

The Global Crises

Sustainable solutions to the global crises: European action not european rhetoric!

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The financial crash has afflicted the planet for over a year. It has severely affected the real economy and the worst impacts for ordinary people are still to come.

Unemployment is soaring everywhere, insolvencies are reaching unprecedented levels, and social systems are under extreme pressure. This crisis affects all humanity, in particular the most vulnerable groups such as workers, jobless, farmers, migrants and women. The crises of the food and energy systems are other dimensions of the malfunction of the current economic system. People in the South are again taking the heaviest brunt of these unprecedented crises.

The crises are the consequence of a system of production and consumption based on free market economies and laissez-faire, pushed by corporate lobbies, resulting in unequal redistribution of wealth, the transfer of income from labour towards capital, an unjust trading system, the perpetration and accumulation of irresponsible, ecological and illegitimate debt, natural resource plunder, the dismantling of social protection and the privatisation of public services such as pensions, housing and health services. This model must be overturned.

THE EU - PURSUING MARGINAL REFORMS

EU governments and the European Commission have not changed course in response to the crises. EU financial reform proposals are so far limited, do not tackle the root causes of the crisis, and fall short of what is demanded to shape a sound financial system. And as in the past, EU governments are passing the costs of the crisis to taxpayers instead of implementing the speculators pay principle.

The rescue and stimulus measures undertaken until now are merely steps in the direction of avoiding total

economic collapse, but are not enough to ensure a balanced system with stability in the long term. Indeed the expenditure of public funding should have been used to support other economic sectors, committed to promote an environmentally and a socially just economy. It is also doubtful whether the support provided will be sufficient to prevent deflation and a long lasting depression.

Whilst most countries in the Global South and also many of the EU's member states lack financial capacities to appropriately support and transform their economies, the EU fails to develop alternative institutions to channel funds for public investments in these countries. Rather, the EU is promoting a strengthened role for the International Monetary Fund and the World Bank. These institutions have for three decades pushed developing countries into poverty through structural adjustment plans using conditionalities. Imposing such conditionalities put additional constraints on the poor and drive recipient countries into a new debt crisis.

Together with other developed and emerging countries, the EU is aggressively promoting bilateral Free Trade Agreements and the conclusion of the WTO Doha Round as key measures to relaunch the economy. . We, the undersigned civil society organisations demand that European governments address the real causes of the current crises. Tackling their symptoms will not suffice. In Europe and globally we need a comprehensive regulatory system which puts the financial system at the service of people's interests.

This should promote a new economic paradigm based on the realisation of human rights, decent work, food sovereignty, the respect for the environment, cultural diversity, the social and solidarity economy and a new concept of wealth.

EU FINANCIAL REFORMS: PARTIAL AND PIECEMEAL

The current reforms promoted by the EC do not indicate that public interest is at the heart of the EU's financial reform proposals. They fail to strictly regulate and supervise all financial operators and products. The directives and measures related to Hedge Funds, capital requirements, credit rating agencies, derivative markets and savings taxation fail to address the underlying problems and to eradicate speculation that damages societies and economies.

A few examples:

- The EC proposal to make derivative markets “efficient, safe and sound”¹ does not include a proper regulation and supervision of risky financial products.
- The new supervisory structures agreed upon in June 2009 including the European Systemic Risks Council are insufficient to deal with the risks of multi-country financial conglomerates.
- The current financial education and deposit safety measures do not secure peoples’ savings in the event of financial crises.
- The EC proposals on responsible lending and borrowing² fail to include social and environmental criteria that would help move the economy onto a more sustainable footing.
- The EC proposals for the reform of the savings tax directive are insufficient to achieve a real solution to the problem of tax evasion.
- The EU actively promotes the conclusion of the WTO Doha Round, including a further liberalisation of financial services under the GATS Agreement and in the FTA/EPAs negotiations which implies a reduction of governments’ capacities to regulate financial actors and products.

The proposals do not aim at ending speculation. As a result the wealthy can continue to put their money in the casino rather than in the real economy. Yet a socially and ecologically sustainable economy can only be achieved with a finance system that serves this purpose rather than serving the interests of speculators and a small minority.

