). For several years now, the growth of exports has been driven by other growing markets. Next to

China (an increase of 28 per cent compared with last year) and the other (partly overestimated) BRICS states,² emerging economies such as Turkey, Indonesia, Vietnam and Mexico offer better conditions and higher growth rates – a potential that southern European economies are unlikely to demonstrate for years to come. The new capitalist centres and the upcoming semi-peripheral economies have one great advantage: unlike Greece, Portugal, Spain and Italy, countries in which industry has severely contracted over the last few years, their productive structure remains competitive.

According to Erhard Crome, this also means that: "For Germany, EU integration is no longer a goal in itself; rather, it is the pre-condition for the international weight of Germany – a standing that builds on its strong position in global trade. In other words, Germany's dominance in the EU is the basis for its expansion in global trade" (taken from IfG 2011: 6). As such, the German government's priority is economic and political domination but has no aspirations to hegemony. Interests are thereby ideologically inverted and raised to the level of general principles. "The German elites are not interested in domination as such, but in the dominance of certain principles" (Brangsch 2013). The result is a *rule without leaders in Europe* on the basis of the smallest common neoliberal denominator: social cuts along with unavoidable measures to stabilise the financial and banking sectors. This is the basis on which European integration is to be deepened. Despite this, there is no consensus about the finality of the European Union (see the most recent speech

² The BRICS countries are China, Brazil, Russia, India and South Africa.

by Cameron; Dellheim *et al.* 2013). Even though it seems unlikely that the EU itself will break apart, this could occur with monetary union; and a return to the model of a *free trade area plus* is also within the realms of possibility. The strategies of the left need to take all possible scenarios into account.

1.2 A PERSPECTIVE FOR THE COUNTRIES IN CRISIS?

What kind of roles and perspectives are reserved for the southern (and eastern) crisis countries – and possibly Ireland – in this authoritarian neoliberal and post-democratic Europe?

The left's criticism at the end of the 1990s of the structure of monetary union as enshrined in the Maastricht Treaty and the Stability and Growth Pact has been shown to be justified. The monetarist form of the agreements only took into account the level of debt, new borrowing and inflation, but not current account balances, the development of productivity or levels of social benefits and salaries. This meant that different productivity levels in the individual member states and regions of the European monetary area could no longer be balanced through the exchange rate; at the same time, there were no minimum standards, no balancing of current accounts and no intra-national equalisation transfers (beyond regional equalisation and conversion funds). The only possible balancing mechanisms remaining are wage and collective bargaining policies (Busch 1996: 61; Altvater/Mahnkopf 1993: 93), as well as a further cutback of state social security in countries with current account deficits. The equalisation of price levels across Europe is accompa-

nied by a further differentiation of wages. Social democrats pointed to the importance of EU regional, structural and conversion funds that aim at balancing living standards. Nonetheless, integration into the European internal market and monetary union led to (welcomed) differentiation: the massive investments into infrastructure and European networks (for transport, energy, etc.) served to open up the markets of the European periphery. Europeanization also meant globalisation and the abolition of national restrictions on trade and capital flows designed to protect national production. In spite of low wages, the periphery's industrial structures did not stand a chance against the highly productive competition. A massive process of de-industrialisation set in and traditional branches closed down, which was by no means compensated through investments by transnational corporations (such as Volkswagen). To a certain extent (and this also occurred in East Germany) profitable businesses were bought by financially strong competitors and then closed to reduce over-capacity, to secure their own business locations or to then open even more productive ones (for example in eastern Europe). It was not least the constant pressure of rising productivity combined with wage restraints in Germany's export industries that murderously ruined southern European industries through competition.³ As an

³ Jannis Milios, a consultant for Alexis Tsipras, and Dimitris Sotiropoulos (2010) suggest that the current account deficits of the crisis countries are not the cause but the result of high capital inflows. They deny the pressure from German industry competitiveness. They argue that the high rates of growth and investment in Greece before the crisis are due to the high profitability of capital, as opposed to a lack of competitiveness. Given the fields of foreign investment, especially in the financial and construction sector, we doubt this to be the case, and view current account deficits as an expression of a combination of competition and the pressure caused by cheap credit and rising debt.

alternative low-wage location, though, southern Europe was not cheap enough compared with eastern Europe and even less so compared with Asian countries. Agriculture in southern Europe in contrast survived by becoming an *efficient* agro-industry.⁴ This has led to extreme exploitation of workers, most of them poorly paid – often illegalized – migrants, and of water, as well as the destruction of fertile soils and biodiversity. In consequence, exports of products other than agricultural products have become insignificant.⁵ Countries such as Greece or Portugal, therefore, have had to face massive trade balance deficits.

The only option for governments such as the Greek government is to drive growth through state spending (and private borrowing) to compensate for the loss of jobs, which would lead in turn to rising budget deficits. Other countries such as Spain or Portugal, in spite of trade balance deficits, were able to keep national debt relatively constant (Spain's debt actually decreased) over a long time as a result of rising revenue from economic growth. With the rising importance of the building and financial sectors, as well as the state services sector (which had previously barely existed), mass unemployment was slowly reduced. The boom connected to this was driven by a mechanism that left-wing critics of monetary union had not thought about: the massive expansion of credit. Credit expansion was not a problem as long as interest rates stayed low, as the high liquidity of the markets ensured cheap credit and government bonds always found willing buyers (not least the large German banks). The immense export of capital from surplus countries guaranteed continued refinancing. Over a long

period, the demand from private households, companies and governments in the deficit countries, which was financed through credit, supported German exports and led to modest growth rates in Germany. The speculation boom drove prices up: the general level of prices in large cities in southern Europe is today considerably higher than in most German cities, in spite of lower salaries.

The unions tried to balance the gap between the development of prices and wages, also in other countries of the periphery. In Poland and in Greece, real wages increased by 40 per cent between 2000 and 2008, in Britain by 26 per cent, in France by 10 per cent and in Spain by 4.5 per cent, whilst in Germany they sank by 1 per cent over the same period. This has not really improved the competitiveness of the European periphery. Moreover, households tried to maintain their levels of consumption (or to even increase consumption) and (faced with basically non-existent rent markets) to buy housing property by massively indebting themselves, which, in times of low interest rates, banks told them was not a problem. Berthold Huber, president of the IG Metall union, misses the connection between the pressures on prices and wages when he declares that the (Spanish) metal worker unions had “made the equality of real wages their top priority for collective bargaining” and had thereby “forfeited their advantage of being cheaper than German industry” (quoted by Bernd Riexinger, in: Junge Welt, 11.1.2013).

⁴ This is especially true for Spain. Greece, however, even has a trade deficit in the food sector. ⁵ Between 1997 and 2007 (the year before the crisis), the trade deficit in Greece increased from 14 to 38 billion euros, in Portugal from 8 to 15 billion euros, and in Spain from 12 to 88 billion euros (data compiled from the AMECO database).

The inflationary credit circle, based on diverging current accounts in Europe, prevented the pressure to adapt within the monetary union from having a quicker effect on wages, labour agreements and transfer payments. Only with the crisis and then especially as a result of the austerity programmes ordered by the Troika, did government debt rapidly rise.⁶ The Troika also implemented so-called internal devaluation, supposedly so that the countries in crisis could become competitive again. But what does 'internal devaluation' mean for a comparatively poor country such as Greece with an average monthly wage of roughly 700 euros? To achieve competitiveness, wages would have to be cut by another 20 to 30 per cent. Actually, this is about the amount wages have gone down since the onset of drastic austerity policies: the minimum wage has been reduced by 22.8 per cent. But in a Europe tending towards deflation, even that was not enough to increase exports. In any case, what could Greece export, considering the rate of de-industrialisation and its lack of productivity and innovation?

Currently, the result is a spiral of misery: mass layoffs and an official unemployment rate of at least 25 per cent – and rising. In Spain alone 3.5 million people have lost their jobs since 2008 (Frankfurter Allgemeine Zeitung, 16.2.2012), whilst the youth unemployment rate lay at over 60 per cent and the unemployment rate among 50 to 60 year olds exploded without any perspective of getting back into a job. Austerity-based labour market reforms in Spain further relaxed layoff regulations, leading to another 850,000 people becoming unemployed (ibid.). Adding to this are drastic wage and pension cuts, longer

working hours for public employees, cutbacks in working rights, strike regulations and social rights, a collapse of public services (including healthcare, especially in Greece), and half a million property evictions (in Spain), as well as a massive rise in fees and taxes (particularly VAT). Meanwhile, for many people the strain has become unbearable: the number of cases of depression has exploded, suicides are the order of the day, and hundreds of thousands of people are leaving the country (in Spain nearly a million people have left since the onset of the crisis); but protests are also growing.

But what is the goal of such brutal austerity measures beyond attempting to guarantee (state) bonds? Is it to take away power from wage-earners and annihilate the unions? What would happen then? What model of production could the countries in crisis follow in the future? And what kind of division of labour might work in the eurozone?

