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Hold on a moment: the European corpse may be rising from the slab

- JEREMY WARNER

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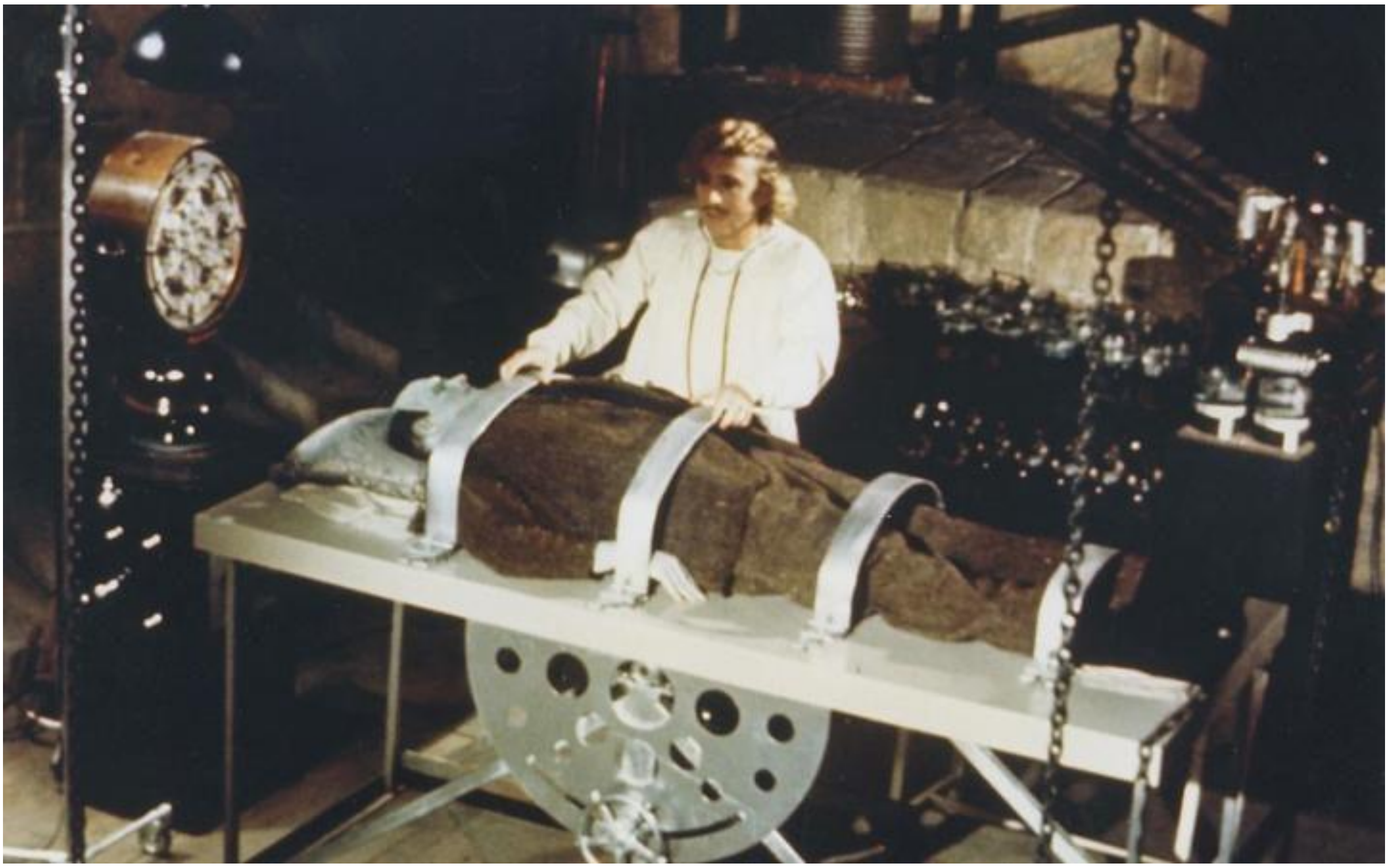

Draghi's "quantitative easing" seems to be working in slowly reviving the European economy

As a basically Eurosceptic nation, it is sometimes said, Britain will only vote for Europe when it can look longingly across the Channel and see that the economy is notably better over there than it is here. So it was during the last referendum on membership of what was then the European Economic Community. Back in the 1970s, Britain seemed locked in a seemingly permanent cycle of economic decline. Contrast that with the steadily rising living standards of the time in Germany, and even France and Italy, and it is not hard to see why the overwhelming majority of voters thought they'd be better off in than out.

