EuropeanLEFT

transform!
european network for
alternative thinking and political dialogue

CONFERENCE REPORT

Brussels

10th April 2014

Brussels, June 2014
Maxime Benatouil (Transform! Europe) compiled this report
based on notes taken at the Conference and on some contributions kindly provided by the speakers.
Whilst the author took every care to reflect the presentations and discussions accurately,
any inadvertent omissions or inaccuracies are the author's own.

A booklet gathering the speakers' contributions will be issued this summer.

Additional information on the conference
can be found on the organizers' websites:

Party of the European Left: www.european-left.org
Tranform! Europe: www.transform-network.org

Foreword

On April 10th, the Party of the European Left and Transform! Europe jointly organized an international conference in Brussels that brought together economists, civil society activists and politicians to discuss alternative solutions to the debt crisis. The event was held shortly before the electoral campaign for the European elections kicked off – 6 years after the outbreak of the so-called Euro crisis. As a simple – but relevant – fact of timing, EU officials were still celebrating as a success story Greece's return to the capital markets after a 5 years ban when the international conference took place. When the European Council put Greece into the "excessive deficit procedure" in 2009, the country's debt was estimated at 125% of GDP. Five years of austeritarian Troika recipes made it skyrocket by 175% of GDP. The essence of the Troika's failure lies in this observation.

The idea that austerity was not solving the sovereign debt crisis, but rather fuelling it, was the root cause that led to the organization of the international conference. In the past years, the neoliberal-biased narrative according to which allegedly too generous welfare policies provoked the indebtedness of so many states has become commonplace – one barely even bothers anymore to mention the role played by the massive costs of both bank bailouts and tax cuts in the current situation. The conference aimed therefore at deepening the debate about alternative solutions to austerity, as well as at contributing to the overcoming of the debt crisis and its cynical use as a pretext for imposing neoliberal transformation processes. It also appeared that solving the debt problem alone won't be enough to revitalize the economy – which requires to develop alternatives in regards with taxation, wealth distribution, and investments in favor of a new model of social and ecological development.

The one-day conference was divided into four consecutive sessions dealing respectively with the analysis, the objectives, other experiences from outside Europe and the proposals to exit the debt crisis. Top representatives from the European Left and its political foundation opened the discussions and concluded the debates.

Opening Session

Yannis Millios, member of the *EL Economic Policy Working Group*, opened the conference by reminding the audience the challenges the EU is facing. While the sovereign debt crisis in the Eurozone has not been solved, the risk of deflation was never so high. In spite of the seriousness of the situation, the European Central Bank digs its heels and still does not act as a lender of last resort. He pointed out that the ruling elites across Europe have been using every single occasion to destroy what was left of the welfare state. These cuts in public expenditures increased the level of sovereign debt – proving that this recipe was wrong. He mentioned a few proposals put forward by the EL to exit the Euro crisis such as that the purchase of past public debt by the ECB without anti-social conditionalities, the creation of a European financial institution to decide democratically on public expenditures falling under social and environmental criteria, as well as the cancellation of the unstainable part of the debt.

He was then joined by **Walter Baier**, coordinator of *Transform! Europe*, who underlined the crucial importance for the Left to elaborate alternative approaches to the current EU crisis regime. The Euro crisis has profoundly changed the shape of the continent. It did not only destroy the social models and the Southern countries' economic basis, but it also harmed democracy – and could potentially jeopardize the European peace. He stressed that the Left must call vigorously for an immediate end of austerity and a restructuration of the debt, and push for a social and ecological reconstructive production. Such a radical change of course requires an overcoming of the current cultural and political hegemony, in which the social movements must play a very important role.

The chair of the *Confederal Group of the European United Left/Nordic Green Left (GUE-NGL)* **Gabi Zimmer** started her presentation by questioning the very legitimacy of the Troika to act as lead crisis manager in the EU. She underlined the disastrous outcomes of austerity policies and so-called structural reforms implemented across Europe. The debt crisis is also used to impose painful reorganizations to meet the neoliberal standards. It holds back EU Southern countries and must be solved by a cancellation of the illegitimate debt on a democratic basis – goal to which the *GUE/NGL* has long been committed and for which it has formed alliances with international networks. The public debt issue must also be addressed at the level of local authorities, whose lack of resources requires a proper solution. States' financing must not be provided by private sector, but rather by the ECB. But this won't be enough, she added, and the Left must develop an overarching strategy, as well as alternatives capable of tackling social, democratic and environmental issues to lead the EU out of the crisis on top.

