

SCIENTIFIC ADVISORY BOARD OF ATTAC

# CONTROLLING THE FINANCIAL MARKETS INSTEAD OF CRUSHING THE POPULATION OF DEBTOR NATIONS

TEN ARGUMENTS FOR DEALING WITH THE EUROPEAN FINANCIAL CRISIS

## REASON AND INTENTION: A DISTRESS CALL

The financial crisis is the escalation of the «financial instabilities» that are unavoidable in capitalist societies. To avoid financial losses for the financial institutions, since politicians are afraid of not being able to deal with the consequences («too big to fail»), gigantic bailout packages are hammered out, to be paid by the European taxpayers. The always just short-term stabilization of the financial markets is carried out through a frontal attack on incomes and jobs, social comforts and public goods, as well as the people's democratic participation rights. To rescue the financial institutions, the destruction of the social cohesion, the loss of income and jobs and the impoverishment of broad levels of the population on the richest continent on earth is deliberately accepted, the future prospects of a whole generation, their hopes and expectations are destroyed.

We cannot put up with this blind destruction carried out by the saviors of the financial system. Neither in Greece today, nor in Portugal, Ireland, Italy or Spain tomorrow, or in France and Germany the day after tomorrow. The disembedded and unleashed financial markets and their players have to be civilized, controlled and strictly regulated. Elected governments buckle before rating agencies that are not legitimized by anybody – except by those governments themselves. The European Union, the European Central Bank, the IMF and the governments only have one item on their agendas: the reestablishment of the debt service capacity of the heavily indebted countries by means of a blood and tears austerity. The people in the debtor countries have to pay for the breakdown of the markets. They have to pay for the liberalization and deregulation that was conducted over the last 30 years all over the world. Private losses are compensated by public coffers, in Germany as well as in the USA, in Iceland or in Greece. To this end, loans are taken out at those financial institutions that have just been saved and whom thus are guaranteed secure profits.

As a consequence, public debt exploded, causing the euro crisis. This currency crisis cannot be overcome by ever new rescue packages in favor of banks, funds and large estates, the bill being borne by the general public in terms of cutback packages. These measures only weaken economic activity, as can be observed in Greece. The financial markets have to be controlled again. The burden of debt has to be bearable. Therefore a transparently and fairly negotiated and perceived part of the creditor's claims and the debt have to be canceled. Financial transactions, which were dissociated from the real economy in the frenzy of speculation, have to be taxed, just as large estates and high incomes.

Even conservative politicians deplore that the European integration project is threatened. The European societies are collapsing, one after the other is thrown into chaos by the failing financial markets. Some of the biggest speculators realized that they have gone too far. Now the political class is called upon to stop the destructive dynamic of the financial crisis by political measures that won't worsen the situation. This is a distress call. Greece cannot «economize» any more or squeeze a higher debt service capacity out of the population without forsaking itself. Thus the «emergency exit» has to be on the financial market's side. The markets and their supporters have failed to obstruct this exit so far. The only feasible action is to cut the debt and to reduce the creditor's claims.

## PRELIMINARY REMARK: ON THE CHARACTER OF THIS ARGUMENTARIUM

Subsequently, several arguments are compiled to an «argumentarium» to make this distress call audible and comprehensible. An argumentarium is not a program, nor is it a catalog of measures for crisis management. It collects arguments to address the cause and development, the dramatic escalations and the dead ends and possible ways out of the current crisis, without claiming to be complete. It is necessary

for the political work to at least adumbrate the most important development trends. It is a way to position the Greek crisis (which is already interpreted as a tragedy) in the bigger historical context of the global economic crisis. An attempt like this is also called a «roadmapping» of the progression of the crisis. The roadmap will have to be specified, improved and will certainly also be depicted controversially, depending on the difference in theoretical assessment and political orientation. There is more than one way to perceive the genesis, the causes, the consequences, the possible courses of action and the solutions.

At Attac's European networking academy in August 2011 in Freiburg, people from different European countries suggested that the scientific advisory boards formulate a proposition for managing the crisis. The release of this proposal is planned for autumn 2011. At the same time it was agreed upon to work on the «Manifest concerning the euro crisis – The debt crisis of the nations can only be overcome by a fundamental reform of the global financial system and the EU»<sup>1</sup>, which was submitted by the academic advisory board of Attac Germany in spring 2011. This is essential, since the public debate is going in a wrong direction and is reaching dangerous terrain. The debtor countries, particularly Greece, are made out as the villains, not the markets or the governments, who, with their policies of liberalization and deregulation, are responsible for the market's modus operandi and the thereby triggered catastrophe.

The presented argumentarium is in so far incomplete as the correlation between economic, financial and currency crisis and energy, climate and food crisis, in other words the all-encompassing and systemic character of this overall crisis, is not sufficiently highlighted. On the other hand, an argumentarium neither is nor should be an extensive historical work about the crisis of the century, nor a theory of the big social transformation over the course of this crisis.

