

**Jürgen Trittin**

**Wrong-Way Drivers – Everywhere**

***Why Europe has a problem with Germany –***

***The end of austerity***

Mr Schmelter,

Ladies and gentlemen,

**1 Wrong-way drivers**

Rarely has an election in another European country preoccupied the Germans as much as the election in Greece.

The Greek voters' rejection of the corruption of *Nea Demokratia* and *PASOK* – the parties which

conned and cheated Europe (and their own people) when Greece joined the euro and have continued to do so ever since – has not brought **a sigh of relief**. On the contrary:

Germany's leading current affairs magazine, DER SPIEGEL, published a cover story on the election winner, *Alexis Tsipras*, entitled "The wrong-way driver".

However, if we look beyond the heavy-handed rhetoric, which is intended for domestic consumption, we see that the new Greek Government has been appealing for sensible policies from the ECB, the European Commission and various governments.

Now that the initial uproar has died down, Chancellor Merkel's government must deal with

the question of **who**, exactly, is swimming against the tide. In truth, aren't the Germans rather like the driver who hears on the radio that a car is driving the wrong way up his street? And he shakes his head and says, *“There's not just one of them. There are too many to count. They're everywhere!”*

**Is it possible that Europe doesn't have a Greek problem? Does it perhaps have a German problem?**

One thing is certain – in the international economic debate, it isn't Greece but **Germany that has tragically isolated itself.**

And this time, it is not the usual suspects – socialists from France, centre-left premiers from Italy, or the trade unions – that are opposed to

the idea that spending cuts alone are enough to bring us out of recession.

↳ At the **G20 summit** in Brisbane, the heads of state and government agreed to take measures to boost the world economy and lift global GDP by **two trillion dollars over the next few years**. Germany – the eurozone’s largest economy – has committed to mobilise 12 billion euros over a three-year period from 2016. That’s a ridiculous figure and is out of step with the G20.

↳ US President **Barack Obama** was right, therefore, to voice unequivocal criticism of the EU and especially Germany. His message to the Chancellor was this: “*You cannot **keep on squeezing** countries that*

*are in the midst of depression. At some point there has to be a **growth strategy** in order for them to pay off their debts to eliminate some of their deficits."*

He could hardly have sent a clearer message. Germany should have learned the lesson long ago. Even the *International Monetary Fund*, part of the troika that is much criticised in Greece, observed in summer 2013: "*... forecasters significantly underestimated the increase in unemployment and the decline in domestic demand associated with fiscal consolidation.*"

That's why, back in 2013, the IMF was already pressing the government in Athens to **reform the Greek tax system** and **liberalise the labour market**.

These are the very points that we now find in the Greek Government's programme that formed the basis for the four-month extension.

Of course, the paper is primarily intended to set the direction and serve as a basis for further negotiations. **But it is a step in the right direction.**

It represents a **gain in realism** – especially in view of the Greek sister parties of the CDU/CSU and SPD, which have promised the earth and failed to deliver.

## **2 The eurozone versus the rest of the world**

The election in Greece and possibly the next one in Spain herald nothing less, politically speaking, **than the end of austerity in the eurozone.**

This explains the uproar in Germany – which is not confined to the CDU/CSU. **It touches on a national consensus.**

According to this consensus:

- ↳ Countries in crisis must **boost their competitiveness.**
- ↳ This is **only** possible through structural reforms.
- ↳ Structural reform means **public spending cuts and a reduction in the public sector share of GDP.**

This is **neoliberalism** – and it is astonishing that after the abject failure of neoliberalism, as evidenced by the 2008 financial crisis, Chancellor Merkel is still clinging to this as the

core tenet of her economic policy. But it does not explain why this consensus goes far beyond the CDU/CSU, FDP and AfD camp and is in fact a German-wide consensus.

Perhaps if we take a look at language, we can clarify the issue:

The **German** word for Chancellor Merkel's response to the crisis is ***Sparen***, which means "to save". It sounds positive. It sounds modest. A policy of "saving" reflects the historical trauma of Germans who found their wealth disappearing in the galloping inflation of the 1920s.

In the rest of the world, this policy is called **austerity** – and it reflects the historical trauma of depression in the 1930s.