Pierre Laurent, President of the *Party of the European Left*, stated that the emergency lies in strongly reducing the power of financial markets on current EU policies. This power has even contaminated words – that seem more and more obvious, such as labor "cost". Let us refuse the failure of Europe, let us not resign ourselves to be defined as "Eurosceptic" and let us be "Eurosolidary"! Together with social and political forces, it is necessary to unleash the political system and to shatter the austeritarian taboo. The battle for alternatives must start with the battle for a new cultural hegemony. The 2008 crisis is the crisis of the financial markets. It is embodied by the statutes of the European Central Bank, out of citizens' control of any kind. The European oligarchy goes on claiming that causes of the crisis are to be found in much too expensive social policies that fuel the sovereign debt – which could only be reduced through a massive decline in public expenditures, as well as in cuts in wages and pensions. But the truth is, welfare policies stand in the way of financial markets' profitability. He supported proposals for alternatives going beyond old-fashioned finance-driven productivist economy and making democracy the "engine of social transformation" – around four axes: putting an end to austerity and the spiral of debt, restoring conditions of the recovery (ECB, control over banks and the financial sector, etc.), reviving public investments according to a new model for a solidary Europe, and "using democracy as the engine of the necessary transformation, as we are doing here with this conference". The joint candidacy of Alexis Tsipras for the European Commission presidency, he concluded, helps alternative solutions to the EU crisis regime pushed forward by the European Left to gain in visibility across Europe.

Syriza leader and joint candidate of the *European Left* for the European Commission presidency **Alexis Tsipras** took the floor to present in greater detail his assessment of the situation, as well as the EL set of proposals to put an end to the problem of debt and austerity in Europe**.** The conference, he pointed out, deals with the core issue of the Euro crisis and the failures of its management. The policies backed by the European Left fit into a logic of class interests that far exceeds mere national conflicts. The problem of public debt accumulation is used as a lever by European elites in order to impose, through blackmail, profound neoliberal transformation processes. The Troika hasn't any democratic legitimacy, but still orchestrates the destruction of labor laws and the selling of public wealth. Even for EU Northern countries, cuts in public expenditures and freeze in wages are used as a Damocles sword: if "structural reforms" are not implemented, you will end up like the South… Hence, the debt crisis is not only a Southern problem. Its political use by the oligarchy affects the EU as a whole.

He mentioned the recent return of Greece to the capital markets – after a 5 years ban decided by the European council. Back then, Greeks were told that the level of their sovereign debt was not sustainable. That something had to be done to prevent it to further increase, which caused panic among international investors and therefore a rise of the interest rates (up to 5%). The country had no choice but to turn to international institutions and comply to their shock therapy in order to avoid general bankruptcy. The level of debt, used then as a pretext to implement harsh austeritarian measures, is higher than that of four years ago. Greece has returned to the financial markets and borrowed 2 billions Euros on five years – with the same 5% interest rates that prohibited the country's access to them. The speculators will rake in a profit of 600 millions Euros, knowing that the debt restructuring will affect former loans contracted within the framework of the memoranda. This operation is part of a communication plan designed to prove that responses to the crisis based on austerity are efficient. But to Alexis Tsipras, it is obvious that a huge part of the debt will be restructured. The question is only how to proceed, either in the chaos of emergency or in a well-thought and transparent manner favorable to workers. As for the rest of it, its payment must be conditioned to growth. These conditions were those granted to Germany at the occasion of the London Conference in 1953.

That is the reason why *Syriza* is requesting a conference on debt gathering all the major European stakeholders. It is note naive, insisted Tsipras, since it has been done for Germany in the aftermath of World War II, allowing for the so-called German economic miracle to occur. Such a solution is therefore realistic, viable and actually necessary for the EU as a whole. The EL must contribute to the overcoming of the North-South opposition's trap and make clear to European citizens that an EU-wide investment plan will be positive for everyone. It is urgent to put an end to austerity, to cancel the unsustainable parts of the debt, to fight for a reformed ECP capable of acting as a lender of last resort and to push for a European New Deal leading to a productive reconstruction of the continent at the level of the social, environmental and democratic challenges at stake.

1st Session: ANALYSIS

Trevor Evans, member of the *EuroMemorandum* steering committee, kicked off the conference's first session dedicated to the analysis of the Eurozone crisis. Officially, so the dominant EU discourse, the recession is behind us. But major problems are still standing in the way of a real recovery. Unemployment remains very high – especially for the youth and in Southern EU countries –, growing divide among a North with strengthened industries and a South with profound damages of its productive fabric, just to name a few. For the North, the introduction of the euro led to a stagnation of growth, together with an increase in exports. While in the South, imports and growth increased sharply. So did trade deficits, since Northern big banks had lent peripheral countries huge amounts of money so they could buy products from "Core Europe". The financial situation of the Eurozone as a whole became critical in 2011-2012, which led the president of the European Central Bank Mario Draghi to state that "the ECB was ready to do whatever it takes to save the euro". Since then, a fragile stability exists.

The ECB plays a very unique role, distinguishing itself from other central banks. Even the Bank of England intervenes in the markets. The European monetary architecture made the euro a foreign currency within the Eurozone – that proved to be devastating for EU Southern countries through the harsh conditionalities imposed by the Troika. Trevor Evans quoted John Grahl's qualifying expression of "surveillance state" to describe the peculiar political item in which the EU had turned. The European Commission took up the responsibility of both economic and budgetary policies (European semester), no longer accountable to neither national parliaments nor the European Parliament.

Lack of ambition of forthcoming reforms won't allow for tackling the challenges the EU has to cope with. He pointed out that if the proposal of European banking union discussed over the past 18 months could have been a step in the right direction, it has been "worse than nothing" – "nothing" being the current regulating system prevailing in the Eurozone. The banking union should include a resolution mechanism to prevent highly indebted banks to go bankrupt, which could however be vetoed by states. Even more disappointing, the resolution funding will only dispose of 55 billions € over 10 years, which is totally inadequate in comparison of bailouts' costs.

