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The eurozone is turning into a poverty machine

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The fact that poverty levels are rising so fast in what were prosperous countries is shocking

There are constant bank runs. The bond markets panic, and governments along its southern perimeter need bail-outs every few years. Unemployment has sky-rocketed and growth remains sluggish, no matter how many hundreds of billions of printed money the European Central Bank throws at the economy.

We are all tediously aware of how the euro-zone has been a financial disaster. But it is now starting to become clear that it is a social disaster as well. What often gets lost in the discussion of growth rates, bail-outs and banking harmonisation is that the eurozone is turning into a poverty machine.

As its economy stagnates, millions of people are falling into genuine hardship. Whether it is measured on a relative or absolute basis, rates of poverty have soared across Europe, with the worst results found in the area covered by the single currency.

There could not be a more shocking indictment of the currency's failure, or a more potent reminder that living standards will only improve once the euro is either radically reformed or taken apart.

Eurostat, the statistical agency of the European Union, has published its latest findings on the numbers of people "at risk of poverty or social exclusion", comparing 2008 and 2015. Across the 28 members, five countries saw really significant rises compared with the year of the financial crash. In Greece, 35.7pc of people now fall into that category, compared with 28.1pc back in 2008, a rise of 7.6 percentage points. Cyprus was up by 5.6 points, with 28.7pc of people now categorised as poor. Spain was up 4.8 points, Italy up 3.2 points and even Luxembourg, hardly known for being at risk of deprivation, up three points at 18.5pc.

It was not so bleak everywhere. In Poland, the poverty rate went down from 30.5pc to over 23pc. In Romania, Bulgaria, and Latvia, there were large falls compared to the 2008 figures – in Romania for example the percentage was down by seven points to 37pc.

What was the difference between the countries where poverty went up dramatically, and those where it went down? You guessed it. The largest increases were all countries within the single currency. But the decreases were all in countries outside it.

We are all aware the euro-zone has been a financial disaster, but it is a social disaster as well. CREDIT: ALEX DOMANSKI /REUTERS

It gets worse. "At risk of poverty" is defined as living on less than 60pc of the national median income. But that median income has itself fallen over the last seven years, because most countries inside the eurozone have yet to recover from the crash. In Greece, the median income has dropped from 10,800 euros a year to 7,500 now. In Spain it has not been quite so dramatic, but median income has still gone down from 13,996 euros a year to 13,352. In reality, people are getting both relatively and absolutely poorer.

There are other measures that make that clear as well. Across the EU, 8pc of people are defined as “severely materially deprived”, which means that they lack access to what most civilised societies regards as basic necessities – if you tick four out of nine boxes, which include not being able to afford to heat your home, eat meat or fish or a similar protein at least every other day, or pay for a phone, then you fall into that category.

Strikingly, several eurozone countries are now starting to lead on those measures. Greece, inevitably, is rising fast, with 22pc of the population now falling into that category, compared with only 11pc back in 2008. In Italy, a country that was as prosperous as any in the world two decades ago, a shocking 11pc of the population are now “materially deprived” compared with 7.5pc seven years ago. In Spain the rate has doubled, and in Cyprus it is up by more than 50pc.

And yet if you look at countries outside the single currency, that rate is either broadly stable, as it is in the UK for example, or else falling at a respectable rate – in fast-growing Poland, for example, the numbers suffering “material deprivation” has halved in the last seven years, and, at 7.5pc, is now a lot less than it is in Italy.

That matters. The EU set itself a target of significantly reducing the key measures of poverty by 2020. It is failing miserably. Even worse, it is become

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It is hard to think of any other plausible explanation for the stark difference between poverty rates for the countries inside and outside the eurozone. Why should Greece and Spain be doing so much worse than anywhere in Eastern Europe? Or why Italy should be doing so much worse than Britain, when the two countries were at broadly similar levels of wealth in the Nineties? (Indeed, the Italians actually overtook us for a while in GDP per capita.) Even a traditionally very successful economy such as the Netherlands, which has not been caught up in any kind of financial crisis, has seen big increases in both relative and absolute poverty.

In fact, it is not very hard to work out what has happened. First, a dysfunctional currency system has choked off economic growth, driving unemployment up to previously unbelievable levels. After countries went bankrupt and had to be bailed out, the EU, along with the ECB and the IMF, imposed austerity packages that slashed welfare systems and cut pensions. It is not surprising poverty is increasing under those conditions.

In the financial markets, there is an endless focus on the state of the banking system within the eurozone, on rising budget deficits, and on the risk of deflation and the havoc it might play on asset prices. But in the end, the financial crisis does not matter that much. It can be fixed with bail-outs and by printing more money. Even if it can’t, it just means some banks and investment funds will be worse off.

But the fact that poverty levels are rising so fast in what were prosperous countries is shocking. There is no sign of that rise slowing down – indeed, in countries such as Greece and Italy, it is accelerating. What were once dirt-poor countries, such as Bulgaria, or middle income countries like Poland, are fast over-taking what used to be developed Europe.

Not being able to afford a phone, or to eat meat three times a week, is no fun. But thanks to the euro that is now the fate of millions of Europeans – and it will not change until the currency is taken apart.