The ongoing drama of the global financial crisis has continually shuffled lead characters and taken unexpected turns in plot. It opened as a liquidity crisis in exotic high-risk sub-prime mortgages concentrated in speculative urban development projects in the US in mid-2007. But by fall 2008, it had evolved into a general solvency crisis for the American and British financial systems with the startling collapses of Lehman Brothers, Black Rock, AIG and many other bed-rock financial institutions. The possibility of systemic financial contagion erupting could not be ruled out of bounds. Indeed, in the whirl of financial turbulence, smaller countries on the northern periphery of Europe – and almost immediately in Ireland, whose ‘Celtic Tiger’ economic model had partaken in all the hype about the efficacy of liberalized financial market – began to suffer wholesale collapses of their banking systems and severe economic slowdowns. From there, the freezing up of money markets from the panicked de-leveraging of financial institutions and corporate borrowers across the core capitalist countries meant that new investment and global trade collapsed. By 2009, the financial crisis had mutated into a general economic contraction with no corner of the world market untouched.

The massive ‘rescue strategies’ to stop the death spiral of collapsing markets that followed – backstopping mortgage markets, injecting capital into bank’s balance sheets, and radical shifts in monetary and fiscal policies toward expansionary positions – retrieved emergency forms of state intervention not seen for decades. As a consequence, government budgetary positions moved sharply into deficit over 2009-10; they are forecast to remain in the red for the foreseeable future. In the space of three years, the largest financial crisis in history had morphed into an unparalleled crisis of the public sector.
In countries on the southern European periphery, deemed to be suffering from structural problems of competitiveness and under the straightjacket of EU restraints on activist industrial policies, a full-blown sovereign debt crisis erupted, with Greece the focal point.

The public sector crisis is now taking concrete form in the planning and implementation of so-called ‘exit strategies’ from the emergency fiscal measures to offset the demand shocks from the crisis. Although there remain serious concerns over the pace of return to the neoliberal orthodoxy of balanced budgets in the midst of still stagnant economies, calls for public sector austerity are coming from both the political right and social democratic parties. But the key agitators are the international agencies co-ordinating global capitalism – the IMF, OECD and the EU, with the gatherings of the G20 playing a crucial facilitating role. As the central apparatus charged with financial matters, and with a long record of monitoring and imposing the disciplines of neoliberal policies on national states, the IMF has gone so far as to suggest that two decades of ‘fiscal adjustment’ – read long-term austerity – might well be in order as an appropriate ‘debt stabilization strategy’.

In 2010 the crisis entered a new phase of intense political struggle over which classes will pay for the exit strategy. Given the sheer variety of exit strategies and the uneven forms of resistance being waged, this essay begins by offering a general perspective on the politics of austerity in the current conjuncture, analyzing the nature of struggle over public sector cuts, including what it means for a further neoliberal restructuring of the state in the core capitalist countries. It will then undertake an examination of the political conflict over exit strategies in four key cases – the US, the UK, Ireland and Greece. Finally, it will turn to reflect on the overall political terrain for public sector fronts of resistance to the cuts.

EXIT STRATEGIES AND NEOLIBERALISM

There has been a great deal of confusion about state policy during the crisis. The most common interpretation, even in many Marxist accounts, has been to suggest that states initially rediscovered Keynesianism and recovered power vis-à-vis markets as part and parcel of their rescue strategies to control market instabilities; but now the state is regressing and losing power as it implements neoliberal strategies of austerity at the insistence of financial markets. Posed in this way, the analysis is quite misleading. It leaves the impression that the move to fiscal austerity represents a weakening of the state relative to market actors, and current political struggles need to be oriented toward re-establishing a ‘strong state’ to sustain the stimulus measures and to ensure that a regulatory regime to ‘repress’ finance is adopted. State intervention...
cannot be gauged by the level of expenditures or size of fiscal deficit; by no means are these direct indices of the capacity for intervention into the economy. In particular, they tell us nothing about the form the interventions take, the kinds of class strategies being advanced, and what alternate strategies must confront. The politics of the cuts need to be assessed, not in the crude terms of more state or more market, but with respect to state power and market disciplines, their political viability and class strategies. The overall aim of economic policy is always to uphold the general conditions for capital accumulation; and it does so by ensuring labour-power is available for exploitation and that capitalist control over money and credit creation is maintained. This requires the establishment of specific market and financial disciplines that constrain both the state and market actors. These disciplines are the indirect effect of general policy frameworks, budgetary decisions and modes of administration.

In the current crisis, the economic policies deployed in both rescue and exit strategies have been designed to stabilize and sustain a liberalized financial system. This crucial parameter for state policy has been from the outset, first, that the private banking system be salvaged and sustained, irrespective of how much ‘moral hazard’ this causes; and second, that systematic restructuring of the financial sector as a whole be avoided if at all possible. Since the crisis was triggered by the massive volume of debt that could not be absorbed within the private financial system, this always meant ‘socializing’ bad loans by the state taking them on, whether by ‘stranding’ the debt on the balance sheets of central banks, or by taking the bad debt directly into the public accounts, or by temporary nationalizations. (The full public ownership of the banking system has, of course, been ruled out of the bounds of acceptable policy options, even if the case had popular appeal and strong theoretical backing.) As in past financial crises, the crucial policy questions have turned around ‘distributional conflicts’: the ‘haircut’ that the financial sector would take for the bad loans and the new taxes they might face; the distribution of the public debt burden between taxes and long-term bond flotation; and the allocation of cuts between state activities.

The instability of the recovery in 2010 is very much related to the precarious balance sheets of a great many banks, as new ‘stress tests’ still suggest a great deal of weakness. Market disciplines in the financial sector are, therefore, only slowly being re-imposed. Many of the emergency state measures for the financial sector have remained in place, with the astonishingly low interest rates for borrowing from central banks and the associated loose monetary policy being the most visible, and yet banks continue to be reluctant to lend. This has shaped a crucial component of
the general exit strategy of avoiding government writedowns of private bank debts. The financial sector is seen as simply not able to accommodate the banks fully paying up. Whatever ‘haircuts’ may at some time be negotiated with the financial sector, particularly for some of the more desperate cases of sovereign default risks, this is not remotely a general policy orientation for the capitalist core as a whole. On the contrary orthodox banking precepts are being resuscitated especially in the financial markets which rate, buy and sell government bonds, to reassert the pre-eminence of financial disciplines over government finances.