The way out of depression is to invest. But credit-financing this investment causes a headache for Germans. For them, the word for debt – **Schulden** – is very close to the word **Schuld**, meaning guilt, whereas in English, for example, **debt** does not automatically give rise to a sense of **guilt**.

↳ In voicing his justified criticism, President Obama had the facts on his side. The US has emerged stronger from the crisis than the eurozone. The US has reduced its **structural budget deficit twice as quickly** as the eurozone, and its real gross domestic product has risen by *10 per cent* since 2009, compared with a **4 per cent** increase in the eurozone. And US unemployment is half that of the

eurozone. **This was not achieved by saving; it was achieved through investment.**

↳ But this saving/austerity policy is not about saving. On the contrary, **debt is increasing**. The Greek debt currently amounts to **175 per cent** of GDP – a substantial increase compared with 2009, when it stood at **112 per cent**. In **Spain**, the figure was **54 per cent** in 2009; today, after years of austerity, it's **99 per cent**. And it's a similar picture for Portugal: **84 per cent** then, and **127 per cent** now.

**Spending cuts will not lead anyone out of economic crisis.**

### **3 Inequality**

But national and private debt is not only a financial or economic problem. It is an all-encompassing global problem, for it creates inequality.

**Global debt** has **massively increased** in recent years. According to a report by the *McKinsey Global Institute*, the amount of world debt totalled **199 trillion dollars (145 trillion euros)** in the second quarter of 2014 – which means that **global debt has grown by 57 trillion dollars** since the start of the financial crisis in **2007**. In

2000, the figure was just 87 trillion dollars.<sup>1</sup> The greatest increase in the debt-to- GDP ratio between 2007 and 2014 occurred in Ireland, followed by Singapore, Greece and Portugal.

There is a sharp **contrast** between this private and national debt, on the one hand, and **vast wealth**, on the other. Inequality in the distribution of global wealth is still increasing. According to a recent report by Oxfam, in **2016 the wealth of the richest 1 per cent will overtake that of the other 99 per cent of the world's population**. Germany is now the country with the largest inequality in wealth distribution in the eurozone.

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<sup>1</sup>[http://www.mckinsey.com/insights/economic\\_studies/debt\\_and\\_not\\_much\\_deleveraging](http://www.mckinsey.com/insights/economic_studies/debt_and_not_much_deleveraging)

These imbalances are one of the causes of speculative bubbles in the financial markets – and these bubbles lead to poverty and real social and political crises.

**Inequality is a global challenge that Germany and the EU must address.**

But there is another challenge which is equally responsible for the emergence of crises, up to and including state collapse. Its name is **climate change**.

**Combating climate change and inequality is the key to global peace and security.** Let me explain why:

↳ Ambitious climate action, with more renewable energy, energy efficiency and energy saving, **reduces the competition**

**for resources**, particularly oil and gas.

Curbing meat production would reduce land use (which is responsible for 17 per cent of CO2 emissions) and the wasteful consumption of water resources. **Global food security would improve** if a third of the world's grain production no longer ended up in animal feeding troughs.

↳ Learning curves and mass production of renewable energies, smart grids and battery technologies make **modern technologies affordable for low-income regions** and thus contribute to growth and poverty reduction.

↳ **Less inequality reduces the compulsion to achieve growth at all costs**, especially

in the developed world, and makes more sparing use of resources.

**Combating climate change and reducing inequality, then, are a form of global crisis prevention.**

Without them, it will be impossible to bring peace to the violent conflicts affecting the world today.

It is this policy that poses a challenge for Germany and the EU.

#### **4 Green New Deal**

Inequality leads to polarisation and even divisions within society. We are witnessing this at present, with the emergence of centrifugal forces in European politics:

In **Northern Europe**, **right-wing populists** such as UKIP are enjoying a surge in popularity, while in **Southern Europe**, we see a resurgence of **left-wing grassroots democracy** with SYRIZA in Greece and PODEMOS in Spain.

It is **misleading** to label these two movements “anti-European”, even if this might seem appropriate in view of SYRIZA’s coalition with the right-wing populist *Independent Greeks* (ANEL). Yes, they are united in their rejection of austerity, but they clearly differ on economic and social policy and their fundamental commitment to Europe.