Economist and scientific adviser to the *Syriza* parliamentary group, **Elena Papadopoulou** began her presentation by outlining that Greece had just been granted the right to access again the financial markets, even though its debt (currently amounting 175% of GDP) is higher than when the European council put the country into the excessive deficit procedure. The "Greek success story", as told by the European Commission, is based on the assumption that primary budget surpluses are the best way for leading the economy out of the crisis and to ensure the country's debt sustainability. The ideology behind this claim is that, as the efforts in terms of internal devaluation have been made, the automatic mechanisms of the supply-side will start kicking in. In this respect, the Troika estimates that the Greek debt will only be sustainable by 2020 – if, and only if, primary budget surpluses will rise from 0% of GDP this year up to 4,5% until 2016 and then remain at that level. As Elena Papadopoulou put it, "the three main myths of the economic orthodoxy of the crisis" are the following: excessive sovereign debt can be repaid through primary budget surpluses, austerity can be expansionary and the cornerstone of the way out of the crisis, and reducing unit labor costs is the main way for restoring competitiveness.

She then stressed that the very idea of a so-called "Greece's exceptionality" needed to be fought. The debt crisis experienced by the country does not result from the distorted fact that Greece would have been living for too long beyond its means with an oversized public sector. Rather, it is strongly connected to the systemic crisis of the capitalist system and, more specifically, constitutes a facet of the global financial crisis in the concrete conditions of the Eurozone's architecture. But European political and economic elites keep ignoring the bigger picture and consider the crisis as an opportunity to carry out reforms that should, in their opinion, have been implemented long ago – to recalibrate the economy in order to marginalize what she called the "potential production coalitions" and enhance the "rent-seeking redistribution coalitions". *Syriza*, she added, takes a completely different view with regard to the debt crisis. Greece cannot ensure the complete servicing of public debt, and it should be made more explicit. In this sense, a big part of the debt should be written off while the servicing of the rest should be conditioned to a growth clause – "meaning that the interest rate will be a function of the growth rate. Even more important is the achievement of a productive reconstruction for European countries. *Syriza*'s proposals go beyond the quasi perpetual call for a "more dynamic and sustainable capitalistic growth". They are about a radical alternative model bearing at its core the questions of production relations where new forms of productive processes' organization will be enabled, labor conditions upgraded, wealth fairer distributed, and the promotion of environment truly endorsed.

Focusing on the nature of the Spanish crisis, MP *(Izquierda Unida)* and economist **Alberto Garzon** flagged the role played by declining wages in households' revenues and by the liberalization of banks in the formation of a credit bubble, and ultimately in its burst. Spain was far from being on the verge of a public debt crisis when the financial crisis broke out – the country's sovereign debt amounted 41,1% of GDP in 2007. The problem was the sharp increase in private indebtedness due to the growing number of households that contracted mortgages in order to access home ownership. Inconsiderate grants of mortgages resulted in the impossibility for even more households to meet their debt repayment obligations, which put many banks close to bankruptcy. The Spanish government agreed upon in bailing out these banks without conditionalities of any kind, turning private debts into public debt. Alberto Garzon assessed the banking support's cost to reach 46% of GDP. Moreover, domestic demand had started to collapse from the moment the Troika intervened in the country. As a result, the public debt skyrocketed – exceeding 100% of GDP in 2012.

The Spanish government embraced the neoliberal recipes, and carried out so-called "structural reforms", shifting the standard growth model towards an export-oriented solution through massive cuts in wages. Since Spain's structure of Production was – and remains – rather weak, it was the only way for increasing exports. The situation is much similar to what occurred in Japan in the 1990. One hopes that a weak growth gained thanks to a slight increase in exports will make up for the social and economic consequences of a deep crisis. But there is no way such a solution will ever bear fruits, he claimed. The Article 135 of the Spanish Constitution was even revised, so that "the priority of public expenditures is given to the servicing of the debt". If a radical change doesn't take place, the country risks of going even deeper into recession or even getting stuck in deflation. The debt must be restructured, he asserted, and the examples of Latin America and Iraq should inspire the Left. Unemployment rate ought to exceed 20% by 2018 if nothing changes so far.

"Imagine that the European monetary union is an engineering project: a bridge". It is with this metaphor that the Vice-Rector of the Madeira's University **Ricardo Cabral** started his presentation. Not a strong and well-balanced bridge, but rather the Tacoma bridge – worldly known for its dramatic failure. He argued that the EMU was indeed an engineering project in the process of collapsing. It actually was quasi doomed to fail: a monetary union without fiscal transfers cannot work out. The Euro crisis can be described as an intra-Eurozone balance of payment and an external debt crisis. Never before in peace time was the balance of payment so large and the level of external debt so high. Some EU countries even have external debt levels that are more than twice the size of 2001 Argentina's. The Eurozone is far from being homogeneous, he added. The periphery has been hit particularly hard since the introduction of the euro. The imbalance accumulation, crystalizing the North-South divide, was enabled by structural deficiencies in the EMU architecture – notably in the design of the ECB monetary policy instruments and procedures. Ricardo Cabral criticized the ideology behind the austerity strategy, according to which the euro crisis would be caused by a lax fiscal discipline. This isn't only a misdiagnosis of the very nature of the crisis.