But it is a complete nonsense to see this in terms of some objective measure of a state ‘living beyond its means’. It is the product of a particular ruling-class strategy to impose austerity on the working classes and on the public sector to pay for the financial crisis. It arises from the reassertion of the financial and market disciplines of neoliberalism. In contrast to everyday perceptions, the exit strategies represent a powerful and interventionist economic policy on the part of capitalist states to try to restore ‘market regulation’, very much along the lines of the always extensive state intervention and regulation to this end throughout the neoliberal era, as well as to reproduce, more generally, the political relations that have constituted capitalist states in this era.

The attempt to return to neoliberal financial disciplines is reasserting a further distributional dynamic that is framing the exits to austerity. The payment of debt is partly to come out of tax revenues from growth resulting from the driving up of exports via attacking the wage and regulatory components of unit labour costs. It is also to occur from a net transfer from the state sector, drawn from income support programmes, the incomes of public employees and public asset sales, to the capitalist sector through debt and interest payments, in the context of an overall decline in the level of government expenditures. The consequences of this fiscal strategy is quite transparent: the working classes, directly through wage repression to boost international competitiveness, and indirectly through tax increases and public sector cuts, should pay for the crisis and for the restoration of the economic viability of capitalist control over the financial system.

This logic is embedded in the concrete forms that fiscal strategies for the state sector are taking. In aggregate, the neoliberal ‘golden rules’ for limits on government borrowing over the business cycle are being restated as the overarching budgetary guideline. In practice, this translates into deficit and debt targets in the transition to austerity. Following positions already emerging in the EU and from IMF advisories, the Toronto G20 communiqué forwarded targets (with some variations for different countries and zones) of cutting budgetary deficits in half by 2013, and phasing in
reduction of gross debt as a per cent of GDP by 2016. In terms of taxation, the exit strategies are consistent with core neoliberal positions: an emphasis on shifting the burden of taxes away from capital toward workers, with the weight of tax increases skewed toward VAT taxes; and the only modest efforts at financial taxes are often negated by plans for further corporate tax cuts. Nowhere does an exit strategy advance anything like a systematic ‘crisis tax’ levied on accumulated wealth and high incomes.

A reorganizing of state apparatuses is also evident in the strengthening of neoliberal administrative modes and the primacy given to ‘cuts’ across all branches of the state. Fiscal control is often taking the form of a ‘specialized administrative apparatus’ such as the British ‘Office for Budget Responsibility’, to oversee the cuts, with special sanction enforced by the state executive and a capacity to probe departmental budgets. Such bodies bear some resemblance to the review boards and commissions set up in the first phase of neoliberalism in the 1980s. But not only are the current cuts more severe, there are some important administrative differences. The new fiscal control apparatuses are being given greater powers over departments; tend to be more insulated from parliamentary oversight; have greater freedom to bypass public sector unions and challenge collective agreements; and are mandated to explore asset sales, commercialization and other modes of administration of policies. Given President Obama’s difficulties with Congress, especially significant in this respect was his establishment in 2010 of the National Commission on Fiscal Responsibility and Reform, followed by his appointment as the new director of the White House Office of Management and Budget of Clinton’s old budget director, Jack Lew (whose main qualification was having brokered deals with Republicans in Congress when Clinton ‘ended welfare as we know it’).

A number of characteristic neoliberal administrative norms go along with such enhanced capacities for fiscal control. The bulk of deficit reduction is to come from expenditure cuts as opposed to tax increases; public sector wage freezes or cuts are to be directly legislated if concessions cannot be negotiated; government employment levels are to be lowered via layoffs, contracting-out, flexibilizing the labour process and even mass off-shoring of work; pension plans for public employees are to be constrained; and cuts are to be implemented such that the branches of the state supporting welfare, public education and cultural activities are disproportionately rolled-back, while departments facilitating accumulation are marginally hit, and the coercive apparatuses largely maintain their budgets.

The Toronto G20 communiqué boasted that ‘while the global economic crisis led to the sharpest decline of trade in more than seventy years, G20
countries chose to keep markets open to the opportunities that trade and investment offer’. And now ‘fiscal consolidation plans... are essential to sustain recovery, provide flexibility to respond to new shocks... and avoid leaving future generations with a legacy of deficits and debt’. The political tensions over the pacing of the exits were given expression in the G20’s contradictory call for ‘growth-friendly fiscal consolidation’ – too much austerity could damage the recovery, and yet a failure to cut deficits could harm growth and investor confidence. This unwieldy compromise reflects deeper contradictions in the politics which have underpinned neoliberalism and in the global coordination of the world market.

From its origins, the neoliberal project has rested upon raising the rate of exploitation, a massive restructuring and internationalization of capital, and financialization. State power and administration were reformed to sponsor and reinforce these particular market imperatives. The transformations re-established capitalist profitability, but raised problems of realisation of the increased value being produced. This contradiction figured at the national level in increased social inequalities with the over-consumption of the highest income strata on the one hand, and the resort to higher levels of debt by the working classes to try to sustain relative living standards on the other. At the level of the world market, with all countries driven by this ‘competitive austerity’ to export-led growth, the US acted as consumer of last resort, aided by the role of the dollar in currency markets and the depth and inventiveness of its credit markets. The austerity strategies being adopted, as many Keynesian and Marxist critics rightly point out, are designed to cause a further decline in the wage share and further reliance on export-led growth, with the sources of new net effective demand quite uncertain, except to return to the same credit markets and US imbalances that laid the conditions for the financial crisis.

The spectrum of conservative and social democratic parties adopting some form of austerity strategy has been all but encompassing. Moreover, the inertia in the political alignments in the capitalist core has a parallel in the international correlation of forces. In the wake of the crisis, an unprecedented degree of coordination between states sprang forward in the expanded form of the G20 Washington meeting of 2008 and agreement on a global fiscal stimulus. But the austerity exits have again raised the quandary of rebalancing the world market between surplus and deficit zones in international trade. This is a dilemma that has spanned the neoliberal epoch, and bred competitive rivalries in the world market. The uncertainty of how to resolve this contradiction reflects underlying national political arrangements and class alliances re-enforced by neoliberal policies. It
underlies the distinct possibility of a long period of stagnation, and the IMF’s prognosis of permanent austerity for the public sector.