1.3 SOUTHERN EUROPE – A SPECIAL ECONOMIC ZONE?

It is debatable "whether it is a necessary evil or a blessing of the market economy that weak companies are pushed out of the market, are broken up and disappear. But the simple question of where the EU member states that lose out in competition are to go already demonstrates the stupidity of the neoliberal concept of the EU as a group of competing states. Are

⁶ Between 2000 and 2007, Greek national debt rose by 4 per cent; between 2008 and 2011 it dramatically increased by 58 per cent. In Portugal, national debt had increased by as much as 20 per cent by 2007; however, during the crisis and the austerity measures, it increased by a further 40 per cent. In Spain debt actually fell by 23 per cent between 2000 and 2007, but between 2007 and 2011 it increased by more than 33 per cent (own calculations based on data from Eurostat).

such states to disappear from the 'market of states'? Ought Greece be broken up and the workers of Greece Inc. – that is the Greek population – made to look for a new place to work?" (Troost/Hersel 2012: 2). Probably not. What, according to the neoliberal block currently in power, should happen with economies like the Greek one? Will southern Europe develop into a kind of special economic zone?

William Tabb,⁷ the critical economist, brings it to the point: "Greece is not the problem; the problem is Germany. The EU should expel Germany from the euro." This was an ironic statement, although based on real causes. This though does not stop the former president of the Federation of German Industry BDI (Bundesverband der Deutschen Industrie) Hans-Olaf Henkel from taking the idea seriously: "There is an alternative to the professed 'euro policies without alternatives': the joint exit of Germany, the Netherlands, Austria and Finland" (Handelsblatt, 10.12.2010). The BDI's current president, Hans-Peter Keitel, thinks differently: he believes that the countries in crisis "will have to shoulder their problems mainly by themselves" (Spiegel Online, 10.9.2012). But, "as a businessman I would not let a wretched daughter fall; I would make sure she changes. That is, Greece should become a kind of special economic zone within the eurozone, equipped with the necessary financial means and external EU personnel" as well as "pledges". For years to come, substantial rights of sovereignty are to be suspended. "Quid pro quo; no solidarity without control," Keitel demands. He goes on to warn that other countries should not be permitted to overstretch Germany's capacities. This

position inverts the causes of the crisis, and is also shared by the German government. Everywhere in Europe they expect 'difficult reforms' – similar to Agenda 2010 – to be undertaken, even in countries such as France (ibid.).

Concerning the future development of Greece, some representatives of this position take NAFTA and the special economic zones in northern Mexico and southern US states as an example to follow. Low taxes, a hostile climate for unions, low wages and poor working conditions made re-industrialisation possible. Outsourcing into these regions has led to an extreme weakening of the unions in the old industrial centres of the US. This is probably a pipe dream of the BDI and the association of German employers (Bundesverband der Deutschen Arbeitgeberverbände).

In fact, the Greek government took up negotiations with the European Union in 2012 to permit the development of special economic zones in selected regions of the country. The government promised that this would not be connected to further wage cuts (the monthly minimum wage had already been reduced from 751 to 586 euros), and collective bargaining agreements were to remain valid. Faced with daily labour struggles and strikes, together with the often harsh reaction of the government, which went so far as to limit the right to strike and criminalise unionists, these government commitments seem more than doubtful.

Lower financial burdens and less bureaucracy for investors are enough to spark utopic levels of economic growth. Yet the desperate situation will not neces-

⁷ During the "North American Left Dialogue", held by the Rosa Luxemburg Stiftung on 1 December 2012 in Berlin.

sarily lead to greater foreign investment, and so the president of the European Parliament, Martin Schulz, (a member of the German Social Democratic Party) demands additional investment subsidies for companies. Spelled out this means that the country is supposed to forego potential revenue and pay further subsidies. However, in the past in East Germany and eastern Europe (and in pre-crisis Greece) the combination of low taxes and subsidised company re-locations proved to be ineffective, because these then quickly move on to other places. On top of this, Schulz demands the establishment of an “agency for growth”. “The Greek state must accept that the reforms are implemented in Greece by EU bureaucrats”.⁸

Considering the generally recognised lack of competitiveness, it is not at all clear what is actually going to be produced.⁹ Competitiveness can hardly be restored simply by cutting wages, reducing taxes even further and offering more subsidies. On this point, Hans-Werner Sinn, president of the (neoliberal) Ifo-Institute for Economic Research, is for once actually right: “To compete with Turkey, Greek goods would have to become 30 per cent cheaper” (Spiegel Online, 20.2.2012). After “modern forms of capital destruction first threw Greece back to the level of an emerging economy, a limited upswing now seems possible” (Händel/Puskarev 2012b), yet this would occur without any perspective of ever climbing beyond a provider of skilled yet cheap workers. The European Union has no model of production to offer Greece, and no new model for a sustainable European division of labour that would be capable of preventing the same result coming about again.¹⁰

Consequentially, conservatives and neo-liberals in particular demand a Greek exit from monetary union: the so-called Grexit. Except for some prominent people such as Hans-Werner Sinn, Hans-Olaf Henkel, Thilo Sarrazin or the German Liberal Party’s Eurosceptic spokesperson, Frank Schäffler, a Grexit has not been called for by any relevant business association or government. Still, Grexit partisans have substantial weight in the German media and offer the German government strong arguments that support the government’s own position: Greece should keep the euro and receive further support in exchange for even more severe austerity measures and reductions in its sovereignty.

According to a study by Prognos, a Greek exit from monetary union would entail costs of approximately 17.2 trillion euros in the 42 most important economies. Germany alone would have to accept losses of around 73 billion until 2020. Beyond this, the write offs for private and public creditors would cost 64 billion euros (if creditors were to write off 60 per cent of the debt and the drachma were to be devalued by about 50 per cent). Greece itself would be hit hardest. According to calculations, the country would have to deal with growth losses worth over 164 billion euros until 2020 (Handelsblatt, 17.10.2012). The

⁸ Tagesschau 2.9.2012, available at: www.tagesschau.de/wirtschaft/griechenland-rettung100.html. ⁹ This is not so much a question of competitiveness for countries such as Greece that have traditionally had a low level of external trade. In such countries, the negative multiple effects of austerity are more important, even if (their rather meaningless level of) foreign trade does also add to this. ¹⁰ This is particularly clear in the case of Cyprus: it is obvious that the island’s oversized financial and banking sector must be massively reduced. But what else could the island rely on? Besides tourism, and the hope of profiting from recently discovered gas fields off the coast, it really does not have much economic potential. Cyprus also needs an alternative economic model and a model of European division of labour based on solidarity.

most dramatic consequences though would be the immediate ones. After an exit, “capital markets would also lose confidence in Portugal, Spain and Italy” and cause “state defaults there too”; “the global economy would be dragged into a deep recession” (ibid.). It would therefore be cheaper to supply Greece with the financial support it needs to restart its economy over the medium

term in a true transfer union; this though is not planned. Troika measures hardly go beyond granting a little more time to implement austerity measures and resorting to ever-new measures to temporarily prevent a default and stabilise the banks. This neither improves the income of member states nor does it change the structure of the monetary union itself. The great inequalities remain untouched.

2 EUROPE.LEFT? A SYNOPSIS OF (DIVERGING) POSITIONS IN THE LEFT PARTY

The Left Party aims to alleviate the financial and social strain on people through short-term crisis interventions – at the cost of those who caused and profited from the crisis. Second, it wishes to open an alternative pathway for economic development in Europe that is both resistant to crisis and centred on social justice. Third, the Left Party has a sustainable vision for the future of the project of European integration (see Die LINKE 2013: 46). This chapter limits itself to aspects closely related to the euro crisis. The numerous proposals and positions have so far not been brought together; the following is an attempt to do so.

2.1 SHORT-TERM CRISIS INTERVENTION

So far, the Left Party has publicly and visibly taken a stance against the authoritarian and neoliberal management of the crisis and in particular against the fiscal compact. The compact expands the EU's tested excessive deficit procedure¹¹ by ratcheting up the requirements of the Stability and Growth Pact and permanently inscribing this – wherever possible at the constitutional level – into national legislation. The fiscal compact, inspired by Germany's 'debt brake', aims to counter the European debt crisis by 'taking partner countries by the hand', and enforcing budgetary discipline and a strict orientation towards competitiveness. Moreover, the members of the eurozone have committed themselves to procedures against countries that breach the Stability and Growth Pact, which are overseen by the European Commission.

The government of such a country then has 10 days to prove that special circumstances exist and to explain the measures that will be taken to reduce its structural deficit. If this is not done, sanctions apply. The tightening of the Maastricht criteria is thereby doubly secured: through automated procedures at the level of the European Union and through permanent national provisions, where possible at the constitutional level. The one-sided austerity measures connected to the fiscal compact intensify the crisis and are a direct attack on working and social rights. As Bernd Riexinger and Sahra Wagenknecht¹² state, the brunt of the consequences of the crisis are loaded onto transfer payment receivers and wage-earners. Sadly, the Left Party was the only party in the German parliament to vote against the fiscal compact (the Green Party, with the exception of Hans-Christian Ströbele, voted in favour, in spite of declaring beforehand that it would not do so).

