OECD warns of lower growth, increased unemployment

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In its most recent report, the Organization for Economic Cooperation and Development (OECD) revised its forecast for the world economy, sharply cutting projections for its member states and warning of the possibility of a “deep recession and deflation, with large additional rises in unemployment.”

The OECD is an international economic grouping of 34 countries, including western Europe, the United States and Japan.

The current forecast points to a continued slump in the world economy, and the potential for a global recession on par with what began with the housing market crisis in 2007. It predicts that the gross domestic product of its member states, all of which are considered “developed” countries, would expand only 1.4 percent in 2013, revised downward from 2.2 percent from the OECD report issued six months ago.

It now expects the euro zone to contract 0.1 percent in 2013, down from a previous forecast of an expansion of 0.9 percent. Europe's economy is expected to shrink 0.4 percent this year, compared to a 0.1 percent contraction predicted previously.

The US economy is only expected to grow 2.0 percent rather than the 2.6 percent predicted in May, and growth in Japan has been revised downward from 1.5 percent to 0.7 percent. The expectations for US growth are significantly below figures released by the US Federal Reserve in September.

The OECD predicts that Greece, Spain, Portugal, Slovenia, Italy and Hungary will contract again next year, while Belgium, the Czech Republic, the United Kingdom and the Netherlands will show a GDP contraction for this year. Germany, the economic powerhouse for the euro zone, is expected to have GDP growth of only 0.6 percent next year, down from 0.9 percent this year.

The only country that is predicted to have a continued contraction into 2014 is Greece, which is predicted to contract by 1.3 percent in that year.

The unemployment rate of Europe was raised from 10.8 percent to 11.1 percent for 2012. The total OECD unemployment rate is expected to rise from 8.0 percent in 2012 to 8.2 percent in 2013.

Significantly, the report acknowledges that the current figures are based on the assumption that in the US, the “fiscal cliff” is averted and that Europe avoids a banking crisis in Spain, Portugal and Ireland.

The Secretary-General of the OECD, Angel Gurría, said at the launch of the report in Paris, “The US ‘fiscal cliff’, if it materializes, could tip an already weak economy into recession, while failure to solve the euro area crisis could lead to a major financial shock and global downturn.”

The report warned, “The risk of a major contraction cannot be ruled out,” especially if the European debt crisis is not resolved. It also referred to the situation in the US, saying, “If the fiscal cliff is not avoided, a large negative shock could bring the U.S. and the global economy into recession.”

In fact, the measures that are being proposed by the American political establishment in response to the “fiscal cliff”—including deep cuts in social programs—will also have a significant impact on economic growth. Intensifying austerity measures are also being implemented throughout Europe, which will further depress the economy.

The report also warns that the euro zone is facing the possibility of collapse. “The euro area, which is witnessing significant fragmentation pressures, could be in danger.”

The generally negative outlook of the report by the OECD occurs after the recent meeting of the

International Monetary Fund in October, where geopolitical tensions flared in a variety of areas. Tension broke out over Greece in particular, with Germany worried that an extension of time for Greece to pay its debts will hurt German banks. In contrast, Great Britain and other European countries, along with the US, are concerned about the catastrophic consequences of any cutoff of aid to Greek banks.

The IMF meeting also laid bare divisions between OECD and non-OECD nations over certain policies, particularly quantitative easing—essentially the printing of money to cover debts. The OECD approves of the "current policies in the United States," referring to the policy of quantitative easing. It also said that, "Lower interest rates, where possible, and much stronger additional quantitative easing would be merited in all economies."

Quantitative easing raised criticism's from Brazil's finance minister, Guido Mantega, at the IMF meeting, who warned that "currency wars" could erupt as a result of this policy.

Underlying these economic figures is an intensifying war on the working class, in Europe, the United States and Asia. The political establishment responded to the financial collapse of 2008—which set off a global recession—with a massive bailout of the banks.

The assumption of the bad debts of the financial elite by national governments has led to soaring debts, which have prompted demands for historic cuts in jobs, wages and social programs. This ruthless class policy has only exacerbated the underlying economic crisis and set the stage for another financial collapse.