Three points of dissent, raised by Keynesian critics in particular, continue to receive attention – the timing of the exits in the business cycle, their emphasis on structural adjustment, and the lack of significant adjustment of global imbalances. The three criticisms are clearly linked, all pivoting around a stampede to the exit before the crisis has fully receded and new sources of accumulation and world demand have appeared. First, the fear of ‘inappropriate timing’ is that the move to exit strategies in monetary and fiscal policies may be too soon, given the fragility of the recovery. Since the loan portfolios and reserve positions of banks have yet to fully stabilize and private investment remains insufficient to drive a new round of accumulation, there plainly are substantial risks of a slide back into recession unless fiscal stimulus is maintained. Second, it is argued that the exit strategies rely too extensively on wage and labour market flexibility and cuts in social transfers, while mobilizing extensive resources for the financial sector. The effort to re-establish the pre-eminence of monetary policy and interest rates in economic regulation comes with the cost of a huge asymmetry in the distributional burden of the exit.

Finally, the turn to austerity is seen as far too uncoordinated, with the large export zones, Germany in the EU and China in East Asia especially, cutting back from fiscal stimulus in a way that leaves, in aggregate, the world market in the exact place before the crisis began – still far too dependent on the battered US consumer markets. Indeed, current debate looks like nothing so much as the discussions of a ‘rotating Keynesianism’ between the triad of the US, Germany and Japan from the mid-1970s through the 1980s. The dilemma, then as now, is of breaking from the US as ‘consumer of last resort’, and a realignment of the quasi-fixed exchange rates between the US dollar, the Euro and, now, the Yuan. Led by Germany, the EU zone has converted to austerity and weak internal demand (compounded by the structural current account surpluses of Germany), a weaker Euro and export competitiveness; while East Asia remains too locked into its own export-oriented development models to cope with problems of surplus capacity, enormous labour reserves and ‘weak’ internal demand. The US, for its part, is calling for a quite implausible doubling of its exports as a central part of its policies for fiscal sustainability. There is indeed every reason to suggest a return to the global imbalances that existed before the crisis, but in much more adverse, inferior conditions. This lies behind the cautions of the Obama Administration at the Toronto G20, and especially its criticisms directed at Germany and China that they were not doing enough to assist in global re-
balancing in pulling back on stimulus and realignment of currencies. And they are the basis of concerns – and often alarm – of a range of liberal and left economists that the austerity exits may well engender a collapse into a ‘third depression’.  

Yet given the current class configurations, the political viability of a ‘centre-left’ alternative of a government-led Keynesian stimulus as the basis for building an alternative to neoliberalism is, at best, tenuous. For a period after the onset of the crisis, increased government spending could be funded by borrowing and a loose monetary policy, but it was always clear that eventually there would have to be a turn to taxation and struggles over distribution. With all the exit strategies rejecting a ‘repression’ of finance, the capacity to tax the capitalist class is further eroded by attempts to increase ‘international competitiveness’. The taxation demands also compete with attempts to increase private investment, and also run up against fears they will add to the constraints on consumption from the de-leveraging of household debt and declining incomes. Yet the even less ambitious project of supporting an alternate fiscal policy through a strategy of ‘shared austerity’, of spreading the work and taxing the working class to sustain the public sector while allowing overall inequalities to increase, is no less tenuous. It depends upon holding a very large political coalition together, anchored in broad sections of the working classes. The main political struggles from below are primarily directed at alleviating the worst impacts of austerity, without for the most part advancing strategies to take on other, more ambitious, objectives.

The political coalitions supporting neoliberal austerity have been remarkably resilient, with the social democratic left failing to advance an alternate coalition and programme. It is difficult to identify a case where the financial crisis has led to a crisis in the power bloc – between finance and industry, between big and small capitals, between regional centres – apart from forwarding alternate tactical agendas. It is equally hard to uncover systematic differences in approach between conservative, liberal and social democratic governments beyond the subtleties that have marked neoliberalism out from social liberalism. Even in the European peripheries, where general strikes have broken out across the spring and summer of 2010, there has not been anything approaching a parliamentary crisis from political deadlock, or a crisis in the social democratic parties, amidst the passage of radical austerity packages.
THE CUTS AND PUBLIC SECTOR STRUGGLES

The United States: one-sided class war

While the US has not suffered the worst effects of the economic crisis spawned by its own financial sector, it has been at the centre of the global financial crisis. US GDP fell from a pre-crisis growth rate of 2.7 per cent in 2007 to a -2.4 per cent rate by the end of 2009. From its 2007 level of 4.6 per cent, unemployment shot up through 2009, and by May 2010 the national unemployment rate had reached 9.7 per cent. When the level of underemployment is included, what Americans call ‘The Great Recession’ had hit over 17 per cent of the US labour force with various degrees of ‘measured’ unemployment.16

The massive $800 billion Federal stimulus program, in the form of the American Recovery and Reinvestment Act of 2009 launched by the Obama Administration, has generated heated debate over how much it contributed to the burden of public debt as part of the US recovery strategy.17 But even this level of federal state expenditure (in which the stimulative stance was designed to be sustained through 2010) could not offset the extensive cutbacks at the state level, which various estimates suggest actually pushed the national economy to contract by 0.5 per cent of GDP in 2009. From the outset of the crisis, American budgetary politics have been focused equally on the battles over austerity at the state level (and, in turn, the budgetary cuts of US cities, where radical new experiments in market modes of administration are emerging). This is occurring before anything like the American exit to austerity at the national level has been clarified.

