

Social Developments in the European Union 2010
European Economic and Social Committee,
Brussels, 30 May 2011

Social Developments in the EU 2010: Austerity and other future risks

David Natali
Research Directeur
European Social Observatory



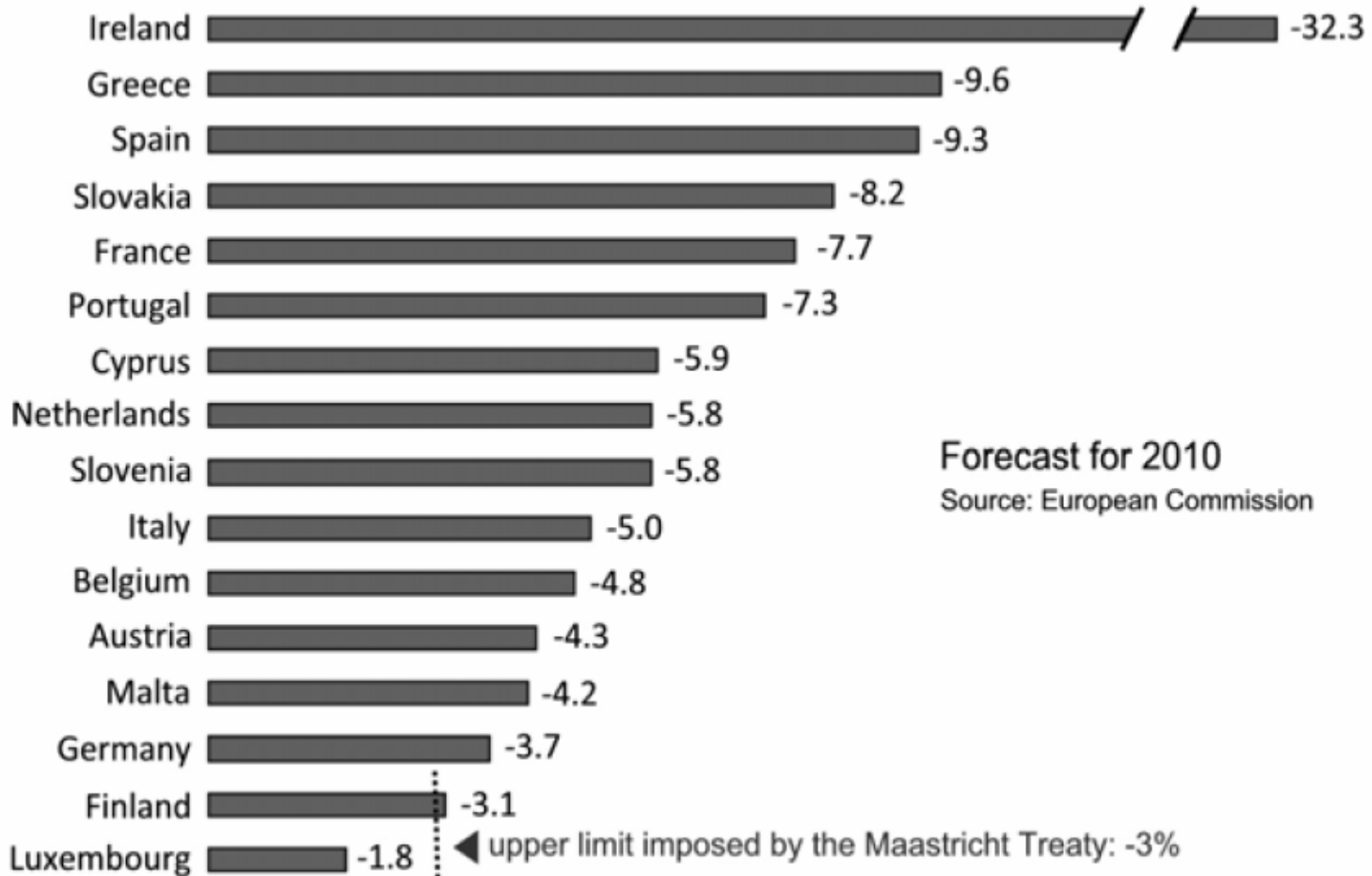
Key issues for the EU in 2010

- THE CRISIS WAS STILL THERE, Still far from exiting the crisis;
- A NEW EU/NATIONAL STRATEGY, AUSTERITY (Neo-liberal orthodoxy) ;
- KEY RISKS:
 - Increased tensions/incoherence between Germany and the rest of Europe/
 - Increased tensions between élite and public opinion/more critical approach by ETUC

1. The Changing Nature of the Crisis in 2010

- From the private banking debt to the state debt (Irvin)
 - Citizens asked to pay for the crisis ;
- Bailing out the euro (Le Cacheux)
 - Financial stabilisation mechanism;
- Increased incoherence between Germany and the rest of Europe (Trade and Balance of payments) (Irvin)

Budget Deficits in EU Countries



2. The Changing EU Strategy

- Reforming the socio-economic governance
 - Revision of the SGP/
 - Euro plus Pact for competitiveness
 - Europe 2020 (Flagships New skills for New jobs)

