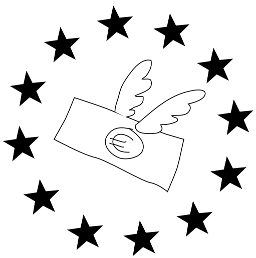
The EU Crisis Pocket Guide

TRANSNATIONAL INSTITUTE

A GUIDE TO THE CRISIS



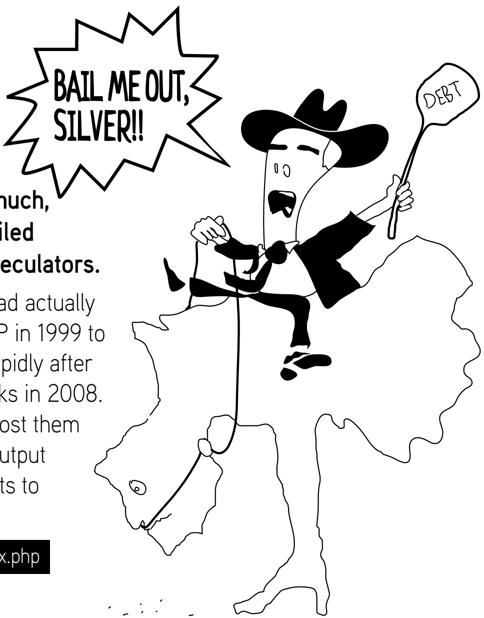
made in the EU

The economic crisis that has shaken the world may have started in Wall Street but it has been made much worse by the actions of both the European institutions and European member states.

Much of the so-called debt crisis was caused not by states spending too much, but because they bailed out the banks and speculators.

EU government debt had actually fallen from 72% of GDP in 1999 to 67% in 2007. It rose rapidly after they bailed out the banks in 2008. Ireland's bank bailout cost them 30% of their national output (GDP) and pushed debts to record levels.

http://www.voxeu.org/index.php?q=node/5062



By *blaming* the crisis on government spending, politicians and bankers argued that the only solution was to cut public spending, but this has actually worsened the debt crisis.
Austerity measures have led growth to collapse across the EU. In Greece, GDP fell by 7.3% in the second quarter of 2011. Austerity has *reduced* governments' capacity to pay back spiraling debts, leading to even higher debts. *And,* as speculators encouraged doubts on certain countries' abilities to pay, the rates of interest soared – as happened to Greece, Ireland and Portugal – making the debts completely unaffordable.

http://www.bbc.co.uk/news/business-13361930

EUROPEAN BANKS Bailouts*

**These are partial figures from the initial 2008/2009 bailouts and do not include the more than €210 billion Euros lent by the US Federal Reserve to prop up European banks*

The European Union, more than 3 years after the crisis, still has not re-regulated the banks!

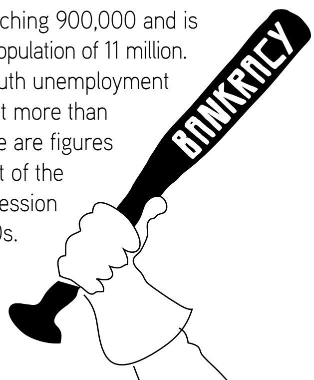
No restrictions have been imposed on the size of banks . Little attempt has been made to separate high street retail banking from investment banking – which exposed ordinary people to the enormous risks taken by gambling investors. Prohibitions on the speculative trading instruments that caused the crisis in the first place are not yet in place or agreed. Finally, watered-down measures that will force banks to lower their borrowing and increase capital reserves will not be in place until 2018!

Devastating Consequences

Unicef has warned of the "irreversible impacts" of wage cuts, tax increases, benefit reductions and reductions in subsidies that will bear most heavily on the most vulnerable in low-income nations – particularly children. http://www.unicef.org/socialpolicy/files/Austerity_Measures_Threaten_Children.pdf

Unemployment in Greece is approaching 900,000 and is projected to exceed 1.2 million, in a population of 11 million.

In Spain, youth unemployment is running at more than 40%! These are figures reminiscent of the Great Depression of the 1930s.