**1st argument: The crisis has expanded from a private mortgage crisis to an international banking crisis – but that was only the beginning of a way more dangerous dynamic.**

Virtually all observers stress that this crisis is the most serious one of the last eighty years. But even that is an understatement. It is the most serious crisis in the history of capitalist economy: Not only are the financial losses horrendous and the economic downturn catastrophic; to get over the financial and economic crisis, the energy regime, which has been predominant since the industrial revolution in the second half of the 18th century, has to be resolved. The fossil fuels are nearly used up and the climate change is reaching critical levels which demand a renunciation of the usage of fossil fuels. Furthermore, the Fukushima disaster has made it clear that nuclear energy cannot be an alternative.

The current crisis started unspectacularly in the US real estate sector in 2007/2008 as a «subprime» crisis of non-creditworthy mortgage debtors. But it were the banks and funds that had tricked them into mortgage loans so large that the property owners crumbled under the weight of the payments when the real economy went into recession, destroying their jobs (and incomes). The credit-financed boom came to an end and many homeowners found themselves homeless on the street. The generously distributed loans

became non-performing and the complex security papers, composed of consumer loans, overdraft credits, student and car loans, turned out to be toxic. The banks that had formerly advertised them as innovative investments had to quickly remove them to avoid bankruptcy.

The collateralized debts obligations (CDO) were included into the portfolios of banks and funds on a global scale because they were expected to yield high returns in resale. The investment divisions of all big banks were expanded and securities dealers did good business. The CDO business seemed to be reliable, because the rating agencies awarded those papers top marks and the dealings in securities and credits were ensured through credit default swaps (CDS). This was enabled by the liberalization and deregulation of the financial markets and the attitude of the bank managers, who, expecting high returns, extensively took advantage of the new liberties on the global financial markets. A credit bubble of global magnitude arose. After the bubble burst, the owners couldn't dispose of their papers anymore or had to accept substantial losses.

Why did the bubble have to burst? Because the real economy, and with it the incomes and profits, didn't increase proportionally to the escalating interest claims. Liabilities couldn't be duly serviced; the crash was there – abundantly.

The national subprime crisis escalated to an international banking crisis that dragged a lot of financial institutions, now also European ones, into bankruptcy. The greed for fast and high profits had overridden any caution and all rules of propriety. As a result of the deregulation of the financial industry in the previous decades, financial innovations had prepared the ground for the huge growth of the financial markets: The financial institutions had grown too big to fail – their crash would drag the whole system with them. The bank managers raked in double-digit returns with complex financial instruments and cashed out obscenely huge salaries and bonuses, which were even beyond their own imagination, to themselves and their people. Economists hired themselves out as jesters who didn't even dare telling their employers the truth – afraid of biting the hand that fed them huge fees. A lot of Ivy League economy experts in the US didn't even discern the truth, being blinded by the doctrine of the neoliberal mainstream.

They only knew one thing: the banks, funds and insurances mustn't go bankrupt. It was fine to let the little mortgage debtors, the uninfluential so-called NINJAs («no income, no job or assets») go broke, but not the systemically important big banks, funds or investment houses. Because of the uncontrollable consequences, a system collapse had to be avoided at all costs. For this purpose, the financial establishments had already organized an efficient lobby and a network of politicians, science and media people. To steer political decisions in the desired direction, they even temporarily gave up their favorite dogma of the efficient markets and the bureaucratic monster state. The monster had to rush to help. This was not a return to Keynesian state intervention – contrary to the belief of many critical observers. In fact, the financial institutions commissioned the state. Even though they applauded the debt brake, they didn't have any qualms

<sup>1</sup> «Manifest zur Krise des Euro – Die Schuldenkrise der Staaten kann nur durch grundlegende Reformen des globalen Finanzsystems und der EU überwunden werden»

to benefit from the state's tax monopoly by taking hundreds of billions of euros and dollars as rescue packages, which have to be ponied up by the taxpayers. Without the state's intervention, the redistribution from the bottom to the top wouldn't have been as efficient.

**2nd argument: The financial crisis of private bankrupts becomes a debt crisis of sovereign states, threatening to result in a global hegemony crisis, which also raises the question of war and peace.**