It is a "misguided belief in the virtues of austerity".

The current strategy based on austerity being a failure, he explored a few alternative solutions. Numerous plans are being put forward by groups of mostly academics, calling for debt mutualization, debt restructuring, and/or fiscal transfers. For these plans to be effective, they must first of all be capable of meeting the challenges they intend to address – which means they should be of large scope in order to tackle commensurable problems. They also have to involve explicit or implicit fiscal transfers, so as to reduce external debt levels. He then dedicated the last part of his presentation to a critical view of the European banking union in the making. As he put it, the devil is in the detail and greater attention should be given to the risks of the Single resolution mechanism concentrated in ECB's hands. He found it hard to believe that the ECB was granted the final say on whether to bail out a bank. He asserted that such a prerogative was not compatible with national constitutions. It is problematic *per se* in so far as the Frankfurter institution is the largest creditor of the Eurozone banks. We would face obvious conflict of interests in case of a bank resolution. Other creditors and stakeholders would most rightly feel defrauded by resolution processes. He concluded his statement by assessing that the EU's single resolution mechanism does not ensure "equal treatment and equal protection under the law".

Kate Hudson, from the UK organization *Coalition of Resistance,* shortly took the floor and vigorously condemned banks' behavior, which – through state bailouts –, made the citizens pay for a crisis they caused. The money that could be used to solve the crisis is there, but grabbed by the banks. Rules need to be changed to prevent speculation and foster a productive reconstruction that would include public services, education, renewable energies – leading to the creation of new, quality jobs. It is of crucial importance to give back to citizens the democratic control over political economy that have been taken from them (e.g. European semester) since the outbreak of the crisis.

Hans Genefke, economist and member of the Danish *Red-Green Alliance*, used the opportunity to introduce a few programmatic elements of his party on the nature of the Euro crisis – as well as alternative approaches to lead the EU out of the crisis. They are demanding a much more equal wealth distribution, implying a complete restructuring of most of the tax systems. A significant reduction of working hours would pave the way to a strong decline of unemployment across Europe. The focus on research, innovation and production must be reoriented towards the ecological transition. And last but not least, immediate and strict measures regulating the financial sector must be taken in order to prevent an even deeper crisis that would be once again paid by citizens.

French MEP (*Socialist party – PS*) and co-rapporteur of the enquiry report on the role and operations of the Troika **Liem Hoang Ngoc** engaged in the discussion with the aim of presenting the different crises hitting the EU – without being well prepared to overcome them. Firstly, the banking crisis. In Europe, the most vulnerable countries are Spain and Ireland. Taxpayers have to pay for the bailouts of banks, and suffer from austerity policies to compensate for bank losses. Secondly, the sovereign debt crisis. As its level rises, interest rates are getting more and more expensive. The ECB is unable to monetize public debt – and that is the reason why the crisis goes on and exists nowhere else. He recalled that the Troika had been divided on how to solve the Euro crisis. The ECB and the European Commission safeguard the monetary and budgetary orthodoxy. While, by an irony of history, the IMF supports a more flexible solution and leans towards an immediate restructuring of the Greek debt to prevent further recession. To him, the EU is facing a dilemma and must make a decision. Either the EU remedies for the euro's construction defects – which requires an increase the Community budget and democratization of the institutions –, or must prepare for the return in national currencies. We stand at a crossroads.

According to MEP **Willy Meyer** *(Izquierda Unida – GUE/NGL)*, one should not overlook the responsibility of politicians in the outbreak and the deepening of the crisis. He used the example of Spain, where leaders of the two main political parties have proven incompetent for representing citizens. This observation, he added, can be extended to the European Parliament and the European Commission where the social-democrats and the conservatives back the exact same kind of economic and social policies. This two-party system must be discussed – and ultimately overcome. The EU would become a project without, if it were to go further down that road. It is necessary to put people first, or the EU will disappear. The Left must provide comprehensive solutions regarding the restructuring of sovereign debt, the democratization of Community institutions and new steps towards a social Europe.

2nd Session: OBJECTIVES

The president of *CADTM (Committee for the Abolition of Third World Debt* – Belgium) **Eric Toussaint** kicked off the second session dedicated to the objectives of the debt conference. He shed light on the fact that the 1953 London Conference led to a cancellation of 62% of the German external debt and a postponement *sine die* of post-World War II reparation payments – allowing for the so-called "economic miracle" to happen. Moreover, the Bundesbank could then monetize the country's public debt. He condemned that such a restructuring conference wasn't granted to Greece, both EU institutions and countries most certainly fearing that it would cause a domino effect – inspiring other high indebted countries to make the same request. Citizens' audits are being discussed with high consideration in all countries subjected to the Memoranda of Understanding (MoU). Eric Toussaint then recalled the positive example of the Ecuadorian citizens' audit, in which he took part. The (financial) world did not collapse, and if Ecuadorian equities were sold at 20% of their value by creditors in distress, the government proposed to repurchase them at 35% of their value – which they accepted. In case *Syriza* would be in charge of the country, it could set up a citizen audit Commission and use its outcomes as base for the policies to be implemented as Plan B – if the organization of an EU Debt Conference (Plan A) would be rejected by the European council.