In this context, the Left Party also positioned itself against the establishment of a so-called European rescue fund. The

¹¹ If member states have budget deficits of more than 3 per cent, the European Commission launches an "excessive deficit procedure". In a first stage of this process, the countries concerned must submit a plan on how they intend to reduce the deficit. If they do not keep to this plan, penalties can be imposed of between 0.2 and 0.5 per cent of GDP of the country concerned. The EU Council of Ministers may require deficit countries to make an "appropriately sized" non-interest bearing deposit in Brussels until the excessive deficit has been corrected. A state may also be asked to publish additional information before issuing bonds and other securities. The Council can also call on the European Investment Bank to reconsider its lending policy with a specific country. Whether penalties are actually imposed depends largely on the power of a member state to block this process; however, it does at least act as a disciplinary mechanism, irrespective of whether specific sanctions are imposed. ¹² This was expressed at the meeting of the Rosa Luxemburg Stiftung "Europa kriegt die Krise" during the "Fest der Linken" on 16 June 2012 in Berlin, see: www.rosalux.de/event/46273/fest-der-linken-2012.html.

newly established European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM) have been and remain necessary instruments to intervene and support banks and governments. The form of such ‘rescue packages’, however, is unacceptable. The balance is tilted: on the one hand, hundreds of billions of euros are spent to save the banks and ensure that states are able to service their debts, with these costs being loaded onto society; yet no funds are available for social security. In fact, rising costs to save banks and finance states are tightly bound to austerity measures, and a cutback of the sovereignty of affected states, to the benefit of the troika. The point therefore is not generally to be against short-term crisis interventions or rescue funds, but against their neoliberal and authoritarian form. The same is true for the buy-up of billions of euros worth of (government) bonds by the European Central Bank and their liquidity injections for banks worth further billions of euros. In particular, the buy-up of government bonds – indirectly via the so-called secondary market – was harshly criticised by the German representatives within the ECB and the German government. Axel Troost from the Left Party, though, endorsed the bank’s unconventional way of proceeding. According to Troost, in the short term it stopped interest rates on bonds from crisis countries from continuing to rise and prevented an imminent default and thus a chain reaction. Sahra Wagenknecht, on the other hand, criticised the renewed “circumvention of parliaments” and the development of the central bank into a “dump for toxic assets” whilst the costs continue to be loaded onto society. Instead, she demands tough debt cuts and a social-

isation of (financially stricken) banks. She then pleads for more private banks to be allowed to go bankrupt, whereas other party representatives such as Troost point to the Lehman bankruptcy and warn of the unpredictable consequences.

In the at-times-polemic debate, there is an evident divide between short-term and medium-term perspectives. A common denominator within the Left Party, however, is the criticism of the one-sided decisions being made during the crisis, and who is expected to pay for the crisis. The party also shares a perspective on the socialisation of banks and the creation of a system of public banks (see below). The latter, though, is hardly conceivable, at least in the short term. From our point of view, unconventional quasi-Keynesian injections of liquidity by the ECB should be able to prevent the worst. At the same time, a radical debt cut as demanded by Wagenknecht could also alleviate the situation (Candeias 2010c). Opinions on the consequences of such a measure, however, are divided: Troost believes small savers and pension funds could also be affected. Financial markets could interpret a radical debt cut as a default and initiate a chain reaction. A breakup of the eurozone would have unpredictable and catastrophic consequences and entail mass poverty. It is also unclear whether Greece alone should profit from a debt cut, or whether all the crisis countries or even further countries should also benefit from it. Still, these problems could be solved within the framework of a public debt audit (see below) (Candeias 2011).¹³

¹³ See the Greek debt audit campaign, in: LuXemburg 2/2012, pp. 34 f; see CADTM – Committee for the Abolition of the Third World Debt: <http://cadtm.org/Citizen-debt-audits-how-and-why>.

Such an audit would have to provide answers as to how the demands of small savers and pension funds – and to a certain limit also life insurances – could be guaranteed. Regarding the annulment of debts, Troost and Wagenknecht state (2013): “In order to limit the damage to the public coffers, banks and hedge funds should immediately be forced to cancel their remaining Greek debt claims.” The draft manifesto of the Left Party for the 2013 general election states that: “rescue-package-related debts with the banks [should] be cancelled. The public should guarantee the savings of small savers and the legitimate lending business of banks” (the Left Party 2013). Consensus also exists on the trillion-euro liquidity injections implemented for the banks. It was hoped these injections would lead the banks to directly buy crisis-country government bonds on the primary market and thereby lower these countries’ interest rates. It is absurd that banks should be able to borrow cheaply from the ECB and then re-lend for higher interest rates to states. Instead of providing income to banks through risk-free interest – or publicly subsidising extra profits – it would make more sense and be cheaper to refinance crisis states directly via the central bank at low interest rates. The entire liquidity thus made available should be used for government bonds. This would decrease interest rates for crisis states, and income from this interest would flow back to the ECB. Troost and Wagenknecht therefore demand that: “within a defined framework, states all need the same access to cheap loans from the ECB [...] and solidarity-based European bonds (Eurobonds).” Public borrowing should be freed from the “dictatorship of

the markets”, and the European Central Bank should directly finance eurozone states within a defined margin.

2.2 FINANCIAL MARKET REGULATION AND A PUBLIC BANKING SYSTEM

Because current EU legislation bars the European Central Bank from directly financing states (the only way is via the European Investment Bank and this is limited to infrastructure programmes), the Left Party and the DGB (the German Union Confederation) demand the establishment of a bank for public loans (see Hersel/Troost 2012). This would be possible under current legislation.

The Left Party also supports the introduction of a true financial transaction tax of between 0.05 per cent and 0.1 per cent. This is because the plans of the German government and the EU Commission foresee either a low level of taxation or numerous exceptions, particularly for derivatives such as the especially dangerous credit default swaps.¹⁴ In the EU Commission plans, these are to be taxed by only 0.01 per cent. This would further promote a shift away from traditional standardised stock market products such as shares and loans towards derivatives (Frankfurter Allgemeine Zeitung, 16.2.2013). With a true financial transaction tax without exceptions, as demanded by the Left Party, numerous financial operations such as computerised high frequency trading would no longer be profitable, which would lead

¹⁴ The French version of a tax on financial transactions is more like a tax on the stock exchange, and is similar to the so-called stamp duty reserve tax on shares that already exists in the UK. Business beyond the financial exchanges that is conducted directly between two financial investors (over the counter) are not consistently covered by this. This affects more than 60 per cent of all transactions for derivatives.

to a *slowing* (or deceleration) of financial markets.¹⁵

Furthermore, the Left Party calls for a reduction in the power of rating agencies (see the Left Party 2013: 51). Currently, their assessments of the risks of the balance sheets of banks and insurance companies are to a certain degree binding. Insurance companies and *Landesbanken*, for example, are only permitted to take on a small percentage of risky financial assets. When rating agencies downgrade certain assets, such as government bonds, companies are forced to sell them, whether they share the rating agency's assessment or not. The Left Party wants to replace these private agencies with a public, European-wide agency. Furthermore, it calls for the introduction of a kind of MOT for financial products, which all new financial instruments would have to pass. This would be applied in particular to food and resource-based derivatives and futures. The Left Party is convinced that derivatives trading, if it is to continue legally, should be handled restrictively. Party-near NGOs, such as WEED and others, are still analysing the benefits of hedges against currency fluctuations, for example for farmers or companies.¹⁶

Undisputed, however, is the demand to ban intermediary trading by financial institutions that only speculate with, for example, food or resources.

Philipp Hersel and Axel Troost (2012) have developed essential pillars for a restructuring of the banking sector. They see ensuring reliable and efficient payments, including a corresponding supply of cash, as one of the central functions of banks. Secondly, the role of banks needs to be reduced to that of capital collection bodies offering people secure, compre-

hensible, and sustainable ways to save instead of taking risks with their clients' and the bank's own money. Thirdly, banks need to fulfil their financing function by financing company and state investments through loans at acceptable conditions. The goal would be to shrink the financial sector and curtail its economic and political power.

The draft of the Left Party's election manifesto argues that the prerequisite for an effective banking system is the disclosure of the risks hidden in bank balance sheets that also restrict access to new loans. As such, banks' toxic assets should be sold at market prices to a separate entity. In cases where the market price cannot be determined, toxic assets should be valued at zero. A controlled insolvency, in which small savings accounts are protected, is also viewed as acceptable; this, too, is Wagenknecht's position (see the Left Party 2013: 48).

