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Europe's New „Mixed“ Crisis Management: A Step Towards A More Sustainable Future?

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Abstract

Amid growing concerns about the Eurozone woes which outside Europe are widely percieved as the main risk for the global economy of the second half of 2012, the 25th of May 2012 news that Europe's biggest crisis nation Italy now starts pursuing a new approach by „combining“ „austerity“ with „growth“ politics into a „mixed“ debt crisis management is raising dubious responses by European taxpayers and international policy makers. At least among worried citizens in Continental Europe, but also in Asia and the USA, this course change is seen rather sceptically – in particular by many Europeans who fear that their sacrifices in the framework of existing „austerity“ politics may be vanished by new governmental incentive spending. Will the new „mixed“ approach result to be progress towards a more balanced crisis management – or a confirmation of the insecure outcome of European efforts to convince the markets that problems are tackled in a clear and sustainable way?

Paradoxies of „mixed" crisis politics

As Italy's Foreign Minister Giulio Terzi announced at the end of May at an UNESCO meeting in New York City, Italy will „back growth moves for Europe" if necessary also by re-increasing governmental spending. „After all the political developments that we saw in different European countries, but not only in Europe, we are profoundly convinced in Italy that the agenda for growth now is the highest priority", Terzi said.

While of good intention, the problems inbuilt in that statement are multiple. In the framework of its debt crisis which started in 2011, brought down the politically elected Italian government and put into power a „technical" government not elected by the population, Italy vowed to do two things: First, fix the debt emergency by public spending cuts and short-term tax increases; second, undertake deep-reaching systemic reforms of the government, the political and administrative mechanisms, the bureaucracy, and the labor market by implementing liberalization and meritocracy on all levels and without exception against the prevailing web-of-frieds mentality and overregulation which paralyze the economy and Italian society.

But what was achieved so far in Italy was mainly the first part – not much of the second. The new government of Mario Monti increased taxes to all time record highs in history – currently at up to officially 45,2% for average incomes, in addition to a new patrimony tax of 0,76% per annum not on the registered, but on the market value of real estate including the first appartment, a variety of additional special taxes like a „powerful car" tax of 20 Euro for every kilowatt over 185, as well as one of the world's highest taxations of fuel which in the meantime comes up to more than the overall gross price that a U.S. citizen pays at the gas pump, and with the Italian sales tax increased to 21%. An Italian citizen today is *de facto* taxed five times on one and the same income: First, his income is taxed by 45,2%, independently of the place where the income is generated; also if generated abroad, the Italian tax code is implemented, and also if he pays taxes in another European Union country (which are usually lower), he has to pay the additional difference (some might call it: punishment fee) to the Italian state just because he is Italian – thus being threated differently than most of his Europen co-citizens, even if he is European citizen first, as his European passort says. What the citizen saves after that and invests for example into buying his own first appartment for him and his family, or other real estate - which is the most likely option, given that most other investment forms are in crisis - is then taxed for a second time through the new Italian patrimony tax applied both domestic and abroad. And it is taxed a third time through the inclusion of any rental income through such a real estate property - which is necessary because any real estate property otherwise would be a losing business because the patrimony tax is imposed also if no income is generated - to 100% in the taxation level of the national income, independently where the rental income has been produced.

What the citizen keeps after all this is taxed over-proportionally again - as compared with non-European countries and the laws of the markets - on the gas station and through the 21% sales tax, which is currently discussed to be even further increased to 23% from 2013. In addition, after the series of earthquakes that hit Italy in May 2012, a further 0,1% increase of the oil and fuel revenue tax has been implemented in order to finance the earthquake reliefs – making fuel even more expensive.

