



Beyond the Euro Crisis Merging the Single Market and our Common Interests.

Mathew Davies, Economic Forum of Young Leaders (June 2012)

"States do not have to surrender sovereignty in order to improve or modernize the European Union. What they have to do is recognize that real sovereignty, the power to effect real decisions and implement those decisions is in the modern world something that requires the pooling of sovereignty"

(Neil Kinnock, Vice President of the European Commission 1999 – 2004, Cardiff 2011)

The trigger for the financial crisis is commonly considered the tide of defaults on sub-prime mortgages in the USA. What is often sidelined is the shift in relative economic power and accumulation of capital which states have traditionally held, and how that economic power has changed hands altering labour markets and political capacity. Since liberalizing in the late seventies China has emerged as a borrower and capital hoarder. The EU economy has experienced the rolling back of labour markets, a freeze on purchasing power (more or less) and an increase in the consumption of cheap commodities. Hitherto, we transformed into the borrowers and emerging states into the lenders. This is illustrated in the sovereign wealth funds which have proliferated in emerging economies, whilst we enjoy the repellent fruits of sovereign debt. It is now time in Europe to stop and think about what has happened and where we, as a community, can and should go from here.

Euro Crisis: A recipe of fear, greed and nationalism.

Europe responded to the financial crisis belatedly, indeed only after meetings by international financial and political institutions involving Russia, the USA and China. When consensus was reached and a recovery plan published, bail outs were made showering liquidity throughout the banks at considerable long term cost to the taxpayer. Consequently, global financial irresponsibility has led to the socialization of losses and the privatization of gains. This can be observed in vast sums of profit made by hedge fund directors courtesy of unregulated and hazy instruments dating to the big bang in the mid eighties. This was followed by the sovereign debt crisis leading to a more general economic crisis battering the labour markets and the capacity for growth. Recent elections in France, Greece and Germany indicate the economic crisis has mutated into a continental political crisis. The failure of austerity and fiscal consolidation policies has neither won the hearts of the electorate nor led to job creation. Moreover, this failure has further fuelled the arguments made by the extreme right and the reactionary left.

In France the National Front polled 18.9% at the recent Presidential election whilst the Front de Gauche, also made significant gains. This has transformed into what is being called le duel, a battle between Marine Le Pen, leader of Front National against Jean Luc Mélenchon, leader of the Front de Gauche, over the Calais constituency in Northern France. In Greece the terrifying spectacle of the golden dawn party polling 7%, and later ordering journalists to stand to attention when the leader entered the room is testament to a shift in political allegiances. There is a clear correlation, historically, and in these recent examples that unemployment within failing European economies punished in recession and inflicting broad precarity inevitably leads to political backlash. Yet, there is an opportunity for centre-right and left political parties to find a consensus in the spirit of solidarity and start rolling back the escalating fear and nationalism ravaging our continent. That opportunity lies in the completion of the single market.

The Single Market. The chance for sustainable job creation.

Mario Monti, Prime Minister of Italy published a report for the European Commission which assesses the opportunities of deepening the single market. The report highlights a number of sectors and their latent capacity for growth, especially services. For example, there are many layers of regulations with respect to Health, e-commerce and e-procurement which prohibits the potential for job creation. Those are opportunities which in concert with infrastructural investment, noticeably the kind which leads to green jobs, demand that reasonable politicians should work together. I am ashamed by the behaviour of the Conservative Party in the United Kingdom, and in particular its leader David Cameron, the current Prime Minister. Last December when states within Europe came together to forge a document which would collectively steer Europe through the crisis, he was more concerned with scoring points from the anti-EU lobby by rejecting the proposition outright. His argument was built on the belief that the City of London's financial services were under threat, when in reality the agreement being forged was closer to British domestic economic policy than most others. Therefore the Prime Minister's excuse bears no relevance to the policy-making process which was being agreed. It is merely another example of a government tending the voices of innate nationalism at the expense of a seat at the table.

Unfortunately, this is not a new issue; Britain has always had a troubled relationship with the European Union. The United Kingdom Independence Party, which is effectively the Conservative party with one key agenda, to get out of Europe – have made political gains every year since the party was formed. At the same time the mainstream media tends to highlight issues which concern the European Council only during a time of crisis. Very little attention is given to the European Parliament, even since the passing of the Lisbon Treaty. Leading newspapers owned by Rupert Murdoch in the UK is a consistent and dramatic example. Negative stories and sensationalism are the game of the day which has for thirty years fuelled an anti EU culture in the UK by eroding the complexity of the subject and instead precipitated sound bites and slur. Therefore, the people of Britain can be forgiven for their aversion to EU policies, conversely, the political parties and media industry cannot. Instead of scoring cheap political points we ought to ask the question, which responsible direction can we go from here?

Common Interests: Let's share responsibility.

If we can collectively agree that capital controls and protectionism is neither progressive nor constructive and will create more problems than it solves, then that is a start. It means we must move forward not backwards. That movement must include the deepening of the single market because most of the issues, such as demographics, fiscal challenges and structural imbalances are linked to the international market and our relative role within it. This includes, but is not reduced to; the level of competitiveness. However, it must also take into consideration co-operative businesses and green investment. A social Europe built on solidarity must be converted from theory into action. By doing this we can extrapolate the pillars holding Europe up and cast off the cracks awaiting the sledgehammer of political opportunism. Indeed let's share responsibility; implement the necessary fiscal and growth framework. Alas, the behaviour of the British government is not a good example of how to move forward; I trust, and hope, that François Hollande, President of France and Angela Merkel, Chancellor of Germany will set a better example.

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