

THE FSP: MORE AUSTERITY WITH A DIFFERENT NAME

Over the last few years, the debate has strongly focused on the origins of the crisis. The discussion has been fierce, with the causes seldom being related to the subprime bubble, market deregulation, speculation, “business as usual”, among many other reasons. Regardless of the reasons we may find to explain what happened, we cannot seem to be able to deny that the main problem resides in the political arena, where bureaucrats appear to have replaced the decision-making of political leaders and parliamentary democracy tradition, all across Europe.

In recent years, we have watched how countries under economic assistance programmes have been the subjects of external pressure from the same institutions that were supposed to aid these countries and pave the exit-road to the severe crisis they have sunk into. In Italy, Monti was put in power without elections, and in Greece there was no self-restraint from several European leaders in the attempt of conditioning the free vote of the Greek people in the past recent elections. Furthermore, along with these threats to State sovereignty, rating agencies have been acting in the same way, seeking to determine the course of action of countries that are already in a troubling situation by speculating in their external debt and decreasing their rankings without any kind of international supervision.

After more than five years of the most severe austerity measures ever applied in European countries, the ones that have endured these experimental policies now have to deal with an approximate – or in some cases over - 20% rate of the population living in poverty, with destroyed national healthcare systems, with a strong disinvestment in education - leading to higher rates of school dropout - and struggling with debts that consume most of the countries’ economic resources. There is no prediction whatsoever as for the time that countries like Portugal, Spain or Greece will need to get back to the development levels they have reached before the crisis. And as if all of this weren’t enough, the Eurozone has forced upon its members a Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, the so called Fiscal Stability Pact (FSP), that quite arbitrarily defines the lines that must be respected, in order for a Member State to remain in the EMU.

The FSP imposes that countries who are in strong need of public investment policies, in order to make their economies grow again after long periods of a clearly unproductive and unprecedented austerity, must abide by rules that limit this clear necessity. The FSP, without any clear indication of why these limits were set, will result in more constraints for European growth, with particular consequences to countries in difficult economic situations. Hence, in a time where public investment is mostly needed and after resounding proof of the failure of neo-liberal economic policies in Europe, it is time for Socialists to strongly oppose any more measures that limit public investments to respond to people realities like the increasing poverty and forced emigration of its

population. Therefore, it is our firm belief that austerity is no longer and has never been the solution to Europe's problems and that the FSP will limit the capacity of introducing new public investments .

Thus, we ask for the rejection of the current FSP and a reinforcement of the cohesion mechanisms of the EMU, leading to a more inclusive and cohesive Europe, rejecting the current centralism that appears to have been imposed in the decision-making process in the EU.