Taken together, Mario Monti's taxation extasy has led to a situation where Italy as at July 2012 has the highest taxes in the world. According to data published by the Research Institute of the Italian Business Association *Confcommercio* on July 19, 2012, the average Italian bears a combined taxation of 55%, making it the highest percentage in the economic history of Italy and the highest in the world. While Monti has increased taxes to all time highs, not much was achieved in fighting the shadow economy, where Italy in 2012 holds another world record: it amounts to 17,5% of the GDP or 154 billion Euro per year which the government loses in taxes, twice the amount of the U.K. and five times the amount of France. According to Attilio Befera, the director of the national Italian taxation company, the tax burden for the average Italian of 55% is unsustainable, but is its even worse for enterprises which de facto pay up to 70% in taxes, a percentage which is starting to harm the structural basis of the Italian economy. According to the president of *Confcommercio*, Carlo Sangalli, a further increase of the sales tax would harm Italian domestic consumption by 38 billion Euro a year.

Compare these burdens as put onto an average Italian income with, for example, U.S. taxation: Barack Obama paying 20,5% taxes on an annual income of 800,000 $ in 2011; and his opponent Willard „Mitt" Romney paying 15% taxes on an income of 20,9 million $ in 2011, the latter featuring a personal wealth of 190-250 million $!

One result of these measures is that as at today, a taxi ride in an average-sized city of Italy costs about 2 times what it costs in a global mega-city like Seoul, with the latter of higher service quality. The reason is found not only, but in a good part in combined tax pressure, foremost of sales and income tax levels as well as labour costs.

It is not really surprising that by putting all this into place simultaneously since its start of duty on 16 November 2011, Mario Monti's „technical" government triggered a consumption crisis, combined with a trust crisis, that was - and is - one cause that put the Italian economy in recession by currently -1,5% and a foresight of -2,5%, with hundreds of thousands of people threatened to lose their jobs, part-time work imposed and rapidly rising unemployment, as well as unprecedented social unrest, with hundreds of - partly public - „taxation suicides" and new anarchist terror bombings against the national taxation company „Equitalia" and Mario Monti himself.

While Montis „taxation extasy" was not its only origin, it de facto co-started a downward spiral: Taking away people's money in never seen ways harmed consumption, thus the economy went down, thus people lost their jobs, thus people have even less money to spend, thus consumption is shrinking again while more people rely upon the social programs of the government, etc. It also led to a large selling wave of real estate property of Italians in foreign countries which is making Italy poorer and decrasing its private wealth pro capita of which's 2010 second place in Europe Italians, including former treasury minister Giulio Tremonti, were so proud as the „untouchable backbone of Italy's stand among the most wealthiest and reliable nations".

According to official data published by the Italian Young Industrials Association (part of the national Industrials Association *Confindustria*) on June 8, 2012, every single day in May and June 2012 42 Italian enterprises and firms were closing down; there was a national youth unemployment of over 30%, with more than 50% in the South; and to pay taxes (including all direct and indirect ones), 285 working days per year were needed by every working Italian individual, sign of a "profound disfunction of the state" according to president Jacopo Morelli. Further, as a result not least of Monti's taxation extasy, industrial production in Italy went down from June 2011 to June 2012 by 9,2%, with the car industry - one of Italy's most important manufacturing industries - down by 19,2%.

The decisive aspect is: All this was undertaken to save money and to put the governmental budget in order at the expenses of the private wealth of the citizens and partly also of the bases of the economy. But as it seems now with Terzi's announcement of a new „mixed" politics, after exactly half a year the extreme and (in his own judgement) „necessarily cruel" austerity politics of Monti's „technical" government seem to be already subliminally and subtly given up again - thus threatening to make the huge sacrifices of the population invane. Because if you increase taxes to unprecedented levels and at the same time increase governmental „stimulus spending" in order to revive an economy hit (not only, but also) by exactly the increase of taxes, you shoot yourself in the foot.

Citizen's fears in Italy

With the newest Italian announcement of an impending „combination" of austerity and growth politics, in the eyes of many Italians the prophecy of outgoing ex-prime minister Silvio Berlusconi seems to become reality: That „these austerity measures will prove to be invane and at the sole expense of the citizen's private wealth, and thus as harming the national economy in ist very bases, if the system is not liberalized and no new European mechanism is found to generate a lasting joint solution". Ironically, it was Berluconi himself who postponed the liberalization and introducation of meritocracy so badly needed in Italy's public system for 17 years in office.

