

Eurobonds Won't Prevent Another Wave of Austerity

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"If we want things to stay as they are, things will have to change," says Tancredi in Giuseppe Tomasi di Lampedusa's *Il Gattopardo*. The novel, and the eponymous realist film set in the Italian Risorgimento of the mid-nineteenth century, show the aristocratic order of old Europe crumbling under the blows of liberal insurgency — but also how the hoped-for new order benefited only a few. Arguably, the transformation unfolding today is no less sweeping. It seems the time of historical change has been compressed — but its direction remains unclear.

We do know something about the epochal transformations catalyzed by the epidemic — they include financial destabilization, the rapid spreading of poverty, the resurgence of ecological issues, and the stifling of so-called globalization. But this also means both the welcome and the inevitable derailing of a productive model built around extractivism and consumerism, megafactories and agrobusiness, mass transport, urban sprawl, and debt. Today, air-conditioned skyscrapers look like symbols of hubris and improvidence rather than power.

The pandemic and quarantines tarnished the soothing idea of progress itself, on which both liberals and the Left had built powerful imaginaries. Five hundred years of capitalism and two centuries of industrialization proved insufficient prophylactic against

lethal viruses that were supposed to have been banished. State and economic actors that legitimate themselves through hygienist practices and discourses were surprised by a foe deemed vanquished, and they panicked.

Thus capital's facility for "spatial fixes," to used David Harvey's term, reduced at the very moment when it was most needed. Worse, as the invisible hand proved, well, invisible, all classes turned their hopes toward the visible and active hand of the state. Few objections on principle were heard against a new wave of strong state intervention in the economy — the first one was unleashed during World War I and the next after the Great Depression. This third wave is already here.

States now administer huge doses of stimulus to the private sector in order to avert its "sudden death." They do this mainly through monetary and fiscal means: to ensure liquidity, they pump money into the markets, and they also lower taxes, at least temporarily. China, the United States, and Britain did exactly this, flooding their markets with huge amounts of liquidity that already cover a good part of their GDP. The balance of forces between state and "the markets" (i.e., the oligarchs and the rich) changed radically in the space of a few weeks in favor of the former, thanks to this need for state stimulus and other factors, such as exploding credit risk and global stocks losing a third of their market capitalization in the past month.

Yet if the internal dynamics of the state-financial complex were altered, its primary objectives were not. Western states remain focused on increasing exploitation, and now they do this with an even heavier hand. State intervention is not necessarily good for the dispossessed. Here, I will overview the mechanics and ramifications of current stimulus policies, the woes of states lacking monetary sovereignty as exemplified in the Eurozone, plus the character and prospects of the "temporal fixes" now proposed for these same states. I conclude by adding a tentative list of things the Left needs to be doing in the present conjuncture.

Stimulus Policies

Doubtless, freeing up liquidity does halt the downward spiral. But it is also crucially important whether this stimulus is channeled toward oligarchs, the simply rich, or working people. And, in reality, Western states' distribution of the stimulus has cared primarily for oligarchic interests, as was also the case in the wake of the collapse of Lehman Brothers. A replay of 2008 will make states overindebted to the same banks, funds, and corporations that they themselves now bail out. At this very moment, strong oligarchic networks are working to ensure such an outcome.

How is this stimulus funded? Through central banks printing new money, now forwarded mainly to oligarchs and the rich; but also through state treasuries creating new public debt, which absorbs the excess liquidity of the same strata. That is, huge volumes of

money, representing huge quantities of value extracted from labor thanks to neoliberal policies, now exit the pockets of capitalists (who previously had few secure investment outlets) to buy new state bonds.

Can this circle — the state feeding capital and capital feeding the state — be a virtuous one for the left-outs? The present policies use the pandemic for a huge transfer of power and resources from the many to the few, from the weak to the strong, from the poor to the rich. With the Left in disarray and egalitarian values all but eclipsed in the social imaginary of the West, state intervention seems bent on worsening inequality at the very moment when it could alleviate it.

Successfully excluding the poor does not render the system stable. In any world order, the synchronic weakening of the power structures that form its central pillars will naturally lead to rapid geopolitical developments. As soon as four American carriers were incapacitated by the virus, North Korea, Iran, and Syria claimed to have scored points in their antagonism with the overextended superpower. Yet its strategic competitor faces no less serious problems. The expansion of China's influence on the Eurasian space, as well as its export of huge quantities of surplus capital, had been premised on a continuing and deepening globalization. This process now faces major obstructions.

