



**Federation of Young European
Greens**

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POLICY PAPER ON DEBT AND AUSTERITY

Policy paper as adopted during the General Assembly 2011, Luxembourg.

We are suffering the convergence of different crises: the economic, the financial, the social the political and the ecological one. No sustainable solutions to social, environmental and economic problems have been implemented. Capitalism with its intrinsic dogma of growth and capital accumulation will never stop exploiting the Environment and Human Beings. We, Young Greens, have always been thinking beyond materialism and consumerism, but today more than ever, we fight for a system change. We, Young Greens of Europe, claim a new socio-economic system, a new paradigm that put finances as a service to economic and social activities, but mainly that put human and social life in the center of interest.

In 2007, there were two options to undertake: to continue in the same path with the risks it has or to change the path. Unfortunately, the governments (social-democrats and right wing), the European Commission and the ECB decided to continue “carefully” in the old path with apparent changes. The bank and financial institutions bailout, payout of the stock market, was indeed, the socialization of private costs. This transport of considerable volume of money to the ‘winners’ of the crisis has just brought the depression of public deficits and then national debts.

Public debt is growing in many countries. National actions that are underway are supposed to limit public deficit and decrease the debt, but instead what public debt generate is deformed international relations, incredible high interest rates, reciprocal obligations and financial burdens that will be carried by future generations. The austerity, fiscal consolidation strategies, are executed mainly by tax increase, cutting public jobs and reducing public wages; lowering social benefits, contributions and the financial flow to public services, development and other areas, plus privatization of some sectors. We have to stress here that banks were bailout with low interest rate and flexible conditions, while the states bailout are done with all these conditions plus a extremely high interest rates. This contradiction is even



higher when we think in the spillovers that this generates for the other members of the EMU (European Monetary Union) and the Europe.

Countries, whit almost not public finances problem before the crisis, such Ireland, two years after the financial crisis, were forced to ask for a rescue to the EU and the IMF, given the lack of confidence and liquidity in the private market. Despite seeing the consequences of applying austerity plans and privatization measures in developing economies after financial crisis (Latina America and Asia), the Ecofin, the ECB and IMF have maintain this practice: bailouts with extreme high cost for the society.

The consequently implication of these neoliberal measures has led to social distress and public nuisance. Moreover, the risk of default of countries like Greece, Ireland, Spain, Italy and Portugal put in serious risk the eurozone stability as well as prolongation of the recession. The bailouts cannot be done under this conditions..

But Austerity measures are also apply in those countries without any bailout, and as a signal for the markets of a well-behave government. Thus all European governments are starting a process of liquidation of the Welfare State.

Economies within EMU are tied together, a problem in one country reflects in another one, and without reasonable coordination it is not possible to handle the situation. However, the coordination must avoid forcibly conditions in benefit of the stronger economies. Consensus and comprehension of all related players are important, as well as creation of a roadmap to the reparation of the system, its phase-out and replacement of a more sustainable and concentrating living model.

In this sense, we need to move forward to a fiscal union in the EMU. The nominal convergence applied since Maastricht is clear insufficient and unrealistic. Europe need one more step in the integration process, the fiscal union: harmonization of corporation tax, higher common budget, a real redistribution of wealth and others that complement the “one-fit-all” monetary policy of the ECB with the real differences across countries.

Young Greens stand for equality, human rights and decent life conditions, therefore we are against of undertaken austerity measures. The solidarity across European Countries should not be based on high cost for low income social classes. The redistribution of wealth has to be considered not only within the countries but also across Europe.

We have to step out of this spiral abusive system. Thus, we propose:

- *New financial market: A real and transparent regulation of the financial market at the European level. The financial companies have to take responsibility for their activities that lead to misery to non-informed people.*
- *Public debt: Reconsider the purpose of means of payment and the structure of the public debt in Europe and create a democratic European road map to drive the recession and minimize the social costs. The EU internal debt among the countries could be partly compensated by exchange economy and trade to bypass the massive money problem.*
- *Stop Austerity plans:*
 - National budgets should be balanced in a long-term, not encumber.
 - Expenses cuts should be done in other areas like the military rather in social service one.
 - Improve and sustain welfare state, the competencies have to be reinforced autonomously at local and regional levels.
- *Apply the Green New Deal: investments flows should be direct in favorable areas as alternative energetic and economic models satisfying social needs in a balance way with worthy return.*
- *Think beyond the GND: The sustainable future requires building-up alternative models; local economies, local trades, alternative currencies and no-interest banking institutions, that all can in cooperative approach contribute to balance development and equal distribution of wealth, properties and resources.*
- *Create a green employment strategy: Youth Unemployment is around 30% in countries like Italy and Spain. Green jobs are not only sustainable energy job, green jobs means working more quality job in all the areas with a clear investment in human capital.*
- *We have to stop the decline in human and local potentials; providing the satisfactory and decent living conditions, we open the space for individual creativity, development and activities aiming for social welfare and not individual rival fight for survival.*