We demand EU governments to

- Regulate all financial actors and institutions. All financial operators must be regulated and supervised, and operate in full transparency. The clear separation between savings banks and investment banks should be restored.
- Strictly regulate financial products. Off balance sheet, offshore transactions, over the counter (OCT) trading and high risk financial operations such as naked short selling, structured investment vehicles (SIVs), and collateralised debt obligations (CDOs) must be

prohibited. The EC should also ban speculation on commodity futures by non-commercial traders, such as hedge funds, index funds, etc. Operators who manipulate the commodities market must be sanctioned by a public authority.

- Close down tax havens under the jurisdiction of any EU member state. Automatic exchange of information guaranteed through a multilateral agreement, with strong sanctions against non-compliant territories and users are core elements to address this problem.

- Promote financial institutions and products that meet the needs of people and the environment. Highly speculative and leveraged institutions and financial practices have to be banned. More public and cooperative banking is needed and better insurances to secure people's savings.

- Bind banks receiving state funds or guarantees to sustainable investments. Banks receiving public support in whatever form, e. g. recapitalisation and public guarantees, should be bound to support sustainable investments which promote socially and ecologically sustainable jobs. They should also be bound to phase out of speculation on food, and unsustainable big infrastructure projects. Banks' directors should be made legally accountable for the impacts of their activities. People affected by operations and investments financed by EU based banks must be enabled to take banks to EU courts.

MAKE THE ECONOMY SOCIALLY AND ECOLOGICALLY SUSTAINABLE AND CURB CORPORATE CAPTURE

The current measures undertaken by EU governments to deal with the social and ecological crises are short sighted and do not take into account the magnitude of the crises. The belief in the market to solve the crises remains intact.

A few examples:

- The EU promotes the further liberalisation of trade - via concluding the WTO Doha Round and bilateral and regional free trade agreements as a solution to relaunch economic growth.
- The EU plans to promote further flexibilisation of the EU labour market as an answer to increased unemployment.

- The EU further marginalises the productive participation of migrants in the economy, de-stabilises the flow of migrant remittances and intensifies criminalisation of their communities through the EU Return Directive.
- The EU promotes the expansion of emissions markets within the ongoing UN climate negotiations, sustaining the illusion of emission markets to be a key solution.

The EU's proposals do not tackle the root causes of the social, ecological, hunger and energy crises, but will allow EU corporations to further increase their profits at the expense of farmers and workers incomes, and the environment.

We demand EU governments to

- Initiate a process of “upwards” harmonisation of workers incomes, social and labor rights in Europe, including migrant workers. Pursuing the implementation of the ILO decent work agenda, a process of social convergence needs to be established, including setting European minimum wages and an end to competition between EU Member States through the erosion of their tax and welfare systems. A coordinated decrease of working hours in the EU needs to be developed and implemented. Europe-wide regulation which ends insecure labour contracts must be developed, making permanent guaranteed working contracts the employment standard in Europe.
- Invest in public infrastructure and the environmental transformation of the economy. Seriously addressing climate change requires a shift towards a post carbon and low resource economy, which will create decent green jobs for millions of people in the EU and globally. Public funds generated by new taxes (see next point) must be invested in the rebuilding and expansion of public infrastructure (railways, local public transport, sustainable local energy systems, education, health etc.), ecological housing and jobs contributing to the ecological conversion of the economy (e.g. energy efficiency measures, localised food economies etc.). Subsidies and aid packages for any industry sector should be used to help the sector and its employees to engage in the socially just transition towards a post carbon and low resource economy.
- Finance the rescue packages with new taxes. Taxes on financial transactions, increased income tax on the

wealthy and higher corporate taxes for large companies are needed to help stabilise financial markets and get public funds to sustain the socially just ecological conversion of economies. Tax revenues should be used to pay off the bank bailouts and to support public investment for the socially just ecological conversion of economies, with a particular emphasis on developing countries and Eastern European countries.

- Stop promoting free trade and investment liberalisation and reform EU external trade and investment policy. EU governments and developing countries need to retain policy space so that they can plan and regulate their economies. Free trade agreements, as promoted at the WTO or via bilateral negotiations with other countries or regions, must be replaced by trade and investment policies that put the interest of farmers, workers, the environment and the respect for all human rights first. Financial services must not be liberalised via such policies and treaties.

