THIEVES ALWAYS FALL OUT:

HOW CAN COMMUNIST PHILOSOPHY HELP US UNDERSTAND THE EUROPEAN FINANCIAL CRISIS?

Appearance and Essence

The essence of a process, the reality under the surface, can be very different from how things look on the surface. In the mid-2000s, the Greek economy seemed healthy, but the government was spending heavily on armaments (against Turkey) and on a big public sector, running up debts. The European Union has rules that limit the amount a member state can be in debt, and Greece was over the limit. With the help of U. S. banks, especially Goldman Sachs, they were able to hide the debt with financial trickery—until the financial crisis hit. In 2010, the Greek government had to come clean, admit that they lied, and ask for a bailout.

Contradictions Become Intense

Contradictions don't usually stay put. Their tendency is to become more intense and cause bigger problems. This certainly happened in Greece. There was a contradiction between what the Greek government owed and what its future resources were. Initially the European bosses' solution was simple: lend Greece some money and make workers pay with cutbacks and tax increases. The first deal, in April 2010, was to lend Greece $61 billion. By May, worker protests and the downgrading of Greek government bonds to junk status made it clear that that would not be enough. The E. U. and the International Monetary Fund agreed to lend Greece $140 billion, with $105 billion for Portugal and $115 billion for Ireland, which were also in big debt trouble.

In July 2011, the Greek government asked for another $37 billion to keep from defaulting on their debts, and workers' rejection of cutbacks grew. The big E. U. states, and especially Germany, demanded more cutbacks in Greece, but it became clear that Greece could never pay back the debt. So a new deal was made that meant that Greek debt holders would lose 50% of their investment, a so-called "haircut." This scared the big banks who hold the debt (especially German and French banks). They're scared, not just about Greece, but about other E. U. countries whose debts are big. It sent interest rates on government debt sky-high. The governments of Greece, Italy, and Spain were replaced, and it still is not clear whether the Greek government will get the deal it needs to avoid default.

Necessary Development

Part of dialectical materialist analysis points out that there are objectively necessary developments that take place, results that are bound to occur whether anyone wants them to or not. The German bosses are getting a good lesson in this. Germany has been booming and the Euro currency is great for German exports. But the German (and French) banks have invested heavily in the EU government debt that could turn out to be worthless. Some of these banks are already on the edge. If they fail the German government will have to bail them out. But it's doubtful that Germany and France can make the smaller countries do what they are told. Right now, they are trying to get the whole E. U. to agree to stricter rules so that the big states can commit the small ones to things they don't want to do. They also insist that there be no more "haircuts" for the banks.

Limits of Capitalist Unity

Although it isn't a general principle of dialectics, it's a fact that the capitalists' capacity for unity is limited. Thieves always fall out. The contradictions among European capitalists, especially between the big countries and the weaker ones, are growing. There is a good chance that new rules to tighten E. U. unity won't work if they are adopted. Greece may default and the Euro currency may fail. If so, the crisis will spread across the world.

None of this could happen under communism. With no banks, no debt, and no money, and the working class's great capacity for unity, we won't have crises like this. Our challenges will be about how to best meet humanity's needs and take good care of our planet, not how to invest and exploit. Join the fight for communism, join ICWP.