In the end, it is the fear of all too many Italian citizens these days that the new „mixed" measures between austerity and growth may in essence come down to: Austerity for the citizens which due to one of the highest tax pressures ever in history have no money left for consumption, bringing the economy down; and at the same time growth of governmental spending, financed by the citizen's tax money.

Sure enough, many Italians and Europeans like Chief National Economist of Deutsche Bank, Thomas Mayer, know that „the future of the Eurozone will depend on Italy" being Italy the biggest European crisis country. But more and more Italians and Europeans now fear that the main result of the „zigzag" course between austerity and growth will be that the tax burden will stay indefinitely at record levels (with the only exceptions of Germany and France), while due to increased public spending the debt will remain more or less the same. If this will be the case, all the technical, democratically non- or only doubtfully legitimate government of Mario Monti will - although certainly not in its intentions - have eventually done is to leave the decisive problem of reforming Italy's political, administrative and economic system untouched, but instead put even higher tax burdens upon the citizens and the companies in a country where taxation was already at the developed worlds' highest levels before the crisis. In that case, the final result of Monti's so hopefully welcomed „technical" government would be just even higher taxes – with no or not sufficient systemic reforms. And that would mean failure, if compared to his announcements.

It is exactly this scenario that in particular many leading enterprises fear – inducing for example the biggest European investment and pension funds to largely dump their Euro assets at the end of May 2012. It is not only fear of a possible exit of Greece of the Eurozone (the so-called „Grexit") that could indeed occur after the Greek elections in June, but also the new „zigzag" course between austerity and stimulus politics that is now starting to gain the overhand with the new government in France and Italy's new „openness". The inbuilt trend of these „mixed" approach could result in neutralizing the saving sacrifices, further choking the economy, reducing the basic wealth and savings of the citizens and strengthening the downward spiral. It is therefore not really a wonder that the international markets don't seem to trust the crisis management: After a short period of relief, Italy's interest rates payed on lent money, as compared with Germany, are increasing rapidly again.

„Mixed" crisis politics mirrored (and triggered) by a growing „mixture" between rightist and leftist governments in Europe

The full complexity of the situation is illustrated by the recent political mirrorings of the „zigzag" crisis management course through election outcomes. The victory of the extreme left in Greece, of Socialism in France and the huge gains of the leftist parties, including the communists, in the Italian communal administration elections of 6-7 May 2012 are not exclusively, but also the outcome of austerity politics - or as it has been branded, of German - and Sarkozy-France's - „ordoliberalism", brought forward by the until then dominating conservative and (as in the case of Italy) burgeouis European governments.

Ironically, what the voters have elected with the return of a week, poorly prepared and internally split European left was the hope to easen the burden of the (without doubt necessary) reforms on the citizens. But what they in reality got is - at least partially - the return of the old „lending and spending" mentality of European governments of the 1980s and 1990 that triggered the debt crisis in the first place. One example? Notwithstanding his often very unsocialist pragmatism and, more generally, his non-classical use of the classical socialist issue of justice not as an end in itself, but as a tool of overall progress of society, the announcement of new French president Francois Hollande to re-negotiate austerity measures, to lower the pension age, to expand the social security net and to increase spending for public welfare and labour incentive programmes points clearly towards massive increase of government spending. Like the Italian leftists in the communal councils, Hollande was swept into power not only less for his program but more by an anti-Sarkozy vote, but also by many citizen's anger not about austerity politics as such, but about their unclear steering course, not-identifiable outcome and their contradictory practices. As foreseeable - and in this aspect classically socialist -, Hollande's mains answer to balance austerity politics by „new measures" is to increase public spending to curb on the economy by giving more money in the hands of in particular the weaker groups, without being able to explain where the money for these new „stimulus spending" may come from. As Hollande asserts, the new debt will be payed for retroactively by a better economy and the resulting growth in taxes – a classical assumption that led most European countries to its for too long a time non-sustainable debt handling.

