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Is Europe Heading for a “Lexit”?

By Conn Hallinan
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When European Union President Jean-Claude Juncker addressed the European Parliament in Strasbourg this past September, he told them the organization was facing an “existential crisis.” In part, he blamed “national governments so weakened by the forces of populism” that they were “paralyzed by the risk of defeat in the next election.”

Indeed, it’s been a bad year for the huge trading group. There was Brexit, or the United Kingdom’s vote to withdraw. And Rome’s referendum to amend Italy’s constitution was trounced, leaving several Italian banks in deep trouble.

Meanwhile, the austerity policies of the EU have kept most of its members’ economies either anemic or dead in the water. Even those showing growth, like Ireland and Spain, have yet to return to where they were before the 2008 economic meltdown. Between 2007 and 2016, purchasing power fell 8 percent in Spain and 11 percent in Italy,

It’s also true that number of national governments — in particular those in Germany and France — are looking nervously over their shoulders at parties to their right.

But the crisis of the EU doesn’t spring from “populism.”

Rearranging the Deck Chairs on the Titanic

That term often obscures more than it reveals, lumping together neo-fascist parties, like France's National Front and Germany's Alternative for Germany, with left parties, like Spain's Podemos. Populism, as Juncker uses it, has a vaguely atavistic odor to it: ignorant peasants with torches and pitchforks storming the citadels of civilization.

But the barbarians at the EU's gate didn't just appear out of Europe's dark forests, like the Goths and Vandals of old. They were raised up by the profoundly flawed way that the Union was established in the first place, flaws that didn't reveal themselves until an economic crisis took center stage.

That the crisis is existential, there is little doubt. In fact, the odds are pretty good that the EU will not be here in its current form a decade from now — and possibly considerably sooner.

But Juncker's solutions include a modest spending program aimed at business, closer military ties among the 28 — soon to be 27 — members of the organization, and the creation of a "European Solidarity Corps" of young volunteers to help out in cases of disasters, like earthquakes. But he offered nothing to address the horrendous unemployment rate among young Europeans.

In short, he's proposed rearranging the Titanic's deck chairs while the ice looms up to starboard.

But what's to be done isn't obvious, nor is how one goes about reforming or dismantling an organization that currently produces a third of the world's wealth. The complexity of the task has entangled Europe's left in a sharp debate, the outcome of which will go a long way toward determining whether the EU — now a house divided between wealthy countries and debt-ridden ones — can survive.

It is not that the European left is strong, but it's the only player with a possible strategy to break the cycle of debt and low growth.

The politics of racism, hatred of immigrants, and reactionary nationalism espoused by the National Front, the Alternative For Germany, Greece's Golden Dawn, Denmark's People's Party, and Austria's Freedom Party will not generate economic growth — not any more than Donald Trump will bring back jobs for U.S. steelworkers and coal miners and "make America great again."

Indeed, if the anti-immigrant Alternative for Germany Party gets its way, that country will be in deep trouble. German deaths currently outnumber births by 200,000 a year, a figure that's only accelerating. According to the Berlin Institute for Population and Development, to have a sufficient working-age population that can support a stable pension system, the country will require an influx of 500,000 immigrants a year for the next 35 years.

Many other European countries are in the same boat.

Withdraw or Reform?

There are several currents among the European left, ranging from those who call for a full withdrawal, or “Lexit,” to reforms that would democratize the organization.

There is certainly a democracy deficit in the EU. The elected European Parliament has little power, with most key decisions made by the unelected “troika” — the International Monetary Fund (IMF), the European Central Bank, and the European Commission. The troika’s rigid debt policies mean members have lost the ability to manage their own economies or challenge the mantra that debt requires austerity, even though that formula has clearly been a failure.

As economists Markus Brunnermeier, Harold James, and Jean-Pierre Landau point out in their book *The Euro and the Battle of Ideas*, growth is impossible when consumers, corporations, and governments all stop spending. The only outcome for that formula is misery and more debt. Even the IMF has begun to question austerity.

But would a little more democracy really resolve this problem?

Nobel Laureate Joseph Stiglitz, a long-time critic of austerity, argues that while the EU does indeed need to be democratized, a major problem is the common currency. The euro is used by 19 of the EU’s 28 members that constitute the Eurozone.

Stiglitz argues that the euro locked everyone into the German economic model of modest wages coupled with a high-power export economy. But one size does not fit all, and when the economic crisis hit in 2008, that became painfully obvious. Those EU members that used a common currency were unable to devalue their currency — a standard economic strategy to deal with debt.

