Deflationary tendencies intensify in Europe as unemployment remains at record levels

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According to the latest figures from the European Union statistical service, Eurostat, unemployment remains at record highs in the 17-nation euro zone while deflationary tendencies are intensifying. The latest figures refute a spate of recent media articles reporting that Europe was emerging from the economic crisis which began in 2008.

According to the Eurostat report issued late Friday, unemployment in the eurozone remained at a record high of 12 percent in October, while inflation dropped once again to a new low of 0.7 percent in January. The decline in price inflation reflects the devastating impact of the austerity programs across the continent pressed for by the German government and implemented by the European Union.

The fall in price inflation in successive months is due primarily to the impact of growing unemployment and shrinking incomes on consumer spending. The 0.7 percent figure for January is well below the 2 percent target for price inflation set by the European Central Bank.

Fears of the repercussions of the growing shift towards deflation in Europe were expressed by *Financial Times* columnist Wolfgang Munchau on Monday. In an article that begins, "So much for 'crisis over'", Munchau cites the developing crisis in a number of emerging economies expressed in the fall in recent days in the value of the Turkish and Argentinean currencies. Any deepening of the crisis could tip Europe into outright deflation, i.e., falling real prices.

Munchau writes: "For an economy on the brink of deflation, a currency crisis next door is the last thing that you want to happen. And this is not just a problem for Greece and Cyprus but for the euro zone as a whole…. A single large shock may be all that is needed. What is happening in Turkey and Argentina may constitute such a shock. And I have not even begun to talk about the possible consequences of shifting economic policy in China."

The human misery resulting from the policies of the European elite finds its sharpest expression in the growth of mass unemployment and poverty.

According to the latest Eurostat figures, unemployment remains highest in countries which have been subject to EU-IMF austerity programs, e.g., in Greece, 27.8 percent and in Spain, 25.8 percent (both in October). According to Eurostat: "Compared with a year ago, the unemployment rate increased in fourteen Member States, fell in thirteen and remained stable in Sweden. The highest year on year increases were registered in Cyprus (17.5), Greece (27.8), the Netherlands (7.0) and Italy (12.7 percent)".

At the same time, a report in *Bloomberg News* last week indicated that the Eurostat figures are a gross underestimation of the real extent of unemployment in Europe. Eurostat's unemployment rate includes only those who actively sought work in the previous four weeks and are available to start within the next two weeks. The resulting official total of unemployed is 19 million. A separate evaluation by Bloomberg for the third quarter of last year based on the Eurostat figures *plus* the number of people who have given up looking for a job or are not immediately available to work reveals a much higher total of 31.2 million without work.

The same report cites the case of Italy—the third-biggest economy in the euro area—where 4.2 million unemployed do not appear in the country's unemployment statistics. When this latter figure is added to the official total, the rate of unemployment in Italy more than doubles to around 24 percent.

Even the staggering total of 31.2 million without work in Europe is only part of the picture. Based on the spread of long-term mass unemployment, employers across the continent have been able to establish the type of cheap-wage sector that was pioneered in Germany over a decade ago by the Social Democratic-Green Party government headed by Gerhard Schröder. In Germany, an estimated seven million workers are currently employed in low-wage jobs, with many of these workers unable to earn enough to cover living expenses for themselves and their families.

According to a recent EU report, such cheap labour sectors are spreading throughout Western Europe. The EU report notes that over 12 percent of workers in Italy are unable to live on their salaries. This is the highest percentage after Romania and Greece. The same report notes that Italy is one of the worst countries for those who lose a job. The percentage of sacked workers able to find other employment within a year is between 14 percent and 15 percent, the lowest level in Europe.

The jobs crisis in Europe was raised at the recent Davos conference of the world’s business and political elite. In an interview in Davos, Angel Gurria, secretary general of the Organization for Economic Cooperation and Development, pointed out the political dangers to the ruling elite. “The problem is jobs, jobs, jobs. There is nothing politically more explosive, more dangerous and more destabilizing than having a whole generation of young people being very frustrated.”

Despite his warning, the European Union and the German government are determined to press ahead with the implementation in the coming weeks and months of their austerity agenda. Just ten days ago, the author of the SPD-Green anti-welfare laws and advisor to Schröder, former VW Personnel Manager Peter Harz, travelled to Paris to advise the French government on setting up its own German-style cheap labour sector.