Another example? Hollande announced to raise taxes for higher incomes to 75%. Not as much a „power shift from the West to the East" is going to be consacrated with this, as former French conservative prime minister Francois Fillon asserted in November 2011 under the impression of the lasting Western economic and debt crises, thus not primarily mirroring reality, but rather launching a negative, self-fulfilling prophecy, like too many European statesman use to do these days; but rather it was consacrated that Europe is risking to lose its most talented to ist global competitors. Would you stay in a country like France paying 75% of taxes, in addition to 21% sales tax and a variety of other taxes, if you are one of the educated leaders who can move in a globalized labour market?

What does that mean? Was Continental Europe until May 2012 almost solely dominated by conservatives and thus „naturally" inclined to austerity politics rather then to stimulus spending, now an uneasy coexistence of conservatives - with their „ordoliberalism" - and classical socialists - with their „increase taxes, increase spending" mentalities - is unavoidable. That may be a good sign for a new stage of greater social balance and a more just re-distribution of selected European national wealth clusters through the two main instruments governments have to create social justice and avoid inequality, i.e. taxation and spending. But it will also be the start of a more complex crisis management. At closer look, despite all diplomatic assurances of peaceful coexistence, the overall European crisis management is already torn between the two fractions. As a result, always more European citizens fear that the ones to pay the bill for the resulting ambiguity - if not „zigzag" - between „austerity" and „growth" politics may be one more time the citizens and the corporations.

Taken together, what we are witnessing today is not only the far-reaching isolation of British conservatives from European decision making processes, but maybe also the birth of another phase of the Continental European unification process torn between conservatives and socialists. Because of the *systemic* (political and bureaucratic) „zigzag" course that has been envisioned as an effect of the return oft he left to power, Europe - now let's not forget in its sixth consecutive crisis year since 2007 - risks to damage its *structural* (economic) fundaments, as well as, maybe more important, the core of its human capital.

Intention and reality: The case of Italy, part two

Overall seen, according to Mario Terzi and Francois Hollande with most European conservatives outspokenly silent, Europe now apparently intends to steer an unprecendented „integration" course between austerity, liberalization and „growth" politics with rather unclear medium and long term measures and outcomes. But as sophisticated and multifaceted such a „pluri-sided" attempt of debt and economic crisis management may seem to be in theory, it is completely open if it really will produce progress and integration in reality, as - once again - the case of Europe's biggest and most important problem country Italy suggests.

While administrative mismanagement, mutual distrust between state and citizens as well as a deep reaching, ground-laying dichotomy between bureaucracy and economy, or *system* and *structure* in Italy started with the very foundation of the nation in 1861 as a voluntarily „weak state" founded of liberals against the catholic church were the system, being born weak and thus deeply complex-ridden, was always suspicious of the structure and vice versa, corruption, tax evasion and - most important of all - the fundamental anti-meritocratic culture of webs of friends that control most crucial Italian societal fields, including the research and higher education sector of which Monti himself stems, developed to their present grip on society only over time. It wasn't mainly the Berlusconi era which brought their influence to its peak, but the 17 Berlusconi years didn't certainly diminish their influence, although the made great progress in the fight against organized crime particularly in the South.

As a consequence, the intention of Mario Monti's reform program that started in November 2011 as contained in his „Programma Nazionale di Riforma" and his „Italia 2020" draft was not mainly to increase tax burdens and thus put additional pressure on the *structure*, but to reform the *system*, i.e. the bureaucracy, over-regulation, exaggerated labour protection and law density (due exactly to the lack of self-confidence of the Italian „weak state"), to reform the administrative iters and the court system and to introduce meritocracy and open vertical mobility and transparency in Italian society – something already the previous governments, in particular those of Silvio Berlusconi, had identified as crucial for the sustainability of Italian economy and society, and thus had promised for years improving details but without making serious systemic progress.

