



# Troika for everyone!

*Why and how EU economic governance affects our daily lives*

Since the outbreak of the crisis the EU has developed a new web of laws aiming to control the economic policy of European member states, called “economic governance”. While these laws and the issues they concern are discussed as if these were merely technical matters, they affect all of our daily lives, from lowered wages and privatised services to lost pensions.

This is a short description of the implications of some of these reforms.

## What set off the crisis?

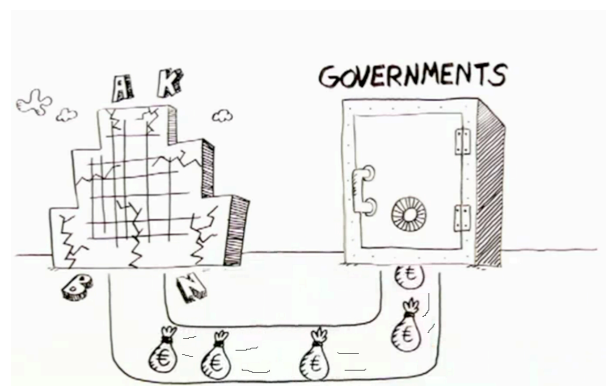
Why is Europe in crisis? Because five years ago, wild bets by banks tore financial markets apart. This had a particularly terrible effect on the Eurozone, due to economic imbalances between countries. A liberalised single market and the common currency had put economies in more unfettered competition, and in the years before the crisis, there had been winners and losers. One important cause of the imbalances has been the suppression of wages in countries such as Germany in the past decade, which had a serious knock-on effect in other Eurozone countries. While the German economy and a few other countries grew stronger, countries such as Ireland, Portugal, Spain, Italy and Greece lost out.

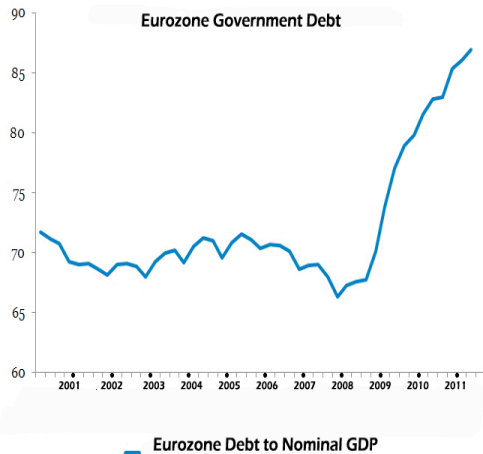
The financial crisis hit all countries, public debt soared everywhere due to costly bailouts of banks. But the countries in the eurozone that were on the losing side were already in deeper than others.

## The official myth about the crisis

Do the political and economic elite of the European understand this?

No: on the contrary they are telling us a story of how the crisis was created by irresponsible states borrowing too much for public spending – conveniently forgetting to mention the debt created by states saving private banks – and they point to uncompetitive labour markets and wages in Europe’s south, perpetuating the preposterous lie about how economic problems were caused by lazy





southern Europeans. This false story conveniently makes austerity and attacks on wages seem to be the “logical” solution.

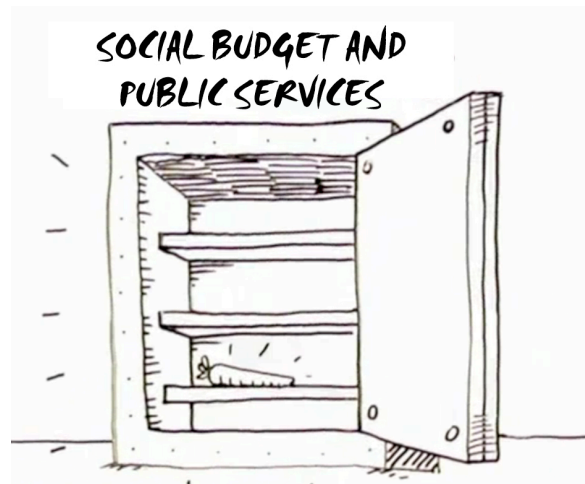
### Imposing austerity forever! Troika for everyone!

The most obvious way the EU is pushing these policies through is via harsh conditions on the loans to Ireland, Portugal, Romania, Bulgaria and Greece. This is done by the infamous “Troika” - the European Central Bank, the Commission and the IMF.

But in parallel, a new system of “economic governance” is being built to apply the same harsh austerity-style policies to the whole European Union.

In order to do this, in recent years the EU has agreed to several 'Packs' and 'Compacts', with confusing and obscure names like the Europlus Pact, Fiscal Compact, Six Pack or Two Pack. The Six Pack, Two Pack and the rest are neither about beer nor hip hop, but about locking in countries' budgetary politics – no matter who electorates vote for their government will have to follow the same spending rules – and imposing austerity forever.

According to the new rules, countries are obliged to reduce their debt and their deficit cannot exceed certain limits. If the European Commission – a powerful but unelected institution – finds these rules have been broken it punishes the concerned state with fines.



### Social rights are bad – competitiveness is everything

Additionally the Commission measures the 'competitiveness' of each member state, for example through the development of wage levels.

If the Commission sees 'imbalances' – for instance the Commission often considers wages are too high – it can put in place economic sanctions and force the concerned state to change its economic policy.

Generally, these rules promote business friendly policies, and puts pressure on member states to roll back social expenditure and cut back on public services. Tight fiscal constraints directly affect our standard of living. Education, health care, pensions and public sector wages are cut to save money, while public services are privatized to gain some extra money in the short term. As long as you're not a member of the super-rich you, your family and your children will feel the pain.

Additionally the measuring of “competitiveness” forces EU countries into a dangerous race to the bottom where the country with the lowest wages – because it is cheapest to invest and can export the most – is seen as the 'winner'. But clearly not everyone in these countries will actually be benefitting – far from it.

### **There is more coming**

But European elites aren't stopping here. Currently the European Commission along with German Government is pushing for so called “Competitiveness Contracts”. The idea is that EU countries would have to sign contracts with the Commission which would oblige them to conduct specific “structural reforms”, probably in return for some financial benefits. These reforms would seriously harm the fundamentals of democracy as the ability to decide over the economic course of one's country moves from democratically elected parliaments to the European Commission.

As we know from economic recommendations by the Commission, those harmless-sounding structural reforms are most likely affect the right to collective labour bargaining, laws to prohibit layoffs, public pension schemes and the liberalization of different services. All of them are crucial for our living standards and the rights to defend and improve them, and once lost, these rights are much harder to win back again.

### **What can I do?**

These policies force millions of people to pay dearly, they have an extremely damaging effect on the economies of member states in times of crisis, and they have a chilling effect on democracy. So we need to act together now! Inform yourself and others. Organize meetings and actions against the legislation already in place and in particular against those not yet decided. We can still stop their project, roll it back, and change the course of Europe. But this will take a concerted effort of public education and resistance that looks beyond just national politics and organizes across European borders.

### **More informations:**

[www.corporateeurope.org](http://www.corporateeurope.org)