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# Austerity policies & alternatives

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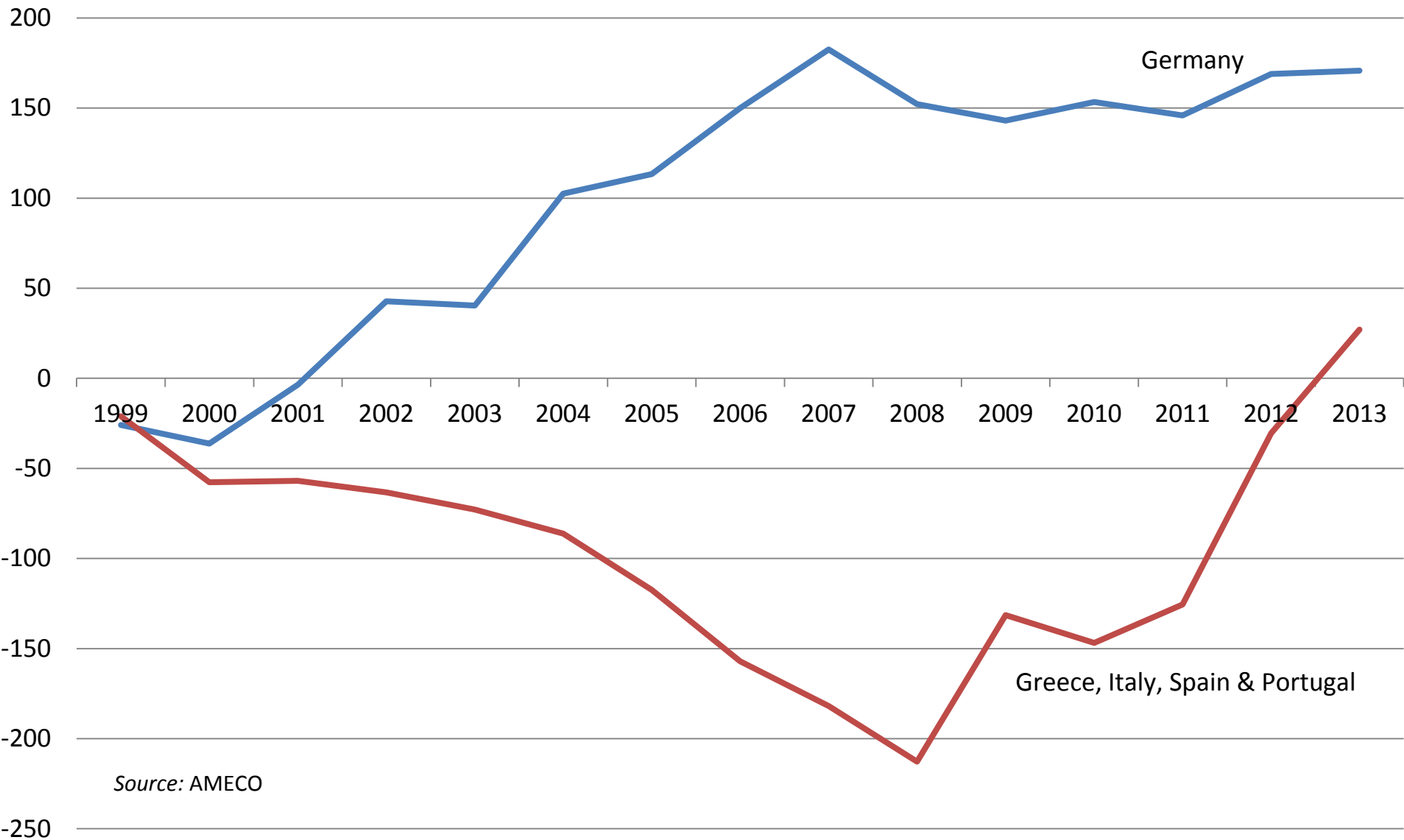
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Following on from the analysis presented by Steffen Lehndorff, this presentation will focus on two areas:

1. The rise of trade and current account imbalances between members of the euro zone since the introduction of the euro in 1999
2. The alternative economic policies proposed by the EuroMemo Group

# **Current account imbalances**

# Current account balance, € billion



Source: AMECO

# **Alternatives**

# Fiscal policy

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- End highly restrictive conditions of fiscal compact
- Common monetary policy should be complemented by common European fiscal policy
- Promote employment in socially and environmentally desirable jobs with 'decent work'
- Current account imbalances should be eliminated by adjustments in both deficit and surplus countries
- Government deficits should be financed by jointly issued Eurobonds
- Very high public debt should be submitted to a debt audit to determine which debts are legitimate

# Tax policy

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- All states should commit to progressive taxation
- Tax rates should be more closely harmonized between states
- The shift towards lower direct tax rates and higher indirect taxes should be reversed
- Corporate tax rates should be similar to those levied on unincorporated business and personal incomes
- The coordinated taxation of multinational corporations should be greatly strengthened
- Tax avoidance facilities and tax havens must be eliminated

# Monetary policy

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- Monetary policy is currently independent of government institutions but not independent of private financial institutions
- ECB policy should be brought under democratic control and integrated into EU policy making processes
- Monetary policy should ensure adequate provision of credit at low rates of interest to support investment and employment



# Banking & finance

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- Commercial and investment banking should be completely separated
- Public and cooperative commercial banks should be promoted
- Size of private banks should be restricted so that they cannot pose a threat to financial stability
- Activities of investment banks, hedge funds & private equity funds should be strictly limited
- All financial instruments should be traded on public exchanges; new securities should demonstrate they benefit non-financial sectors
- A publically owned European ratings agency should be established
- A tax should be introduced on all financial transactions

# Industrial policy

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- European-wide investment plan for socio-ecological restructuring
- Substantial public sector support essential, with priorities set democratically at local, national, and EU level
- Need to counter growing divide between European 'centre' and 'periphery'
- European Investment Bank able to provide financing; in longer term require European Industrial Agency
- Resources to be made available through fiscal reform, through issue of Eurobonds and through lending by ECB

# Wage & employment policy

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- Replace downward pressure on wages through encouraging collective bargaining
- Gap between growth of labour productivity and wage rises must be closed
- Growth of low paid jobs and precarious employment must be reversed
- Normal working week should be reduced towards 30 hours

**[www.euromemo.eu](http://www.euromemo.eu)**