Most importantly, and all decisive to understand the present wide-spread citizen's fears in Italy is that most experts suggested to Monti as basic policy for the post-Berlusconi era: Reform the *system* how Italy (including the government, bureaucracy and the election process) is run, but do not touch the *structural* core (the basic wealth of citizens and companies, i.e. the patrimony of the population) in order not to undermine the foundations of long-term productivity and wellbeing.

Unfortunately, Monti, though probably *nolens volens*, has implemented rather the opposite so far. Monti as at yet has mainly increased taxes to record levels, admitting himself that the tax pressure in Italy has reached „unbearable and untolerable dimensions“, while no mentionable progress with the systemic reforms like - as mentioned - liberalization, introduction of meritocracy and vertical mobility, as well as the systematic depowerment of vested interest groups which still run large parts of the public sphere has been made after six months. In addition, small groups are still able to take the whole society as hostage – a typical phenomenen in most Southern European societies of the past years. How can it be that the taxi driver trade union in Italy can block the whole reform process of the nation towards liberalization?

With the overall reform effort de facto so far successfully implemented only with regard to the structure (taxation), not to the system (reform) and thus only half carried out, the negative effects of this one-sidedness now come to prevail. The tax increases are choking off demand and making the Italian economy less competitive.

One aspect is probably the most remarkable in all this: Ironically, with the new, extreme tax increases the government of non-elected Italian technocrats has crossed a Rubicon which the traditional political parties never dared to cross. Traditional party politicians didn’t dare to further increase taxes already among the highest of all industrialized countries. Now most of them are more than happy that they didn’t have to do the dirty business themselves, because this way they keep their chances to get re-elected. And after the return of political normality in Italy through the elections in spring 2013 for which Monti has announced not to candidate, many citizens are convinced that the Rubicon will not likely be crossed backwards anymore. That would mean: taxes remain at record highs, even if progress in fixing the debt and liberalizing the country should be made.

Be these fears justified or not – they are real, and they are psychologically negatively influencing Italian social psychology like seldomly before since the great oil crisis depression of the 1970s. And we do not even speak of Greece, Ireland, Portugal or Spain here which are, overall seen, in worse situations. And now in such an intricate constellation and all sacrificies made should the strategy be switched to increasing government spending instead of lowering it? If so, the result could be that more citizens lose trust, because the get convinced: Everything remains as it is, only that now there are higher and even more absurd taxes for us citizens and our companies. The result could be similarly unforeseeable conditions for the outcome of the next political elections in Italy, as we are experiencing them with regard to the upcoming elections in Greece right now.

Overall seen, not only has former European Union agriculture commissioner Franz Fischler proven to be right in asserting that the installment of „technical governments“ not legitmated by democratic vote like in today's Italy is a worrying alarm signal for Western democracies and close to a declaration of bankrupcy of traditional European politics. It also seems that technical governments have the inclination to implement „unpopular measures“ (Monti) which most traditionally elected governments would never have dared in the interest of their own reelection needs. Whether this is rather a pro or a con, has still to be seen.

Teachings of the Asian economic crisis of 1997-98: The case of Korea

To some extent, what is happening today as the potential induction of a structural shift that could be the result of Italy's austerity measures is not dissimilar to what happened to South Korea in the years after the Asian economic crisis of 1997-98: Austerity politics, combined with economic restructuring, in the medium and long term created a deep-reaching and exponentially broadening social inequality. Today, Korea to the surprise of many, despite its unprecedented wellbeing, fast economic growth, close to full employment, extraordinary technological progress, excellently educated working force and global innovation leadership, features the second highest degree of social (income) equality of all OECD countries, the largest gap between the wealth of the richest and the poorest 10% of the population, and a relative poverty rate of more than 18%. How is this possible?

