



CRISIS – GROWTH– AUSTERITY¹

Michel Fried, Pierre Héritier, Joël Maurice

Are our great leaders “in the know” naïve? The markets want everything: austerity and growth: they want to have their cake and eat it too. For the others, unemployment, job insecurity, suffering, and the erosion of social attainments. They are cynical, but austerity to reduce deficits makes no sense of growth collapses. What do our gurus, our leaders say? Some expect growth to fall from the sky. Waiting for Godot. Others are counting on keeping their house in order and the AAA rating. Many think that the sun rises in the East (I am thinking of Beijing, not Moscow, of course). Finally, others yet refuse to admit that there is such a thing as growth compatible with ecology, and reassure themselves by stating that growth is over and done with. For the countries of the Northern Hemisphere, at least: Sic transit gloria mundi.

In any event, the crisis persists. It resists tinkering and appears for what it is: a systemic crisis of capitalism, not a financial or stock-exchange crisis. The recession is upon us and the financial circles that had clamoured for austerity in spite of everything, now proclaim that the lack of growth, i.e. the recession, stands in the way of repaying the debt, and in a more cynical vein, recognise that the budget cuts are fuelling the recession tendencies...and the deficits. They are cynical but they do express a reality. The recovery plans launched in 2008 are not questioned outright (after all the clamour to get them), but on the sly, indirectly, through the level of public debt now considered unacceptable or untenable. Were these plans, their effectiveness and targeted implementation analysed? However that may be, there is no time to quibble. Deficits not relating to investment must be cut drastically whilst regretting that the good periods were not put to better use to do so (let us bear in mind the story of the jackpot, now deemed shameful – why?). Finally, we must not forget that whereas the public debt has made private debt supportable, the current constraint on public debt has every chance of reflating private debt and replacing collective systems such as social security with individual forms of social protection, without any comparisons of value for money. This reality check notwithstanding, we are steeped in ideology...

It is surprising that none of our gurus or leaders raises the question of wages in the media. And yet, it is the foundation, one of the decisive malfunctions of the crisis and undoubtedly the solution, one of the major solutions, or in any event, the sole lever which could curb the recession and revive growth. After all, wages contribute greatly to household consumption, pension system revenues, social security and public budgets. By way of reminder, before the crisis, wages had declined in terms of added value, i.e. the distribution between wages, investments and return on capital had been distorted. Return on capital, as the financial rationale, has devoured the share of the others. It's the monster that has taken over the system, sucking out the blood and causing generalised anaemia ...Lasaire proposes to rectify the situation: a negotiated and concerted increase in wages, at least in the Euro zone, is necessary and would prove beneficial for employment. Wages would then develop not in a uniform manner but in accordance with the productivity gains for the year, as well as the adjustment of past productivity gains not taken into account previously. Whereas the share of wages has declined in recent years in Germany (with the development of mini jobs in the absence of a national minimum wage), the wage lag occurred in France in the 1980s. Impossible? When the sky threatens to fall on their head, officials manage to do what they said was impossible!

Those who talk about the responsibility of deregulation and the need for regulation, rules, and new agreements like Bretton Woods are right, of course: but two problems stem from the same rationale.

Without deregulation, without the war of the 1970s, and the ideological defeat of the adversaries of the fanatics of liberalism and financialisation, the wage lag would have never managed to take hold in 70% of the planet's economies. This defeat reduces consumption and the order books, weakened research and investment, reduced social protection revenues and state budgets, widened the deficits, and made unemployment, job insecurity and inequalities worse.

Some propose easing the public debt by driving up inflation. The feasibility of this therapy is not certain, and the social cost risks being too high, because wages and pensions are de-indexed. We can do better, as Lasaire proposes, to prevent budget cuts from impairing a world recovery, which is already uncertain. Against this background, redressing the financial situation must be made a medium-term objective, as proposed by Mrs Lagarde in her new capacity as head of the IMF,² going as far as to underscore that this strategy guarantees the credibility of public policy to redress public finances: "Who would think that a commitment to reduce [public] spending will resist long-term stagnation coupled with high unemployment and a deep social malaise?" Lasaire therefore proposes a differentiated treatment for the new debt and the old debt: the latter, subscribed to by private investors with knowledge of the facts, who have pocketed more than substantial risk premiums, could be restructured if the solvency of the Euro zone required it. The new debt would be guaranteed by a real growth and stability fund set up for a dual purpose: sustainable growth and stability of the financial system in each Euro zone country. This double objective would entail that the fund is fed by a part of EU structural funds and regional aids, especially by a European tax resource adopted by the European Parliament. The fund's interventions could not be subject to a favourable analysis by the European Central Bank, because the latter is not assigned a growth support objective by its statutes.

The agreement of 21 July 2011 which has changed the architecture of the European Financial Stability Facility (EFSF) and of the future European Financial Stability Mechanism (EFSM) enshrines the return in force of the inter-governmental approach, i.e. face-to-face negotiations between the nation-states, where the strong set their conditions to help the weak, whilst turning their back to a search for common interest, which is nonetheless far more than the sum of particular interests. The Euro zone is now against the wall: no single currency without budget solidarity – that is a crucial question that must be put on the political agenda as a matter of urgency. It is the responsibility of current leaders, as originally the leaders who introduced the Euro as a response to the fall of the Berlin Wall, to anchor Germany in Europe. The stakes today consist of crossing the other half of the ford. In any event, the Euro Plus Pact guidelines, ratified by the European Council of March 2011, should be reviewed to take account of criticism levelled by the trade unions, particularly ETUC.

But which politicians? The current system, weak and inefficient though it is, could be forced by the events to take the decisions needed, albeit late and at a high cost. It's not easy to make things work with the bigwigs representing national interests. It would be far better if the EU, or the Euro zone, had a head, an administration, a government, means and tools. It would be far better to get out of the current technocracy put up against feudal nation states! The crisis can bring out the worse but may also be desirable, necessary and indispensable: The castle is on fire, not the stables!

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¹ The French economy will suffer proportionally more than others from austerity plans, given the dependence of our leading industries on public orders (TGV (high-speed train), the aerospace sector, the nuclear industry, etc.).

² Cf. Financial Times of 16 August 2011