Since the summer of 2008, 231,000 state and local government jobs have been lost and it is projected that at least a further 900,000 public and private sector jobs could be lost if the fiscal crisis gripping America’s subnational governments is not arrested. No less than 33 states are still facing budget shortfalls of 20 per cent or more in 2010; and all states combined are running an aggregate deficit of 30.2 per cent of total budgetary requirements.18 Even a brief tally of the public sector carnage is disquieting: as many as 25 states are in the process of cutting support to primary and secondary education; 34 states are cutting support to state owned colleges and universities; 26 states have implemented hiring freezes; 13 states have begun laying off workers; and 22 states have cut public sector wages and salaries.19

The last thirty-years of American history can all too easily be characterized as a one-sided class war where the ruling class has strolled from victory to victory, amidst the political and ideological disorganization of the working class. As a consequence, the degree of polarization in American incomes
has been shocking. A recent analysis of data from the Congressional Budget Office found that over the period 1979 to 2007 the concentration of income in the top 1 per cent of American households moved to the greatest level it has been since 1928, driven by dramatic growth in the after-tax incomes of America’s wealthiest households.\textsuperscript{20} Between 1992 and 2007 alone the income of the top 400 households grew by an astonishing 476 per cent, not least due to a dramatic one-third decline in the tax rate on the wealthiest, while median family after-tax income rose by only 13.2 per cent.\textsuperscript{21} But even such modest income ‘growth’ between 1992 and 2007 appears robust in comparison to the decline in per capita income by 2.6 per cent on average between 2008 and 2009. In California, Connecticut, New York, Arizona, Nevada, Wyoming, Texas, Florida, Georgia, and Minnesota, the decline exceeded 3 per cent.\textsuperscript{22}

Despite rising unemployment, state cutbacks and a trade union movement cowered by the depth of the crisis, there have been a few notable examples of resistance. This has been especially so in California, where the fiscal crisis is particularly acute, the assault on public services most aggressive, and where Republican Governor Arnold Schwarzenegger’s proposed $12.4 billion in cuts will result in the loss of 331,000 jobs (perversely, the largest number of these are in health and human services programmes that bring in federal matching funds).\textsuperscript{23} What initially sparked the mobilization of resistance was a decision by the University of California to raise tuition fees by 32 per cent. Public sector unions, and particularly those representing teachers, have been at the forefront of attempting to build a common front of resistance to austerity. Besides unions, the front has included a wide range of community and immigrant groups, as well as an extensive range of users of public services. With access to post-secondary education narrowing, questions of class, race and gender – especially of hard-hit Afro-American communities and increasingly politicized Latinos – have been a crucial dimension to the struggle. An unprecedented coalition of students and workers was forged to counter the attacks on affordable higher education. This included large scale organizing of marches, teach-ins, strikes, and building occupations. There are, as well, some inklings of a political agenda that goes beyond labour economism to entertain a more transformative politics.

The attack on public education moved the California Federation of Teachers (CFT) to organize a ‘March 4 Day of Action’ in 2010 that mobilized teachers and allies across California to picket and express opposition to cuts to education and other public services. The following day the ‘March for California’s Future’ began a 48 day, 250-mile journey to the state capital of Sacramento. The CFT understood the need to build a broader coalition
and was joined by the Service Employees International Union (SEIU), the American Federation of State, County and Municipal Employees (AFSCME) and ACCE (Alliance of Californians for Community Empowerment – previously ACORN). The objective of the march was popular education seeking to clarify for the general public what forces and past decisions caused the budget crisis, develop an understanding of the effect of budget cuts on all Californians, and identify alternative solutions, including the need for progressive tax policy.

A new campaign and coalition, the Fight for California’s Future, led by the CFT, seeks to extend resistance struggles to cuts in social services, health care, and community amenities such as public parks. What has been emerging through the struggle is a more ambitious agenda across many sectors of the movement: broadening the social wage to include free public education – pre-school through to and including post-secondary; a restoration of all public sector cuts and an expansion of public services; full citizenship rights for immigrants; among others. Also, the March 4 Day of Action went beyond California, with students, teachers and union activists in 32 states participating in demonstrations against austerity measures.

The most promising union campaigns in the US have been those which sought to broaden their appeal by speaking to issues and struggles of all working-class people – organized and unorganized – by politicizing and transforming the legalistic confines of North American collective bargaining systems. Yet, as inspiring as many of these examples of public sector common fronts of resistance to date are, they tend too often to be isolated, sporadic and without a full political understanding or organizational depth to confront what they are up against. As a result, the best examples of militant community organizing, such as POWER in San Francisco or the Miami Workers Center, tend to be concentrated in particular communities in urban centres, without any comparable state-wide or national presence. The fidelity to the Democratic Party still prevails among much of the union leadership and progressives, though it is now threadbare as a constructive alliance, and has lost its grip over much of the rank-and-file workforce. Bill Fletcher has expressed the impasse of US labour well: ‘Our unions suffer from a profound conservatism, a failure to recognize the kinds of changes that are going on, and therefore our need for a visionary movement.’ It is this kind of insight into what ails US labour that activists elsewhere also need to pay heed to.
Britain: bettering Thatcherism

Even before the financial crisis materialized in 2007, Britain’s New Labour Government had been endeavouring to eliminate public sector jobs and cap pay. In the depths of the crisis in 2009, and even as GDP contracted by nearly 5 per cent and projections for 2010 foresaw an anemic 1.2 per cent growth rate, the Gordon Brown government announced that contributions to public sector pensions would be cut by £1 billion per year through to 2011 and public sector pay increases would be yet further constrained to 1 per cent (on the assumption that inflation was growing faster). These initial steps were meant to control a fiscal deficit that had shot up to 11.3 per cent of GDP in 2009 (with gross debt at 72.3 per cent of GDP). In the first quarter of 2010, the number of unemployed in Britain surpassed 2.5 million, the highest since 1994, pushing the national unemployment rate to 8 per cent, and in some regions to as high as 14 per cent. When during the 2010 election campaign, Gordon Brown argued that Tory proposals for immediate and massive public sector cuts would risk a depression, this was at odds with what his Chancellor of the Exchequer, Alistair Darling, had stated just weeks before the election was called, when he seemingly boasted that Labour’s planned exit to austerity included public spending cuts that would be ‘deeper and tougher’ than Thatcher’s cuts of the 1980s.

