

Paul Krugman - New York Times Blog

June 18, 2013, 10:53 am

Structural Excuses

I promised in an earlier post to say something about why these days I tend to get annoyed when I hear the phrase “structural reform”, especially in Europe.

Part of the reason is that the phrase sounds good, but could mean lots of things. In many cases “structural reform” is code for eliminating worker protections and/or sharply cutting social benefits. Sometimes this may be necessary — let’s face it, France has made it much too attractive to retire at 55 — but such things should be called by their proper names, not wrapped in vague language that conceals the nature of the pain.

That brings me to a second problem: whenever some catchphrase becomes part of what Very Serious People say because it sounds Serious, it’s time to stop using the phrase, to force the VSPs to talk about what they really mean. In the US context, “entitlement reform” is VSP boilerplate — I mean, who can be against reform? But there’s a world of difference between trying to move away from fee for service medicine — a reform I support — and, say, raising the Medicare age, which would be a terrible policy. These things should not be lumped together.

But the main thing about “structural reform” in Europe is the role it plays in discussion of macroeconomic policies. Instead of reflecting on the fact that Europe is sinking deeper into depression five years into the slump, and clearly needs less austerity and more aggressive monetary expansion, the usual suspects start talking about the need for structural reform. And my sense is that this talk of reform has, in practice, become less a real demand for specific actions than an excuse for not facing up to the reality of macroeconomic disaster, and a way to avoid discussing the responsibility of Germany and the ECB, in particular, to help end this disaster.