

Europe's Lost Decade!

Farooque Chowdhury

IT IS EUROPE, NEITHER ITALY NOR Greece, that is now having a tragic appearance. The “attributes” of tragedy are now in Europe’s economy, politics, institutions, diplomacy, and “democratic” practice, in essence, autocracy of bank capital. Finance and political leaders’ HardTalks are revealing the bitter fact, a fact that bares the heart and brain of capitalism.

The world is going to have a lost decade. The IMF chief has made the warning on November 8. George Soros warned a few days back: Europe may experience a lost decade.

Japan’s and Latin America’s lost decades are old stories. Of Africa? Of the poor? Who knows? Probably, it is lost centuries.

Christine Lagarde, the IMF chief said: “The world runs the risk of a downward spiral of uncertainty.” She has warned that the global economy is at risk of being plunged into a “lost decade”.

Amid fear of the escalating euro zone debt crisis making impact on the world economy the IMF chief said: The crisis has resulted in an uncertain outlook for the global economy. “We could run the risk of what some commentators are already calling the lost decade,” she added.

She forecasts: “There are clearly clouds on the [...] horizon, particularly in the advanced economies and particularly so in the European Union and the US.”

Only a few days ago, George Soros, the billionaire financier, warned the EU faces an economic “lost decade”, or more. Citing a combination of a bank crisis and a sovereign debt crisis he expressed fear: “Europe is in [...] a very serious crisis.” The crisis, he apprehends, “is a political crisis. The euro is in the process of undermining the political cohesion of the European Union.” “This will lead to a long-term economic depression. When you look at similar situations [like Latin America in the early 80s and Japan slightly later] you had a lost decade... I am afraid that this is the outlook for Europe this is the unfortunate reality”, he concluded.

European Commission President Jose Manuel Barroso has warned: The EU was in its “deepest ever crisis”. In an interview with the German daily *Süddeutsche Zeitung* Barroso said that national governments can’t be trusted to take determined action. Setting rules for a stable euro zone could not only be left to the member states. He has suggested: the EU’s institutions need to be strengthened to stabilize the euro zone. He called for more power for the EU’s institutions, arguing that it was an “illusion” to think that the euro zone’s economic policy could be coordinated just by the European Council.

Alistair Darling, the former UK chancellor, has said: The economic crisis facing Europe has become far worse than the banking crisis of 2008 and will see the break-up of the euro if it is not resolved by Christmas. “In 2008 we were facing a banking crisis. Now we are facing an economic crisis, and if it gets worse it will turn into a banking crisis that will worsen the crisis”, he said.

He told the *Guardian* : The G20 summit in Cannes was “a disaster”. The G20 leaders “appeared to gather on a wet Friday, appear mesmerized by Greece and then were away by 3.30, as soon as they possibly could get out of the place. Sometimes it is better to have no summit than a failed summit”.

Angela Merkel, the German Chancellor, said in her weekly podcast: It would take a decade before the euro zone is in a better position.

Joseph Stiglitz suspects that “we’re going to see a lot of volatility. Whether at the end the euro zone will emerge intact or not, it’s hard at this point to say.” “It all depends on the politics. [...]he political process in some ways is not in tune with the economics. The problems are deep.

I think there is a reasonably good chance that a year from now you would find the euro zone smaller than what it is today”, he added. (“Austerity not the way to go for Europe”)

The macro-scene is grim. Europe’s slow down will bring down exports from the US. Similar fate looms over Asia. The US and the euro zone are the biggest markets for Asian goods. Suffering economies of the US and Europe are slowing down demand for Asian goods. China has already begun experiencing this. A slowdown of Asia’s export oriented economies will have greater negative impact on the global economy.

Not only Asia’s export oriented economies, a few of Europe’s economies are also experiencing the chill. Economists and the Danske Bank are warning that Denmark may be on the brink of a new recession as exports are being affected by the slowdown in Denmark’s traditional trading partners. Danske Bank has reduced its growth forecast for this year to 0.7% from its previous forecast. The 2012 forecast has also been downgraded to 1.0% from 1.6%. Italy’s financial crisis has yet not showed signs of improvement. Markets do not know its reactions to Italian political drama.

Many analyses, ideas and suggestions are now floating on the finance-politics stage. There are talks of hyper-deflation, “kick-starting” the economy, turbo-capitalism that dislikes any regulation inhibiting financial markets’ growth, turbo-Keynesianism, turbo-capitalism’s more accommodating twin, etc. Bankers are encroaching sovereign space of states. Democratic practice is being infringed by bank capital. Suggestions for immediately recapitalizing Europe’s banks are there. The mainstream assumption that financial markets are capable of taking care of all their “good” work now stands wrong. That was an imagination without any roots in reality.

The specter of crisis, “financial crisis”, “economic crisis”, “banking crisis”, and other crises—political crisis, interstate crisis”, institutional crisis, crisis in formation of state, crisis in visualization of EU founding fathers – are now haunting the continent overwhelmed with advanced capitalist economies. Euro, according to Soros, is “an incomplete currency: it had a central bank but no central treasury.” (“The European Union’s Catalogue of Failures”, July 18, 2011) European leaders, Stiglitz said, “didn’t do anything in the 10 years before there was a crisis.” (op. cit.) Now, there are many similar ideas and concepts in the market of mainstream discourse.

But, what are the roots of the crisis? The MSM simply skips the answer. The MSM constantly declines to look at the base of the crises. As the causes creating these crises the MSM finds “leaders’ lack of farsightedness”, “institutional weakness”, “stubbornness or weakness of this leader or that leader”, etc. But does a leader act according to own choice or preference or whim or knack? Can a leader act on own wishes and can an institution play role on the basis of its own wisdom? Where from the wishes and wisdom enter into head or decision making process? On these, and similar other questions, the MSM stands on a void base, an absolute void.

The MSM has to provide answer to the burning questions: why lost decade visits this country and that continent? Why their wisdom and analytical prowess visit them always after a crisis calls in, and why they fail to identify root cause of all the crises?

The MSM is concerned with securing banks, finance, credit-credibility. Why it fails to put people, their suffering before finance, etc.?

Stiglitz finds politics will determine the euro zone’s shape. No, capitals shaping politics will determine euro zone’s shape. Capital’s contradictions within itself will determine its accommodating/co-opting capacity and power. Its conflicting interests will shape euro zone, euro zone’s institutions, and politics, democracy and sovereignty in countries in the zone.

Because of limitations imposed by interests of capitals involved in the crisis the dominating capitals will stand against people in respective countries, and as a whole in the entire zone, and squeeze their life to squeeze out all the surplus peoples in these countries are capable of generating. This will sharpen contradiction between the peoples and the capitals in the crisis dominated zone influencing politics in the zone. The sharpening contradictions pose a burning question to the peoples in the continent: will the coming days bring only suffering to them or struggle along with suffering? Answer to the question and actions by them will influence politics of bank capital in the zone. □□□