Economic Sovereignty

The current order's third pillar — the European Union — faces particular problems, as most evidently expressed in its driving force, the Eurozone. Its members lack an essential attribute of states — that is, sovereignty. They cannot control their economic policy, since they do not issue their own currency, as euros are printed by the European Central Bank (ECB). As things stand now, the ECB decides how much new money is pumped to Eurozone countries and under what terms they borrow. But its board lacks any democratic mandate or public accountability — and has thus consistently championed oligarchic banking interests. The constitution of the ECB, forbidding it to lend directly to member states, makes states' policies dependent on the goodwill of private lenders, i.e., of financial capital.

Worse, some Eurozone states also de facto surrendered control of their fiscal policy to the EU and the IMF. Thus, the Greek budget has to mark a primary surplus (i.e., a surplus of state income over expenditure, before debt interest is considered) of 3.5 percent of GDP every year. Other peripheral Eurozone countries notice this textbook case of economic murder by strangling liquidity. Instead of expecting mercy, as many Greeks had naively done during the previous crisis, Italians and Spaniards strive to avoid victimization. In this sense, the EU policies that led to Greece's spoliation by corporates in the past decade may have signaled a pyrrhic victory. By alarming other potential victims, they may have prepared their own defeat in the coming crucial battles, and even the breakdown of the EU.

Public health infrastructure has been destroyed by thirty years of neoliberal attacks on

this very sector — and the sharp contraction caused by the epidemic imposes even further fiscal pressure on Eurozone economies. States must borrow in order to fight the epidemic and restart the economy, but the ECB charter forbids it lending to them, while on the contrary, the Fed monetizes American debt, and the Bank of England extends unlimited support to London.

Currently, Eurozone states may only borrow from the European Stability Mechanism (ESM) and similar institutions, or from “the markets.” The dreaded ESM that brutalized Greece, in any case, has funds insufficient for the task at hand and only lends under harsh conditionalities. Its demands mean that public property is expedited to oligarchs, public employees are decimated, public health provision succumbs to a thousand cuts, public education is stifled, social security is rendered insecure, and general misery awaits those lacking capital, especially the young. Institutions as well as “markets” demand drastic transfers of value from the have-nots to their majesties, and also transfers of power, so that repayment is guaranteed.

In short, the ESM that was constituted by the Eurozone states themselves, and “the markets” that borrow newly minted euros from the Eurozone-enabled ECB at minimal interest, lend to vassal states as much as they want, whenever they want, and at any terms they want. One could hardly think of a better definition for modern usury on a continental scale, or perhaps a more cynical method of assisted suicide. Eurozone governments crush their poor and middle classes invoking the demands of “the markets” — fed by none other than themselves — plus the ESM, created and maintained by themselves. When the people revolt, as Greeks did in 2015, referenda are annulled, and even more punishing terms are imposed. All this in the name of “democracy” and “Europe.” No wonder why, in these conditions, the fascist extreme right, nationalism, nativism, and racism are steadily rising.

Coronabonds and Coronamemoranda

Caught between Scylla and Charybdis, peripheral Eurozone countries and even a part of the nominal Left placed their hopes on so-called eurobonds, an idea that first attracted interest ten years ago during the Greek crisis. Even Emmanuel Macron intermittently lends support to soft versions of this measure. This idea effectively seeks to sidestep the problems created by the functioning of the Eurozone, while keeping its basic structure intact. In other words, to change things so that things stay as they are.

In principle, eurobonds would create even more debt to be bought by “the markets.” But the Eurozone countries would pool a part of their new debt, and this would trade at interest rates lower than those paid by the periphery, even if higher than those paid by Germany. Thus (in theory), Italy and Spain would avoid both the harsh ESM conditionalities and the crippling rates asked by “the markets,” while Germany would pay a fair but not too high price for building solidarity.

No consensus exists on the merits or otherwise of eurobonds. Discussions center on

matters of efficiency (“will they really lower interest rates for the periphery?”), legality (“do EU treaties allow them?”), or morality (“how big a moral hazard do they entail?”). The difficulty of making Germany underwrite the debts of its so-called partners has also been noted. This is bolstered by the media rehashing of racist stereotypes, with indignant Protestants refusing to “bail out free-spending Italy,” just as top Eurozone figures used to castigate the Greeks’ overspending on “wine and women.”

Such common bonds might alter slightly the parameters of public borrowing, but not its basic facts. Absent guarantees of future austerity ensuring repayment of the ever more massive debts, capitalists will not fund states. The virtuous North will not succumb to the lascivious South — in other words, bonds will not be issued under terms unfavorable for German finance. Berlin has prevailed in the battles fought thus far, but each battle won only brings closer the implosion of EU.