It actually is pretty easy to show that parts of debt are odious. According to agreed-upon legal criteria, the debt is considered odious if contracted in absence of explicit citizens' consent, without benefice for the population and for purposes which, to the lenders' knowledge, are contrary to the needs and the interests of the country. Greece could suspend payments by using the fair argument that education and public health have been damaged in the name of debt servicing. Today, the Troika owns 72% of the Greek debt. And he stressed that this was typically a case of odious debt, since the conditions imposed by the Troika do not respect general interest and violate fundamental rights – including labor rights, creditors were aware of the harsh consequences on the population, the contracted debt is illegal because the MoU was approved in a way that bypassed the Greek Constitution.

MP *(Syriza)* and economist **Euklid Tsakalatos** started his presentation by encouraging the Left to deepen its project regarding the alternative solution to the current European macroeconomic architecture. Decades of triumphing neoliberalism have destroyed the ideology of mixed economies, and its protective zones, together with democracy, have been progressively conquered by private sector. What characterize best our times, he said, are economic inefficiency and decline in legitimacy. Time has come to support a different economic productive model – a model based on cooperative involvement, high social standards, democratic decision processes, and environmental relevance. If things don't change, "the globalization's baby will be lost together with the globalization's bath". People stopped feeling that they" belong", when at their working places. This raises the question of microeconomic structure – issue as important as the first one mentioned. Since the new model put forward by the European Left starts by taking in consideration social needs, we must stress the emergency of investing in local needs in order to bring concrete positive social transformation elements to people's lives. The Left brings Keynesian responses to meet the challenges posed by the lack of internal demand, which is the right thing to do. But not the only one. There is also a crisis in the supply-side. And we should therefore focus on developing alternatives addressing this supply deficit in order to inspire enthusiasm and to mobilize adherence of the people – to provide them with emancipatory social tools so that they can contribute to the exit from the crisis.

Fabio Amato, from *Rifondazione Comunista* and member of the EL secretariat, took the floor and reminded that the Left should first of all fight the political battle for hegemony. This is the key to gain the popular support it needs for ensuring social transformation. Equality is the goal to be reached, and one must remember that equality was always the result of struggles. We must form a broad social and political alliance capable of bringing together progressive parties, trade unions, civil society organizations, and social movements to form a united front against this austeritarian barbarism based on fear. It was successful in Latin America, leading to victorious citizens' revolutions. Moreover, social justice must be brought at the core of the European political agenda. This demand fits into a greater plan for exiting the crisis through a massive investment program tackling the social and environmental imperatives of our times. Debt burden, especially for heavily indebted EU countries, is a drag on growth and prevent therefore any kind of sustainable recovery. The European Left supports *Syriza*'s proposal to organize a European conference dedicated to debt crisis on the model of the 1953 London conference. Large parts of sovereign debt can and must be restructured, which will pave the way to a social and environmental growth strategy. Mentioning that Italy has been facing seven years of economic recession, with an official unemployment rate now skyrocketing by 13% and social inequalities higher than they ever were, he called for an immediate end of austerity across Europe – as well as of the neoliberal consensus supported by both conservatives and social-democrats.

Dragan Nikovic, from the Slovenian *Institute for Labor Studies*, took the floor and pointed out to the audience that half of Europe was barely represented at this prominent event for the Left – the Eastern part of the continent is indeed much underrepresented. As he recalled, political movements in the making are still facing structural difficulties and must create something new after decades of political vacuum. "We are pitted against a very long period of disillusionment with any kind of politics and especially with the kind of politics which declares itself leftist and which carries upon itself the burden of disappointments with late phase of real-existing socialisms." On the other hand, one can look at the situation positively and assert that there is room for maneuver that provides an open space for creative ways to promote social transformation. The *Institute for Labor Studies* has efficiently used this window of opportunity. Conceived as an educational project, it manages to bring in-depth analyses of neoliberalism not just to the "margins of alternative thinking", but also into mainstream public opinion. People tend to be increasingly interested in analyses that challenge the course taken by the EU. It the progressive Left doesn't catalyze such interests, something else will. In March 2014 the Initiative for Democratic Socialism was founded and will be running European elections in May in cooperation with two other smaller parties under the banner of the coalition of the United Left. This is a step in the right direction. He called on the European Left to support the fragile but dynamic processes for progress occurring in the Eastern part of the continent. The new political movements are eager to participate in European progressive networks with fresh perspectives.

The Belgian economist **Xavier Dupret** provided insight about the Argentinian example in order to put into perspective the debt crisis faced by EU countries. Before tackling the sovereign debt issue, Argentina carried out major reforms of its economic model so that its dependence on financial markets was notably reduced. We should learn from the lessons this experience has taught us, and draw the necessary conclusions. New means of financing for heavily indebted states have to be made available

– especially through a reformed role of the European Central Bank. The current EU crisis regime, and the policies that go together with it, must be in-depth analyzed and properly described with doctrinal terms. Massive wage deflation coupled with huge tax cuts may be assimilated to what he referred to as an “accumulation by dispossession”.

