



PRESS RELEASE

Second **independent** Annual Growth Survey

Friday, 06 December 2013, 9am

The euro zone has seen renewed growth, but the positive figures are insufficient to offset the real cost of the 2007 financial crisis and do not demonstrate that austerity is beginning to bear fruit. On the contrary, the persistence of mass unemployment is leading to new imbalances and new risks. External and fiscal imbalances are being reduced, but the growth trajectories of the euro zone countries are increasingly diverging, especially in terms of GDP per capita. Long-term unemployment is setting in along with its corollary, rising inequality, and the risk of poverty is increasing in many European countries. While adjustments to competitiveness are of course needed, this process is going too far. The relentless pursuit of the drive to lower the cost of labour is spurring higher unemployment and gradually leading to deflation in the weaker euro zone economies. Without a change in orientation in Europe's macroeconomic policies, these imbalances are likely to intensify and spread throughout the euro zone.

The **2014 iAGS** report, produced by researchers at the [OFCE](#), the [ECLM](#) and the [IMK](#), offers an alternative strategy. First, strategy must be based on recent institutional developments. In particular, the conduct of a more expansionary monetary policy – stronger quantitative easing – would help to reduce differences in interest rates substantially. Second, today's trajectory of deficit reduction must be relaxed, and a public investment programme needs to be launched. This is a crucial condition for stimulating both short-term and long-term growth. The public investment programme recommended by the **2014 iAGS** would help to put a halt to governments' disinvestment in their economies, which is in line with the European Commission's goal of an ecological transition. Third, poverty and inequality must be at the heart of economic policy. Fourth, the brakes need to be put on wage deflation.

The **2014 iAGS** report proposes enhanced coordination of wage policy through the introduction of standards on the minimum wage, as part of a determined effort to reduce the risk of deflation and contribute to a reasonable reduction of trade imbalances.

The **iAGS 2014** report can be consulted in its entirety at www.iags-project.org/



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