

Austerity, protests, and leadership

BY PIALUISA BIANCO

Europe's democracies are in peril because Europe's democracies are thriving. How is that possible? Simple: when elected leaders allow themselves to be tugged in various directions, depending on the whims of the electorate, when they feel beholden to please or merely survive rather than govern effectively, the very goal of the democratic system is undermined.



In a democracy, consensus legitimizes power. It is the source, the means, not the end. But the distinction between means and end has been lost, and European politicians are dealing with a deep identity crisis as they continue to waver. No leader in Europe today can save him or herself by simply pandering to the fears of their own confused and fragmented electorate. The difference between a leader and a mere demagogue is that a leader must evaluate the consequences of his actions, whereas for a demagogue it is enough to stir up a protest.

For the first time since the eurozone crisis broke out three years ago, workers across the continent have joined in coordinated protests to reject what they see as austerity imposed from the North. Millions of people turned out in the biggest day of union-organized protests, on November 14, in Spain, Portugal, Greece, Italy, France and Belgium. In a joint statement the protesters expressed their "strong opposition to austerity that is plunging Europe into stagnation and threatens the European social model." But what exactly are they suggesting? That the recession was caused by austerity rather than by an overly expensive welfare state system? Growth without austerity – by merely increasing public spending – will not heal Europe's disease, it will make it fester. If high deficits were the answers, then Greece, Spain and Italy should be booming.

For many countries in the eurozone, austerity was the only option available to calm the bond markets pushing them toward bankruptcy. Others have made cuts for fear of suffering the same fate. Debt

in advanced economies has reached levels exceeded only during World War II, and the evidence shows that high debt can stifle long-term growth. Sooner or later, most European countries have to start working off their debt. So the choice is not really between austerity and growth, but over the timing and speed of deficit-cutting and the right mix of structural reforms. Rejecting austerity simply makes no sense. And calling for growth is like advocating world peace: everybody agrees that it is a good thing, but nobody agrees on how to achieve it. This is why anti-austerity demonstrations have thus far failed to ignite a revolution.

These protests are a symptom, at times apocalyptic, of the economic malaise we are facing. However, to bring about real change in a real democracy you also have to do real politics. Handwringing, slogans and rock throwing are not enough, they are more often reactions that can precipitate events into something unimaginably worse. Yet no one should get carried away by the hope that the eurozone is embarking on a radical new course. The biggest boost to growth would be to remove uncertainty about the future of the euro. This requires risk- and burden-sharing across the whole zone. Indeed, the euro will survive only if every country confronts the choices it shies away from.

As such, the protests are unlikely to lead to any dramatic change in policy – also because policymakers are still under huge pressure to reform. The latest European Commission forecasts make for grim reading. The eurozone fell back into recession as the deepening sovereign debt crisis in peripheral nations dragged down the core northern economies of the 17-member bloc in the third quarter of 2012. For the eurozone as a whole GDP is expected to shrink by 0.4% in 2012; it is forecast to grow by a mere 0.1% in 2013. Industrial production across the area plunged by 2.5% in September compared with August, the largest fall since January 2009. So an end to the recession in the eurozone is still out of sight.

Despite strong signals of widespread unhappiness and resistance, the economic crisis is limiting the political and economic options that European leaders have at their disposal, regardless of the intentions of each government (see the cover story on François Hollande). But right now in Europe there's the risk that they are losing their ability to lead. The gap between the EU elite and its citizens, weary of austerity measures and in the throes of a recession, has become dramatic. European countries have been weakened from within by a gradual erosion of its national political elite, the waning consensus among these

leaders, and the withering political framework from which the leaders emerged.

Simply put, in most of the countries that make up the eurozone, there is no longer a substantial majority willing to make the sacrifices needed to keep the euro currency system together. In France voters gave their new president François Hollande a mandate to alter the course of austerity, wanting to believe the fantasy that if only the rich paid more, then their own hardship would be limited. The local elections in Germany and Italy (their next general election cycle will be in 2013) saw the rise of unconventional anti-euro political parties as traditional parties weakened. Due to the economic crisis and its resulting social discontent, fringe factions that have long been lurking in a dreamland are now taking votes away from major parties and gaining ground in electoral systems that were designed to keep those parties out of parliament by setting thresholds for representation. The real danger is that as popular support for the euro diminishes across the political spectrum, politicians will be less willing to encourage the aggressive and sometimes painful measures needed to keep the eurozone together. And European leaders' options are dwindling.

The bitter truth is that we are experiencing a top-to-bottom crisis that affects not only the skeleton of Europe, but also the democracies that are supposed to be its lifeblood. The crux of the problem lies in the fact that citizens need ever increasing guarantees; at the same time the ability of states (or supranational organizations) to ask their citizens to make the sacrifices necessary for the realization of those requests has declined drastically.

It is every leader's obligation to find a way to explain the deeper rationale of policies that can often be disconcerting. Establishing a clear and honest communication with the public is a duty for anyone in a position of power. By conceding to populist rhetoric, leaders already weakened by their inability to fulfill this primary responsibility are doomed to lose the very consensus they are seeking.

