Economic recovery in Europe: Rhetoric and reality

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In Paris and Berlin, politicians and sections of the media are speaking euphorically of an end to the recession and the start of an economic upturn.

Writing in the German business newspaper Handelsblatt, Torsten Riecke declares, "The harshest downturn since the Second World War is over. The nightmare is at an end."

With a "powerful growth of 0.3 percent" in the second quarter, he continues, the economy has "awakened from its state of shock," and done so "more rapidly than anyone had reckoned."

The Frankfurter Allgemeine Zeitung writes that the "recession is approaching its end" in the 16 countries of the Eurozone. "Thanks to the economic weight of Germany and France," it declares, the economic performance in the Eurozone has "fallen only slightly" in the second quarter of this year.

According to figures released by Eurostat at the end of last week, gross domestic product (GDP) in the zone declined by 0.1 percent compared to the previous quarter, after a drop of 2.5 percent in the first quarter of the year.

"Analysts Bank on Recovery" was the headline in the Financial Times Deutschland, which wrote: "The crisis is over: Stock market experts have not assessed the prospects for the German economy so optimistically since 2006. The recovery on the financial markets and the good economic figures are serving to brighten the mood."

In a radio interview, French Finance Minister Christine Lagarde preempted Eurostat and announced the French GDP data, saying the French economy had grown "surprisingly strongly" in the spring.

In these declarations there is a combination of self-delusion and calculation. The politicians and financial players have a vested interest in promoting a mood of euphoria to sustain the heady rally on global stock markets. However, there is little in the actual economic situation in Europe and internationally to justify such optimism.

The minimal economic growth reflected in the latest data should come as no surprise, given the manner in which governments across Europe have opened up their treasuries to bail out the banks. Hundreds of billions of euros in public funds have been placed at the disposal of the major financial institutions, without any demands being placed on the banks or a single one of the bankers responsible for the crisis being held accountable.

Not only have the banks dictated their own rescue packages to their respective governments, they have profited handsomely from the process. The billions turned over to the banks are being used as a pool for further speculation, while bailed-out banks impose high interest rates and fees on governments seeking loans to cover their ballooning debts.

The financial elite regards the crisis as an opportunity to dismantle, with the collaboration of the trade unions, all that remains of the social gains won in the course of decades of struggle by the working class.

What is the underlying economic reality? Compared to one year ago, the German economy has declined by no less than 7 percent. In a few months, the German "cash for clunkers" scheme will expire, accelerating the decline of the country's auto and auto-supply industry. The consequences for the German steel, engineering and chemical industries have already been felt.

Up to now, mass redundancies in Germany have been avoided by means of a reduced work-hours scheme, which has been renewed several times. When the 1.4 million employees on short-time work eventually join the ranks of the unemployed, the official unemployment level will rise to 5 million.

The German trade unions and works councils are rushing to offer wage cuts and the waiving of contracts. Meanwhile, the reduction in wages, combined with growing unemployment, is slashing tax receipts and fueling state deficits in social welfare programs.

A series of countries in Europe confront bankruptcy, including a number of states in Eastern Europe and Italy, Spain and Great Britain in the West. State debt is also growing at an alarming rate in Germany and France. At the start of the week, the Taxpayers Federation announced that the national debt in Germany would increase by €140 billion in 2009.

If one includes the entire debt accumulated at the federal, state and local level, plus the funds and guarantees made available to stabilise the banks, the total German debt swells to €1,600 billion. The interest costs alone for government debt this year is estimated at €71 billion.

The constitutional "brake on debt" which was recently passed by the German parliament means that the first priority of any future government will be drastic budget cuts. The promises being made by all of the parties taking part in the national election campaign will be consigned to the waste bin as soon as the votes have been counted on September 27.

The rhetoric about the end of the economic crisis is also aimed at confusing workers and forestalling social protests, while behind the scenes unparalleled attacks are been prepared on living standards and social benefits.

A glimpse of what is to come was provided by the so-called "Guttenberg Paper," which was made public just a few days ago. The document, bearing the title "Proposals for a Sustainable Industrial Policy," was commissioned by German Economics Minister Karl-Theodor zu Guttenberg and lists some of the savage measures which business lobbies are demanding in response to the crisis. Similar measures to those outlined in the "Guttenberg Paper" are already been prepared by the appropriate ministries, but there is an agreement amongst the various political parties that no one raise such themes in the course of the election campaign.

The Frankfurter Rundschau reports that the 52-page document calls for "tax relief for businesses," "the reduction of supplementary wage costs," and "increased flexibility in the labour market." The document urges a weakening of job protection provisions, limits to sick pay and the scrapping of proposals for a guaranteed minimum wage.

Economics Minister zu Guttenberg embodies the arrogance and egoism of the financial aristocracy. Just 38 years old and lacking any real background in politics, he is convinced that it will be possible to reduce the working class to the sort of conditions that prevailed in the nineteenth century without provoking any tangible reaction.

At the same time there are voices warning of undue optimism about an economic recovery. In its latest edition, the weekly Die Zeit writes: "'Recovery at last! Investment bankers establish upward trend,' reads the New York Times. 'Further progress in the business world,' reports the Wall Street Journal. 'Economists see signs of a recovery.' 'Powerful rise on the stock markets,' report others… The headlines appear to come from August 2009. In fact, they are from the year 1931. They were published in the midst of the Great Depression in the US, i.e., in the blackest economic epoch of the 20th century.

"At that time there were also stock market rallies, euphoric commentaries by experts and those ready to dress up economic statistics. They always, however, quickly came to an end. The economy and stock markets first experienced a sustainable recovery from 1933 onwards—on the basis of a dramatically shrunken economic landscape."

And—one should add—under conditions of a fascist dictatorship which brutally suppressed the German working class and prepared the way for the Second World War, which led to destruction and devastation across the globe.

Once again, the propaganda about an end of the crisis is the prelude to violent social conflicts.

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