On May 24, 2010, the new Conservative Chancellor of the Exchequer, George Osborne, introduced the first phase of the new Conservative-Liberal Democrat coalition government’s programme of public expenditure austerity with the promised cuts that appeared to top Darling’s reactionary boast. The cuts fell disproportionately on education, employment programmes, child trust funds and transfers to local government. The first casualties were to be an estimated 30,000 to 60,000 public sector workers who would pay for the speculation of British bankers with their jobs. This was followed by the June 22 budget, which set out to reduce permanently public expenditure by £32 billion per year until 2014-15 and to reduce public sector borrowing from 4 per cent of GDP in 2009-10 to 1.1 per cent by 2015-16. As a consequence, public sector employment is forecast to fall by at least 500,000 to 600,000 positions over the period of austerity. Treasury analysis of the ‘dis-employment’ effect of the budget leaked to The Guardian suggested that unemployment could rise by 1.3 million.

The punitive austerity of the new government has been enthusiastically greeted not only by City of London bond traders but also by the Confederation of British Industry: ‘Just as private sector firms had to take strong action to cut costs during the recession, so too must the public sector. We believe there is still considerable scope to make even greater savings by re-engineering
public service delivery.’ For the CBI, public pensions are unsustainable, a lower minimum wage for youth and apprentices is required, and the public sector workforce needs to be subjected to the flexibilization strategies that have worked so well for the profitability of business, reflecting the British Chambers of Commerce’s consistent contention that the UK is ‘becoming increasingly uncompetitive due to the rising cost of labour’. 

Britain’s ruling class has been thoroughly cohesive in seizing the opportunity to turn a crisis of financial capitalism into a crisis of the public sector and an unprecedented challenge to public sector workers. The British union and working-class movements have proven much less capable, and certainly far more fragmentated and divided, in response. In part, this is explained by an enduring commitment to the Labour Party despite a decade of ‘New Labour’ government which took up where Thatcher left off, and often went a few steps further with respect to the marketization and privatization of public services.

Notwithstanding the defensive politics of the Trade Union Congress, public sector workers have been at the forefront of resisting public sector austerity. All the main unions in the public sector have been engaged in a myriad of campaigns and fronts to defend workers and public services. This was already highlighted by the first national strike by teachers in 21 years in early 2008, followed a few months later by the two largest unions in the UK – Unison and Unite – leading 500,000 local government workers in England, Wales and Northern Ireland in a two-day industrial action. In another example, since 2007 workers at the Royal Mail, represented by the Communication Workers Union (CWU), have contended with efforts to flexibilize their work through contracting out, expanded use of part-time work, and the application of new technologies. In September 2009, a strike ballot won more than 75 per cent of votes in favour of industrial action and set in motion a series of nation-wide actions that lasted through to March 2010, when an agreement was reached with important job security commitments won (but the new coalition government will now revive New Labour plans to partially privatize Royal Mail). And under the militant leadership of Mark Serwotka, the Public and Commercial Services Union has led a series of strikes against austerity since 2004, including twice bringing out more than 200,000 workers in March 2010.

These have all been, notably, sectoral struggles by unions that have not been able to break through to new levels and forms of class struggle. The People’s Charter for Change launched in March 2009 by a coalition of leading figures on the left of the Labour Party and the broader left (including Tony Benn, Ken Loach, Billy Bragg, Suresh Grover, Peter Tatchell, and even the former
footballer Gordon Taylor, as well as MPs John McDonnell, Alan Simpson, Jeremy Corbyn and George Galloway, and union leaders Bob Crow, Paul Kenny and Tony Woodley). The Charter set out an alternative political agenda including the nationalization and democratization of finance; full employment; a reduction in working hours; raising the minimum wage to 50 per cent of the median hourly rate; the building of 3 million affordable homes; an end to privatization initiatives and to bring privatized entities back into public ownership; and improvement in pensions.\textsuperscript{37} Although it was billed as a ‘massive petition campaign’, it failed to make much impact in 2009. The Trade Union Congress voted to back the Charter only when Britain’s largest union, Unite, explicitly endorsed it (its leader, Tony Woodley, was one of the original signatories) and it was made clear that the Charter was being advanced not as an alternative to the Labour Party, but rather as a platform of policies to be campaigned for within the party. Predictably, at the 2009 Labour Party conference reference to the Charter was sparse, as it stood in stark contrast to the Brown government’s policies.

But leading up to the general election, and as a challenge to the anti-public services consensus of business and all three major parties, the Trade Union Coordinating Group, comprised of an eclectic grouping of eight unions which came together in March 2010 to plan a ‘programme of resistance’, re-endorsed the Charter, with RMT (National Union of Rail, Maritime and Transport Workers) leader Bob Crow pointing to the general strikes in Greece and Portugal as positive examples for British workers.\textsuperscript{38} This promising appearance of a potential pole of resistance to austerity emerging within the British working class, with the tentative building of some elements of a public sector common front, explicitly anti-neoliberal in its approach, was soon deflated when the leading left Labour figure behind the Charter, John McDonnell, could not secure enough nominations from fellow MPs to stand in the Labour leadership contest. It would still appear that the trade union leadership – and indeed many sections of the broader left in Britain – is incapable of getting out from under the dead weight of New Labour’s dismal project.

\textit{Ireland: social partnership for austerity}

The scope and depth of the Irish financial crisis was second only to Iceland’s among OECD countries and, consequently, the politics of shifting the burden of paying for the crisis to the public sector has been that much more acute. In 2006, the year before the crisis exploded, Ireland’s GDP grew at a solid 6 per cent. By 2008, however, the ‘Celtic Tiger’ was no longer roaring: it shrank by 3.0 per cent and by a further 7.1 per cent in 2009; and
growth is projected to be, at best, negligible for 2010. Some 25 per cent of homes in Ireland have been threatened with foreclosure through the crisis. The price of underwriting the losses in the financial sector required the Irish state to spend 10 times more per capita than did the US on its financial sector bail-out. Whereas in 2006 unemployment stood at 4.5 per cent, by the first quarter of 2010 it had tripled to 13.2 per cent. Indeed, an unprecedented 16 per cent of private sector jobs have been destroyed. As a consequence, the budgetary deficit hit 14.3 per cent of GDP in 2009, and this pushed gross government debt to 70.3 per cent of GDP.

