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

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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

<table>
<thead>
<tr>
<th>Country</th>
<th>Deficit</th>
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<tbody>
<tr>
<td>Ireland</td>
<td>-32.3</td>
</tr>
<tr>
<td>Greece</td>
<td>-9.6</td>
</tr>
<tr>
<td>Spain</td>
<td>-9.3</td>
</tr>
<tr>
<td>Slovakia</td>
<td>-8.2</td>
</tr>
<tr>
<td>France</td>
<td>-7.7</td>
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<tr>
<td>Portugal</td>
<td>-7.3</td>
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<tr>
<td>Cyprus</td>
<td>-5.9</td>
</tr>
<tr>
<td>Netherlands</td>
<td>-5.8</td>
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<tr>
<td>Slovenia</td>
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<tr>
<td>Italy</td>
<td>-5.0</td>
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<tr>
<td>Belgium</td>
<td>-4.8</td>
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<tr>
<td>Austria</td>
<td>-4.3</td>
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<tr>
<td>Malta</td>
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<tr>
<td>Germany</td>
<td>-3.7</td>
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<tr>
<td>Finland</td>
<td>-3.1</td>
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<tr>
<td>Luxembourg</td>
<td>-1.8</td>
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</tbody>
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Forecast for 2010
Source: European Commission

*upper limit imposed by the Maastricht Treaty: -3%*
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

Population by income in 10% groups

% loss in income

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