

The ETUC welcomes the forthright statements by the OECD in its latest Economic Outlook on the need for expansionary macroeconomic policies in Europe to boost domestic demand. It agrees wholeheartedly that ‘In the current context of low underlying inflation and weak aggregate demand, the case for easing the monetary stance in the euro area looks (...) compelling’ and that monetary policy could have an ‘immediate role to play by significantly cutting policy rates’. In the light of this and the OECD forecast of just 1.2% economic growth in the euro area in 2005, ETUC General Secretary John Monks said: ‘The ECB has to abandon its wait and see attitude. It cannot just stand by and watch the economy enter a fifth year of extremely meagre growth.

The ETUC, along with the Trade Union Advisory Committee to the OECD (TUAC), has long argued that Europe is suffering from inadequate domestic demand and called for a coordinated European Growth Initiative to provide the boost required to get back on the track towards the Lisbon employment targets. Specifically, the ETUC has insisted – a position now taken up by the OECD – that where structural reforms and active labour market policies are implemented, this must be done within a more expansionary economic environment, to ensure that people leaving training programmes and benefit schemes actually have attractive jobs to take up. Otherwise, as the OECD acknowledges, there are serious deflationary risks.

Too many European policymakers still hold the complacent view that the macroeconomic policy regime, in spite of poor economic performance, is somehow beyond reproach. The ETUC has consistently challenged this view – most recently at its conference ‘Delivering the Lisbon goals: the key role of macro economic policy making’ (<http://www.etuc.org/a/37>) – and proposed alternative strategies based on a coordinated approach to policymaking, one that also incorporates wage-setters as part of a growth and employment-friendly anti-inflationary strategy. In the light of the OECD’s recognition that ‘better managing

the demand side of the economy will remain a central priority' for Europe, it calls on EU policy-makers to engage in a constructive debate on ways to improve macroeconomic policymaking, especially in the euro area.

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