Welfare redistribution has always been targeted by the financial institutions as inefficient and ultimately antisocial because it burdens the high achievers. The capitalist redistribution from the people drawing salaries and transfer incomes to the class of the high asset holders was, on the other hand, justified as being without alternative. TINA («there is no alternative») is not just neoliberal ideology, but also a formula to inspire a neoliberal policy. Years of deregulation and big profits financed the hypertrophic growth of the financial institutions, ultimately making them too big to fail. The governments submitted to the practical constraints that they had assisted in originating. Within a very short time, thousands of millions of euros and dollars of funds were raised, not from the private pockets that had drawn in the high profits, bonuses and royalties, but from public sources. The ruling elite helped themselves to the public finances as if democratic rules, laws, administrative regulations, even the constitution or political discourses, in which traditions, experiences and cultural ties are condensed, didn't concern them. They didn't have any reservations about inflating national finances over all limits (which they – in Europe with the Maastricht criteria – had established themselves) to rescue the private banks and funds and the large private assets invested there. They didn't have any qualms about sacrificing social cohesion in favor of return expectations of investors. The thereby rescued large fortunes have been largely accumulated during the last two or three decades with tax cuts for the rich and the deregulation of the financial markets. Conservative, social democratic, liberal and green governments all over Europe have equally contributed to this policy. They have continued this policy of capital accumulation for the rich and plundering of the lower and middle classes, carrying on, even intensifying this redistribution from the bottom to the top during the economic crisis. The intensification was grounded in the crisis mechanisms at first: unemployment, loss of income, degradation, and then continued in the crisis management with the cruel austerity policy.

The extremely expensive bank bailout (which will probably sum up to thousands of millions of euros and will be further increased by the costs of rescuing the industry and by the tax deficit due to mass unemployment), paid by public funds, transformed the financial crisis of private assets into a fiscal crisis of sovereign states. Nobody was asked for permission, least of all the citizens in their capacity as taxpayers. It was unavoidable that within the European currency union the fiscal crisis escalated to an international currency crisis. The national budget deficits increased the risk of shortfalls in the payment of government bonds, which were given out to finance the rescue packages. This increased risk in turn caused the degradation of the credit rating of debtor countries by rating agencies, even though they tried to trivialize

this downgrade as an expression of opinion – they do not want to be liable for the consequences of their actions, that could prove to be too expensive. Nevertheless the most important players on the financial markets took these opinions seriously and as a signal to speculate against the downrated countries; they had, after all, all the liberties and instruments they needed. That they hurt the single currency in the international competition didn't bother them and there was nobody who could call them to order. Furthermore, since the end of the Bretton Woods system in 1973, they had learned that speculations were all the more profitable the more volatile the ups and downs of stocks and interests are. The fiscal crisis of individual states in the Eurozone has grown into a euro crisis in the global currency competition.

The mortgage crisis, which at first only seemed to affect private small-scale debtors, has transformed into a banking crisis (of the most important institutions in the financial sector), which in turn transformed into a national fiscal crisis, and that caused an international currency crisis. The next stage of this crisis could be an international hegemony crisis, which may come when a dispute arises about which of the currencies will become the worldwide currency of the future, the trading and reserve currency, the currency for financial transactions and most of all the currency for the lifeblood of the industrial and postindustrial age – oil. Will this remain to be the US dollar or will it have to resign its throne? Will the history of the great depression 1929 repeat itself, when in between 1929 and 1944 (when the dollar currency system was established) the then-hegemonic British pound sterling was dethroned by the US dollar as international currency?

Which currency will follow today? The euro, the yuan, multiple regional currencies or one global artificial currency? This question will not be answered without intense political disputes. The hegemony conflicts of the 1930's come to mind, the national socialist reign of terror, fascism and World War II – and the reminder to do everything to prevent that from happening again. So it's not just about the crisis of the economy and finances; today, just as 80 years ago, it comes down to the question of peace in the world.

**3rd argument: The imperative of public credits arises from the logic of a currency union: The common currency is not only means for the circulation of goods, it is also a loan.**

Despite the debt brake in the Maastricht criteria – the current deficit mustn't exceed three percent of the GDP and the national debt has to be less than 60 percent of the GDP; a regulation that is known by every child by now – the fiscal crisis of the euro countries has exploded. In 2011, Greek debt reached 157,7 percent of the GDP, the Italian debt is at 120,3 percent, the Irish at 112 percent, in Portugal the debt reaches 101,7 percent of the GDP, in France 84,7 percent, in Germany 80 percent, in Austria the debt is at 73,8 percent and in Spain «only» at 68,1 percent. All of that is nothing compared to the debt ratio of Japan, which is at 180 percent of the GDP – but Japan is not a member of the European currency zone, nor is California, where the debt ratio is just as high.

When reading those numbers, it has to be taken into account who the creditors of the public funds are, who holds the government bonds. As long as the debt is internal, i.e. the public debt is financed by the citizens in the countries, the problems