To prevent false incentives, the salaries of managers and board members must be tied in a fixed relation to the salaries of their employees. The Left Party is therefore calling for the income of a manager to be no more than 20 times that of an employee paying compulsory

¹⁵ The EU Commission is currently planning tougher action against the circumvention of this tax. This means the so-called 'origin principle' will be complemented by the so-called 'expenditure principle' in taxation. The 'origin principle' affects financial institutions that have their headquarters in the scope of this law and are liable to tax; this then would also include, for example, a German bank involved in shares and derivatives transactions outside of Europe. The 'expenditure principle' means that trading in assets that are within the scope of the act is also subject to tax. This tax would then also apply, for example, if a US bank in Hong Kong were to trade in Italian government bonds (see Wahl 2013). ¹⁶ See: www.weed-online.org/themen/finanzen/nahrungsmittelspekulation/index_2010.html; the Foodwatch report *Die Hungermacher* (2011) by Harald Schumann available at http://foodwatch.de/foodwatch/content/e10/e45260/e45263/e45318/foodwatch-Report_Die_Hungermacher_Okt-2011_ger.pdf; and Heiner Flassbeck on food speculation as part of the available at: <http://germanynextkabinettskueche.wordpress.com/2012/10/01/heiner-flassbeck-dirk-muller-u-a-nahrungsmittelspekulation>.

social insurance in the lowest wage group. According to their concept, overdraft interest rates should be limited to 5 per cent above the central bank interest rate (ibid.: 13 and 49). Furthermore, Hersel and Troost (2012) state that banks should be regulated more strictly in order to prevent high-risk speculation. They demand that investment banking be separated from business banking and that it be closed down. (German) savings and cooperative banks are to become the model for a new financial system. Similarly to savings banks, these new banks are to be committed to the common good. Private banks and *Landesbanken* are to become smaller and put under effective public control. Off-balance-sheet, special-purpose companies, hedge funds and private equity companies are to be dissolved, as they are useless to the economy.

To this we can add that a gradual socialisation of investment is required, because who should actually decide on the use of the resources of a society and which work is socially necessary? The market has failed embarrassingly as the most efficient allocation mechanism. The neoliberal credit and financial system still collects (latently productive) individual capital, but it is no longer able to channel it into sufficiently productive investments. Instead, the over-accumulation of capital produces waves of speculative bubbles followed by a destruction of capital and jobs, whilst ever-larger parts of social reproduction (for example education, environment, hunger reduction, infrastructure and public services) are either not taken care of or are slowly squeezed by spending cuts. The investment function must also become an increasingly public task, beyond interna-

tional financial regulation, for example, through the socialisation of “banks considered systemically relevant”, through the expansion of a network of public banks and the introduction of participatory budgeting at all levels (see Candeias 2011).

The Left Party’s 2013 election manifesto proposes re-tightening the regulation of banks and integrating this into a democratic economic policy. This task, though, cannot be left to the banks alone and the monitoring institutions that will have to be created. “The boards will need to count on the participation of social, consumer-protection and environmental associations, as well as other actors of civil society, rather than simply the so-called experts and politicians” (the Left Party 2013: 49). These would have to control the daily business activities of banks, as well as control and assess the (further) development of business models. To do this, it would be necessary to create a movement for self-education in economics (economic alphabetization), in the sense of Pierre Bourdieu. Debates on the crisis and the economy must be accessible to broad sections of the population if people are to play a part in public regulation.

The banking union the EU strives for is viewed critically by the Left Party. The banking union is to provide a unified supervision of the approximately 6,000 eurozone banks, a rescue fund for banks, a unified insolvency legislation, as well as a joint deposit protection. So far, only the outlines of a supervision strategy have been decided upon. Jürgen Klute, member of the Left Party in the European Parliament, believes joint banking supervision is “desperately needed” but criticises both its make-up and – as

has already happened with the emergency lending institution and the fiscal compact – that “legislation is to be implemented by side-lining the European Parliament” (press statement, 12.9.2012). Furthermore, the Commission’s proposal gives insufficient consideration to banks’ different business models and their different sizes. This position is shared by other party members in the Left Party. Sahra Wagenknecht, for example, points to the fact that savings banks could “easily be supervised at the national level” (press statement, 23.10.2012).¹⁷ The ECB’s central banking council, too, should not have the last say on the closure or continuation of a bank, nor on the provision of state support.

Yet banking supervision could again prove to be a ‘paper tiger’ because supervision actually is already in place. Unfortunately, though, it neither anticipated the 2007/2008 crash nor did it recognise the manipulation of the LIBOR. Even two stress tests were not enough to reveal that Spanish banks were teetering on the brink of an abyss (Wahl 2013: 2). This led to a restructuring encompassing four different agencies.¹⁸ Now, a new structure is to bring a breakthrough for which up to 5,000 new civil servants will have to be recruited. Public regulation is not foreseen. The planned unification under the auspices of the ECB also has severe downsides, for example, compared with today’s regulator (the European Banking Authority) located in London. States outside of the eurozone such as Britain and Poland have no decision-making power and will therefore be unlikely to succumb to the new supervisory authority. The deeper integration therefore that the banking union is supposed to achieve excludes Europe’s most important finan-

cial centre. This throws the door wide open to the dangers of regulatory arbitrage, whereby the differences in regulatory standards are exploited. Given increasing regulation at the national level (for example Germany’s law to separate investment and business banking), this points to a fundamental problem: “Faced with the complexity and the slowness of EU-27 – and now also eurozone – decision-making, there is an increasing return to national measures.” Alternatively, argues Wahl, a mechanism for deeper co-operation with a “coalition of the willing” applies (Wahl 2013: 3). The European Union and its regulatory system therefore resemble a patchwork system, and in the face of economic and political tensions, this surely does not strengthen cohesion.

Most importantly, however, the planned banking union foresees neither a strict regulation of banks nor a structural reform of the banking sector, not least because banks are considered “too big to fail and also too complex and linked to each other” to be “efficiently regulated” (*ibid.*). Therefore, demands Sahra Wagenknecht, “systemically relevant” banks should be shrunk to such an extent that their potential bankruptcy no longer poses a great threat. Anything less would mean once again passing the costs of mis-speculation onto taxpayers (Wagenknecht 2012).

The discussion about the banking union at least has the benefit of showing that the euro crisis is not a state debt crisis: “Europe’s patient was and is its finance

¹⁷ The protests by savings banks in particular led the Merkel government to prevent the ECB controlling all banks in the euro area, and instead it now controls the 150 largest banks. ¹⁸ A banking authority (EBA), a securities exchange authority (ESMA), an insurance regulatory Authority (EIOPA) and a European committee for the evaluation of systemic risk (ESRB).

sector,” says Jürgen Klute (Neues Deutschland, 25.10.2012). “Even heads of government understand this,” writes financial journalist Lucas Zeise. “They know that this is not simply about rescuing some Spanish banks in the short term. Really, the whole euro area has to deal with numerous ailing banks” (Junge Welt, 15.12.2012).

2.3 A EUROPEAN CLEARING UNION

One of the Left Party’s best developed proposals is the concept of a European clearing union (Hersel/Troost 2009; Troost/Paus 2011; Troost/Hersel 2012). The crisis of the European Monetary Union – in short, the euro crisis – is often portrayed as a debt crisis of Greece, Portugal and other euro countries. The scope of such an analysis, however, is limited and comes to completely wrong conclusions. From the outset, the construction of the European Monetary Union was flawed, because the unification of monetary policies was not accompanied by coordinated economic, social and fiscal policies. A unified monetary policy for a set of countries with relatively disparate economic structures and labour markets under conditions of competition necessarily exacerbates their differences. It is clear how far development has diverged in the eurozone from the dramatic trade imbalances.

The Left Party therefore sees the need to establish a European clearing union to replace the current Stability and Growth Pact, which was further strengthened during the crisis. Such a clearing union would be a regime that would drive the economic, social, fiscal and tax policies of EU countries (initially at least

the member countries of the monetary union) towards the greatest possible coordinated and coherent political action.¹⁹ Binding target corridors for current account imbalances (both for deficits and surpluses) should be introduced. To date, only excessive deficits have been sanctioned in the EU. Surpluses are currently only seen as problematic if they surpass 6 per cent, but even then there are no penalties. In a future clearing union, a mercantilist and systematic production of surpluses would be penalised and this money should then flow into a fund for European cohesion. Short-term fluctuations would not be penalised. Fluctuations between plus and minus 3 per cent would be tolerated. There should be escalating penalties for longer-term imbalances. Due to the far better possibilities of surplus countries implementing structural change, higher penalty rates would only be applied to them, up to the point where surpluses are again reduced to an acceptable level. “The penalty mechanism described should also be seen as a system of threats designed to oblige countries with current account imbalances to participate constructively in upstream forms of improved, deeper macroeconomic coordination within the EU. If the EU member states align their economic, labour market, social, fiscal and structural policies in a sensible, forward-looking way, then there should be no problems when it comes to complying with the threshold values of the European clearing union, and to averting at an

¹⁹ The idea of European adjustment is inspired by John Maynard Keynes, who in the 1940s brought in the International Clearing Union on behalf of the British government. This was a similar proposal and was suggested as part of the negotiations on the world economy in the post-war period (see Hersel/Troost 2009).

early stage the need for infringement proceedings" (Troost/Hersel 2012). A European clearing union would be an important catalyst or mechanism for putting pressure on Germany to implement the long-needed structural adjustments that would move its economy away from export dependency and towards a stronger internal market orientation.

