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Economic crisis

Several doctrines for the same shock

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During the first phase of the world economic crisis (2007-2009), the governments of the countries most affected by the crisis, starting with the United States, have taken strong measures, drawing upon lessons of the first months following the Wall Street crash in October 1929. Back then, the lack of State intervention to support both the financial system and demand led to very grave consequences in terms of recession and bankruptcy, then to political and social radicalisation.

In reaction to the impact of the 1929 laisser-faire response, a certain number of measures were taken in the North to cushion the impact of the financial crisis: massive aid to banks, injection of an enormous mass of liquidities to keep credit and trade from drying up, lowering the interest rates of the US Federal Reserve followed by the Bank of England and the European Central Bank…

Measures have also been taken in terms of limiting erosion of the public's income and consumption. Social stabilizers have been implemented, i.e. several schemes to guarantee income or provide a substitute income independently of economic activity. In several countries, these schemes were extended for several months to expand their social safety net role. Recovery plans consisted of increasing public spending to make up for the fall in private spending. In this context, some people imagined that in the face of the crisis, the governments led by Barack Obama, Gordon Brown, Nicolas Sarkozy, José Luis Zapatero, José Socrates or even Angela Merkel and Silvio Berlusconi would make a Keynesian turn: a structural increase in public spending, concessions to wage-earners, strict rules imposed on financial firms, a halt to the privatisation wave or even resort to long-term nationalisations[Barack Obama, Gordon Brown, the Netherlands government and some others did undertake some isolated nationalisations in 2007-2008, but with the sole aim of preventing an utter failure of the financial and real estate sectors.]. This didn't happen.

In hindsight, it is reasonable to think these "social shock absorbers" were only implemented temporarily, merely in order to soften the recession and limit the risks of potential social unrest due to the crisis provoked by the combined effect of bankers' appetite for maximizing profits and several decades of neoliberal policies. In fact, in 2008, parties in power and editorialists at major financial media were really afraid that awakening public opinion to a radical critique of capitalism would lead to a popular mobilisation in favour of revolutionary changes. This distress was particularly keen when, in Greece, the rightwing New Democracy government rapidly resorted to austerity measures, provoking a social explosion in December, 2008 and leading to its stinging electoral defeat in the early legislative elections in October 2009.

As for the former Soviet-bloc countries that have become part of the European Union, in particular those that have joined since 2004, the shock doctrine was applied from 2008. The IMF presence since 10 to 15 years strengthened and facilitated this orientation, not without provoking large social mobilizations in certain countries. In Iceland, which is not a European Union member, the shock doctrine was applied swiftly, provoking a very broad popular mobilization and a major political crisis that brought down the government and rejection of a foreign debt repayment scheme in a referendum.

To avoid such an outcome, demand-stimulating expenditures were made in 2008-2009 in the United States, Germany, Spain, Great Britain and France. By taking such action, the governments put off implementation of shock doctrine[See Naomi Klein, The Shock Doctrine, the Rise of Disaster Capitalism, Knopf Canada, 2007], i.e. the use of a major psychological shock (such as one provoked by a large-scale crisis, a natural disaster or a terrorist attack) to bring in a new wave of neoliberal reforms and brutal economic measures that would be unthinkable in normal times.

Government leaders of these countries (supported by the European Commission in that continent) thus combined bank and insurance bailout with setting up a few social shock absorbers, and to succeed in calming down social discontent against bankers, government leaders themselves spoke out against the bad apples at the head of certain private financial institutions. They even criticised a certain type of rogue capitalism and some of them called for putting capitalism on new foundations.

Moreover, at the time, they did everything to avert bringing up the risk of a massive increase in public debt, so as not to attract attention to its main cause: the exorbitant cost of bank bailouts, without the money poured in being used to impose public controls on the financial sector or be recovered from the holdings of these banks' major shareholders.

The implementation of shock doctrine in these countries came about later, starting in 2010, after it was applied in the most fragile countries in the debt chain and the Euro zone: Greece, Ireland, Portugal… Today, while governments vie with each other to impose ever more brutal and dramatic austerity therapy, it is fundamental for public opinion to know exactly how we wound up in such a situation. Running headlong to keep up with the demands of financial markets, the governments of the most industrialized countries have made their own citizens foot the bill.

As bank bailouts required investments very risky for immediate profits, on the one hand, and tax policies greatly favouring the richest, on the other, have meant the more humble classes are paying more and more for the consequences of the world crisis and of congenitally unegalitarian capitalism. In other words, the victims of the crisis wind up having to foot the bill for those who caused it. This explains why millions of people experience this as a deep injustice. Such a sense of injustice could trigger a powerful response.

Translated by Marie Lagatta