The mechanisms in play teach us a lession about the potential effects of what is happening in current Europe:

„Experts widely agree on tracing the glaring inequality (in today's Korea) to the 1997-98 Asian financial crisis, and subsequent harsh austerity measures and economic restructuring here. Hundreds of thousands of workers lost their jobs and millions of others saw their wages fall for the economic fiasco caused by incompetent policymakers and greedy conglomerates. Some chaebol fell but those remaining became even stronger amid another mistaken policy of neo-liberalism, which called for large export-oriented economic recovery amid an extremely softened job market. Let's expand the pie first and then divide it later, they said.

The pie has grown larger, but slices for the 90 percent became ever thinner."[1]

Italy, with a population increasingly impoverished by multi-dimensional taxation, inefficient administration, youth unemployment and austerity measures, shows all signs of developing in a similar direction of „growing the pie" by paying the price of growing inequality and loss of social cohesion. Just that in the case of Italy, it is not neoliberal politics anymore; it is austerity politics, including tax increases, with simultaneous – as it seems now – increase of public spending. In times of austerity, re-distribution issues are in most cases neglected as the price for budget soundness; and that is the case also in today's Italy. If austerity politics was one of the causes of the growing social division in Korean society which is accompanied by a growing ideological dispute between conservatives and liberals that is at the forefront of the current public debate, something similar may be the effects of current „half-reform" politics on Italian society in the medium and long term. The growing social unrest and the unprecendented youth unemployment of close to 50% as co-effects of austerity politics are already all too visible signs that can't be ignored.

1) Editorial: Alarming income gap. Seoul should do more to prevent social collapse. In: The Korea Times, May 21, 2012, p. 6.

What is the vice versa teaching?

The difference between Korea's and Italy's situation is that compared with most Europan countries, Korea has still more options since its taxes are noticeably lower, its sales tax is at half of that of most of Europe, and its economy is still growing by just over 3%. If Korea is to fix its own increasing domestic disparity, it will be wise to look around for models of proper management and successful multi-dimensional solution clusters. To follow the new, „mixed" European model of rising taxation while simultaneosly rising government spending would in this situation probably not be an appropriate way. Given that the Korean government - with an export of 10% to Europe, now threatened by dwindling consumption - plans to install a think tank to closey monitor the developments in Europe and to react accordingly, one thing is for sure: The European „zigzag" politics between fiscal austerity, tax increases and socialist style governmental spending enthusiasm may be to some extent a logical development for Europe, but are no model to follow for rising Asia.

Do „mixed“ crisis policies make Europe progress?

So where are the perspectives? What has to be done?

First of all, although serious, the overall European constellation is not as desperate, as many sensationalists may want it to appear. As former European Union commissioner for Consumer Policy, Fisheries and the European Community Humanitarian Office (ECHO) Emma Bonino and Marco de Andreis recently pointed out in an inspiring European Council in Foreign Relations piece about the need of strengthening Europe towards a „Federation light“[1], Europe is much more solid in its economic fundaments, in its mechanisms of redistribution of wealth, and in preventing inequality and fostering productivity than the current shifts may make the world believe. But it is also true that the forced new co-existence of German „ordoliberalism“, French socialism, Italian taxation extasy and Greek economic and political desintegration through „suicide austerity“ (Chief of Greek radical left coalition SYRIZA, Alexis Tsipras, and similarly Francois Hollande) is producing contradictions and inconsistencies.

Maybe most important of all: it is producing rapidly growing imbalances and dependencies, including different speeds of development, between economically welldoing countries like Germany, which for the first time in after-WWII history sold government bonds in May 2012 for 0 interests, as well as short term bonds even for negative interest; and Austria, which in June 2012 sold government bonds at the lowest interest rates since 1949, selling for example its 10-year bonds for 2,36% - and countries like Spain which paid 6,66% for 10-year bonds in June 2012, and other nations at the brink like Greece, which are not able to get any money at all through the international markets anymore.

Without doubt, the unprecedented success of the „winner“ countries is in large parts their own merit and achievement. But it can’t be forgotten that it is also related to the decline of the „loser“ nations, because investors shift their money from the latter to the first like never before. Second, because a good part of the exports of the winners are going to the losers within the Eurozone, thanks to the joint currency with no losses for the winners anymore due to the former currency exchange.