2.4 MARSHALL PLAN, EUROPEAN INDUSTRIAL POLICY AND A SOCIO-ECOLOGICAL RE-ORIENTATION

The Left Party supports the 'Marshall Plan for Europe' proposed by the DGB (2012). Herein the DGB develops a programme for economic growth, investment and the reorganisation of Europe that focuses on a strengthening of public infrastructure and public goods as well as on a new European energy policy based on a switch to renewable resources. The programme stands in opposition to current austerity policies and aims to promote the need for investment to overcome the crisis. This is to be financed by a European fund for the future. Its base capital of between 200 and 250 billion euros is to be collected through a European levy on capital. This fund would emit a ten-year fixed interest rate 'New-Deal-Bond' that could finance investments of up to 2.6 trillion euro. This bond is to be repaid using the income generated from a European financial transaction tax (see Payandeh 2013). The Left Party also demands "an investment programme with a focus on the development of public and social services and a socio-ecological re-orientation" (the Left Party 2013: 50). There are already numerous and well-worked-out proposals to regulate the

banks and the finance sector, as well as programmes to boost the economy, whereas proposals to restructure production are still widely lacking. Above, we asked what a sustainable model of production for Greece (or Cyprus) might look like. Merely specialising in existing structures such as the agro-industry or tourism will hardly suffice. Therefore, it will be necessary to rebuild the production base of these countries and develop a working European division of labour. This is the background of a proposal by Thomas Händel (a Left Party member of the European Parliament) and Frank Puskarev, who see this as a complementary industrial policy to a European Clearing Union and the 'Marshall Plan for Europe'. "Europe requires an integrated concept for a democratically controlled future economic development that encompasses existing elements of industry and service sector policies, as well as structural and cohesion policies, builds on these and complements them to a substantial degree" (Händel/Puskarev 2012b). Here, too, the core is a democratic switch to renewable energy resources. Neither the Left Party nor other European left-wing parties have so far elaborated on how a European industrial policy or a comprehensive socio-ecological rebuilding of the European economy could look like.

One example of the direction this could take should suffice. Solar energy could become a core project for Greece and potentially create 60,000 jobs and generate around 15 billion euros in revenue (ibid.). Furthermore, energy import costs would drop and income could be generated from the export of solar energy. With the necessary technical adjustments, around 10 gigawatts of electric energy

could flow through Italy and Macedonia and into the European electricity grids. This project – called Helios – requires investment into facilities and the grid, for which there is currently hardly any money available in Greece’s government budget. “Both in terms of investment and technology, the state therefore requires the support of a European industrialisation policy. Its own solar industry does not exist” (ibid.). Investments “in wind energy, for which Greece is a particularly promising location, together with a decentralised energy supply in the hands of communities and regions could create employment for tens of thousands of people in the region” (ibid.). There is also further potential for the creation of employment and revenue in “ship-building, the modernisation of the most important Mediterranean port in Piraeus, tourism, transport and the pharmaceutical industry” (ibid.). In this way, regional potentials and value chains would be bound up with opportunities for export to Europe.

Nonetheless, countries such as Greece will for a long time continue to depend on “the import of capital goods”. It would be an important task for a European structural and tax policy “to ensure this can be financed, not through further state debt but through income from the goods and services that have a potential for trade and on the market” (ibid.).

2.5 FAIR TAXES: WEALTH IS TAXABLE

Once again, the current management of the crisis is exacerbating the neoliberal policies of redistribution that have been implemented over the past 30 years. Instead capital and the wealthy should be

more strongly enlisted for public financing, and we should be ensuring that the surplus product is returned to society. Doing so would mean the current redistribution of wealth could be blocked and reversed: wealth could then be redistributed from above to below and from the private to the public sphere. This would also provide space for different policies. Clearly, a policy of redistribution is an essential prerequisite of left-wing politics. Despite this, many people regularly claim that the Left Party either aims to spend more money, or simply print more money. In truth, the party strives to improve the revenue side of public finances, both in Germany and the rest of Europe.

The Left Party is calling for a one-off European-wide capital tax of 5 per cent on holdings of over 1 million euros. Additionally, a millionaire’s tax is to be brought in at a rate of 75 per cent on a yearly income of over 1 million euros; this is similar to the one currently being discussed in France. According to the *Frankfurter Allgemeine Zeitung* (17.06.12), Katja Kipping (chair of the Left Party) and Jean-Luc Mélançon (chair of the *Parti de Gauche*) have even discussed the possibility of a 100 per cent tax, that is, placing an absolute limit on personal assets. Furthermore, income tax reforms would be brought in to counter growing social inequalities. Alongside European minimal tax standards, the Left Party also argues for an intensified fight against tax evasion; these measures would include controls on the movement of capital, automatic reporting requirements for banks, the option of freezing suspicious funds, the withdrawal of the licenses of uncooperative banks, and increased punishments for tax evasion.

Many of the current debt-related problems faced by a number of countries using the euro have been caused by reductions in tax revenues. Moreover, this has been caused by the increasing tax breaks these countries have introduced for businesses and the wealthy. This is particularly the case with countries that have been hit particularly hard by the crisis: Lithuania, Ireland, Cyprus and Greece all introduced special low rates of tax as a means of attracting (speculative) capital. At the same time, when it comes to big business and the rich – in Greece, but also in Germany – financial institutions rarely seem to systematically collect tax debt. The Left Party is calling for corporate tax to be raised once again to 25 per cent and for a widening of the corporate tax assessment baseline. These policies should be implemented uniformly throughout Europe. The party is also calling for tax loopholes to be closed, and as the OECD has demonstrated, this is particularly important with regards to transnational corporations, which are often able to reduce their tax burden to less than 5 per cent. In contrast, medium-sized businesses generally pay between 25 and 30 per cent of their profits in taxes. Additionally, the Left Party argues that companies should no longer be able to offset their costs from various locations to save taxes, and that companies must ensure their costs are transparent. To meet this aim, the tax authorities would need extra staff; however, the cost of employing a tax inspector who assesses the accounts of large companies and financial institutions is returned many times over.

In addition to the tax on financial transactions supported by the Left Party, the party has also discussed the possibility

of implementing a bank levy as a means of supporting public financing, which has significantly funded the bailout of the banks over the last few years. This income would then be used to set up a publicly controlled fund for future cases of bank collapses. The party views the current bank levy of around 1.2 billion euros, introduced by the Merkel government, as insufficient to provide effective protection against the collapse of a large bank. Instead, the Left Party is calling for an annual bank levy of 9 billion euros, with the exception of savings and cooperative banks, which are to be exempted (press release from 24.8.2010).

2.6 SOCIAL CORRIDORS AND MINIMUM STANDARDS

The Left Party views minimum standards in European social security and tax policies as a method of preventing dumping strategies while continuing to maintain the diversity of national systems of social security. This includes providing a minimum level of basic social security (for example, 60 per cent of the respective average per capita income), European minimum wages (such as, 65 per cent of the respective average national wage) and the right to housing. In addition, the party argues for the introduction of a new institutional mechanism that would ensure European living conditions can be carefully adjusted. This is what is meant by ‘social corridors’. This idea has been developed by André Brie, Klaus Dräger, Gabi Zimmer, Judith Dellheim and others, and it has already been incorporated into the Left Party’s election manifesto. The argument behind social corridors is that there is a provision that stipulates that social spending as a share

of GDP (the social expenditure ratio) may not be reduced, but instead should increase within a specific corridor. An EU country with a falling social expenditure ratio would have to implement a process of consultation, and the government concerned would have to implement mandatory measures to restore the ratio to its original level. This would mean that social policy would be jointly coordinated to enable member countries at the lowest scale of each social corridor to improve their situations (see the Left Party 2013: 47). The Left Party is also considering the establishment of a European Court of Social Justice as a counterweight to the competition-dominated European Court of Justice.

In addition, the European Trade Union Confederation and European sector unions need to better coordinate their collective bargaining policies. Orienting wage policy towards the neutral margin of distribution (inflation plus trends in productivity) would constitute an undeniable move towards a more social Europe. Germany has not used this margin for years, which means it has a lot of catching up to do.

At the European level, successfully implemented projects such as European economic governance (tightening of the Stability and Growth Pact, macroeconomic controls), the Euro Plus Pact, the fiscal compact and the bailout by the EFSF and ESM have not only intensified neoliberal crisis management, they have also had far-reaching consequences for the institutional structure of the European Union. They have led to a massive loss of democracy: the Euro Plus Pact and the fiscal compact – as international agreements between governments – enable the legal system and the legal

procedures of the European Union to be circumvented. The new budget and macroeconomic powers of the European Commission have led to a significant shift in the institutional balance of powers within the European Union. These changes particularly affect the European Parliament, but also the budgetary powers of national parliaments. From the perspective of the Left Party, this is linked to the question of whether the party should seek to preserve the rights of the European Parliament and support the democratisation of the European Union, or rather whether the party should focus far more on defending democratic achievements at the national level and support a ‘re-foundation of a new Europe’ instead. This latter view has developed out of the understanding that the EU is now almost completely removed from any left-wing influence.

