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As Popular Opposition Grows: Austerity Budgets imposed across Europe

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The French, Spanish and Greek governments all announced multibillion-euro austerity plans yesterday in the face of massive popular opposition.

The French budget presented by the Socialist Party (PS) government of President François Hollande is the harshest since the austerity budgets of the early 1980s under PS President François Mitterrand. It calls for €30 billion (US$38.6 billion) in deficit cuts, including €20 billion in tax increases and €10 billion in spending cuts.

The Spanish budget calls for €13.4 billion in spending cuts in the fourth major package of austerity measures passed this year following the election of the conservative Popular Party (PP) last November. The ministries whose budgets will be most severely cut include Agriculture, Industry and Education.

Greece's coalition government—which includes the right-wing New Democracy (ND), the social democratic PASOK, and the Democratic Left (DIMAR)—announced that it will unveil a plan Monday for €11.5 billion in spending cuts. Plans for these cuts were first announced in July, but the government initially failed to reach an agreement on how to distribute them.

In each country, the new austerity measures are being pushed through in defiance of public opinion. On Wednesday, millions of workers throughout Greece walked off the job and hundreds of thousands protested in a one-day national strike. On Tuesday, tens of thousands of protesters opposed to the cuts marched to the parliament in Madrid and were brutally attacked by riot police.

In France, Hollande's popularity ratings have fallen to 43 percent as job losses and austerity measures antagonize voters who elected him in May.

These events demonstrate the impossibility of fighting social austerity in Europe by supporting the bourgeois "left" parties, the European Union (EU), or European capitalism. In a matter of months, the promises made by the official parties have proven worthless.

Hollande cynically promised that "austerity is not an unavoidable destiny." The Greek coalition government received the tacit support of the bourgeois "left" SYRIZA party, which ran against it ostensibly on an anti-austerity platform, but then pledged to be a "responsible" opposition that would not call strikes and would continue to support the European Union.

As for the PP—elected on the basis of mass hostility to the austerity policies of the previous social democratic Spanish Socialist Workers Party (PSOE) government—its pretense that it would not pursue Greek-style austerity in exchange for an EU bailout of its banks is fast evaporating.

The PP's cuts to pensions and social spending and its attacks on labor rights are the most severe since the collapse of the fascist Franco dictatorship. Reductions in national state spending of €16.5 billion, €27 billion and €65 billion passed in January, April and July—combined with deep cuts in regional government spending—are sinking Spain's economy.

One quarter of Spanish workers and 52.9 percent of Spanish youth are unemployed, and despite pledges for bank bailouts the economy is contracting. The International Monetary Fund anticipates a 1.2 percent contraction of Spain's economy, though the government's cuts are based on apparently overoptimistic projections of a 0.5 percent contraction.

Spain now pays more to service its debt than it spends on unemployment benefits or the budgets of its national ministries. Since the global economic crisis began in 2008, its public debt has more than doubled, jumping from 35.5 percent to 75.9 percent of gross domestic product (GDP), and the interest rate it pays on its debt has surged as a result of speculation against Spanish bonds by the banks and finance houses.

Spain's banks are poised to request another €60 billion bailout as the Spanish real estate collapse continues to undermine their balance sheets.

The effect of such policies is most clearly seen in Greece, whose economy is now projected to plunge by 7 percent this year, instead of the previously projected 4.7 percent. Since the Greek debt crisis began in 2009, its economy has contracted by roughly one quarter.

Der Spiegel reported that, due to this continuing collapse, EU authorities expect Greece's budget shortfall to reach €20 billion. They will then demand more cuts in Greece beyond the €11.5 billion Athens is currently proposing. As laid out in July, these include €5 billion in cuts to the Labor Ministry budget (mainly to pensions) and attacks on Greece's devastated public hospitals.

These massive cuts—the corresponding amounts would be $802 billion in the United States, £82 billion in Britain and €136 billion in Germany—will ravage a society in which those workers who have managed to keep their jobs have already seen wage cuts of 30-50 percent.

The negotiation of the cuts will place take amid deepening conflict within Greece's political elite. There is speculation that DIMAR might collapse, as at least three of its 17 parliamentarians have declared they plan to vote against the cuts.

Greece's Financial Crimes Squad (SDOE) recently released a list of thirty politicians, including former ministers and top parliamentarians of ND, PASOK and SYRIZA, who are suspected of tax evasion or other forms of fraud.

France's austerity package cuts €10 billion from the national budget of €376 billion by imposing a wage and hiring freeze on public sector workers, imposing a 5 percent across-the-board cut in the ministries' projected budgets, and cutting €2.7 billion in health care spending. The Defense, Finance and Ecology ministries are reportedly particularly hard hit, with losses respectively of 7,234, 2,353 and 1,276 jobs.

As for the €20 billion in tax increases, half are to be achieved by closing certain corporate loopholes, and half by increasing taxes on individual households.

The PS government and the media have trumpeted the fact that roughly half of the individual tax increases will be borne by "affluent" households. This is an attempt to obscure the anti-working class character of the Socialist Party's policies. The tax rate for the top income tax bracket is to be raised to 45 percent, and yearly wage income over €1 million is to be taxed at 75 percent.

To seriously examine these measures, one must briefly enter the realm of French tax policy—which means confronting what Karl Marx, in *The Class Struggle in France*, called the "sheer swindling" that characterizes France's financial affairs.

In 2010, the top 1 and 10 percent of the French population took in €181 billion and €515 billion, respectively. Nonetheless, the increase in the top tax bracket and the tax on wage income over €1 million combined will raise only €530 million nationwide. The total of €6 billion raised by increasing taxes on the affluent, including by closing some corporate loopholes, does not amount to a substantial portion of their income.

In part, this is because of a complex system of tax exemptions that Hollande's measures do not seriously touch. These exemptions allowed billionaire Liliane Bettencourt to pay a 9 percent effective tax rate in 2010 on the hundreds of millions of euros she earned on her $24 billion fortune.

In part, also, it is because most income in the ruling class is interest income on capital holdings, not wages—which means that Hollande's "75 percent tax" does not seriously impact most members of the financial aristocracy.

Nonetheless, the austerity budget was denounced by sections of the press, with *Figaro Magazine* titling its lead article "Enough is Enough."

Sections of the bourgeoisie supporting the PS are arguing that the current austerity budget is only a down payment on deeper attacks on the working class being prepared by the PS government. These include proposals for labor market "reforms" to facilitate hiring, firing and forcing workers into short-time work, as well as for €30-50 billion in cuts to corporate funding of social security.

An editorial in *Le Monde* stressed the need for a "true 'competitiveness shock' in our country." It stated: "The 2013 budget does not really contribute to it. Promised cuts in the labor market and the financing of social spending will be decisive in this regard. Today's budget shock will only be meaningful if it is rapidly complemented by a powerful competitiveness shock to give France the electroshock therapy it needs."

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