# Forecasting more recession and unemployment, the EU demands more austerity

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The European Commission (EC), the administrative arm of the European Union (EU), issued a grim economic report Friday. Its Winter Forecasts predicted that 2013 will mark the second straight year of negative growth in the 17-nation euro zone and a mere 0.1 percent increase in the gross domestic product (GDP) of the whole of the 27-nation EU.

Unemployment will hit a new record of 10.7 percent for the EU in 2013, up from 10.3 percent in 2012, and rise further to 11.0 percent in 2014, the EC said. Joblessness in the nations using the euro currency will hit 12.2 percent this year, with the unemployment rate in Spain rising to 26.9 percent.

All of the economic growth projections were revised downward from those contained in a November report, and the unemployment figures were revised upward. The numbers provide only a pale reflection of social misery and impoverishment already on a scale not seen since the 1930s and about to increase.

Acknowledging that the deepening slump was caused mainly by depressed consumption resulting from severe austerity measures, making it impossible for nations such as France to meet their deficit-reduction targets, Olli Rehn, the European commissioner for economic and monetary affairs, nevertheless demanded that EU member states “stay the course of reform and avoid any loss of momentum.”

Rehn hardly bothered to conceal his role as spokesman for the banks and financial interests, declaring that easing off on the dismantling of social services and slashing of jobs, wages and pensions “could undermine the turnaround in confidence that is underway.” He called the EC Winter Forecasts a “building block” in the effort to regain the trust of investors.

The EC predicted that euro zone GDP will shrink by 0.3 percent in 2013, as against the 0.1 percent growth previously anticipated. Euro zone GDP contracted by 0.6 percent in 2012, belying EC predictions of a 0.1 percent expansion.

The new forecast has economic growth crawling along in 2014 at 1.6 percent for the EU as a whole and 1.4 percent for the euro zone.

In his statement, Rehn singled out Spain, Portugal and France for failing to cut their deficits to agreed targets. The EC said France’s slumping economy would result in the country’s budget deficit for 2013 hitting 3.7 percent of GDP, down from 4.6 percent in 2012 but well above the official target of 3.0 percent.

France is to be allotted an additional year to make the cuts needed to bring its deficit down to the agreed level. But the EC predicts it will manage a mere 0.1 percent increase in GDP this year, not the 0.4 percent previously predicted.

The EC prediction for Spain is for deficits to continue to far exceed targets—6.7 percent this year against a 4.5 percent target, and 7.2 percent in 2014 against a 2.8 percent target.

Portugal’s economy shrank 3.2 percent in 2012. It is forecast to contract by 1.9 percent this year and will need an additional year of austerity measures to meet the EU’s demands.

The EC warned that Italy’s economy will shrink by 1 percent in 2013, double the 0.5 percent previously expected.

Cyprus faces a catastrophe and a possible bailout, with a 3.5 percent contraction in GDP, double the previous estimate.

Germany, Europe’s economic powerhouse, is expected to grow by just 0.5 percent this year.

Britain, which is not in the euro zone, was told it would need to impose further austerity measures as it was not on target with its deficit reduction plans. Though France is described as the “sick man” of the euro zone, Britain’s overspending is the worst in Europe, despite savage cuts. Deficit spending is expected to increase to 7.4 percent of GDP in 2013 from 6.3 percent in 2012.

In all, seven euro zone economies are expected to contract in 2013, with the Netherlands joining Italy, Spain, Greece, Portugal, Cyprus and Slovenia. The Dutch economy is forecast to shrink by 0.6 percent this year, while Greece contracts by 4.4 percent.

The commission warned that Europe's unemployment crisis is a desperately serious problem, but offered prescriptions for more austerity that will make the situation worse.

Last month, the International Monetary Fund warned, "The euro area continues to pose a large downside risk to the global outlook.... In particular, risks of prolonged stagnation in the euro area as a whole will rise if the momentum for reform is not maintained."

That message has now been amplified by Rehn and the EC. It is one that Europe's ruling parties are more than ready to hear.

Cutting the deficit in order to fill the coffers of the banks and major corporations is a shared global imperative—whatever the formal political colouration of governments. Indeed, Rehn's declaration the previous day that more attention needed to be paid to long-term recovery, and his proposal, in line with IMF recommendations, that repayment schedules for some countries be extended by a year, met with criticism from the European Central Bank, Germany and Austria.

German Social Democrat Jörg Asmussen, who sits on the board of the European Central Bank, insisted that France not be let off the hook, as it had not made the type of cuts imposed in Spain and elsewhere.

France was dubbed a "problem child" by Michael Fuchs of German chancellor Angela Merkel's Christian Democratic Union. He told *Deutschlandfunk* radio, "The French need to do their homework—they're very, very behind other countries and that is alarming because France is the second biggest economy in Europe."

Opposing any slowdown in the imposition of cuts, Harald Waiglein of the Economic Policy Directorate at the Austrian Finance Ministry said, "There might be good macroeconomic arguments, but I think it would be highly damaging to our credibility. We run the risk of being seen as lax again."

The deepening of austerity has already produced explosive social tensions throughout the continent, with mass protests involving millions in Greece, Spain and Portugal and the fall of governments associated with plunging the working class into a waking nightmare of poverty and mass unemployment.

Europe's rulers have relied entirely upon the services of the labour and trade union bureaucracy and pseudo-left formations such as Greece's SYRIZA to dissipate social and political opposition to cuts, job losses and the decimation of social services. Rehn himself has acknowledged this, insisting in an address to a European Trade Union Confederation conference last month that the "trade unions have an essential role in the economic recovery of Europe."

Europe required "reform for the sake of sustainable growth and job-creation, and reform to reinforce the competitiveness of European industry," said Rehn, alluding not only to the gutting of social welfare programmes, but also to labour market "reforms" that will eliminate protections against layoffs and speedup.

"Constructive social dialogue" between employers and the trade unions "has been a key factor in the successful management of economic crises and structural change," he continued, calling for the creation of an EU tripartite format involving governments, corporations and trade unions.

However, the more closely the unions and their pseudo-left political bedfellows are associated with austerity, the more politically explosive the situation becomes. This week, the right-wing government of Prime Minister Boiko Borisov in Bulgaria resigned in the face of mass protests against declining living standards, precipitating new elections.

The *Financial Times* called this a "warning for other European countries" that "social unrest can break out with sufficient force to topple governments even in countries not directly hit by crisis." It went on to warn that "the danger exists that radical parties will be the beneficiaries in a fragmented parliament."

Thus far, it has been the right wing that has capitalised on the support of the supposed "left" for the EU and for "necessary cuts." But the conditions now exist for the left-moving anti-capitalist sentiment of tens of millions to begin to find mass political expression.