In the end, it seems to many more and more like a wonder that Germany and Greece still share the same currency, and how long this can be going on. As a result, single European countries that are sound tend to develop their own global

1) E. Bonino and M. de Andreis: Making the case for a „federation lite“. In: European Council on Foreign Relations „Reinvention of Europe“ project, 03 May 2012, http://ecfr.eu/content/entry/commentary_making_the_case_for_a_federation_lite.

economic policies, de facto excluding crisis states like Greece or Italy as well as the European Union authorities from their foreign economic policy making. Due to the weakness of their other EU partners, they tend to think that the best way is to go alone, and maybe to share afterwards. One example is Germany which is fostering very special bilateral ties with the other particularly welldoing country in Asia, China[2]. China does not „want to buy up the Eurozone", as president Wen Jiabao asserted in an unusual statement during the February 2012 visit of German Chancellor's Angela Merkel to China[3], because it doesn't want to be involved in the problems. But it is interested in expanding its ties with single nations which are economically strong, like Germany – thus on its side excluding the surrounding neighbours. As understandable this trend in the present „mixed" situation is, as much could it create further imbalances and conflict within the Eurozone. These problems are not only a European, but in the meantime a global problem. Asia, incuding Korea, will be most certainly affected by their outcomes.

As the return of the financial problems in Spain's regions and in other European nations on all levels: national, regional and communal show, Europe has simply lived above its means and potentials. The European welfare state is no longer financiable; and the continent will have to reform the basics of its current system which has proven to be unsustainable.

But that is not the whole truth. While in Europe the governments are heavily indebted and the citizens are held liable by over-the-limit taxation, in other globalized countries the system puts the indebtment threat directly upon the citizen. In the USA for example, the government is indebted with about 16 trillion $, but the overall amount of private debts amount to up to 45 trillion. So to fix the European financial problems in a „concerted global effort in cooperation by all G-20 members", as most recently Britain's former prime minister Gordon Brown rightly requested, implies much more and is a much more complex endeavor than the first glance may suggest.

The only viable solution for the Eurozone crisis will be to install a fully functional, politically independent European Central Bank; to get Greece to temporarily leave the Eurozone until its worst issues are fixed (which will probably take at least a generation or two), including maybe additional side measures like the introduction of a regional secondary (parallel) currency; and to issue joint European government bonds at least to a certain, limited extent, with full reliability of all Eurozone members together, as Francois Hollande has rightly requested. Whether Germany likes it or not, wheth-

2) H. Kundnani and J. Parello-Plesner: China and Germany: Why the Emerging Special Relationship matters for Europe. European Council on Foreign Relations policy brief, Nr. 55, May 2012, http://ecfr.eu/page/-/ECFR55_CHINA_GERMANY_BRIEF_AW.pdf.

3) R. Benedikter and J.-S. Lee: Does China Want to Buy Up Europe? Europe's Crisis and China's Reluctant Rise. Lead Story. In: The European Business Review London. March/April 2012 edition, London 2012, pp. 30-31, http://www.europeanbusinessreview.com/?p=5858.

er its liberal parliament fraction leader Rainer Brüderle calls it in response to Hollande an „interest rate socialism", and while this branding might be even true, there is hardly another option in the medium term. French socialist Hollande is not the only one to know this. To prevent the impoverishment of European populations like in Italy – which may be the real and lasting effect of combining tax increases with governmental „stimulus spending" camuflaged as „growth politics" – a combination of measures has to be enacted: Lower taxes, lower government spending, liberalize society, labour, higher education and economy, introduce meritocracy radically and sustainably into all European societies to a comparable level, including in particular those in the South, care about the youth.

Second, a new, more critical assessment of the European unification process may be unavoidable at this point. For example, many today would analyze that the destiny of Greece was doomed already when it shared the Euro with Germany and France. Like other less developed countries with almost no industrial basis, the Greeks as a consequence lent German and French money to buy German cars; German economy made its best performance and huge gains; the Greeks got the cars, but could only pay back the interests rates on it, and kept the debts which they had – and have to serve – with the banks over time, thus in a certain sense paying twice for one and the same car.