One of the problems the Remain campaign has got this time around in making a positive case for Europe is that it is no longer possible to point to any such contrast, and actually hasn't been for a long time now. Some parts of Europe, notably Germany, are still doing fine, and arguably better than the UK, having experienced a rather swifter and more rounded recovery from the crisis than us.

Yet in some measure, this may have been at the expense of other members of the Eurozone "family"; large parts of the single currency area remain mired in an economic malaise deeper than anything seen since the Second World War, with record high unemployment and crushing levels of debt. Almost unbelievably, Italian GDP is still 8pc lower than its pre-crisis peak, with output no higher than it was when the euro was first launched at the turn of the century. At the same time, great swathes of Italy's once thriving industrial sector have been all but wiped out, dealing a body blow to prospects of future growth. Other than Japan, there is no precedent among major advanced economies for such an extended period of economic stagnation.

The Colosseum in Rome. Italian GDP is still 8pc lower than its pre-crisis peak, with output no higher than when the euro was launched at the turn of the century

Brexiteers say that remaining with this bunch of economic no-hopers is like being "shackled to a corpse". It is often hard to disagree. What is more, it is as plain as a pike staff that many of the measures still necessary to make the Eurozone into a properly functioning and sustainable monetary union will at some stage, should the UK be sucked into them, run counter to Britain's national interest. The further opt outs won by David Cameron in his "renegotiation" may give only limited protection from these eventually much deeper levels of fiscal and monetary harmonisation.

Yet largely unnoticed amid the cut and thrust of the Brexit debate, something remarkable is happening; the corpse is showing unmistakable signs of life. These may be no more than last gasp death throes, and in any case are far too late, and as yet too small, to have any meaningful effect on Britain's referendum vote. Nobody is pretending that the Eurozone has solved its problems and is about to rebound into rude economic health.

All the same, something is plainly stirring. In the first quarter of this year, Eurozone growth was markedly higher than both the US and the UK. Job creation too has been substantially better in recent months. That the Eurozone is finally beginning to play catch-up should come as no great surprise to close observers of economic events, for the main reason for this bounce is that belatedly policymakers have begun to apply some of the same therapies as their Anglo-Saxon counterparts. Indeed, the real surprise is that the scale of the recovery has not been greater.

Early on in the banking crisis, both the US Federal Reserve and the Bank of England sought to underpin the financial system with massive asset purchase programmes. These were bold, and substantially untried measures at the time which may still carry a quite destructive long term cost. For instance, they have discouraged people from saving while simultaneously forcing money into higher risk investment, thereby incubating financial instability for the future. Yet they broadly worked in calming the storms and preventing economic calamity.

The ECB, by contrast to the Fed and the Bank of England, held back

The European Central Bank, by contrast, held back. German intransigence over anything that looked like a transfer prevented the ECB from acting like a proper central bank and monetising government debt accordingly. As a confederation of separate sovereign nations, the Eurozone seemed incapable of acting to save itself as any sensible single country would. The Eurozone had to get to the very brink of collapse before Germany and its Northern neighbours would relent. Had the ECB been allowed, like its US and UK counterparts, to apply "quantitative easing" at an earlier stage, much of the Eurozone's existential crisis could have been avoided, or at least would have worked its way out in an entirely different way. The moment Mario Draghi, the ECB president, said he would buy government bonds without limit, the financial crisis, together with the threat of immediate break-up, began to ease.

Since then, the Eurozone recovery has followed almost exactly the same trajectory as the UK and the US. As with these earlier recoveries, growth is heavily focused on household consumption and the industries that service it. Just recently, Draghi announced he was doubling up again on measures to revive the European economy. The past year has also seen the fiscal straightjacket of the Eurozone's initial response to the government debt crisis progressively loosened. Faced with open rebellion from the likes of Italy and Spain, Brussels has been forced to trim its demands. Fiscal targets have either been extended or abandoned altogether, so much so that this year should be mildly expansionary from a fiscal perspective, for the first time since the crisis began.

How sustainable is this bounce? The latest growth spurt is worryingly focused on Germany, which may be experiencing something of a mini-boom thanks to the recent influx of migrants. The beleaguered economies of the South have not tended to fair so well. Yet this time around, we can at least safely discount Greece, whose interminable debt relief talks resumed again yesterday. Despite the apparently irreconcilable nature of the standoff between Germany and the flip-flopping International Monetary Fund, Greece is these days just a sideshow that poses no wider threat to the single currency. There are on the other hand any number of rival hazards threatening to take its place, from Brexit to Italy's renewed banking crisis.

There’s a lot riding on Europe’s still nascent recovery, for Britain as well as for the political sustainability of the Eurozone. In or out, Britain needs a healthy European economy if it is to thrive itself. We had all better hope that the corpse is indeed rising from the mortuary slab.