

Position paper of H. Klimenta: "Your money or your life: Causes and consequences of the financial crisis in Europe and the cornerstones of a financial system acceptable for future generations", Bratislava, 19.10.2012.

Point of view of the expert:

A European Union for peace has as its mission to support social development, equitable, democratic and acceptable for future generations. To achieve this,

- It must be a subsidiary Europe: The regions must have wide-ranging powers that allow a direct democracy, in order to achieve the goals of independent development. Proximity reinforces the sense of responsibility and mobilises people; the first aim is to achieve direct democracy and the construction of regional channels for value creation.
- It must put an end to the competition of location which tends to lower and divide up wages. The objective is a Europe of cooperation with, at the same time, a competition for the best solution to the problems in the context of cultural diversity.

Description of the present:

(1) Germany pushes its clients to bankruptcy. Wage restraint exercised over the last 15 years has led to competitiveness and a surplus in its current account, while fortunes have multiplied and trading partners have had to borrow from these fortunes just to finance their deficits. This situation could only collapse.

(2) Why just now? The United States has built a real estate bubble, among other things because of the huge inequalities of wealth and low wages - after it erupted all around the world, the banks collapsed. The rescue programmes and combinations of crises that followed provoked, on the one hand, the growth of public debt in a lot of states and, on the other hand, a lot of states fell into recession. Between the behaviour of the rating agencies, the widespread obsession for savings and the indecisive and mixed policy of Germany, the doubts of the investors were reinforced about the ability of countries to service their debt in the future.

(3) In order to lower interest rates for loans for the countries of Southern Europe, billions, intended to rescue economies, are distributed on condition that austerity programmes are applied and the latter are able to destroy Europe. With the budgetary pact, constraints aimed at reducing public debts acquire the force of law without any thought having been given to the implications. When states can no longer borrow and households need to save in any case, and when more and more companies accumulate surpluses, the European financial system must collapse, because the balance of savings and debt is equal to zero.

(4) To balance the trade accounts in Europe, either the wage level in Germany has to rise drastically, or the countries of the South must continue to save, otherwise in a few years, the euro will no longer exist in its present form. The human situation, as well as the political situation in the South suggests that domestic markets there cannot be destroyed further. If in a few years, the salary level in Germany does not increase much more than its trading partners, either Germany, or the countries of the South will leave the euro zone. The latter case would significantly improve the situation of the South.

(5) There are two other possibilities to save the euro. (a) The transfer of money from countries with surpluses to deficit countries. The preparation for this development is underway, but it is condemned to failure, if at the same time it requires austerity. We should instead use taxes on wealth to pay off the debts. (b) The migration of populations to boom countries - meaning that people who initially received a good education leave their countries of origin and this promotes impoverishment.

(6) Apparently, a large number of elites who design policy do not seem to realise that their concept, that is to say, stabilise the economy by saving, does not work, and they are not very clear either, of the political implications of the monetary union. At present, the monetary union can divide Europe.

The future:

(1) First, the most important: We must stop the austerity programs. We need petitions, demonstrations, email campaigns, public information and other actions - nothing is superfluous! As justification, we must remember that (a) saving money results in less spending, so consumption decreases, that (b) lower wages leads to the reluctance of buyers and, consequently, decrease in sales and the utilisation of the capacity of the economy, and certainly companies after having reduced wages, not hiring more workers. In the South of Europe, in the future, it is necessary to make billions of investments - and they should be funded by the North. We must achieve equilibrium in the balance of payments in Germany (and in the Netherlands) through massive wage increases. In the future, the role of the state and the EU will strengthen significantly.

(2) The idea of the budgetary pact is not bad in itself, but it can only be humane and dignified if it harmonises with a European fiscal policy. The budgetary pact subjects Europe to austerity, unless throughout the EU, we arrive at a minimum taxation, of companies, income on capital, wealth and inheritance that is coordinated by the EU. This taxation must be fixed to such a level that the economy is forced to take on the position of a net debtor – in view of the fact that has been mentioned above: If neither the state nor the households get into debt, businesses must assume this role.

(3) The MES (Mechanism of European Stability) is nothing but a poor alternative to Eurobonds. And neither is the MES controllable, however sufficient. The decision of the ECB (European Central Bank), namely buying State loans without limits, has rendered superfluous the MES and represents a further step towards a common fiscal policy. Unfortunately, it obscures the decisive steps: either European citizenship is willing to give way to national competences, or populist forces will ensure that we move forward with small steps to save time with bad instruments/tools, and note each time a new monetary union also requires a political union. A European Community project implies that all citizens feel treated fairly - and the condition would be fair wages, a fair tax system where all income is treated equally, and will require a willingness to submit to the common interest injustices such as millionaires inherited fortunes.

(4) In order to regulate the financial markets, the best level is the EU. There exist several favourable approaches, like, as among others, the creation of monitoring bodies (EFSF), the regulation for the first time of Hedge Funds (AIFMD directive), the ban on short selling, the directive on regulation of markets in financial instruments MIFID 2 as well as the EMIR regulation, according to which trade OTC derivatives should be made more transparent. Unfortunately, the regulations all conform to the markets and are softened by associations' lobbies - they are not going to help to bring back to their essence the oversized financial markets. It will prohibit many derivatives and the shadow banks, it will bring down the rating agencies (and others by eliminating laws and stepping up and simplifying the regulations of capital stock of the banks). The capital that is now being moved around the markets should be reduced largely by taxes on the capital and used to pay off the debt. The aim is that financial markets lose substantially their importance.

(5) A sustainable banking system means: We have to separate credit banks from investment banks - the capital stock for investment banks represents 100% of investments. In general, banks must be small enough to be controllable and to be able to go bankrupt. This is why it is necessary to remove all the major banks. Credit banks should not be organised as corporations, but they must be democratically controlled. This can succeed with public or cooperative models. All banks must be anchored at the regional level (they can only carry out credit transactions in one region) – when deciding on credits they should influence social and ecological criteria, as well as the needs of stakeholders.