Calls for European "growth" policies signal new attacks on workers

Johannes Stern in Paris
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Last week a series of leading European officials called for a shift in fiscal and economic policies in Europe. They called for more growth-oriented policies, including some changes to the European "fiscal pact" signed in March by 25 of the European Union's 27 member states, which focused on cutting state spending and public services to rapidly eliminate budget deficits.

On Wednesday European Central Bank (ECB) President Mario Draghi stated that more growth in Europe is necessary to combat the crisis. "We've had a fiscal compact," he said. "What is most present in my mind now is to have a growth compact."

This came only two days after Dutch Prime Minister Mark Rutte resigned after his minority government failed to get backing for planned austerity measures from the right-wing anti-Islamic PVV (Party for Freedom).

The two remaining candidates in the French presidential elections—who are both calling for deep spending cuts in the French budget—also called for more "growth" policies. Socialist Party (PS) candidate François Hollande renewed his call for a "growth pact" and the renegotiation of the European fiscal pact at a press conference on Wednesday in Paris. He said that, if elected on May 6 against his conservative rival, incumbent President Nicolas Sarkozy, he would send a letter to the leaders of the European Union member states, proposing a "growth pact."

Before the first round of the French presidential elections, Sarkozy also fell more into line with Hollande's rhetoric—though he had been, with German Chancellor Angela Merkel, one of the fiscal pact's main architects. He called for a more active role of the ECB at a Paris rally: "If the Central Bank does not support growth, we will not get enough growth." He called for a devaluation of the euro and said that if Europe instead chooses deflation, "it will disappear; we must remember the 1930s."

Such calls for tacking on a few "growth" policies to the anti-worker agenda of social cuts pursued by the European financial aristocracy after the outbreak of the 2008 economic crisis are reactionary. They do not signify any significant attempt to create jobs and build industry. Rather, they seek to carry out further attacks on wages and social programs, while handing out more money to the banks and selected industries.

In Greece, Spain and Italy the austerity policy has thrown the economies into recession and pushed unemployment and poverty rates to staggering levels. Measures imposed by the EU and the International Monetary Fund have only deepened the sovereign debt crisis, threatening to throw the whole euro zone into a deep economic depression.

The clearest indication of the character of these calls for "growth" policies is that they are supported by the same financial institutions whose criminal mismanagement led to the crisis in the first place.

On Thursday rating agency Standard and Poor's downgraded Spain by two notches, citing rising Spanish debt as Spain's economy contracts further. It praised the Spanish government's structural and labor reforms—which have played a key role in increasing unemployment and attacking workers' living standards—but then raised concerns about the lack of economic growth in Spain. The agency also criticized Europe's handling of the debt crisis, saying that it "continues to lack effectiveness" and proposing "further fiscal support."

After Spain was downgraded, Spanish Prime Minister Mariano Rajoy noted: "Austerity isn't a policy of [German Chancellor] Angela Merkel. This is the policy of the European Union, the euro, a project which we all are part of."

As for the French PS candidate, Hollande, he has stated that he is in full agreement with the "austerity component" of the fiscal pact, indicating that his goal is to carry out massive attacks on workers' wages and living standards.

He has attacked rising wages and falling French competitiveness, treating them as a problem to be blamed on the policies of PS's conservative rivals over the last 10 years: "Labor costs have been on the rise since ten years, but who has been in power in the last ten years? There have been levies that have become cumbersome on business, and there is degradation of competitiveness. The best proof: a [French] trade deficit of 60 billion, which is a record."

One of the main goals of Hollande's program is to achieve a balanced budget in 2017 and carry out deep attacks on the workers to make France more globally competitive. France has dramatically lost ground in the last decade, particularly against Germany, its main rival in Europe. To finance French industrial and infrastructure projects, Hollande demanded looser regulations on EU structural funds and the ECB and called for the creation of euro bonds.

Signals from the French bourgeoisie and Wall Street financiers that they are seeking to shift economic policies set the stage for intensified conflicts over economic policies inside the euro zone, particularly between Germany and France. Since the outbreak of the crisis, Berlin has resisted demands for euro bonds and a more inflationary ECB policy. It is reluctant to subsidize the banks and economies of its European competitors—either by lending money to these countries itself, or letting the ECB print more money to lend to them.

Merkel responded to demands for more growth policies by stating that she opposes renegotiating the fiscal pact. She said that Europe needs growth "in the way that Mario Draghi, the president of the European Central Bank said it...that is, in the form of structural reforms."

She described the "growth policy" as "second column" to support the austerity policy to deal with the European sovereign debt crisis. She opposed "state bailouts of industry," citing the success of "radical labor market reforms" in Germany.

In the short term, however, officials are signaling that they will try to work out a compromise policy despite their divergent interests. Jean-Marc Ayrault, a senior Hollande adviser, said that "France and Germany must take a step towards each other." He said that, if elected, Hollande would immediately visit Merkel to discuss "the project of re-launching growth in Europe."

Merkel stated that both Sarkozy and Hollande are "pro-European candidates," with whom she will work, no matter who is elected on May 6.

Jörg Asmussen, the German member of the ECB executive board, proposed that the fiscal pact "could be complemented by growth-promoting actions at the level of the member States and the euro zone."

German Finance Minister Wolfgang Schäuble also conceded that "fiscal consolidation"—that is, budget cuts—are "necessary" but "not sufficient" to deal with the crisis.