The first outcomes of the EU Strategy

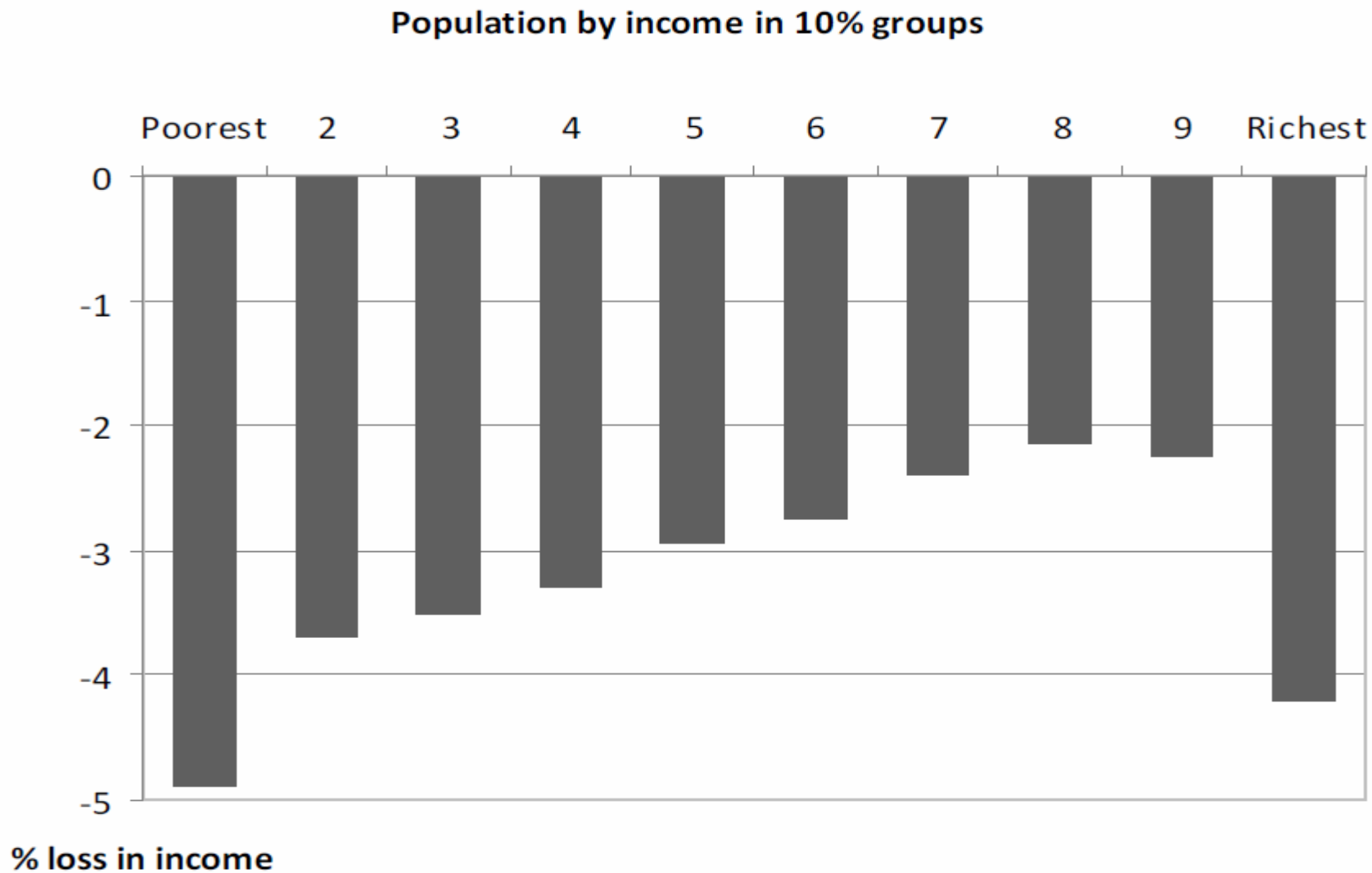
1- Austerity plans and focus on competitiveness (Irvin, Angelaki and Natali)

- Renewed focus on Wage policy

2- Key role of the financial markets and speculative attacks against sovereign debts;

3- Climate change and CO2 emissions (true reduction or just transfer?) (Galgozci);

Figure 4 The long-term effects of tax and benefit reforms announced in the UK June 2010 budget by household income decile group



Source: Institute of Fiscal Studies (2010).

D. Economic and Political Risks

- The risk of having an uneffective strategy (no financial stabilisation, who's next? Spain?)
- The risk of 'blind strategy', focused on austerity and cost-reduction (with marginal role of sustainability and inclusiveness), 'double dip' recession
- The risk of having a weak strategy, EU with limited legitimacy

D. What policy paradigm to exit the crisis?

- A new balance between EU and member states: More Keynes at EU level and More Smith at national level?
- Activate the EU Budget and other financial instruments
 - Eurobond
 - European Bank for Reconstruction and Development
 - European Investment Bank
 - Structural Funds
- What about the Financial markets?
 - More effective regulation
 - Tobin Tax