With the adoption of the Euro ruling out the traditional route of currency devaluation in economic crises, the Fianna Fáil government of Brian Cowen, following the OECD’s advice, instead pursued a brutal ‘internal devaluation’ – a neoliberal euphemism for wrenching policies of wage concessions and public sector austerity, while framing the problem as one of the declining international competitiveness of the ‘Irish nation’ due to high wages and government expenditures. Within the course of 14 months beginning in October 2008 the government delivered three crisis budgets to the Dáil each marking a successive escalation of efforts to underwrite the crisis by shrinking public services and attacking public sector jobs and incomes. When the first of the wide-ranging cuts to education and health services were proposed, it was met by a series of demonstrations: starting with one by 25,000 pensioners and students in Dublin followed by the largest anti-government mobilization in three decades when 120,000 protested in Dublin on February 21, 2009; and culminating, a few days later, in industrial action by public servants in opposition to a pension levy that would effectively cut their pay. A movement for a national general strike was underway. But just as a major common front seemed to be surging forward, it was called off when the Labour Party refused to support it. April’s emergency budget then sought to address a further 4.5 billion euro erosion in public finances through additional income tax increases. By now popular anger at public sector cuts and tax increases to cover the financial debacle was such that in early June gains were made in the European Parliament elections not only by the Labour Party but also by the Socialist Party, while the People Before Profit Alliance and the Workers Unemployed Action Group scored strong victories in the local elections held at the same time.

By the end of 2009 the political divisions intensified, and the two-decade long ‘social partnership’ between unions and big business organizations looked to be breaking apart. The private sector unions’ resistance to the Irish Business and Employers’ Confederation’s determination to amend the 6 per cent pay increase agreed to in August 2008 led the latter to entirely
withdraw from the concertation agreement.\textsuperscript{43} At the same time, negotiations between the government and the public sector unions over how to reduce the public service wage bill by 1.3 billion euros in 2010 broke down on December 4, 2009 (a general public sector strike that had been scheduled for December 3 was successfully derailed under the mistaken belief that a settlement was at hand). In ending the negotiations, Prime Minister Cowen contended that there was no alternative to pay cuts. The December 9 budget was unequivocal in shifting the cost of the crisis onto the public sector and its workers. More than 4 billion euros in cuts were involved, including reducing public sector wages by 7 per cent and social benefits by 4.1 per cent (despite the growing army of unemployed), as well as cancelling front-line services and capital investment projects.\textsuperscript{44}

With the Teachers’ Union of Ireland calling the budget a declaration of war on public services, and the Civil Public and Services Union (representing the lowest paid public sector workers) taking a series of highly effective strike actions in January 2010 against the budget measures (disrupting everything from passport services to health administration), it appeared overall that working-class militancy was ascending. This was cut short, however, when the trade union leadership proposed that unions would cooperate in the restructuring of public services in return for rescinding the pay cuts. This, in effect, signalled their desire to return to concertation as way of managing the Irish austerity exit. The Services, Industrial, Professional and Technical Union (SIPTU) responded to concerns being voiced in the media that union actions might lead to a political crisis and destabilization of the government by explicitly stating that industrial action had no purpose other than to spur negotiations. And the public sector unions unilaterally agreed to a four week moratorium on industrial action to allow the government time to consider whether or not it would restart negotiations.\textsuperscript{45} The de-escalation by the union leadership meant that planned strikes by teachers, hospital workers, civil servants and other public sector workers were, in the course of events, abandoned.

On March 30 the unions and government arrived at the ‘Croke Park Deal’. The Deal effectively meant that public sector unions were endorsing massive public sector jobs losses (up to 18,000 was the number being mooted) in exchange for the Cowen government’s commitment that none of the job losses would be involuntary and that there would be no further pay cuts. The government remained steadfast, however, that existing job cuts would remain, and left open the possibility of reversing pay cuts only for the lowest paid.\textsuperscript{46} Despite a measure of opposition from civil service and teachers’ unions, the Irish Congress of Trade Unions urged acceptance on
the grounds that even if an ongoing industrial relations ‘war’ was taken up, it would not change the ‘external factors that are influencing the situation’. On May Day, SIPTU President Jack O’Connor suggested that although the unions could defeat the government, such a victory would still leave debt and the financial markets to be addressed, while Croke Park afforded the ‘public service considerable influence in the partnership process’. The Irish union leadership thus clings to its corporatist ‘social partnership’ as a junior supplicant within the Irish state, even while Irish capital has rejected it. Readmission to the processes of concertation became the priority for much of top leadership cadres. The door opened for a public sector common front was slammed shut.

Greek: crisis and resistance

The most militant and organized opposition to austerity to be found anywhere in Europe is found on the streets of virtually every Greek city and town. In 2007, before the depth of the financial crisis was coming to be understood and felt, there were a mere five strikes in all of Greece. Today, it is virtually impossible to keep count of the steamroller of working-class actions. Since the government announced it would move toward austerity in the early part of 2010, there have been five 24 hour general strikes (February 24, March 11, May 5, May 20 and June 29). These have presented the highest profile mobilizations, but there have been hundreds of small actions at the local and sectoral levels.

The tremendous fiscal stress which Greece faces is not because of a particularly severe recession relative to other European states. In 2007, Greece’s economy was growing at a healthy 4.5 per cent, and GDP continued to expand at a modest 2 per cent through 2007. In 2009, GDP in Greece fell 2 per cent but this was half the 4 per cent decline for the Eurozone as a whole. The economic contraction put the Greek deficit at 13.5 per cent for 2009, and gross debt at 119.0 per cent of GDP.

The source of the deficits and public debt is not, as in Ireland and Britain, a consequence of the collapse of the Greek banking system; nor is it the absurd view that the Greek welfare state and the services it delivers are too generous (it is military spending that is disproportionately high). The problems stem from the relations between the state and the Greek ruling classes, and its regressive and narrowly designed tax regime. While Greek corporate taxes are set at 25 per cent and the EU average is just below that, the real taxation level on Greek corporations is far below the nominal level as well as below the EU average. This is an aspect of several enduring features skewing the public sector: rampant corporate tax evasion; structures
of corruption leading to over-pricing of public investments and contracts with the private sector; the inconsistent collection of VAT; and a wide range of business activities including profits from the sale of Greek stocks, income from ships and shipping, and capital gains from the sale of a family business, left entirely tax exempt. The result is that Greece has one of the lowest levels of tax revenue in the Euro zone. Between 1991 and 2006, total revenues to the government averaged 37.9 per cent of GDP compared to 45.3 per cent within the Eurozone as a whole.\textsuperscript{51} In other words, the fiscal crisis is a product of widespread tax evasion and avoidance, especially by the country’s ruling class. Bringing tax revenues in line with the EU average would largely resolve the budgetary crisis.