The teaching is: If you get a very poor and structurally weak country to share the currency with a very rich and strong country which is much bigger, mechanisms of dependency and growth imparity of exponential development at the disatvantage of the smaller partner can be the consequence. This is certainly no natural law. Its mechanisms must be avoided by a strong political joint mechanism, that has to make sure that the overall process of distribution and dependency remains within certain boundaries. If, for example, a real joint European government that deserves the name had been in place since the introduction of the Euro, much of the unilateralisms and dependencies wouldn't have needed to occur.

And that means third, and most important, a true European Economy and Finance ministry has to be installed. What is most important to get Europe back on the track today is, by far, to balance the monetary and, to a certain extent, economic union by a political, administrative and regulative union that really deserves that name (for the first time in history, without doubt).

But that was not the case. What we have seen at work in Europe in the past years is a monetary and to a certain extent economic unity, but not a political one. That led the economic imparities go wild. As the case of Italy shows, what Europe desperately needs now is to ponder the monetary union by a true political and administrative union, a.o. by a joint Ministry of Economy and Finance that earns that name, by a concrete fiscal unity and a strong European government able to balance the growing economic tilts that are developing between the Northern and Southern countries of the Eurozone. It is encouraging that more and more leading politicians in the net paying countries like Germany, Austria, The Netherlands and France are recognizing this. It is high time to act accordingly.

Conclusion and outlook: An approach hard to explain to the citizens, and even harder to export

So do the new European „mixed" measures between austerity and „growth" stimulus make really sense? Is Europe on a more balanced track now?

The answer is: No. Instead of increasing taxes, thus hurting the citizens' basic wealth and the companies structural basis, and while simultaneously increasing government spending to „revive" the stagnant economy, the opposite should be done: Decrease government spending while decreasing tax burdens on all levels for citizens, companies and labour.

The current European crisis is without doubt a constituent part of the „Post-Empire" depression of the West in the rising age of „competing modernities" in a multi-polar world. It is an expression of combined mechanisms – outer and inner, economic and political – that are threatening Europe to get poorer and overall less important, and that are forcing America as the leader of global open societies to increasingly look to the Pacific, and to turn away from the Atlantic in their new „Asia first" strategy.

Under the pressure of leftist anti-austerity wins in the recent Greek, French and Italian elections, Europe is steering an increasingly unpredictable „zigzag" course in its crisis management between austerity and growth policies - or between increasing taxes for citizens and companies to unprecedented levels in order to master out-of-bonds national debts on the one hand, and simultaneous increased public stimulus spending on the other to revive an economy hurt by dwindling consumption due exactly to the lack of money left to citizens and companies because of extreme taxation like in Italy.

The paradox of applying such contradictory measures is not only hurting Europe's credibility in the world, but also exsanguinating its citizens by taking away their wealth; as well as seriously damaging the international competitiveness of the combined European economies on the other hand. As a result, a downward spiral is created.

If it is true that Asian countries, among them Korea, have their own rapidly rising social problems related to increasing income inequalities, youth unemployment and the resulting social and ideological polarization to fix, as well as to undertake economic stimulation programs destined to balance the effects of the European crises on their economies, the new „mixed“ politics of Europe between austerity and growth understood as „combination“ of simultaneously increasing both taxation and governmental spending are no model for them to follow. Europe must fix its debt problems, but not at the price of ruining the structural bases of the wealth of its citizens and its economy by increasing taxation and spending to record highs. The case of Italy can serve as a model of what not to do.

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http://gsis.korea.ac.kr/news/view.html?id=notice&no=1032.

Österreichische Gesellschaft
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Since its foundation the Society has accompanied the central steps of the European integration process, inter alia the Austrian EU accession, the introduction of the Euro as common currency, the enlargement towards our central and eastern European neighbours and the ratification process of the Lisbon Treaty.

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