Euro zone officials: No let-up in economic stagnation, mass unemployment

By Alex Lantier
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The European Union's (EU) autumn economic forecast predicts economic stagnation and rising unemployment in the euro zone, whose economy has been devastated by austerity measures and now faces an accelerating wave of job cuts.

The findings of the report, issued by EU Commissioner for Economics and Monetary Affairs Olli Rehn, constitute an indictment of the European financial aristocracy and the social devastation it has imposed in Europe since the 2008 crisis. The report projects that the combined economy of the 17 countries using the euro will contract a further 0.4 percent. The broader EU economy is expected to experience zero growth, with unemployment remaining at 11 percent.

The economic contraction is expected to be the highest in southern European countries adopting EU bailouts that demand deep social cuts and austerity measures. The Greek economy is set to shrink 4 percent this year, Portugal and Italy 1.8 percent, and Spain 1.3 percent.

The report also predicted that euro zone unemployment would remain at its historic record high of 12.2 percent, improving only at a "snail's pace," as employers squeeze more hours out of currently employed workers before hiring more.

It said, "[A]n early turnaround of the labor market is not expected. Rather, employment is set to follow the recovery of GDP with a lag, as firms have scope to increase hours worked before hiring new staff, and uncertainty also weighs on hiring decisions. Employment in the EU and the euro area is projected to expand by one-quarter percent in 2014, which will not be sufficient to curb high unemployment.

France and Italy are projected to see the largest increases in the jobless rate from 2013 to 2014, from 11 to 11.2 percent and 12.2 to 12.4 percent, respectively. Greece and Spain are projected to have the highest unemployment rates next year, at 26 and 26.4 percent, respectively.

Germany, whose economy is expected to grow an anemic 0.5 percent this year, is projected to see only a 0.1 percent decrease in its unemployment rate, to 5.4 percent.

The report also pointed to "higher external risks" to the European economy. These include the risk of rising energy prices due to conflict in the Middle East, and uncertainty over "fiscal and monetary policy" in the United States—an allusion to events like the recent US government shutdown in Washington.

The publication of the statistics coincides with an accelerating wave of job cuts in the central euro zone economies. In Germany, which has seen mass layoffs of 10,000 at Siemens and 800 jobs at Loewe, energy firm RWE is announcing 2,500 job cuts, and solar energy company Haticon is laying off over 300 workers.

In France, where there have been over 1,000 layoff announcements over the last year, power and transport firm Alstom recently announcing 1,300 job cuts throughout Europe, appliance maker Fagorbrandt is threatening to shut down and fire 1,870 workers, and retailer La Redoute is threatening 700 job cuts. Over 1,200 firms went bankrupt in the third quarter, a 7.5 percent increase over last year; increasingly large firms are shutting down.

There are also reports that Air France is demanding 5,000 layoffs at Alitalia, in exchange for not liquidating its joint investment with KLM in the Italian national airline.

In Spain, a slight downturn in the jobless rate over the last year reversed itself last month, as 87,000 more people were added to the jobless rolls. The reversal of the catastrophic rise in Spain's unemployment rate—over 26 percent overall, and a staggering 56 percent for workers under 25—is bound up with the accelerating shift to a highly exploited, temp workforce. Fully 92 percent of new hires over the last year were hired on temp contracts.

The EU's economic projections and the mass private sector layoffs testify to an ongoing breakdown of the capitalist system, which has proven economically irrational and politically bankrupt. While national governments and central banks have given hundreds of billions of euros to private banks that hold the euro zone governments' debts, these funds have been used to save the wealth of the rich and finance an assault on jobs and wages unprecedented since the 1930s.

While millions of workers have lost their jobs and an entire generation of youth finds either no job or temp work, the hoarding of wealth at the top of society is increasing. In Germany the top 10 percent of society own 67 percent of the national wealth, while in France the figure is 62 percent—proportions that austerity measures will only increase.

European officials are signaling that their only response to the social catastrophe sweeping across Europe is to intensify their attacks on the working class. With insolent disregard for the devastation they have wrought in Greece, EU representatives are demanding mass layoffs of tens of thousands of government workers there.

The same essential policy is being pursued, if more slowly, in the largest economies of the euro zone. Germany's political parties have signaled a push for more social cuts in the aftermath of the September federal election, and the EU is placing increasing pressure on deeply unpopular French President François Hollande to speed up attacks on the working class.

Mujtaba Rahman of the Eurasia Group told the *New York Times*: "The forecasts are particularly damning for France and will significantly increase pressure on Hollande at a time when the president is already vulnerable. [They] will reinforce a growing strand of opinion in Berlin that France is the weakest link, and that political ownership of structural reforms is the missing piece of the puzzle when it comes to broader euro zone stabilization."

The Hollande administration rapidly responded to the EU report, with Finance Minister Pierre Moscovici pledging his government would cut the public budget deficit to meet the EU-mandated limit of 3 percent of GDP by 2015.

Underlying the sharp shift to the right of European politics—by the social-democratic parties, like Hollande's Socialist Party (PS), as well as by their petty-bourgeois "left" appendages—is the deep polarization between the ruling elites and the masses, and rising social anger in the working class. What is being prepared is an explosive outburst of class struggle.

The Enterprise and Personnel consultancy told *Le Monde* the mood in French work places was "enraged resignation."

A recent poll found that the proportion of the French population defining itself as "middle class" has fallen from 65 to 59 percent; 44 percent say their situation is "modest" or "impoverished."

Sociologist Camille Peugny commented, "It's as if the austerity policies carried out since the outbreak of the financial crisis in 2008 were tearing down the façade on the Potemkin village of claims the population has become middle class."

Economist Jean-Paul Fitoussi told the daily *Libération*: "Europe is plunging into an endless spiral, with explosive levels of unemployment in Greece, Spain, and even Italy. Can democracy survive when 60 percent of youth have no job? The probability of a social explosion is increasing each month."