are marginal. This is the case in Japan and the USA. If the debt is external though, it will be a problem, especially if the debt service obligations have to be met in foreign currency. That is exactly what happened to the debtor countries of the «Third World» in the 1980s: They were mostly indebted in dollars and thus had to raise those through export surplus before giving them back as debt service. Back then the IMF, the World Bank and the OECD governments, in cooperation with economists, worked out the policies of the Washington consensus. This resulted in a «lost decade» for the so-called «Third World». The experiences with the politics that were based on the Washington consensus presumably prompted the German and French governments, the EU commission and the ECB to include the IMF in the crisis management troika. The Washington consensus demands two things: an austerity policy on the part of the debtors to increase the balance of the primary budget (the government expenditures and revenue without interest), thus maintaining or restoring the debt service capacity, and on the part of the creditors to participate in crisis management by being cooperative and not back out of a governmentally mediated creditors' alliance. The guideline is the so-called public debt sustainability. This could be the Maastricht criteria, but the Bank for International Settlements determines a higher debt ceiling at 85 to 90 percent. If the debt is calculated in foreign currency, the capacity limits are lower: Based on their long-term observations, Reinhart and Rogoff declare the debt capacity limit to be at 30 to 35 percent of the GDP, Gallagher specifies it at an average of 43,7 percent since the 1970s. But most euro countries are way above that, and a lot of Latin-American, African and Asian countries also have higher external debt in foreign currency.

On account of the so-called independence of the ECB, the euro countries are indebted in their own currency, but still externally. The debt ceiling also depends on the interest rate and the refinancing options, i.e. on the size of the bond market. Obviously, there are no objective criteria of indebtedness and capacity.

The budget deficits in the Eurozone (measured by the GDP) are higher than permitted by the Maastricht criteria, as well: In 2009 the deficit in Greece was at 12,7 percent, in Ireland at 12,5 percent, in Spain at 11,2 percent and in the UK at 12,9 percent – to give just a few examples. These numbers alarm the citizens in the Eurozone, and justifiably so. For the large financial assets, the deficits are a good thing though, because they are needed to profitably invest those assets. How should that be possible without reliable debtors?

The homeowners and businesses have fallen away as credit receivers because of the crisis. Since the capacity of the «Third World» for investors seeking high returns is limited, the European public sector has the most potential as a debtor for the investment-seeking capital. Of course the investments mustn't be too risky, and least risky are public bonds, particularly if they are secured by a 440 billion rescue fund by the European Financial Stability Facility (EFSF). The refinancing of the old debts and the financing of new debt is a lucrative business, as long as the risk is delimited politically. A considerable part of the disputes in the Eurozone about the design of the securities, rescue funds and repayment schedules revolves around the question of organizing the public debt in a way that makes their financing lucrative and secure for the private

financial institutions. Are the 440 billion enough security, or are more billions needed to be kept in reserve? If this question can be answered to the satisfaction of the financial sector, it won't be impossible in 2012 to collect 47,8 billion euro for Greece, 143,3 for Spain, 317,6 for Italy and 217,5 for France to refinance their debts.

If firstly the financial institutions can borrow money from the ECB with low interest, secondly the risk will be delimited by the EFSF, thirdly the rating agencies devalue the creditworthiness of the debtor countries, so that high risk premiums up to several hundred basis points (for countries like Greece the premiums were temporarily up to 1000 basis points) can be demanded, and if fourthly the internal and external political pressure suffices to force an austerity policy upon the respective country, the quadrature of the credit circle has succeeded as to the collusion between private investors and public authority aimed at the plundering of the citizens. The private financial institutions can make good money, because they function, as per the Treaty of Maastricht, as intermediary when the European countries take money from one pocket (the ECB) to put it in the other (the budgets of the debtor nations). The bank always wins. A similar collusion exists for the credit allocation for «Third World» countries: The private investments are officially protected from the citizens and their demands by an average of 39 bilateral investment agreements per country.

The risk spreads between countries within one currency zone are the trademark of the Eurozone: After the speculative crisis against the European currency system in the beginning of the 1990s up to the introduction of the euro in 1999, the risk spreads were extremely high, then very low until the crisis began in 2008 and then began to explode again – all within one currency zone, which is very unusual. For Greece and other highly indebted countries, the interest rate differentials are extremely high, at least measured by the interest the AAA-rated Germany has to pay on the financial markets. Whenever there are price (for government bonds) or interest rate differentials within one zone, investors (banks, owners of monetary assets etc.) can make use of them. When the differentials disappear, the speculation with them ceases, because there's no possibility to do business anymore.

This is one reason the defenders of «free» markets and neo-liberal hardliners are against Eurobonds: They would diminish the risks of government bonds within the Eurozone, thus contributing to the dissipation or even disappearance of risk premium differentials. The speculative profits would, under the regime of the «interest socialism» (as German neoliberals call it), decline significantly compared to the «free markets». Common Eurobonds would just contribute to the logic of money, and that's the euro in the Eurozone. Today, the euro is the common denominator for all monetary relations in the currency zone. It's also the medium with which goods and services are circulated. And it's a store of value – in the Eurozone at almost 100 percent, in the global economy at about 26 percent (measured by the percentage of euros of the global foreign reserve assets). The euro works as money now but won't over time. Its recoverability is not under the responsibility of the instance emitting the euro – the ECB – but of the respective country. Eurobonds could lessen this deficiency, but not eliminate it, because there's no designated institution to pay out euro credits. This could only be effected by a spe-

cific bank for public financing or by the ECB, whose charter would have to be changed accordingly. It's clear that this would take away a secure source of revenue from the private banks – for the collective good of the European citizens, who have already paid more than enough for the banks.