"The social implications in Greece have been catastrophic. Entire communities have been devastated by unemployment, losing the means to live as well as the norms, customs and respect of regular work" *Costas Lapavitsas, SOAS/ Research for Money and Finance*

Shocking facts

As austerity cuts swept Europe, the numbers of the wealthy in Europe with more than $1 million in cash actually rose in 2010 by 7.2% to 3.1 million people. Together they are worth US$10.2 trillion.

The five biggest banks in Europe made profits of €28 billion in 2010.

There are 15,000 professional lobbyists in Brussels, the vast majority of them representing big business.

"Today only the foolhardy would dismiss a movement reflecting the anger and frustration of ordinary citizens from all walks of life around the world … the fundamental call for a fairer distribution of wealth cannot be ignored. The consequence [of the crisis] has been growing inequality, rising poverty and sacrifice by those least able to bear it – all of which are failing to deliver economic growth. … The cry for change is one that must be heeded." *Financial Times, Editorial, 16 October 2011*

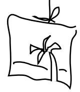
OCCUPY THE EU!

MAKE THE BANKERS PAY!

European Union's answers to the problem?

MORE AUSTERITY. In the UK, 490,000 public sector jobs are being cut; in Ireland, wages for low paid workers have been reduced; in Lithuania the government plans to cut public spending by 30%. The EU is planning to impose requirements by 2013 that means that no European member state countries can have a budget deficit of more than 3% of GDP or a public debt of more than 60% of GDP which will mean even more austerity.

http://www.europeaninstitute.org/April-2011/eu-austerity-country-by-country-updated-421.html



“ "The European Commission's new economic governance plans .... go further than a fresh call for austerity: it is a recipe for much deeper liberalisation of the European economy than has yet been seen." *Leigh Phillips, EU Observer* ”

MORE PRIVATISATION OF PUBLIC SERVICES. Greece is selling off its railways, postal and water services; Portugal is privatising 17 enterprises; Spain is selling off state assets such as airports and the lottery.

“ **"Thanks to this legislation (recent EU economic governance '6-pack' rules), elected officials are dispossessed by appointed, non-accountable ones of their right to draw up their own budgets. Most Europeans have not the slightest inkling that any change has taken place, much less a savage attack on their governments' capacity to govern."** *Susan George, President of the Transnational Institute, author of Whose Crisis, Whose Future? (2010).* ”

LESS DEMOCRACY. Without any national public and parliamentary debate, the European Parliament and the EU Council of Finance Ministers rushed through a decision in Autumn 2011 which will mean all national budgets must now first be approved by the Commission, before they are even seen by each country's parliament. If countries do not reduce their debts fast enough or refuse the budgetary "suggestions" from Brussels, enforcement measures will kick in. In the case of France, with a GDP of about €1.900 billion, the Commission could demand a deposit or a fine of between €20 to €100 billion!

alternatives from the 99%

Clearly, there is a *strong* need to break with the dangerous free market fundamentalism that has created and worsened a social crisis of vast proportions. Here are some proposals for alternatives – put forward by many civil society groups – that could create a fairer and more just world:

1. Bring the financial sector back under public control

- Ban speculative financial instruments like Credit Default Swaps and food speculation
- Reintroduce rules that separate retail/utility banking from investment banking
- Impose size limits on banks so none can become "too big to fail"
- No new financial products unless proved safe and socially useful
- Ban hedge funds and other risky speculators who only make money from money
- Re-introduce controls on capital flows

2. Tax the rich, the speculators and the polluters

- Impose tax on international financial transactions
- Increase taxes on the rich to at least the same as pre-1980 levels
- End subsidies for fossil fuel industries
- Close down tax havens
- Establish a maximum pay ceiling and ban bonuses
- Introduce a Basic Income available to all

3. Make corporations accountable to people

- Produce new legal charters for corporations that require them to recognise worker and nature rights
- End the rule and business model that *require* shareholder companies to maximise profits, no matter what social and environmental harm they cause.
- Enforce transparency rules for payments between governments and corporations and require independently audited reporting on social and environmental impacts
- Ban corporate donations to parties
- Close the "revolving door": impose rules against politicians leaving office to work for corporations they used to regulate and monitor

4. Cancel the debt and socialise the banks

- Carry out a public and participatory debt audit and cancel all illegitimate debts
- Establish an independent debt workout mechanism where creditors are no longer in charge
- Socialise the banks to serve social and environmental purposes
- Close for-profit credit rating agencies and replace them with independent, public credit rating agencies

