

Paul Krugman - New York Times Blog

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The Eurobeatings Will Continue

Until morale improves. So says José Manuel Barroso, in a letter to the European Council saying that what Europe needs is — surprise — more austerity.

I'm tempted to do a point by point analysis of the data Barroso presents to claim that adjustment is proceeding at an acceptable pace. We know, for example, that what looks like a surge in Irish competitiveness is in large part a compositional effect, in which the relative robustness of highly capital-intensive industries (pharma) creates the illusion of a productivity boom. We also know that even where there are genuine improvements in export performance, as in Portugal, they aren't contributing enough to aggregate demand to prevent a downward spiral from austerity.

But enough; clearly, the Commission won't change course until catastrophe strikes. Mario Draghi's actions, by stabilizing markets and bringing down spreads, bought Europe quite a lot of time; Europe is determined to waste all of it.

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