It would then be certainly necessary to align the economy policies of the Eurozone member states. Eurobonds also necessitate the equalization of fiscal and economy policies and of the development of labor costs. This would necessarily require increasing the wages in Germany today to stabilize the commercial balances in the Eurozone. The economically sensible and necessary wage increase in a surplus country like Germany will only be possible with stronger labor unions. Therefore the political conditions for union action have to be equalized, at least by introducing minimum wages to prevent low and poverty wages in a highly productive and thus highly competitive country.

But this can only be achieved by working against the dominant economic policy, which follows the rules of austerity and is trying to organize the necessary equalization of the economic policies as an authoritarian event. The much requested European economic government would be an easy method to collect the remaining rights of democratic participation. The alignment and thus centralization of the economic decisions and measures necessitates a strengthening of the democratic and social movements. The economic centralization in Europe needs economic-democratic, cooperative and solidary counterbalances.

#### **4th argument: The German debt brake intensifies the financial crisis.**

As mentioned before, the Maastricht criteria demand a debt ceiling for public finances, which already is a debt brake. The difference of the «German debt brake» is that it distinguishes between a secondary budget, which contains all debt service payments, and a primary budget containing all other items. The nations surrounded by liberalized financial markets give the debt service top priority to avoid being cut off from the international capital markets. The secondary budget thus becomes sacrosanct, so that the expenses of the primary budget, i.e. the transfer payments of the social sector, the staff expenses in the public sector or the public investments are, if worse comes to worst, slashed to free funds for the debt service in the secondary budget. In the Eurozone, the primary balance of all the state's revenues and expenses is structurally positive. But when the debt service of the secondary budget is included, the high deficits materialize, calling the advocates for a debt brake of the primary budget into action.

They all have the goal to reduce the debt. The rules of this setup result in a highly unequal distribution of winnings and losses between the countries involved and between the recipients of wages on the one hand and the recipients of investment returns on the other. A transfer of funds from the primary to the secondary budget always means a transfer from the «real economy» to the financial sector, thus adding to the financialisation of the finance-driven capitalism.

5th argument: Austerity measures put the burden of managing the crisis solely on the debtors, not on the creditors.

The foul game has a name – austerity. The rules of this game demand of the players to implement a «catalog of atrocities». This game was invented during the debt crisis of the «Third

World» in the 1980s and the IMF was probably brought to Europe during the euro crisis in 2009 in order to benefit from its expertise in austerity measures. It should be kept in mind though that the UK and Italy, after the end of the Bretton Woods system in the 1970s, were the first that had to endure austerity measures to save the lira and the pound sterling from uncontrolled devaluation. In Italy the austerity policy was called «la stangata», meaning «catastrophic blow». The beating continues today, with layoffs in the public sector, the cutting of wages and weakening of unions, the reduction of the retirement pensions and raising of the retirement age («pension at 67» for all Europeans), the radical reduction of public investments, the raising of consumer taxes, the increase in «labor market flexibility» and an extension of working hours that is supposed to weaken the unions and reverse the moderate social progress of the past decades. In addition, national wealth (i.e. public and collective assets) is privatized in the course of debt-for-equity transactions.

In many European countries feelings of resignation, uncertainty and desperation arise. The political class in the Eurozone and in the EU in general submissively follows the signals of the financial markets and declares them to be guides to progress. It is deaf to the anger and outrage of the people and responds to the «indignados», the indignant people, with ignorance and repression. The Neoliberals comply with Margret Thatcher's opinion that there is no society, only individuals who exchange labor and goods on the market. Since socializing organizations, such as unions, are ignored and restrained and those without or with a low income count for nothing on the market, there's nothing else to do for the individuals than to revolt and devise new imaginative ways to organize over the Internet in the process. The Neoliberals react to the revolting «indignados» in an authoritarian way and with the full force of the state – not only in the Arabic countries, but also in Europe.

For owners of monetary assets, equity owners and the classes that support them still act according to the invitation of the pre-revolutionary French physiocrats: «Enrichissez-vous», enrich yourselves. The Neoliberals have raised it to an economic principle and the financial operators have refined it for their personal gain. The robbing of those living off their work by those possessing assets is continued in the crisis with help of the austerity policy. According to the political class, the financial markets are to be stabilized, but their austerity policy is an effective means to deepen the social divide, destabilize politics, demolish democracy and prepare the ground for all sorts of populisms and phobias. After years of austerity, Europe is not only in a financial and economic crisis, but in a deep crisis of politics, the cultural value of social justice and of democracy. Democratic resistance against the austerity is essential. The time for outrage<sup>2</sup> has come. The shameless enrichment at the expense of the poor has to stop.