Put in the crudest terms possible, the Eurozone comprises both countries suffering from financial expropriation — which is a particular form of expropriatory accumulation, utilizing debt mechanisms — and countries that profit from it, like Germany. Making both groups borrow on the same terms, were it politically feasible, can be seen either as disrupting this mechanism or stabilizing it, and perhaps it might do both together. By regulating the flow of value upward and northward, it might lessen financial exploitation and purge its worst excesses. It might then keep things as they are by changing them, and this is the avowed aim of the eurobonds’ proponents. But can a stabilization of this exploitation really be an objective for the Left?

Are Coronagrants Feasible?

An altogether more substantial reform proposal emanated from the Spanish government, on lines similar to those described in a recent EReNSEP brief. A recovery fund of €1.5 trillion, financed through perpetual EU debt possibly issued by the ECB, its interest paid through new EU taxes plus the seigniorage accruing to the ECB thanks to its issuing the euro, would advance grants instead of loans to member states. Significantly enhancing the EU budget, and also aimed at lessening disparities, this fund would finance an integrated effort of economic reconstruction. Including also tax harmonization of EU countries, the plan marks a welcome break with central tenets of neoliberal practice. Building on the momentum given by the new money created around the world, it hopes to provide the EU with a stimulus similar in scope to the ones rolled out in the United States, China, and Britain, and to combine recovery with integration.

It is unclear what support this plan may muster. Presumably, if its prospects were good, it would have been presented with fanfare rather than through leaking. Still, it may get a hearing, given the real possibility of the single currency and the EU itself fragmenting unless the periphery is bolstered.

Would German capital relinquish its hegemony in order to avert the implosion of the EU? Would the interlinked state-financial circles ruling Europe put neoliberalism on hold in

order to salvage the fragile economic structures that sustain them? Would they risk reinventing themselves to keep their position amid an ocean of diminished expectations, and thus reach for a new compact, a less exclusive dispensation?

Contingencies and political choices are unpredictable in crises — the last months were marked by many unexpected reversals and unforeseen turns. When worlds are crumbling, adventurist oligarchs seek to capture as much as they can of the wasteland. In the current turmoil, parts of European capital see the chance of a lifetime, and they may well try their luck. History knows many examples of modern states captured by such interests and promoting them even at the expense of common capitalist objectives. States fearing for their stability also unleash anticipatory counterrevolutions, to use a term central in Arno J. Mayer's lucid analyses of the twentieth century. It is not inconceivable that the European Union, spurred by such interests and considerations, opts for a liberal *fuite en avant*, crushing its periphery as well as the popular strata of its core countries and even a good part of its own capital.

A Leftist Project

The European left, free now from political formations that migrated to the liberal camp, like the Greek Syriza, must resist liberals and conservatives forcing society into reactionary molds. We must hold onto our own compass, insist on the fundamental values of liberty, equality, and solidarity, and keep fighting for the many, the weak, and the poor. We must also change. Addressing the masses, bolstering popular resistance, and organizing workers, we must stay relevant in the new world dawning now, a world even worse than the one we knew and also more unstable. But these are not enough.

The classic social democracy took hold in Europe, in the late nineteenth century, by building — around an overarching vision for the socialist remaking of society — smaller and more focused projects, which covered most aspects of social and personal life, centrally including the economy. They included political organizations fighting for radical democracy, trade unions demanding fair wages and workers' rights, cooperatives and grassroots initiatives of all kinds, practical efforts at local and international solidarity, and sharp cultural criticism, including deconstructions of patriarchy and race.

That Left strove to speak the language of the people and articulate anew the national projects around its own values and sensitivities. It also erected strong barriers toward both liberals and conservatives that helped it fuse and expand its own political space.

Today, we must again insist on popular liberation and focus on creating networks of solidarity and movements resisting the authoritarian juggernaut accelerating toward us. Forces to start doing this exist in our disaggregated Left. We need to elaborate and propose, in language accessible to the people, a realist collectivist and egalitarian project for a new society, since it will soon be clear that the old one is not coming back. For this, we must critically analyze the new fields, means, and objectives of state action, help consolidate a Left and a working class that remain fragmented, and also unite around

them strata recently alienated from the capitalist order. And, last but not least, we should avoid confusing the projects of the newly “reformist” parts of the ruling class with our own. It is a tall order. But the times demand nothing less.