The Left Party’s European policy also aims to strengthen the European Parliament, ensure European referenda are held, expand the European public sphere and strengthen human and civil rights. In addition, the Left Party calls for reform of agricultural policy as well as the European migration and border regime. However, here we focus on the policy positions and debates specifically related to the euro crisis.

2.7 THE EURO EXIT – SELECTED POSITIONS FROM OUTSIDE THE PARTY

Axel Troost and other politicians from the Left Party argue that the European Monetary Union’s core problems are caused by divergent trade and current account balances, which themselves are linked to the very different economic conditions

that exist throughout Europe. Heiner Flassbeck, former chief economist of the UNCTAD, was commissioned by the Rosa Luxemburg Stiftung to produce a study on the euro crisis; Flassbeck came to the same conclusion and argues that Germany has “long been systematically living under its means” (Flassbeck 2012a). According to Flassbeck, if the euro is to be saved, nominal wages in Germany will have to be increased more than in the rest of the euro area. Flassbeck has calculated that, “increasing wages annually by 4.5 per cent would lead to a balance in price competitiveness by 2022” (Financial Times Germany, 17.3.2011). A useful means of bridging this long period until these changes took effect would include: “Eurobonds, bailouts or consistent intervention by the ECB” (Flassbeck 2012a). However, Flassbeck is sceptical about whether German trade unions are in the position to enforce permanently high wages. He believes that if the “competitiveness gap” is not closed, the euro area will break up (Der Freitag, 18.2.2010). Before this process reawakens “old resentments” or “creates new hostilities”, he calls on Europeans to “separate yourselves” (Flassbeck 2012b). More specifically, he advocates a separation between northern and southern Europe. The southern euro area would be composed of Greece, Italy, Spain and Portugal, and led by France. Flassbeck argues that the southern euro could be immediately devalued by about 40 per cent, which would quickly restore the competitiveness of this large southern market. The northern euro area, under German leadership, would include countries such as Austria, the Netherlands, Finland and perhaps eventually the UK. Interestingly, Flass-

beck’s ideas overlap with those of neo-liberals such as Hans-Olaf Henkel, and Hans-Werner Sinn.

Given that German exports now make up 50 per cent of German GDP, Flassbeck does not believe his proposals will be implemented. A strong appreciation in the northern euro would set back the German economy by many years and result in the loss of millions of jobs. Flassbeck argues that this would mean that, “the entire political elite would have to resign” (ibid.). Goldman Sachs have calculated that the new currency would be revalued in real terms by 25 per cent. The bank estimates that the costs to Germany of a break up of EMU would be around 800 billion euros. It has been calculated (taking interest rates into account) that with such an amount, “Germany could afford to pay 94 billion euros in benefit payments, every year for ten years” (Frankfurter Allgemeine Zeitung, 16.2.2012). According to Flassbeck it would be better to “nationalise the entire German banking system”. In addition, controls on the movement of capital ought to be introduced. However, it would lead to a slump in industrial production by 40 per cent, which would spark the end of Germany’s and other exporting countries’ export models.

Flassbeck provides a stark warning that the euro is no longer tenable without fundamental change. Gary Cohn, CEO of Goldman Sachs, and Nouriel Roubini, the star economist, also agree (Handelsblatt, 17.10.2012). Consequently, Flassbeck and Costas Lapavistas (2011), a Greek economist who teaches in the UK, argue at the very least for the possibility of an orderly exit from monetary union and mechanisms to prevent the euro area

from falling apart uncontrollably. If an orderly exit were to occur – in the case of Greece, with debt restructuring, long-term financial assistance, and currency devaluation of up to 50 per cent – this would still be possible. The costs would remain within limits, and Greece would be provided with a chance to end its current “Recession martyrdom” (Axel Troost). However, Troost (2012) points out that “the dramatic depletion of Greek economic structures and infrastructure” means that it is unclear whether “export surpluses would provide a speedy recovery”, even if the European Union were to endorse “support for a new start via the European Development Bank”. Despite this critique, Flassbeck does not actually view exports as the solution: “A country that is uncompetitive cannot open its borders for an unlimited period of time [...] As far as possible, imports must be replaced by domestic products” (Tagesanzeiger, 13.10.2012).

Unlike Flassbeck and Lapavitsas, Greek advocates of an exit, such as Panagiotis Sotiris, do not believe an ‘orderly exit’ from the eurozone is possible. The difference is that the debate in Greece is being held in the context of the possibility of a real left-wing government. It is clear that such a government, which would have to be based on a broad coalition of popular support, would be unlikely to receive assistance from the European Union for a new economic start; instead this would be contested. “It is impossible to bring about such profound change through simple decisions and decision-making processes within the EU. Such change

can only be realised in the form of a break” (Sotiris 2012: 26). This would involve “an immediate cessation of debt servicing, the nationalisation of banks and strategic infrastructure” as well other regulations such as the reintroduction of controls on the movement of capital (ibid.: 26 f.) In this case, exit is viewed as a means of building international relations “based on mutual benefit” (ibid.: 27). The author is referring here to economic relations with the countries of the Arab Spring, but also to China, Latin America and Turkey, as well as countries in southern Europe that might be interested in leaving the eurozone. “Leaving the eurozone, would not lead to isolation; it would open the only path to a wider range of possible forms of international and economic relations” (ibid.).

Following the Latin American example some think about an extractivist path of development. In other words, increased exploitation of raw materials is proposed as the basis for a comprehensive state policy of redistribution. Large oil and gas deposits are believed to be in the Aegean, and provide the hope behind these ideas. According to the Reuters news agency, these reserves – in particular the gas – could provide the Greek government with a total of 600 billion US dollars (465 billion euros) over the next 25 years (see Focus, 17.11.2012). This sum exceeds Greece’s total debt by almost half. As such, if these suspicions prove to be correct, Greece would certainly have an economic basis beyond the eurozone; however, this would constitute anything but socio-ecological development.

3 RE-FOUNDATION OF EUROPE

3.1 FROM PRO-EUROPEAN TO EUROSCEPTICISM

For decades, the European left have adopted an ambivalent stance towards European integration. Critique has aptly targeted liberalisation, deregulation, the monetarist currency union, the Maastricht Treaty, the Stability Pact and the Lisbon treaties with their orientation towards competitiveness. The tradition of internationalism, however, has meant that the left have firmly adhered to a pro-European stance, drafted proposals for reform, and opposed nationalism and right-wing protectionism (directed against immigrants and 'foreign' workers). Given the unfavourable developments in the relations of power in Europe, pro-European positions always risk being perceived as naive and idealistic. One example of this occurred when Jürgen Habermas counterfactually celebrated the blessings of the cosmopolitan new beginnings associated with the European Union without mentioning the real social and economic dislocation linked to this process (see Anderson 2012: 14).

Positions critical of Europe in the public debate often are associated with right-wing nationalism and slandered as such, or they unintentionally support it. A left-wing position for European perspectives and another against the erosion of social rights at the national level could be easily connected in theory. However, left-wing perspectives have continuously been brought into false opposition through political practices; for example, by continuing to argue for a progressive European social model despite the fact that Mario Draghi has announced its end

(Wall Street Journal, 28.2.2013), or by regressively focusing on the defence of social rights at the national level. With a few exceptions, such as Greece, the left continues to struggle to provide an adequate and compelling strategic position on the crisis.

Both of the positions set out above are rational: in the face of proceeding Europeanization and transnational power structures, outdated political action confined to the nation-state is not even an adequate means of defending central social and political achievements. But, "the left has not yet succeeded in formulating their vote for a different Europe in a concise and shared idea and policy" (Händel/Puskarev 2012a: 45). There is growing unease over Europe, even within the Left Party; this unease is not based on hollow nationalism, but on experience. Over recent decades, every step towards European integration has been a step towards the further implementation of neoliberal principals, even if there has indeed been real progress in some areas. Not least for many people in eastern Europe or in Turkey, the prospect of membership of the European Union is tied to hopes that this will guarantee greater respect for civil and human rights. At the same time, however, the European Union increasingly resembles an undemocratic and business-oriented lobbying organisation, which, beyond the weak European Parliament, is hardly subject to political control or influence by civil society and parliaments. Countless measures and programmes of liberalisation, deregulation and privatisation have been pushed through at the European level, even against national interests. European

institutions are therefore a “no better environment for struggle than a country’s own social structures and political entities”, according to Panagiotis Sotiris (2012: 25). Particularly since the situation in Greece, an attitude has emerged that seeks to ensure that “the important democratic and internationalist traditions of the labour movement and the European left” are not forgotten, but actually concludes that they have “nothing to do with the reality of the actual institutional framework of the EU” (ibid.).