#### **5th argument part 2: The extensive government aids for the benefit of private capital interests undermine the dominant ideology of economic constraints.**

Capitalism is in a deep ideological crisis. The huge government aids for the benefit of private capital interests embarrass

the ideology of a self-dependent economy. This shows that the state is not at the mercy of economic constraints, but a powerful actor that is asked for assistance by the financial institutions. This ideological crisis promotes resistance.

The EU treaties actually prohibit the rescuing of bankrupt EU states by other EU states or the ECB. Both rules are violated at the moment, because otherwise the so-called donor states would need to directly handle the banks, either by helping them or by nationalizing them. The ideological damage probably seemed lesser when helping them indirectly by aiding EU states in the violation of the EU treaties.

**6th argument: It's not possible to «grow out of debt», the «green limited growth» is an illusion in a capitalist system.**

There seems to be an elegant solution to the fiscal crisis beyond austerity: sustainable, «green» growth by which the debt can be amortized little by little from a growing GDP. The higher the growth rate, the faster it will be. That has also been the recipe of the Bretton Woods institutions for the «Third World» countries in the 1980s. They were supposed to «grow out of debt». That didn't work then, but some hope it can be a formula for success today, particularly with a green flair, considering the growth-inducing investments mainly go to the ecological sector. Following Roosevelt's policy against the Great Depression, an ecologically oriented investment and growth program is called a «Green New Deal».

However, in a capitalist economy and society, even «green» investments have to be profitable. Without profit there's no investment incentive. Thus even green businesses will try to cut labor costs, raise labor productivity and intensity, expand working hours and reduce wages. Like all other businesses, they strive for superior competitiveness in Europe and globally. They squeeze the less successful businesses out of the market and contribute to the overproduction – particularly when the spending capacity of the masses is reduced on account of the austerity measures and is thus insufficient even for green growth. This attempt to overcome the crisis leads into another, which announces itself on the global markets in terms of «imbalances» between the major economic power and currency blocks – USA, Europe, China, but also Brazil, Russia, India and others – and in the Eurozone of imbalances between surplus and deficit countries. Because the financing of deficits is linked to the development of debt positions, but the surpluses can be used as financial assets, the financial tensions are heightened, culminating in financial, debt and currency crises.

And not only that: The crisis is also expanded to other aspects than the purely economic. Even sustainable growth consumes natural resources. At the limits of the availability of resources and the capacity of pollution sinks, growth reaches its limit as well. This is common knowledge since the publications of the Club of Rome in the 1970s. Or could the limits be expanded, too? That is certainly imaginable. But even expanded limits remain limits that cannot be ignored. The fuel supply is limited because of the so-called peak oil (the maximum rate of global petroleum extraction) but it may grow if regenerative fuels made of biomass are used – which intensifies the competition for land usage. The sustainable growth relating to the supply of cars with fuel limits the usage of land for food production. Instead of peak oil, there will now

be a «peak soil». «Biomass for the gas tank or the plate?» is the new question in the discourse about delimited growth. The manner in which the crisis is overcome inevitably results in a food crisis, in poor countries even in a hunger crisis.

Though the limits of fossil fuels are expanded by the change to electric mobility, we still need rare metals and minerals for engines, batteries and transformers and will thus quickly reach a physical limit, a limit of national energy security and exclusionary limits formed by increased prices, limits of supply. Limits everywhere. The idea of expanding limits as a solution for the delimited growth is a rather narrow-minded concept, even though it presents itself as «green».

Unionists argue that the growth could be immaterial or virtual, thus avoiding the disadvantages of green delimited growth. But what is growth without the usage of materials and energy, which are after all limited? Growth without utilization value is purely a growth of prices, in other words inflation. Inflation could contribute to the partial destruction of assets and implicitly to the depreciation of debts. But the depreciation ought to be carried out by a debt cut, not by inflation, which would dispossess everybody depending on the stable value of monetary claims, including pensioners, recipients of transfer payments and private savers.

**7th argument: The transition to a degrowth and non-profit economy is possible.**

Wouldn't it be possible to see to it that instead of the material production the immaterial public services are expanded for ecological and social reasons? Aren't there a lot of investment opportunities in public health and education, in the care for children and seniors, in solidarity and civic work, in the mediation of conflicts or in community work? Indeed there are, but then this competence-requiring sectors would have to be organized and extended as public non-profit activities. They cannot be operated in a capitalist and profitable way, unless they are subsidized by means of tax revenues that are diverted from the growth. The degrowth of the economy, though propagated by the critics of the growth system, is not enough, what would be needed is an expansion of the non-profit sector. So the alternative to austerity and growth is a transitioning to post-capitalism. The questioning of the whole system is inevitable.