But as Greece has become the main battlefield for the European neoliberal exit strategy, the social democratic PASOK government of Prime Minister George Papandreou, under great external pressure and, like Ireland, without the option of currency devaluation as a member of the Eurozone, presented an ‘Economy Protection Bill’ in March 2010 which outlined 5 billion in cuts. This was followed by the ‘Stabilization Programme’ that was adopted by the Greek National Assembly in May, opposed only by the Communist Party (KKE), the Coalition of the Radical Left (SYRIZA), and several deputies of the ruling PASOK. Overall, the austerity programme was projected to cause the economy to shrink by a further 3.7 per cent in 2010 and by 2.5 per cent for 2011, even as official unemployment in Greece rose to over 12 per cent (from 8.3 per cent in 2007), with the OECD suggesting that unemployment in 2011 will hit over 14 per cent.\textsuperscript{52} As in other structural adjustment programmes, the cuts meet the ‘conditions’ incorporated into the Greek ‘fiscal consolidation plan’ as part of the EU/IMF 110 billion euro Stabilization Programme for Greece (with the EU also putting in place an additional 440 billion euro in the European Financial Stability Facility).

For the public sector, the cuts are staggering; pay is immediately cut by 7 per cent and frozen for the next five years; cuts in vacations and other bonuses (which together make for a 20 per cent pay cut); contract and temporary workers in the public sector are to be terminated; for every five retirements from the public sector, only one replacement hire will be allowed; and a huge number of state corporations including Olympia Airlines, water companies, electricity producers, public transport, the post office and ports are to be wholly or partially privatized. Another central target is the Greek pensions system for all workers: the retirement age is to be raised from 55 to 60 for women and for men the retirement age will be based on some measure of life expectancy; when one does retire, the pension will no longer be based on the final year of work but rather on a calculation that will be based on the
worker’s lifetime earnings; and the number of years of work to qualify for a full pension rises from 37 years to 40. These changes are expected to result in a 45 to 60 per cent reduction in pension benefits for all Greek workers. In terms of other changes, private employers are granted greater flexibility to terminate workers, and the minimum salary for youth and the long-termed unemployed is cut by 40 per cent. While VAT is increased from 21 to 23 per cent (following on a prior increase by PASOK which had already raised it from 19 per cent), and a slew of other indirect taxes are also increased, the corporate tax rate will be brought down by 1 per cent annually to 20 per cent by 2014. The bitter irony of the Greek austerity programme being implemented by PASOK is that it will shrink the incomes of the people who actually pay taxes and thus will exacerbate the shortfall in government revenues, while cutting the taxes on the capitalists who extensively avoid paying taxes.

The May 5 general strike, called in immediate response to the introduction of the austerity programme in the National Assembly, brought 300,000 protestors out into the streets of Athens, with both the Communist Party and the independent left party SYRIZA highly mobilized in organizing the turnout, while the leaders of the Greek General Confederation of Labour (which brings the private sector unions together) were roundly criticized by the new unions of precarious workers in a myriad of service occupations for their reluctance to oppose the austerity. Militancy has been expressed as well in a growing number of occupations, including at Olympic Airlines, garbage collection centres, bank branches, and offices of pension funds, local government, the Employment Ministry, and even of the EU in Greece.53

It is by no means clear whether this remarkable opposition to austerity can be sustained and deepened. SYRIZA’s attempts to develop the ideological and organizational capacities for resistance through neighbourhood and workplace struggle committees may be important elements in establishing an organizational structure capable of resisting the government. But this may falter in face of the stifling orientation to the old-style top-down ‘popular front’ that still marks the KKE’s politics, together with the close alignment to PASOK of much of the trade union leadership, although whether PASOK can survive as a party is an open question today given the growing rift with its working-class base and the government’s embrace of police repression against demonstrators. What is clear is that the outcome of the struggle underway in Greece will have implications throughout the continent.
THE LEFT AND THE POLITICS OF AUSTERITY

The inability of the liberal and social democratic centre – certainly at the level of political forces – to advance an alternative exit strategy to neoliberal austerity needs to be incorporated into the calculations of the socialist left. So does the fact that the current fiscal crisis does not at all correspond with a crisis of the state rather than the entrenchment of neoliberal forms of administration and budgetary policy. Above all it is necessary to come to terms with the resilience of political alliances within ruling classes at the national and international levels, on the one hand, and the inability of working classes and the socialist left to address its own organizational crisis and marshal an anti-capitalist programme, on the other. To be sure, the left needs to be alert to several forces that have been prominent across the range of struggles that have emerged: public sector workers facing layoffs and wage concessions, coping with reduced quality of services, or fighting privatization; community groups, social agencies and users dependent upon public services; and the union and social movement activists and radical left that have distanced themselves from social democracy. These are, more or less, the social movements and strata that have been struggling to form an anti-neoliberal alliance and an alternate organizational practice out of the crisis of the left for two decades. With the hardening of the political right and the centre-left either tracking the austerity exit or failing to offer a plausible alternative, a new political opening is emerging in the common fronts of resistance to austerity.

It is also necessary for the left to take into account how abjectly the austerity exits expose the degree to which the existing political parties and the senior state administration do not represent the ‘general interest’ or a plausible stance of ‘neutrality’ toward financial capital. The political dominance of financial capital at the heart of the state, often directly in the political executive and senior levels of administration, in forming the exit strategies, candidly shatters illusions of the ‘impartiality’ and ‘economic necessity’ of neoliberal market disciplines and state autonomy. The efforts of ruling blocs to mobilize the ‘national-popular’ imagery of the nation – ‘saving the Greek nation’, ‘a strong Wall Street is a strong America’, ‘the British people pulling together’ – in support of the rescue and exit strategies lack credibility among ordinary citizens. The sheer falsity of these claims provides space at the ideological level for alternate interpretations of the crisis, the cuts and, more fundamentally, of capitalist democracy.

