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Economic Crisis

The Euro Pact: when the kidnapper rescues you

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The Euro Pact is the way chosen by the EU heads of government to implement their Economic Governance Plan. This means, among other things, cutting wages and social spending, eroding social protection models and introducing greater job insecurity. Constitutionally enshrining the straitjacket of the stability pact, the Pact imposes control on deficits (3% of GDP) and debt (60%) and, with this, the pro-cyclical nature of economic policy. It will apply greater fiscal regression and a shrinking of the public sector. Thus, member countries are reducing the margins of popular sovereignty and of economic, social and labour policies which will have to adapt to institutionalized criteria that, in the absence of significant political and social upheavals, will be practically irreversible.

With the Euro Pact, the bailouts of Greece, Ireland and now Portugal mean a still greater process, if possible, of socialization of debts. Especially of private debt, which in Spain represents, according to data from the Bank of Spain for 2010, 78% of the total. This debt that weighs down the economy, with tax cuts and bailouts to the banks, has raised the public debt. This also involves a transfer of income: creditors - especially the big central European banks - return their loans - increasing their solvency; meanwhile, the new debts owed by states rescued by the EU will be paid by all citizens - at the expense of reduced public services and social rights - and the working population - in the form of more unemployment, counter-reforms in the labour market and reduced working rights.

These recipes will further economic depression and submit us to the dictatorship of creditors; and those who had been responsible for the crisis will be its beneficiaries. The same policies that have deepened divergences and uneven development in Europe, far from being corrected, will be deepened. And public debt will increase. Who is saving who then? The chickens are cooped up with the fox.

There is no easy alternative. We have two options: rescue and adjustment measures, or attack of the "markets" on the public debt. How to break out of this tragic dilemma? Little Iceland disobeyed: it rejected social adjustment measures, it has not returned the debt to the creditors, it has prosecuted the perpetrators of the crisis, and has nationalized banking while rejecting the "bailouts" demanded by the creditors, and it is coming out of recession! In addition, while the interest rates on public debt issued by Greece and Ireland have risen after their respective bailouts, those of Iceland have experienced a significant decline.

The European Trade Union Confederation has proposed an issue of Eurobonds that would alleviate abusive differentials in risk premiums. It also demands that the European Central Bank adopt a monetary policy based on the creation of employment, developing greater cooperation between member states.

The trade unions in the south of Europe go further, calling for greater regulation of financial markets, a tax on financial transactions, the creation of a European Debt Agency for debt - embryo of a European Public Treasury - and a bigger public budget for the EU. These measures would be effective for cutting off the recessionary drain, given that they would get round the existing financial short circuit; they would also lay some groundwork for a more ambitious progressive reform.

But tackling the crisis for the benefit of the majority would require even more far-reaching and bold measures: rejection of the measures of adjustment and socialization of the debt; public audit of the conditions in which the public debt was issued, acquired, and financed; restructuring and cancellation of socially unacceptable debut so that creditors bear the main burden of the crisis; relaunch of public banks; and re-fiscalisation of the income from capital, by investing new public revenues in socially useful initiatives and sustainable energy transition, with effects of economic recovery and the generation of employment.

We need a profound change in European policy to promote not only a strong regulation of financial markets, but also international tax harmonisation based on direct and progressive taxes, as well as increased wages and social rights. The management of the deficit and the debt should be prefigured with a criterion that ensures countercyclical investment policies in the recession we are going through, something that the Euro Pact prevents

We need to find a path towards a supra-national alliance which is opposed to the Euro Pact and politically supports and coordinates the construction of another Europe. That means advancing firm criteria for driving EU policies in favour of the social majority represented by the labouring class, in a direction diametrically opposed to what is becoming ever more a Europe at the service of the large financial oligarchies.

[This article was also signed by Bibiana Medialdea, Bruno Estrada, Manuel Serra and Nacho Ã lvarez].