There’s also no way to transfer wealth within the EU, unlike in the United States. Powerful economies like California and New York have long paid the bills for poorer states like Louisiana and Mississippi. As Stiglitz points out, “a lack of shared fiscal policy” in the EU made it “impossible to transfer wealth (via tax receipts) from richer states to poorer ones, ensuring growing inequality between the core and the periphery of Europe.”

Stiglitz proposes a series of reforms, including economic stimulus, creating a “flexible” euro, and removing the rigid requirement that no country can carry a deficit of more than 3 percent of GDP.

Former Greek Finance Minister Yanis Varoufakis, however, argues that the Union “is not suffering from a democratic deficit that can be fixed with a ‘little more democracy’ and a few reforms here and there.” The EU, he says, “was constructed intentionally as a democracy-free zone” to keep people out of decision-making process and to put business and finance in charge.

Is the machine so flawed that it ought to be dismantled? That’s the opinion of the British writer and journalist Tariq Ali and King’s College Reader in politics Stathis Kouvelakis, both of whom supported the Brexit and are urging a campaign to hold similar referenda in other EU member countries.

Another Way: Civil Disobedience

But since that that position is already occupied by the xenophobic right, how does the left argue for Lexit without entangling itself with racist neo-Nazis?

Varoufakis, a leading member of the pan-European left formation DiEM25, asks whether “such a campaign is consistent with the Left’s fundamental principles” of internationalism. He also argues that a Lexit would destroy the EU’s common environmental policy and the free movement of members, both of which find strong support among young people.

Is re-establishing borders and fences really what the left stands for? And wouldn’t re-nationalizing the fossil fuel industry simply turn environmental policies over to the multi-national energy giants? “Under the Lexit banner, in my estimation,” says Varoufakis, “the Left is heading for monumental defeats on both fronts.”

DiEM25 proposes a third way to challenge the disastrous policies of the EU, while avoiding a return to borders and “every country for itself” environmental policies. What is needed, according to Varoufakis, is “a pan-European movement of civil and governmental disobedience” to create a “democratic opposition to the way European elites do business at the local, national and EU levels.”

The idea is to avoid the kind of trap that Greece’s left party, Syriza, has found itself in: running against austerity only to find itself instituting the very policies it ran against.

What DiEM25 is proposing is simply to refuse to institute EU austerity rules, a strategy that will only work if the resistance is EU-wide. When Greece tried to resist the troika, the European Central Bank threatened to destroy the country’s economy, and Syriza folded. But if resistance is widespread enough, that will not be so easy to do. In any case, he says, “the debt-deflationary spiral that drives masses of Europeans into hopelessness and places them under the spell of bigotry” is not acceptable.

DiEM25 also calls for a universal basic income, a proposal that’s supported by 68 percent of the EU’s members.

Portugal’s left has had the most success with trying to roll back the austerity measures that caused widespread misery throughout the country. The center-left Socialist Party formed a coalition with the Left Bloc, and the Communist-Green Alliance put aside their differences, and together they restored public sector wages and state pensions to pre-crisis levels. The economy only grew 1.2 percent in 2016 (slightly less than the EU as a whole), but it was enough to drop unemployment from 12.6 percent to 10 percent. The deficit has also declined.

Spain’s Podemos and Jeremy Corbyn of the British Labor Party have hailed the Portuguese left coalition as a model for an anti-austerity alliance across the continent.

Rebel Cities and Continental Solidarity

Debt is the 800-pound gorilla in the living room.

Most of the debt for countries like Spain, Portugal, and Ireland wasn't the result of spendthrift ways. All three countries had positive balances until the real estate bubble pumped up by private speculators and banks burst in 2008, and taxpayers were forced to pick up the pieces. The "bailouts" from the troika came with onerous austerity measures attached, and most of the money went straight to the banks that had set off the crisis in the first place.

For small or underdeveloped countries, it will be impossible to pay off those debts. When Germany found itself in a similar position after World War II, other countries agreed to cut its debt in half, lower interest rates, and spread out payments. The 1952 London Debt Conference led to an industrial boom that turned Germany into the biggest economy in Europe.

There's no little irony in the fact that the current Berlin government is insisting on applying economic policies to debt-ridden countries that would have strangled that German post-war recovery had they not been modified.

It's possible that the EU cannot be reformed, but it seems early in the process to conclude that. In any case, DiEM25's proposal to practice union-wide civil disobedience hasn't really been tried, and it certainly has potential as an organizing tool. It's already being implemented in several "rebel" cities like Barcelona, Naples, Berlin, Bristol, Krakow, Warsaw, and Porto, where local mayors and city councils are digging in their heels and fighting back.

For that to be successful throughout the EU, however, the left will have to sideline some of the disputes that divide it and reach out to new constituencies. If it doesn't, the right has a dangerous narrative waiting in the wings.