Manuel Martin Garcia, President of the Spanish *Federation of the Associations for the Defense of Public Health*, focused his short presentation on the downgrading of the public health system in Spain. As he recalled, it was one of the most efficient and fair of the world. But with the crisis and the austerity measures that were implemented, drastic cuts in public health budget were made – while needs have increased because of the consequences of that very same crisis. To put it differently, large parts of health care were privatized. The expenditures went down 20% - patients must make up for the difference –, and an out-of-pocket payment system was introduced for the first time. In four years, avoidable mortality has increased and average life expectancy has declined. He then took the example of a young person of under 26 years old that never worked before, as it is often the case since the outbreak of the crisis. This growing population group is not granted any free access to health care. The necessity of exiting the crisis took a more perceptive dimension, with the outline of its consequences on human health. Manuel Martin Garcia ended his speech with a vibrant call for a productive reorientation of Europe – in order to solve the problem of increasing disparities between North and South –, and a social reorientation for employment within each EU countries.

3rd Session: OTHER EXPERIENCES FROM LATIN AMERICA / ICELAND

MP and economist **Lilja Mosesdottir** presented some aspects of the rather unorthodox way Iceland dealt with the banking crisis. First point worth mentioning is that, in 2009, the government let 95% of the banking sector collapsed – in spite of the threats and apocalyptical neoliberal discourses. She stressed how useful and important the collected experiences from Latin America was to guide her country through the whole process. As the worldly renowned Canadian critical journalist Naomi Klein put it, “Iceland proved that it was possible to resist the Shock Doctrine” – even though things were made easier by the fact that the country has had its own currency and monetary policy, Lilja Mosesdottir said.

With its banking was on the verge of collapsing, the conservative Icelandic government was first willing to turn to the International Monetary Fund for help. However, the IMF made its assistance conditional on Iceland agreeing to reimburse the governments of the United Kingdom and Netherlands for the money they spent compensating their respective depositors of the Icesave Bank. While the UK and the Netherlands pressed Iceland to agree to their terms, the great majority of Icelanders strongly opposed any such agreement, well aware that it would require sizeable tax hikes and massive cuts in public expenditure. The most common demands were for the resignation of the Prime Minister and the organization of new elections. In January 2009, two thousand demonstrators banging pots and pans outside the parliament building were attacked by riot police. This provoked what the Icelandic press labeled the “pots and pans revolution”. Demonstrations then grew in size and militancy, to such an extent that the government had no choice but to resign. A coalition of social-democrats and red-greens won and formed the new government that refused to socialize heavily indebted banks’ losses. Lilja Mosesdottir regretted that the Left ended up changing its position and ultimately did not further resist the re-privatization of the banks prior nationalized in the aftermath of the crisis. The country has been ever since under the rule of an "austerity with a Nordic face".

Iole Iliada Lopes, the vice-president of the Brazilian *Perseu Abramo Foundation*, started her presentation by inviting the audience not to think of the debt crisis as an issue of economic policy, but rather as matter of political economy – that can and must therefore be politically debated within the framework of class struggle. From the other side of the Atlantic, the anti-Troika demonstrations refer to Latin America's recent past. The 1980s debt crisis was the direct result of years of hardcore capitalist models and external indebtedness by dictatorships. Latin America tried to comply with the objectives and measures pushed by the Washington consensus to solve the debt crisis through trade surpluses – together with massive cuts in public expenditures and privatization of public services. They even opened largely the economy to attract foreign capital in order to make up with the destruction of domestic demand, and hence fighting inflation. But to meet the challenges of international markets, social rights were sacrificed at the altar of so-called states' competitiveness. People were told yesterday in Latin America, and today in Europe, that austerity was a necessary but virtuous evil – in opposition to allegedly reckless public spending fuelling the sovereign debt. The consequences of this political U-turn were harsh on people, but also on national industries that rapidly ran out of market outlets.

In 2003, half of the Argentinians were below the poverty line. After 20 years of social sufferings and political exclusion, citizens had enough and started to show it. They went back to the polls and elected new governments that restored the functions traditionally assumed by states – mostly through nationalizations and democratic debates. After two decades, the state became a fostering stakeholder of progressive economic and social policies. No one refers to progressive social policies as "social expenditures" anymore – instead, one speaks of "social investments". In Brazil, if so many things remain to be done, minimum wages increased of 300% over 12 years. Many countries emancipated from IMF tutelage, however not without some resistance from neoliberal forces within the country and abroad. Iole Iliada Lopes concluded her statement by recalling that Europe had always been related to social progress in Latin America. The crisis management chosen by EU countries and institutions goes in a complete different direction. To consolidate what have been gained after such a long struggle in terms of social progress, "we need a progressive Europe and a strong Left on which we can rely".