The common fronts of resistance to the cuts have thus been able to present themselves to some extent at the axis of a division between ‘the people’ and the ‘banks and the state’ in the general strikes, mass demonstrations
and an array of other direct actions such as office and plant occupations. There have, of course, been huge differences in the ability to sustain these political actions, as the examples above have shown. Yet the political space has been opened for anti-austerity fronts to deepen and unite political struggles of public sector workers, user groups and the wider left, even if only by initially campaigning around the distributional question of who should pay for the crisis. In implementing austerity and expanding neoliberal modes of administration, the parliamentary parties, the political executive and senior administration have objectively set themselves against public sector workers over the form of state administration, work intensification and pay, the quality of service delivery and democratic accountability. User and community groups are, in turn, directly impacted by the level, quality and availability of public service provision. This should provide more and more opportunity for linking these struggles, for example, between transit workers and riders; between settlement workers and migrants; between library workers and readers; and so forth.  

Struggles that begin as defensive mobilizations about the level of service, the attack on wages and the distributional inequities of austerity will quickly come face to face with the broader neoliberal exit agenda. This should allow democratic struggles over the legitimacy of the austerity programmes to contest neoliberal discourses, and indeed its administrative programme. These struggles can resonate with questions of social justice and community control; and they can help foster the construction of political alliances where services are delivered across widely dispersed places. The political challenge is to generate organizational linkages so that struggles for community control can fuse with struggles over the state from bases both inside and outside the state, at various scales of political struggle.

But it should by now be evident that the fronts of resistance confront a still-powerful neoliberal state and a power bloc vigorously advancing its interests nationally and internationally. This makes it crucial to offer systematic critiques of the failings of capitalism and develop visions of and programmes for socialist alternatives. Some of these were beginning to take shape in the first phase of the crisis – around green jobs, seizing and converting shutdown plants, deepening collective provision in the ‘caring sectors’, worktime reduction and many others. New strategies were also emerging in terms of finance, pivoting around bank nationalization, and from there to unhinging government finance from private bond markets, and forming new mechanisms for implementing capital controls.  

These types of visions and programmes need to be anchored in the concrete struggles of public sector workers and communities, and linked
to national struggles at the summit of the state over the political legitimacy and the distributional impacts of the austerity exits. This approach would dispense with the false juxtaposition – itself a reflection of the crisis of the left – of struggling inside the state and over parliaments at the national level or outside the state and in the streets at the community level. Rather, the anti-austerity struggle has to be waged on two fronts: inside the state and at its summits where political power is concentrated and the agenda of neoliberalism is being advanced; and in public sector workplaces and communities where struggles over the cuts can be directly contested and alternate forms of administration and control explored.56

No economic crisis follows an exact script. Who would have foretold that, three years after the American working class started failing to meet mortgage payments on their piece of the American Dream in 2007, general strikes would erupt across Europe in the spring of 2010 over public sector cuts and form the fulcrum point of the crisis? And more soberly: who would have thought that the greatest bout of financial turbulence in the history of capitalism would only expose more than ever the political vacuum that has been left by the defeats of militant trade unionism and socialist politics in the late 20th century? But taken together, these two realizations may yet clarify what needs to be done.

NOTES


2 The focus here is on the fiscal imbalances from the crisis, and not the longer term structural pressures on the public sector placed on revenues from neoliberal policies. Nor is the focus on the tendency for social needs to grow as capitalism develops and thus placing socialization pressures on the state. This is the case with education, healthcare, daycare, and so on. This latter contradiction has been handled under neoliberalism by various forms of privatization, commercialization, subsidization and elimination. On the origins of this fiscal crisis see the classic works: James O’Connor, The Fiscal Crisis of the State, New York: St. Martin’s Press, 1973; Ian Gough, The Political Economy of the Welfare State, London: Macmillan, 1979.


4 Greg Albo, Sam Gindin and Leo Panitch, In and Against the Crisis: The Left and Strategic Alternatives, Oakland: PM Press, 2010, pp. 109-14; Willem Buiter,


15 Indeed, the ‘fiscal workout’ by the social democratic government in Sweden in the 1990s, after its banking crisis, is generally invoked as a model for the austerity exits. Papandrou in Greece and José Zapatero’s Socialist Party in Spain have been in the forefront of imposing public sector cuts, without exploring alternate strategies or fostering political mobilizations.


17 This pushed the general government deficit for the US for 2009 to 11.0 per cent, and gross debt to 83 per cent of GDP. These figures are drawn from:


25 None of these actions, however, were as dramatic as the struggle over public sector cuts and higher education that has held political centre stage in Puerto Rico. There political conflicts over budgetary cuts were punctuated by a one-day general strike on October 15, 2009, and continuing political strife. The general strike itself was led by public sector unions who mobilized 200,000 workers for a demonstration in San Juan. The strike was in response to the threat from the governor that 12 per cent of the Puerto Rican public workforce would be laid-off in an effort to address a $3.2 billion budget deficit, and to the use of ‘economic emergency’ powers to override collective agreements and existing labour laws that prohibit unjustified termination of public employees. Public sector fightbacks continued in 2010, including at the 11 campuses of the University of Puerto Rico, where a two month student strike unfolded over cutbacks and tuition hikes. See Roberto Ramos-Perea, ‘Explosive Political Situation in Puerto Rico’, *America Latina en Movimiento*, 30 June 2010, available at http://alainet.org.

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30 ‘Cutting now remains a risk to recovery’, The Independent, 14 May 2010.


38 John Millington, ‘Eight unions join forces to combat cuts’, Morning Star, 7 March 2010.


43 The concertation of national level collective bargaining or ‘social partnership’ emerged in 1987 in response to the economic crisis of the 1980s. From that point forward, a corporatist, multipartite system of bargaining extended into the framing of economic and social policy. The trade-off embedded within the process was between taxes and wages and has led critics of the process to contend that rather than improving working class social and economic conditions it has instead contributed to and legitimated relative wage and income inequality, as well as comparatively high levels of poverty and low levels of expenditure on public services.

44 ‘Lenihan says “worst is over” as 4bn euro in cuts unveiled’, The Irish Times, 9 December 2009.


Eurostat, ‘Real GDP Growth Rate’ and ‘Unemployment Rate by Gender, Total’.


Hilary Wainwright, Public Service Reform… But Not as We Know It, East Sussex: Picnic, 2009.
