The European "growth pact" fraud

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8 May 2012

The worsening economic and social crisis in Europe, marked by rising unemployment and deepening recession resulting from the austerity programs being dictated by the financial markets, has sparked calls from sections of the political and media establishment for the initiation of a "growth pact."

In an editorial published last Saturday entitled "A pact for growth is vital for Europe", the *Financial Times* pointed to the "recent groundswell in favour of more growth-oriented policies" and declared that the central issue in the Greek and French elections was not who won "but how to get the continent growing again."

On the eve of the French elections, the EU commissioner for economic and financial affairs, Olli Rehn, declared that while "fiscal consolidation" was necessary it had to be done in a "growth-friendly" way.

Incoming French president Francois Hollande, who has said he wants to revise the European fiscal treaty, told his supporters that his election signalled hope for Europe and that "austerity does not have to be inevitable."

No doubt others will add their voices in the coming days to what has become a growing chorus. But no one should be fooled into thinking that these calls represent a reversal on the part of the financial and political elites and an abandonment of the austerity programs that are bringing social devastation. Any so-called "growth pact" would not be aimed at restoring jobs and social conditions. Rather, it would have as its central goal the creation of more profitable conditions for business, above all by lowering real wages and initiating deeper attacks on working conditions.

The calls for a growth pact are not motivated by concerns over the social impact of the austerity programs but by the recognition that the continued stagnation of the eurozone means it is falling behind its rivals. The latest economic statistics point to the intensification of the crisis as it spreads from the so-called peripheral countries into Europe's stronger economies.

The unemployment rate across the 17-member eurozone reached 10.9 percent in March, the highest since the euro was introduced in 1999. Much of the increase took place in countries that have been the target of austerity measures, such as Spain, where the jobless rate is almost 25 percent, while youth unemployment stands at more than 50 percent. In Germany, where the unemployment rate had fallen to its lowest level since reunification, unemployment rose by 19,000.

Economic contraction is set to continue with the eurozone's monthly purchasing managers' index, which tracks sales, employment, stock levels and prices, falling to 45.9 in April down from 47.7 the previous month. Anything below 50 points to an economic contraction.

Altogether eight eurozone countries, including Greece, Spain and the Netherlands, have experienced negative growth for two quarters or more, the common definition of a recession. It is measure of the economic malaise across the continent that a report in the *Financial Times* (FT) pointed to the anaemic growth rate of 0.3 percent in the Belgian economy during the first quarter as a sign that "economic expansion was possible."

Some of the loudest calls for European growth have come from the United States where treasury secretary

Timothy Geithner has warned of the negative impact of spending cuts and a "self-reinforcing negative spiral of growth-killing austerity." Former US treasury secretary Lawrence Summers has likewise pronounced the present eurozone program a failure and called for growth measures.

These calls are entirely self-serving. They reflect US fears that the continued European decline will severely impact on the American economy and financial system. While warning of the impact of austerity in Europe, Geithner is a key official of the Obama administration whose policies have produced six straight quarters of cuts in total government spending, resulting in significant job losses.

The same national self-interest is at work in the calls by the *Financial Times* for greater European growth. In a recent editorial, on what it called the "right kinds of austerity policy", the FT declared its support for the British government's fiscal strategy while criticising "excessive zeal" for cuts in the eurozone and in the US. The seeming inconsistency is explained by the fact that the FT is the spokesman for the financial interests in the City of London. They would like to see greater growth in the rest of the world but oppose "fiscal laxity" in the UK lest it weaken the British pound and impact on their operations.

The recent statement by European Central Bank president Mario Draghi on the need to put growth at the centre of eurozone policies is not aimed at reversing the austerity drive. Rather it amounts to a call for an offensive of wages and working conditions to make Europe more internationally competitive.

Draghi reflects the position of European policy makers who look to the US and the "restructuring" carried out by the Obama administration, especially in the auto industry. This has produced such a downward shift in wages and conditions across manufacturing that the US has now become competitive with some of the world's cheap labour regions. While real wages in the US have declined, productivity has increased to such an extent that the same gross domestic product reached in December 2007, officially the start of the recession, is now being achieved with 5 million fewer workers.

Draghi's "growth compact" proposal is aimed at trying to emulate the US "model." It points to the need for "structural reforms" across the eurozone along with "labour reforms" to boost "flexibility" and "mobility"—all code words for scrapping previous working conditions and doing away with restrictions on employers' ability to hire and fire at will or introduce two-tier wage systems such as those operating in the US.

Any "growth pact" will not open a way out of the economic and social crisis but will signify a further "restructuring" of economic and social relations aimed at driving down the social position of the working class. The working class must respond with its own independent program aimed at the restructuring of the entire European economy on socialist foundations to meet the needs of its people rather than the interests of the banks and transnational corporations.