4th Session: PROPOSALS

Joachim Bischoff, co-editor of the German journal *Sozialismus*, started his presentation with OECD forecasts of the Eurozone's economic situation for 2014-2015. As for the growth forecasts, the international organization expects no more than a slight increase of 1%. The average unemployment rate should barely decline by 0,4% in 2015 – affecting 11,8% of the active population –, and the gross debt ratio might stagnate at 95% of the GDP. Alternatives are clear: he called for an immediate end of austerity policies, the solving of debt problem, and a European New Deal for the crisis countries. To be effective, global investments plans such as those supported of the German Trade Union Confederation (DGB) and the European Trade Union Confederation (ETUC)[1] must rely on concrete changes on the field of wealth distribution – including a comprehensive capital levy at the European level.

He asserted that the best way for ensuring an efficient regulation and democratization of the

1 Respectively, « A Marshall Plan for Europe" and "A new Path for Europe"

financial sector is to make bond creditors and bank owners accountable through such a European wealth tax. If a debt restructuring across the Eurozone is necessary, it won't be enough to exit from the crisis. Without a plan for a social and ecological productive reconstruction of EU southern economies, the crisis will continue to prevail and to threat the health of the global economy. Numerous EU countries – and households – are merely focusing on the debt crisis, using neoliberal recipes such as massive cuts in public expenditures that fuel economic slowdown. Since decades the financiarization of capitalism in most of the so-called advanced economies has been made at the detriment of the working class, which basically paid for it through – at best – a stagnation or a decline in real wages. Joachim Bischoff recalled that the unequal repartition of wealth is an EU-wide problem that needs therefore to be tackled at the European level with the creation of a capital levy. Contrary to annual wealth taxes, capital levies are much fairer since they could be designed to only apply to the richer 10%. Such a fiscal instrument would allow for a clean break from financial markets and international community's conditioned aid. Moreover, the proposal of a well-targeted capital levy would allow for the emergence of broad alliances within societies (social movements, trade unions, Left parties, etc.) in support of this project.

Establishing that the divide between Germany and Southern EU countries has continuously grown, **Heinz Bierbaum** (member of the executive board of Die Linke) plead for an active and offensive economic policy. German surpluses, he recalled, are nothing less than other countries' deficits. The European and monetary union prevents the traditional use of monetary devaluation as adjustment processes – leaving to Eurozone countries no choice but to devaluate instead the so-called internal costs, namely proceeding with cuts in wages and in social services. Theses Troika policies have been proven unable to reduce the level of sovereign debt, and have been socially and economically destructive. He argued for a radical change of course that would replace the internal devaluation by an internal revaluation. He pointed out that however important and relevant debt restructuring processes might be, the debt problem won't be eradicated in the long run without measures for economic growth and job creation. These measures could take the form of an ambitious social and ecological productive reconstruction capable of providing good, quality and better paid jobs – as put forward by the DGB and ETUC's investment plans.

He then addressed their funding issue – and the variety of responses involved. The DGB suggested the creation of a "European fund for the Future", whose financial means could be raised through bonds and revenues from a financial transaction tax. The European Left tends to be rather in favor of public financing, especially through a renewed fiscal policy. The European Central Bank plays a more important role. And this can only be achieved with a fundamental reform of its status, so that the ECB stops focusing merely on monetary stability and starts acknowledging its economic responsibility. Heinz Bierbaum evoked the creation of a "European Fund for social and environmental development" funded through financial markets, but directly by the ECB and a financial transaction tax. To contribute to this European Fund, tax policies must be redesigned and target the richest and major assets. Besides, a property tax together with an EU-wide tax on large fortunes would allow for the funding of a European productive reconstruction capable of leading the continent out of the crisis on top.

Teppo Eskelinen, from the Finnish party *Left Forum*, brought a different perspective with his presentation. A perspective from a country whose ratio of public debt to GDP is under the sacrosanct 60%. While in Southern EU countries debt levels are an important problem to be solved, the right-wing discourse on the debt in Finland only serves as a pretext for austerity policy. Finnish people are told that the country is also facing a debt problem and that measures must be taken to avoid "Greece's fate"… In other words, drastic cuts in public expenditures should be made. To him, such an example show how ideological the debt crisis really is. He insisted that the EU as a whole must tackle two separate political problems. First, fighting austerity policies – being pushed everywhere regardless of debt levels. Second, elaborating alternative strategies to solve the debt crisis wherever it actually is problematic

– and bearing in mind that the only problem is a matter of refinancing.

For cases where public debt is so high that it becomes a trap, there is no choice but to restructure large parts of it. As Teppo Eskelinen put it, debt crises are as old as money and public debt crises as old as nation states. Capitalism would have long collapsed without debt restructurings, since otherwise the banks would have drained all demand from the economy. Europe should consider attentively what happened to the majority of so-called Third World countries a decade or two ago. They were victim of very similar neoliberal recipes as Southern Europe is today: imposed austerity which failed to provide fiscal balance, complete loss of control over economic policies – but also innovative social movements calling for citizens' audits to assess the illegitimate part of the public debt. He pointed out that a difficult choice is to be made between repudiation and arbitration: whether to try to impose one's own terms for repayment – or even unilaterally declare the debts null and void – or to seek more formal audits where creditors would be included in the discussions leading to an arbitration. He called for national campaigns where national governments would be asked to let go of the Greek debts – especially if Syriza would come into office.