↳ The **right-wing populists** rely on militant **defence of the establishment’s entitlements** – primarily through the **exclusion** of the weak. In that sense, their

economic policies fit in with Chancellor Merkel's course.

↳ Parties such as SYRIZA and PODEMOS, on the other hand, channel the frustration resulting from the austerity-led destruction of their system **and call for more social cohesion**. They embody the **struggle for a more inclusive Europe**.

In order to stabilise the economy in Europe and make our common Europe stronger and more equitable, we must **free ourselves from the constraints of austerity**. We need a ***Green New Deal for Europe***.

To emerge from the crisis at last, Europe needs the three "I"s:

↳ Investment in **climate action**

↳ Investment in **infrastructure**

↳ Investment in **education**

In the current crisis, there needs to be massive **investment** in advanced technologies that support **green modernisation**. This would create jobs, lay the foundations for tomorrow's markets, and support effective climate action, thus overcoming the economic and climate crises at the same time.

Environmental investment does not impose burdens on the economy – **on the contrary, it creates opportunities for economic renewal**. Conversely, failing to undertake this investment would result in massive costs in future.

The world economy needs **regulation** – and key elements of regulation are trade rules, abolition

of (agricultural) subsidies, rules for the financial markets, and curbs on tax evasion and tax avoidance, but also social and environmental standards.

The stabilisation of financial markets and job creation will only be successful if they are accompanied by **reform and decarbonisation of our economy**, protection of ecosystems and water resources, and efforts to combat global poverty.

**A Green New Deal cannot be regarded simply as a project for the industrialised countries; it must be understood and implemented by the world community as a whole.**

This essential investment does not need to be credit-financed. Nonetheless, we should not

over-dramatise the situation if Germany is able to borrow money at zero per cent and uses it to maintain its infrastructure. This is a way of preserving its assets, which would otherwise prove very costly for future generations.

**In essence, however, it is about additional investment, not about maintaining the status quo.**

There is enough money available. We could start right away **by cutting subsidies, which would free up funds that could be used for investment.**

↳ In 2013, the **world's 1200 largest companies** paid out **record dividends of more than one trillion dollars to shareholders. This includes 35 billion**

**euros** paid by German companies. This money was not reinvested.

↳ The **investment rate** has decreased dramatically. In the 1990s, **40 per cent** of profits were reinvested. This has fallen to **less than 10 per cent** over the last decade. Instead of investing, profits are being used to speculate on the financial markets. We need to develop incentives to overcome not only the public but also – and particularly – the private investment deficit.

↳ Why don't we abolish the **withholding tax** at long last? Why are we still taxing **capital gains** at just 25 per cent?

↳ Why is the German Government still dragging its feet in Brussels on the **financial transaction tax that is so urgently needed?** No one believes that having succeeded in setting public borrowing limits across Europe, Minister Schäuble and Chancellor Merkel could possibly fail when it comes to introducing a financial transaction tax. This is about political commitment.

↳ We also need **fair taxation of wealth**. With this revenue, countries could make a binding commitment to reduce their debt via a **debt redemption fund**, with less interest-rate pressure and falling interest costs.

↪ At a time when **oil prices are** extremely **low**, we must also reduce the **subsidies on fossil fuels** at last, as the Asian countries are doing. And yet we still cling to our **company car allowance** and the **tax advantages on oil for the chemical industry**. It's absurd!

↪ We urgently need more investment in **renewable energies, energy efficiency and energy saving**. This must include incentives that encourage people to buy electric vehicles, and it must include more energy upgrading of buildings and renewable energy in Greece, Spain and Portugal.

**All this would not only make Europe more sustainable and equitable. It would also create more political sovereignty.**

## **5 Conclusion**

If Europe is to become the **driver of the world economy instead of applying the brakes**, we don't just need structural reforms: we also need **sustainable investment in climate action, infrastructure and education.**

**And for that, we must end the policies of austerity.**

That's why we need a **Green New Deal** for Europe.

**Europe's message is one of peace and democracy. Its material base is citizen**

**participation in the prosperity that we have  
created together.**

And that is what we need to restore.

Thank you.