5. Enshrine human rights and nature rights in international law *above* corporate rights

- Re-negotiate all free trade and investment agrements so that they enhance job creation, environmental and social rights in international law
- End the right of corporations to sue national governments and instead enforce obligations that require companies to privilege national and public needs over profits

6. Change EU treaties to put democracy and people above corporations

- Reform the European Central Bank, for example allowing it to lend directly to EU governments, not to banks, at very low interest rates

- Stop the European Commission's takeover of national budgets and make these accountable to each country's population
- End the Lisbon Treaty's bias towards deregulation and inflation-control, in favour of boosting employment and investment in a just low carbon economy
- Abolish individual country bonds [debt] in favour of Eurobonds. Use these to invest in intra-European green transport and communications networks, renewable energy, waste reduction and environmental and social research

7. Stop and reverse privatisation of social services. Put citizens and workers in charge

- Stop and reverse the privatisation of all social services and common resources, such as water, health and education
- Create participatory public services that involve joint citizen and worker control

8. Localise the economy (banks and businesses)

- Put money in local banks and credit unions
- Support local diverse food systems
- Start local currencies
- Help communities become self-sufficient in energy

9. Participatory budgeting

- Develop participatory budgeting mechanisms at local, regional and international levels that give citizens a say on how money is raised, spent and prioritised.

10. Transition to a Just Low Carbon Economy

- Make massive investment in renewable energy and energy efficiency to end fossil fuel dependence
- Support radical conversion of polluting industries to be environmentally sustainable
- Fund expansion of public transport

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http://www.tni.org/interview/end-financial-control-european-governance

Greece's woes: so goes the Euro
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Greece: same tragedy, different scripts
http://www.tni.org/article/greece-same-tragedy-different-scripts

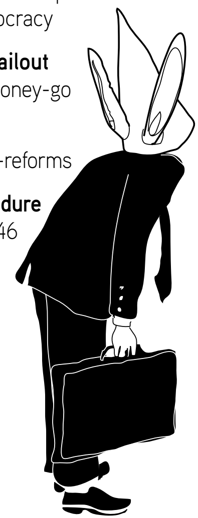
Corporate EUtopia: how new economic governance measures challenge democracy
http://www.corporateeurope.org/publications/corporate-eutopia-how-new-economic-governance-measures-challenge-democracy

Where did our money go? UK case study of bank bailout
http://neweconomics.org/publications/where-did-our-money-go

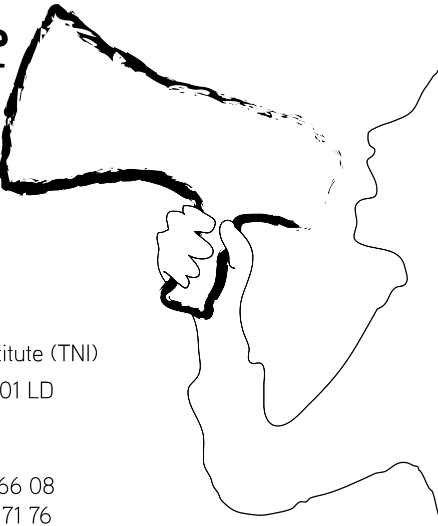
EU Financial Reforms Dossier
http://somo.nl/dossiers-en/sectors/financial/eu-financial-reforms

Proposal for a fair and transparent debt workout procedure
http://www.eurodad.org/whatsnew/reports.aspx?id=3946

http://www.taxjustice.net
http://www.researchonmoneyandfinance.org
http://www.basicincome.org
http://justinvestment.org
http://www.waterjustice.org
http://www.municipalservicesproject.org
http://www.transitionnetwork.org



We are the 99%



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Founded in 1974, TNI is an international network of activist scholars committed to critical analyses of the global problems of today and tomorrow. It aims to provide intellectual support to grassroots movements concerned to steer the world in a democratic, equitable and environmentally sustainable direction. In the spirit of public scholarship, and aligned to no political party, TNI seeks to create and promote international co-operation in analysing and finding possible solutions to such global problems as militarism and conflict, poverty and marginalisation, social injustice and environmental degradation.

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