It is important to consider how European countries can overcome the burden of accumulated debts. But this is only dealing with the consequences of past expenditures – as **Jean-Christophe Le Duigou** (Economist, French trade union CGT) argued. What matters the most is to find new ways to cope with future expenses. The debt's issue must be addressed together with both credit and taxation's issues. He asserted that debt management, reorientation of credit, and tax reform are three interrelated dimensions of what could be a progressive European economic policy. A comprehensive reform of the tax system must be at the core of a social and environmental exit from the crisis – and is the only way to leave the economic war led by financial markets.

Jean-Christophe Le Duigou introduced a set of proposals, paving the way for solving the problems of debt and austerity in Europe. First, it is necessary to guarantee the level of sampling to finance social protection. It is the best way for fighting efficiently against social dumping. Secondly, the financial flow within EU's internal market must be controlled. He called for the setup of highly selective taxes on capital movements in and outside Europe, as well as on financial plus-values. A coherent redistribution system must remain decided at the national level. The fourth priority is the eradication of European tax havens. The tax status of non-residents within an EU country for a Community national must be prohibited. Last but not least, the funding of EU structural funds must be revised. They could be fuelled by ECB capacities' mobilization of creating money, as well as by resources from a coordinated taxation on greenhouse gas emissions.

The Portuguese economists **Francisco Louçã** stressed that that the political project of the social democrats and conservatives' top candidates – Martin Schulz and Jean-Claude Juncker – won't bring the change Europe needs to exit the crisis. The EU is stuck and we are running out of time. The Left bears responsibility to provide alternatives to the vicious circle of austerity. The Troika program is due to end on May 17th, after three years of recipes leading to massive unemployment, decline in aggregate demand, deepening of the recession, increase in the level of public debt, and cuts in pensions and wages. Together with personalities from across Europe and different academic backgrounds, he launched an initiative to overcome the debt crisis entitled "Restructure the unsustainable debt and promote growth, not austerity"[2]. The want to pull their weight in the Portuguese public opinion and go beyond the pointless debate on whether the country should accept an ECB-led "cautionary program" continuing the same policies or rather return to the capital markets. Instead, they support the restructuring of the illegitimate sovereign debt, in order to obtain lower interest rates so that "the burden of payment is made consistent with a strategy for growth, investment and the creation of employment."

2 Text available in French and English: http://www.bripay.com/des-economistes-portugais-de-renom-denoncent-lausterite-en-europe/

Concluding Session

It was up to **Frédéric Boccara,** from the *EL Economic Policy Working Group*, to present a clear summary of EL proposals as regards with the debt crisis and austerity. These proposals are of high strategic importance, in compliance with demands from social movements, trade unions, and civil society organizations, in so far as they bring together social claims with issues related to democracy and money. They have at their core the immediate overcoming of austerity and another use of the euro. It is clear that the European Central Bank is the most important barrier that needs to be broke down in order to overcome monetary orthodoxy and achieve the rebuilding of Europe. Three proposals are of crucial importance to pave the way to the much necessary change. Firstly, large parts of the sovereign debts must be restructured. Not to mention that the ECB must be able of repurchasing public debts without imposing budgetary restrictions of any kind. Secondly, a European Social and Economic Fund for Solidary Development must be set up. It aims at fostering public services in order to reduce social inequalities. Thirdly, the whole relationship between private banks, the ECB and the States must be revised. Financial help for banks will still be granted – but only if it can show social and environmental relevance.

The rebuilding of Europe fostered by the European Left relies on a social and environmental productive reconstruction designed to provide good, quality jobs. Companies and public services will be its two inseparable pillars – they are complementary if we want to realize both economic and social progress. As for the financial means, public debts will be restructured and the servicing of the rest must depend on growth. New public expenditures could be funded through the European Social and Economic Fund for Solidary Development if they contribute to employment or public services. The Left must engage in the fight for another European balance of powers that could lead to a progressive exit from the crisis. The ECB is the cornerstone of this political struggle. It grants billions to banks that then speculate or support relocation of companies. To the contrary, Frédéric Boccara stressed, the ECB must exert influence on private banks to have them finance productive investments and public services.

Haris Golemis, legal representative of *Transform! Europe* and director of the *Nikos Poulantzas Institute*, took the opportunity of closing the event to celebrate the fruitful cooperation between the European Left and Transform! that made this conference possible. Participants presented their analyses of the present state of the crisis in Europe and exchanged their views on how to overcome the problems of debt and austerity in Europe, including concrete proposal and alternative solutions to the neoliberal catechism imposed everywhere across Europe. The high quality presentations given throughout the day will surely – and positively – fuel and enrich the proposals of the European Left regarding the alternatives to the current European project. The EL has gone a long way and will most certainly gain in political representation at the occasion of the 2014 European elections. But we should remain cautious and acknowledge that our strengthening, if real, doesn't really meet the imperatives of the momentum that the social-democratic parties' compliance with most of the neoliberal project could have given us. Haris Golemis stressed that the long road to power requires a solid anchorage within societies. The cooperation with social movements, trade unions – and with regular citizens as well – should not be neglected. "We should ask from our social and political allies and the peoples of Europe not only their votes, but their active participation in common struggles".