Viewed in this light, it seems all the more urgent to promote consistent steps toward reforming the European Union during this crisis in order to prevent its breakup. However, the current relations of powers make this impossible. Rather, developments are moving in the opposite direction; namely, towards an authoritarian and post-democratic neoliberalism. Thus, Axel Troost and Sahra Wagenknecht demand that: “further transfers of competence to the European level in the field of economic, financial and social policy should take place only if they also prevent labour, social and tax dumping.” The question of whether it would be better to exit the euro or move towards a utopian harmonisation of a European social model is, in the end, the wrong question. An exit from the euro – even if a country had a chance of promoting economic reconstruction through the devaluation of its own separate currency – would be accompanied by an economic collapse of an almost unimaginable size. It would probably cause a chain reaction in other states and lead to the collapse not only of European Monetary Union, but of the European Union as a whole, with equally disastrous consequences for people in Germany and

elsewhere. Furthermore, if Greece were to exit the euro, it would also give away its most powerful bargaining position: the threat of a default. This could provide the backbone of a left-wing government under SYRIZA: instead of an exit from the eurozone, comprehensive renegotiation of the terms governing over its membership.

It is currently unclear how long the current government in Greece will be able to continue. This should send a warning to the rulers in Europe: a new spectre is haunting Europe – SYRIZA, the Coalition of the Radical Left in Greece, with its chair, Alexis Tsipras, is currently considered both a threat to Europe and its hope. The ruling forces of authoritarian neoliberalism fear the precedent: if one country is able to effectively resist the draconian diktat of austerity, this could cause an economic and political “domino effect” (see Onaran 2011). The scattered left-wing forces in Europe, on the other hand, project their hopes onto a country in which large organised movements exist and could potentially provide a basis for the left to win the next election. In Greece, asserting positions that stand in opposition to dominant politics and classes does not seem to lead to isolation; instead it has succeeded in taking hold and developing the passions and demands of social movements and broad sections of the population, which are against the authoritarian-neoliberal European Union and the power of finance capital, but remain pro-Europe. As such, SYRIZA has been able to cleverly avoid the dilemmas in which the left in Europe usually become entangled.

Michel Husson (2012: 29) recommends implementing “good unilateral measures” (for example, capital controls or

tax reform) wherever possible, instead of waiting “until a ‘good’ Europe has been created”. He argues that, “it is even worth the political risk accompanied by breaching EU directives” because other countries may follow the example. Consequently, there would be a chance of expanding reforms that have begun in one or several countries to other countries in Europe. Currently this perspective only seems realistic in Greece, and those in power are doing everything they can to isolate such a position.

3.2 THE CONDENSATION OF SOCIETAL MOBILISATION

The policies of dominant governments, the European Commission, the European Central Bank and the International Monetary Fund, as well as the policies of powerful banks and financial institutions, point to a reversal of the cause and effect of the current financial crisis, redefining it as a crisis of government debt. This is causing divisions between countries and stirring hatred between peoples. The ‘lazy Greeks’, the ‘crazy Italians’ and the ‘megalomaniac Irish’ have all allegedly lived beyond their means for far too long and now need to be rigorously educated in proper budgeting. The Spanish and the Portuguese governments are struggling to avoid being equated with the ‘irresponsible Greeks’; in Italy, a technocratic government sought to regain ‘market confidence’ – this government has been since voted out, but this has only made it increasingly difficult to form a new government. A strategic reorientation is necessary if the European left is to play its part in the historical organic crisis and position itself against the authoritarian “restoration-revolution” (Gramsci).

Struggles have returned to Europe;²⁰ however, a European coordination of these struggles continues to face difficulties. Numerous left-wing parties have expressed their solidarity with Greece. This includes the Left Party, which released a joint statement with SYRIZA.²¹ However, there is still no common position among the European left. The disparity between European trade unions regarding solidarity with Greece is particularly dramatic: the strong self-interests of the European Trade Union Confederation’s individual member associations and unions, as well as the different situations in the respective countries, seem to prevent it from becoming a suitable means of European coordination (see Wahl 2012). Last year proved to be a historical moment in the history of the European Trade Union Confederation: on 14th of November it took the step towards a general strike in several European countries and joint solidarity actions. But German trade unions in particular, such as IG Metall, are torn between their critique of neoliberal austerity policies and the benefits they enjoy because of their involvement in German crisis management; this comes at the expense of other groups of wage earners. They are practically uninvolved in protests in Europe against the crisis (see Bierbaum 2013). Although some sectors of the German trade unions, especially unions in the service, education and food sector, did criticise the European Union quite early on and stated

²⁰ See: LuXemburg 2/2011 or the Occupy paper from the Rosa Luxemburg Stiftung available at: www.rosalux.de/fileadmin/ris_uploads/pdfs/sonst_publikationen/RZ_OCCUPY_Dez2011.pdf. ²¹ “Alternativen zu Austeritätspolitik und Bankenrettung”. The six-point joint programme from SYRIZA and the Left Party, available at: www.linksfraktion.de/positionspapiere/alternativen-austeritaetspolitik-bankenrettung.

their solidarity with Greece. This gained publicity relatively late in the form of an official publication entitled *Re-founding Europe*.²²

Yet even movements such as the Indignants and Occupy are struggling to coordinate their European protests. Their struggles are mostly played out at the national level and have only slowly and sporadically developed across borders. The learning processes on the way to practical solidarity are difficult, but not without hope of success. This is clear from the European strategy of action days in May 2012 on the anniversary of the occupation of the Puerta del Sol in Madrid and Blockupy Frankfurt. This has even included cooperation between the new (democratic) movements, 'new-old' social movements, left-wing parties and trade unions, and not only in Greece: in Spain, the *indignad@s* triggered a dynamic that led to the revitalisation and organisation of movements, to the re-foundation of the United Left and to a strategic reorientation of the unions. In France the formation of the Left Front, led by Jean-Luc Mélenchon, have demonstrated how protests and open party politics can be brought together to achieve good election results – not least with a targeted campaign against Marine Le Pen's Front National. Among these movements, to a certain extent at least, a European consensus about minimum requirements does seem to be developing, and they are also experimenting with different forms of coordination.

Whether southern Europe is currently going through a "pre-revolutionary period" (Horst Kahrs) is hard to say. In Greece and Spain many social institutions and systems have basically collapsed. They are being replaced or under-

pinned by initiatives that provide informal mutual support (see Wainwright 2012). Mass demonstrations have become the order of the day. Be this as it may, the repressive state apparatus does continue to function. Yet these societies – from the 'trenches' of civil society to the newspapers – are dominated by criticism of their incompetent governments, the appalling levels of corruption, and the imperial submission they are subjected to under the troika. But even though people have returned to self-organisation, and the streets are taken by the masses again and again, the dominant groups and classes continue to cut spending, despite the lack of perspective conveyed by their policies. The various "flows" of organization in civil society are unable to permeate the "solid institutions" (Porcaro 2013) of power. This clearly demonstrates the limits of attempting to change the world without seizing power. Pure movement-based mobilisation, or the "progressive growth of popular, self-organised subjectivity" no longer suffices (*ibid.*). The time for condensation has come.

Movements such as Spain's 15M movement and actions like the occupation of Syntagma Square led to the formation of a plural subject. After the evictions from public squares, these forms of organising radiated into the neighbourhoods and numerous other areas without facing dispersal. This molecular form of organisation involved broad sections of the population, and the movements have long since spread to many parts of society (Juberías *et al.* 2012). The organic cooperation that developed between such diverse groups means it is no longer

²² See: www.europa-neu-begrunden.de.

sensible to differentiate between them. In Spain, for example, unions have strategically reoriented themselves as a consequence of the 15M movement, and unions now provide the basis of campaigns against evictions; similarly, movement activists organise strikes and stand as candidates for the Izquierda Unida (United Left), and both groups march together on the streets. The most spectacular actions have been those in which banks were stormed and squatted. The *iaioflautas*,²³ the 80-year-old “children of the 15M movement”, gained the most publicity; they fought their last battle against the Franco dictatorship and now bring their experience back to the streets, this time in the name of their grandchildren.

Clearly, condensation has already taken place to a large extent; the numerous divisions that do still exist are now far less important.²⁴ The relationship between Izquierda Unida, the unions and the 15M movement is often productive and these groups regularly work together. More and more people are getting involved, and the United Left is now reaching 15 per cent in opinion polls. The various waves of protests concerning health and education, against evictions, or for a free press have been highly coordinated and are strongly interconnected, as are the mass demonstrations and general strikes. Finally, a ‘tightly knit’ small group (of older left-wing activists) began an initiative to occupy parliament. The groups constituting the 15M movement conducted numerous discussions about this action. They finally decided to surround parliament on the 25th of September and to do so regularly; the aim was to focus on a single centre of power. This decision was taken in light of the relations

of power, but also to avoid divisions and enable as many people as possible to participate. The movement is learning. Meanwhile, the Spanish parliament was shielded by lines of police; as such, it distanced itself further from the population. In Greece, SYRIZA represents a similar point of condensation: it has translated civil society actions based around self-organisation and protest into a perspective that could seize power.