**8th argument: A debt cut is unavoidable. The crisis could be defused by fair and transparent insolvency proceedings.**

If it is impossible to grow out of debt and the horrors of austerity cause Europe-wide outrage and drive millions of people in Athens and Madrid, in Reykjavik and London to the streets, the only solution to the crisis is a radical debt relief for the overwhelmed debtor countries. It is paradoxical: Although the crisis is perceived as a financial crisis, the solutions always focus on the debtors first, not the creditors, though they are an integral part and player in the financial relations. In fact the crisis management measures inevitably result in a relief for the creditors while burdening the debtors with the costs of the structural adjustment. The solution to a financial crisis is always expected to be achieved by asymmetrically reestablishing the debtor's debt service capacity. To this end austerity was invented. The fact that creditors are part of a financial crisis and have to contribute to the overcoming is not taken into account.

In the real economy, the investors, that is the providers of capital, bear the risk of the investment and are liable for losses. Financial investors, however, take on a special role, because in capitalist societies, as Karl Marx already knew, money is itself the community, so creditors pervert the motto of the «indignados»: «We financial investors won't pay for our crisis». For them, the term «money» only refers to their assets, not to the logical counter-entry of the debt of others. Money has to be recognized as a social relation to get over the fetishism that money is equivalent to claims, but not to the obligations without which the claims would be worthless.

If the debt is reduced, obeying the German demand of a debt brake in the European financial crisis, assets and funds also have to be reduced. Nobody can reject this logic of money, not even by referring to the holy right of property. That's why even bankers and other owners of monetary assets agree to a «haircut»; they at least suspect that their claims are worthless if the debtors are insolvent. The «haircut» has so far been as nice, harm- and painless as the word sounds: On closer examination, the cancelation of the Greek debt is purely cosmetic, a big bluff. The claims that the banks are surrendering in the case of Greece in 2011 will be exchanged for EFSF papers – not in full, but still favorably and profitably, since those papers provide more security and higher interest rates. Insolvency proceedings could involve the creditors, if they are fair and transparent. The liberalization of the global financial markets brought forth all sorts of financial innovations, provided they are helpful to the expansion of the financial markets and the interest yield of financial investors. Among these innovations are the ludicrous securities, which were allowed to originate with official blessing, the speculative funds, the tax and financial havens, in which a powerful demimonde of financial criminals yielding profits with money laundering and tax evasion has formed, the rating agencies, without whose – officially recognized – placet the securities would have been worthless from the beginning. The financial market system is designed to expand economic limits, without consideration for nature or society, forming bubbles that are bound to burst at some point.

In the crisis though, the lack of regulation becomes evident. There is no statutory proceeding concerning the creditor's participation in the losses of a failed credit relationship. The debtors have to pay until they are bankrupt. But the states with their institutional systems, their territories and population, their legal duties and their power neither disappear from the map, nor can they be deleted from some register. The USA's extremely high debt does not immediately result in the corrosion of their nuclear arsenal or the unavailability of killer drones and they can still afford a larger military budget than the rest of the world, including Russia and China, combined. Even the UK, which was deindustrialized by neoliberal policies, still has considerable military power which they are ready to employ for their own interests. The war against Libya has been a lucrative business for the defense business and, most of all, the oil industry.

In principle nothing has changed since the days when debtors were thrown into pauper's prisons. If the debtor countries are weak in a military or political sense, they have to pay, and if they can't, so-called swap methods are devised, like a lot of times before: debt for land swaps (that's how the USA acquired part of the Mexican territory, which formerly ranged

up to Oregon), debt for equity swaps, meaning debt for assets in the course of privatizations, debt for nature, like the proposition of swapping the Greek debt for the Greek isles and beaches.

Though there's no formal insolvency regime, the debt relief mustn't be reduced to a swapping of monetary and real assets that lets the creditors get away without write-offs while making the debtors carry the whole weight of the debt relief and dispossessing them after the austerity. That's another asymmetrical concept: The expansion of the financial markets virtually self-regulates when business is good and the legal regulations emerge almost spontaneously from the economic relations and the private interest for high and secure returns that controls them. In contrast, the contraction of financial relations with sovereign investment occurs mostly irregular and ad hoc, most of the time meaning a nationalizing of the losses to save the private gains. The losses are paid by the taxpayers in the debtor and debtee countries. Goldmann & Sachs pay next to nothing in taxes, while the average income tax is at 41,1 percent in France and 39,2 percent in Germany. Therefore rules have to be established to reduce debts and assets symmetrically considering the criteria of fairness. Not only the debt, but also the financial assets have to shrink. The hypertrophic financial sector has to be minimized.

**9th argument: The taxation of assets and high incomes is indispensable, not only for reasons of social justice, but to overcome the financial crisis.**

In the last two or three decades, enormous monetary assets were accumulated, because the taxes on assets and high incomes were tremendously reduced. To prevent new accumulation of assets and for reasons of tax equity, those taxes have to be raised again. It is imperative to correct another asymmetry: Although there are European rules for the capping of the fiscal deficit on the expenditure side, there are no European standards for the state revenues, in particular taxes. This results in a tax competition which has the fatal effect of reducing taxation bases and rates and of liberalizing tax collection regulations, so that the tax burden for high assets and incomes is declining. In the last two decades, the corporate income tax was lowered all over the EU: In Germany from 50 percent in 1990 to 15 percent in 2009, in Greece from 46 percent to 25 percent, in France from 37 to 33,3 percent, in Ireland to only 12,5 percent, and so on (EuroMemo 2010/11). In the face of the deplored investment crisis, these fortunes were used speculatively, thus destabilizing the financial markets. To prevent that, a capital levy and a tax on financial transactions are necessary. For the latter, a majority could be obtained at European level by now, provided that the social movements for a fair taxation continue their work and exert political pressure.