- Put the European Central Bank under public scrutiny and broaden its missions to the backing of jobs and to support the transition towards a post-carbon and low resource economy.

- Establish a new global reserve system. The stabilisation of exchange rates should be ensured by introducing a global reserve currency system, as promoted by the recent UN summit on the global crisis.

ORGANISE A DEMOCRATIC PROCESS WITH BINDING REGULATION ON THE INFLUENCE OF FINANCIAL AND ECONOMIC ELITES

The same people who have proved unable to run a reliable finance system are still holding the political and economic levers in their hands. Financial actors and economic elites who have lobbied for the liberalisation of financial markets and the economy have retained privileged access to policy makers. The many consultations, held by the Commission and the European Parliament about the reforms, are dominated by the same lobbies of financial companies which were successful in achieving deregulation. The weak capital requirements (5%) proposed for securitisation are an example of the continuing deregulatory lobbying at work.

We demand EU governments to

- Cancel the privileged access of banks and other financial

actors to decision making processes at all levels.

- Put public consultations in place which include all sectors of society and all relevant stakeholders. Dissolve groups that are controlled by industry interests - as the De Larosière Group was - or take steps to ensure balanced representation.

- Support a multilateral process under the auspices of the UN to deal with the crisis. The G20 is not a legitimate body. Reforms have to be developed in a democratic and inclusive way. All nations, not only the richer nations have to be duly represented in the development of sustainable solutions.

Signatories:

Africa Europe Faith and Justice Network (AEFJN)
Central and Eastern Europe Bankwatch Network
Eurodad
European Attac Network
European Coordination Via Campesina
European Marches against unemployment, insecure labor and social exclusion
Friends of the Earth Europe
Reclaiming spaces
Seattle to Brussels Network
Terre des Hommes International Federation (TDHIF)
Women in Development Europe (WIDE)
European AntiPoverty Network
ActionAid
Organizations from EU Member States
Action Solidarité Tiers Monde, Luxembourg
AITEC, France
Asociacion Paz Ahora, Spain
Asociación Socialismo XXI, Spain
Association for the Development of the Romanian Social Forum (AD ESR)
Attac Austria
Attac Catalonia
Attac Finland
Attac France
Attac Germany
Attac Hellas
Attac Hungary
Attac Poland
Attac Spain
Attac Sweden
Attac Vlaanderen
Belgian Social Forum
Campagna per la Riforma della Banca Mondiale (CRBM), Italy

Centre national de coopération au développement (CNCD), Belgium
Corporate Europe Observatory (CEO)
Ecologistas en Acción/Ekologistak Martxan/Ecologistes en Acció/Ben Magec, Spain
El Observatorio de Multinacionales en América Latina de la Asociación Paz con Dignidad, Spain
Federacion de Asociaciones para la defensa de la Sanidad Publica, Spain
Forum anticapitalista de reflexion y Generacion de Alternativas (FARGA), Spain
Intersindical Alternativa de Catalunya (IAC), Spain
Intersindical Valenciana, Spain
Observatorio de la deuda en la globalizacion, Spain
ÖBV - La Via Campesina Austria
Pancyprian Public Employees Trade Union (PASYDY), Cyprus
Plataforma de Solidaridad con Chiapas, Spain
Plataforma Rural - Alianzas por un Mundo Rural Vivo, Spain
Romanian Social Forum
SETEM, Spain
Transnational Institute, Netherlands
Unidad Civica por la Republica, Spain
Union syndicale Solidaires, France
War on Want, UK
WEED - World Economy, Ecology & Development Association, Germany
Zukunftskonvent, Germany
Foro Social de la Rioja, Spain

Notes

1. EC, Financial services: Commission outlines ways to strengthen the safety of derivatives markets, Press release IP//09/1083, 3 July 2009
2. EC, Financial services: Commission launches consultation on how to ensure responsible lending and borrowing in the EU, press release IP/09/922, 15 June 2009 <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/922&format=HTML&aged=0&language=EN&guiLanguage=en> and see also http://ec.europa.eu/internal_market/consultations/docs/2009/responsible_lending/consultation_en.pdf