3.3 STRATEGIC DISRUPTION

The mobilisation within society detailed above is not merely targeting the troika and national governments; it also explicitly targets the traditional institutions of representative democracy and capitalist rule. As a constituting power, this form of societal mobilisation aims to develop a new form of constituted power. This thought, however, still remains caught up in ideas of the ‘cumulative’ expansion of the other from below. Condensation needs to be aimed once more at the centres of power. This should be about more than a simple set of demands, such as ending evictions, debt cancellation or the call for a European-wide unemployment insurance scheme – even though each of these demands is vital. With regard to the struggles in Spain and Greece and the necessary wider Europeanization of the protests, demands and struggles need to be connected to start a process that would firmly place the idea

²³ See: <http://publik.verdi.de/2012/ausgabe-05/spezial/jugend/seiten-20-21/A0>. ²⁴ One problem is that regionalist and separatist parties in Spain are also gaining strength. Movements such as the 15M movement, PAH (Mortgage Victim’s Platform) or the Izquierda Unida (United Left) are attempting to build new connections and work together with other groups, as well as providing a central place for the question of autonomy in a new constitutional process and at the same time emphasise shared interests. In a way, this is similar to emphasising a class perspective against neoliberalism in general.

of re-founding Europe from below on the agenda. Simply making new demands would mean continuing to appeal primarily to state institutions and political rulers; but they stopped listening a long time ago. But even if they were to listen, we do not trust them (anymore).

In its new manifesto²⁵ the Spanish 15M movement discusses how a process of constituent assemblies can be developed from below. The movement is supported in this by numerous other initiatives including unions and the United Left. The double process of a constituent assembly and a debt audit would provide for the maximum participation of civil society. At the same time, these processes would correspond to the political forms of the new movements for real democracy, its councils-like structures of debate and organisation, horizontally and diagonally at the level of the neighbourhood, district and region, but also at the national and European level. Importantly, this can be started without a mandate from any particular institution. And in contrast to demands that are vital, but unattainable, this might be more effective, because everything is at stake here, and it enables everyone to participate.

The debt audit highlights the illegitimacy of the rule of financial capitalism by questioning whether debts should be settled with financial institutions that were rescued by the state. Are not these debts largely illegitimate, and therefore unjust? Which debts should be repaid, and which should not? It would be essential to discuss this in democratic consultations and decision-making processes. A debt tribunal could be held, similarly to the one held in 2007 in Ecuador (see Candeias, 2011). But above all, a diagonally-linked constitutional process

aimed at ensuring wide participation from below (as is currently fought for in Chile, taking up lessons from Ecuador, Bolivia and Venezuela) would question the existing ruling constitution in Europe, and their 'headquarters'. Additionally, this would also link the diverse positions within movements and help construct a 'left-wing mosaic': a common alternative aimed at re-founding Europe from below. These interrelated processes could act as condensation points that link mobilisation against the 'headquarters' to actions targeting its fundamental transformation. At the same time these processes – paraphrasing Walter Benjamin – can act as an emergency brake, a stoppage of the on-going disastrous austerity machine: *this* neoliberal European project of rule has to stop. The Arab Spring, the 15M movement and Occupy were the first such stoppages. These movements need to be encouraged, in the sense of connecting resistance and politics from below that call for time and use all of the time it will take to rebuild Europe.

However, without fundamentally questioning and creating new institutions, even a Greek government led by SYRIZA would not have a chance. The asymmetries of power in Europe are immense. Without overthrowing neoliberal governments, the potential within constitutional processes and debt audits may just fizzle out. Whether a new type of party would be more sensible – as in Greece – or a *Frente Civico* (a civil society association that does not seek government power) – as being discussed in Spain – to seize power will only become clear in time. Both need to be done; neither should

²⁵ See: www.cronicapopular.es/2013/02/manifiesto-15m-la-via-para-el-cambio-social.

be left undone. There is no reason to regard breaks with the existing EU and a re-foundation of Europe as opposites (Husson 2012: 30): one leads to the other. The Left Party's manifesto states that: "The European Union needs a relaunch and this includes a complete revision of the neoliberal, militaristic, and undemocratic elements of EU primary law. We therefore support a constitution that is shaped by citizens and is backed by a referendum that should be held in parallel in each EU member state. We are calling for nothing less than fundamental political change."

3.4 WINNING THE MAJORITY IN THE HEART OF THE BEAST?

What does this actually mean for left-wing politics in Germany? Given Germany's unique political and economic power and its role as an important cause as well as beneficiary of the euro crisis; in the face of a well-functioning crisis corporatism, which has integrated a large part of the population; and given the fear of 'Greek conditions', the crisis provides little potential for politicization. The prospect of re-founding Europe or even developing a constitutional process, which at least in southern Europe is a real possibility, is something that is extremely difficult to imagine in the current situation in Germany.

The Left Party's clear rejection of the neoliberal crisis management, however, has gained good media coverage and was certainly well received by supporters of the party. It was particularly important to repeatedly emphasize the causes of the crisis to ensure that the critique was accompanied by solidarity with the crisis victims and crisis countries. This

enabled a clear class standpoint to be articulated instead of a nationalist critique – for example, as in claims that the problem runs between crisis countries and 'German taxpayers'.

But there is the constant criticism, that the Left Party's policies should not be confined only to 'we are against', a simple negation. As such, it is important to emphasize the many forward-looking proposals for handling the euro crisis and for a social Europe as part of a solidarity-based process of European re-foundation. The Rosa Luxemburg Stiftung aims to help further these discussions with analyses and studies such as those by Heiner Flassbeck and Costas Lapavistas and this paper. Nevertheless, Axel Troost, for example has pointed to the difficulty of turning the euro crisis into an issue for the elections.²⁶ Consequently, the positions of the Left Party should focus less on the 'great crisis' and more on people's everyday lives. This should not be understood as meaning that analyses and suggestions for effectively overcoming the crisis are no longer needed; it merely points to a different approach.

This would mean developing new and original perspectives that are tied more closely to the immediate needs of the population, but connecting them to 'European questions'; for example, a European unemployment insurance, which has already been discussed by the (European) left. Clearly, such perspectives should not drift towards the abstract. What do I, as a nurse in Germany for instance, gain from a European unemployment insurance? These are the questions that need to be answered. It would also be possible to forge links with the

²⁶ Strategy discussion with the chair of the Left Party on 7.2.2012.

first successful European citizens' initiative, which ran under the slogan "Water is a human right!" and which was directed against the further privatisation of municipal service providers.

Another possibility would be to revitalise the common demand among left-wing parties and social movements in the crisis countries for a debt audit at both the national and European level, by connecting it more closely with demands that also reflect the specific situation in Germany. This is the case with the so-called 'debt brake': it directly threatens the precarious financial situation of the municipalities (Reiner 2010). Clearly, people are directly affected by the cuts to public service provision. Many debates about social infrastructure take place at the local level: from equipment in schools to the number of nursery places; public transport, the re-municipalization of ownership of water utilities and energy suppliers, to fighting for affordable housing. It is at this level and in these struggles where the crisis is most strongly felt.

Concentrating on the euro crisis as the central field of contemporary development blocks the politicization and struggle for the hearts and minds of the people, because the crisis is presented as complex and distant from people's everyday problems. How do we want to live? What should tomorrow look like? What work is to be done so that everyone is getting to work? How can society be preserved, expanded and developed? The contradictions between the reproduction of capital and people's wishes for a happy life, recreation, leisure, and participation has intensified: more women are working, and family models are in motion. At the same time, work

has become more intensified, and living and working conditions have become precarious; wages are decreasing, and working hours have become long and unpredictable. Who takes care of themselves and others? Public institutions are being starved of resources. The question of a more equitable method of organising and distributing reproductive labour – a key feminist demand – has been sidelined by neoliberalism and the crisis: can people – women – be found who are willing to undertake the necessary reproduction for low pay? This is leading to new global divisions. Our 'imperial way of life' is destroying living conditions elsewhere, and exceeds ecological limits.

Once again, struggles over modes of living are coming increasingly to the fore.²⁷ They were always present, but have often been overshadowed by (traditional) labour disputes – although this comparison is already unhelpful, as modes of production and modes of life have always been very closely related: one leads to the other. It is individual people who have to suffer the resulting contradictions in everyday life and make decisions in order to ensure they are able to stay active. This leads many people to call for change, for example in child care, education, health, nutrition, housing, or to fight for more time and free spaces. This view of changes in the mode of living, work and reproduction makes it possible to view these individual and collective struggles as related and part of a whole. At the same time, this also makes it possible to identify contradictions, even within the left, that is, to develop the conditions needed to prevent divisions,

²⁷ See: LuXemburg 3/2012 and 4/2012.

to create the common, and organize just transitions. One example of a European perspective that links different struggles for basic social needs is to elaborate a concept of an unconditional socio-ecological basic service provision of energy, water, mobility, Internet, etc., as well as free healthcare and education. This could open up a wide field on which left-wing politics could effectively build (Candeias 2013).

The left often assumes that circumstances and developments are 'objective', but there are good reasons to develop political strategies from the perspective of everyday lives and from people's capacity to act.

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**“It is important to emphasize
the many forward-looking
proposals for handling
the euro crisis and for a social
Europe as part of a solidarity-
based process of European
re-foundation.”**

MARIO CANDEIAS

