

Austerity and Resistance: The Politics of Labour in the Eurozone Crisis¹

by Andreas Bieler

Europe is haunted by austerity. Public sectors across the European Union (EU) have been cut back and working class gains from the post-war period seriously undermined. In this article, I will assess the causes of the crisis, its implications for workers and discuss the politics of labour in response to the Eurozone crisis.

The underlying dynamics of the Eurozone crisis

Current problems go right back to the global financial crisis starting in 2007 with the run on the Northern Rock bank in the United Kingdom (UK) and reaching a first high point with the bankruptcy of Lehman Brothers in 2008. Two major consequences of the crisis can be identified. First, states indebted themselves significantly as a result of bailing out failing banks and propping up the financial system. Second, against the background of high levels of uncertainty financial markets froze. Banks and financial institutions ceased lending to each other as well as industrial companies. Countries too found it increasingly difficult to re-finance their national debts. The Eurozone crisis, also known as the sovereign debt crisis, commenced.

Nevertheless, this analysis only scratches the surface of the causes of the crisis. The fundamental dynamics underlying the crisis have to be related to the uneven nature of the European political economy. On the one hand, Germany has experienced an export boom in recent years, with almost 60 per cent of its exports going to other European countries ([Trading Economics, 10 May 2013](#)). Germany's trade surplus is even more heavily focused on Europe. 60 per cent are with other Euro countries and about 85 per cent are with all EU members together ([de Nardis, 2 December 2010](#)). However, such a growth strategy cannot be adopted by everybody. Some countries also have to absorb these exports, and this is what many of the peripheral countries which are now in trouble, such as Greece, Portugal, Spain and Ireland, have done. They, in turn, cannot compete in the free trade Internal Market of the EU due to lower productivity rates. Germany's export boom has resulted in super profits, which then require new opportunities for profitable investment. State bonds of peripheral countries as well as construction markets in Ireland and Spain seemed to provide safe investment opportunities. In turn, these investments led to yet more exports from Germany to these countries and yet further super profits in

search of investment opportunities.

Who is being rescued?

It is often argued in the media that citizens of richer countries would now have to pay for citizens of indebted countries. Cultural arguments of apparently 'lazy Greek' workers as the cause of the crisis are put forward. Nevertheless, this is clearly not the case. Greek workers are amongst those who work the longest hours in Europe ([BBC, 26 February 2012](#)). In any case, it is not the Greek, Portuguese, Irish or Cypriot citizens and their health and education systems, which are being rescued. It is banks, who organised the lending of super profits to peripheral countries, which are exposed to private and national debt in these countries. For example, German and French banks are heavily exposed to Greek debt, British banks to Irish debt ([The Guardian, 17 June 2011](#)).

What is the purpose of the bailout programmes?

Is the purpose of the bailout programmes to ensure the maintenance of essential public services in Europe's periphery? Clearly not. On the contrary, the Troika consisting of the European Commission, European Central Bank and the International Monetary Fund (IMF) demands cuts in public finances precisely for services such as education and health care. Is the purpose to assist peripheral countries in re-gaining competitiveness? Again, this too is clearly not the objective. The bailout programmes do not include any industrial policy projects.

The true nature of the bailout programmes is visible in their conditionality, making support dependent on austerity policies including: (1) cuts in funding of essential public services; (2) cuts in public sector employment; (3) push towards privatisation of state assets; and (4) undermining of industrial relations and trade union rights through enforced cuts in minimum wages and a further liberalisation of labour markets. Hence, the real purpose of the bailout programmes is to restructure political economies and to open up the public sector as new investment opportunities for private finance. The balance of power is shifted further from labour to capital in this process. Employers, ultimately, use the crisis in order to strengthen their position vis-à-vis workers, facilitating exploitation.

Are German workers the winners due to the export boom?

In contrast to general assumptions, German workers have not benefitted from the current situation. German productivity increases have, to a significant extent, resulted from drastic downward pressure on wages and working related conditions.

“Germany has been unrelenting in squeezing its own workers throughout this period. During the last two decades, the most powerful economy of the eurozone has produced the lowest increases in nominal labour costs, while its workers have systematically lost share of output. EMU² has been an ordeal for German workers” ([Lapavitsas et al, 2012: 4](#)).

The Agenda 2010 and here especially the so-called Hartz IV reform, implemented in the early 2000s, constitutes the largest cut in, and restructuring of, the German welfare system since the end of World War II. In other words, Germany was more successful than other Eurozone countries in cutting back labour costs. “The euro is a ‘beggar-thy-neighbour’ policy for Germany, on condition that it beggars its own workers first” ([Lapavitsas et al, 2012: 30](#)).

Hence, while the mainstream media regularly portray the crisis as a conflict between Germany and peripheral countries, the real conflict here is between capital and labour. And this conflict is taking place across the EU as the economic crisis is used across Europe to justify cuts. In the UK, although not in the position of countries such as Greece, Portugal or Ireland, people too are faced with constant further cuts and restructuring including privatisations in the health and education sectors as well as attacks on employment rights. In short, across the EU, employers abuse the crisis to cut back workers’ post-war gains. The crisis provides capital with the rationale to justify cuts, they would otherwise be unable to implement.

What possibilities for labour to resist restructuring?

Considering that austerity is a European-wide phenomenon, pushed by Brussels but equally individual national governments, it will remain important that trade unions combine resistance to neo-liberal restructuring at the European level with resistance at the national level. To declare solidarity with Greek workers is a good initiative by German and British unions, for example. Nevertheless, the more concrete support is resisting restructuring at home. Any defeat of austerity in one of the EU member states will assist similar struggles elsewhere.

When thinking about alternative responses to the crisis, short-term measures can be distinguished from medium- and long-term measures. Immediately, it will be important

that German trade unions push for higher salary increases at home so that the German domestic market absorbs more goods, which are currently being exported. Along similar lines is the proposal by the Confederation of German Trade Unions (DGB) for an economic stimulus, investment and development programme for Europe. This new Marshall plan is designed as an investment and development programme over a 10-year period and consists of a mix of institutional measures, direct public sector investment, investment grants for companies and incentives for consumer spending ([DGB 2013](#)). Neo-Keynesian measures of this type will ease the immediate pressure on European economies. However, they will not question the power structures, underlying the European political economy.

A victorious outcome in the struggle against austerity ultimately depends on a change in the balance of power in society. The establishment of welfare states and fairer societies were based on the capacity of labour to balance the class power of capital ([Wahl 2011](#)). Overcoming austerity will, therefore, require a strengthening of labour vis-à-vis capital. As Lapavitsas notes, “a radical left strategy should offer a resolution of the crisis that alters the balance of social forces in favour of labour and pushes Europe in a socialist direction” ([Lapavitsas 2011: 294](#)). Hence, in the medium-term, it will be essential to intervene more directly in the financial sector. As part of bailouts, many private banks have been nationalised, as for example the Royal Bank of Scotland in the UK. However, they have been allowed to continue operating as if they were private banks. Little state direction has been imposed. It will be important to move beyond nationalisation towards the socialisation of banks to ensure that banks actually operate according to the needs of society. Such a step would contribute directly to changing the balance of power in society in favour of labour.

In the long run, however, even the change in power balance between capital and labour will not be enough. Capitalist exploitation is rooted in the way the social relations of production are set up around wage labour and the private ownership of the means of production. Exploitation, therefore, can only be overcome if the manner in which production is organised is being changed itself.

1 This article was first published in Norwegian on [radikalportal.no](#)
2 European Monetary Union .

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