**10th argument: The incompetence of the economic sciences' mainstream makes an «economic alphabetization» today more necessary than ever.**

The lack of debate about solutions for the crisis and ways to overcome it can be explained with the prevailing knowledge of economics, which is trapped in paradigms of practical constraints and lack of alternatives. Walter Benjamin interpreted capitalism as being a religion. The economists behave like high priests of a religion and contribute to the sanctification of

the capitalist constructs of power and reproduction as something holy and unchangeable. Their fetishism is not only false consciousness, the deluded scientist's mark of Cain, but also a premise for the practice to sell technical analysis as divine conclusions. That's advantageous for the political decision makers and it raises the valuable reputation of the originators. Some economists are bribable and allow their clients to use their concoctions for propaganda purposes, though they sometimes disavow themselves in the process, like the US economics advisor who attested Iceland highest financial stability, just as the three biggest banks of the country were going bankrupt.

Economic science is part of the machine that brought the financial markets to full speed and keeps it running even in the crisis. The theory of rational expectations, the belief in the beneficial effect of free markets in general and the efficiency of the financial markets in particular, the rejection of social adjustments of the market development and the belief that free trade benefits all trading partners are some of the fundamentalisms that were internalized by the political class, polished in academic research and spread in teaching world-wide, with only few exceptions. Many mechanisms cater to these economic fundamentalisms, as for example the awarding of the so-called Nobel prizes in economics, apart from a few exceptions.

Alternative economic science exists, as do alternative economists, who follow the theories of Immanuel Wallerstein and try to «unthink» the social and economic sciences to overcome mental barriers. Heterodox Keynesians also try to hold their ground against the «religious» mainstream, even though they are persecuted as «separatists» by the market fundamentalists and lost their jobs and influence at a lot of German universities. A «post-autistic» economy has arisen and has developed international networks, but hasn't so far been able to take root in the world of academics. Marxism is tedious, rare, marginal and has little influence on academic activities. It is crucial to not surrender the search for solutions to the crisis of the financial markets, of the economy, but also of nature and politics to the fundamentalists. During the French revolution, the people aggressively and educationally shouted «Écrasez l'infame» («Crush the infamy») at the institutionalized guardians over Christianity. Today it's about something similar. Progress at overcoming the crisis can only be made against the economic religion, against the neoliberal fundamentalists with their academically doubtful doctrines that deify capitalism. Conceptions to overcome the crisis mustn't omit the science or the ideologies. A solution to the crisis can only be found if the economic mainstream is «unthought».

This also means to negate the hegemonic history of the crisis that is propagated by the media and the political mainstream, who tell the tale of more or less independent crises in Greece, Ireland, Spain and elsewhere that were supposedly caused by laziness, corruption and the proliferation of the welfare state. This myth is spread to stimulate and escalate conflicts between the citizens of different countries and to conceal the true distributional conflict behind the crisis: the conflict between the entire European society on one side and the banks, the corporations and the rich on the other. As long as this line of conflict is obscured, the ruling class can use the crisis to propagate the rapid redistribution of wealth from the bottom to the top as the only possibility.

Hence the intensification of the solidary, joint work of social actors all over Europe is necessary. The political stage on which this conflict is carried out is Europe. A strong European social forum is needed more than ever. The resistant activities are still mostly focused on the political stage of the respective nations, although the governments of the most heavily affected countries have already been disempowered. The puppet masters of the so-called crisis policy can mostly be found in the headquarters of the big banking houses, in the European commission, in the European Central Bank, in the IMF and in the treasury departments of the credit-granting countries, in particular Germany and France. The European grassroots movement has to put pressure on these players – not only in Madrid or Athens, but also in Berlin, Paris and Brussels to be a thorn in the flesh of the power-accumulating oligarchs and plutocrats.

#### NOTE

The scientific advisory board of Attac was founded in 2001 and is an association of more than 100 professors, scientists and experts, representing a broad spectrum of different disciplines. The economists, sociologists, political scientists, jurists, psychologists and experts from other professions intend to allocate their expertise to the anti-globalization network Attac Germany. The members of the scientific advisory board generally agree upon their critical perception of the current course of globalization. This doesn't exclude pluralism in the methods, goals and conclusions or differing positions. The scientific advisory board does not consider itself part of the anti-globalization network Attac Germany, but an independent panel with own assessments and opinions.

#### IMPRESSUM

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