

[ECONONUESTRA](#)'S PROPOSAL TO ALL PEOPLE AND INTERESTED GROUPS TO PROMOTE THE DEBATE ON THE CRISIS:

Peripheral countries within a fractured Europe

1. Promoting social debate

It is more than four years that the crisis began and far from improving, the economic and social situation has further deteriorated.

The political management of the crisis has been limited to a one sided diagnosis of the roots of the problems while the European institutions and the national governments continue to implement a strategy based on massive cutbacks in public spending and investment, pressure on labor costs, and reforms that reduce social rights and privatize areas that had so far been preserved as public goods.

However none of the established goals have experienced significant progress. Cutbacks have led to neither a rapid nor a substantial reduction in budget deficits, whereas efforts to improve the competitiveness by reducing real wages have proved to be both ineffective and insufficient. Far from reducing the public accounts imbalances, the implemented measures have prompted a collapse in domestic demand which, despite a drop in imports thereby reducing temporarily the current-account deficits, have simultaneously led to a decline in economic activity and employment. Such a decline has made impossible balancing the public and external accounts.

The so-called structural reforms of the labor market and the banking system have not resulted in any improvements either. On the contrary, labor reforms have adversely affected the rights of the majority and their purchasing power, while the bargaining power of companies expands and strengthens at the expense of weakening both the collective bargaining and the capacity of trade unions to intervene therein. The incomplete reform of the banking system has managed to divert the costs generated by the mismanagement of those responsible for it towards the public sector and the society as a whole, and whereas it strengthened their solvency, it failed in restoring the credit flow.

In spite of this, governments of the peripheral countries made a firm commitment with the European institutions and creditors to implement this conservative strategy as a way out of the crisis, putting the weight of the recovery on citizens' shoulders and despite breaking their electoral promises. It seems that they have failed to consider the current devastating effects that are causing an untenable situation for millions of people who have lost their jobs and are unable to find employment due to the low-job market; who do not benefit from the social protection that should be secured by the public sector. As a result they have ceased to earn their incomes thus eroding their citizenship rights and, with it, their self esteem.

The persistence and escalation of the crisis, the obvious failure of the implemented policies and the weakness and poor foreseeable alternatives in political and economic terms trigger the discouragement, mistrust, fear and frustration of societies. As a consequence, these societies become vulnerable to populist ideologies and divisive practices which unleash and feed undemocratic and xenophobic impulses that can make them increasingly insensitive to the hardships of many of their fellow citizens.

The burden of the cutbacks and their social consequences that have led to an obvious dead-end, have also stirred up the outrage of many people as well as massive social protests and strikes that claim for a new horizon and alternative solutions.

As heterodox economists linked to [ECONONUESTRA](#) we feel part of the social movement of outrage and protest and we share its goals to change the current status quo and create alternatives to the current priority-setting in the economic policymaking. Such new order should respond primarily to the democratically expressed preferences of the citizens.

The proposal for discussion that arises with this text is intended to contribute and serve as a channel for a social debate that allows us to move forward in our collective reflection on different types of issues that do not have an exclusively economic nature, which are associated with the crisis, the austerity policies and the cutbacks that have been imposed. The development of new economic policies should not be left in the hands of the exclusive circles of "experts", allegedly the holders of some universally valid economic knowledge, quite on the contrary; they must be based on a process of debate and political choice that corresponds to the majority of the society. We are confident that such a debate and a better understanding of the economic and social problems will reinforce the social movement of outrage and protest and will achieve the withdrawal of the austerity policies, allowing us to take new steps in building an alternative strategy that, benefiting from the support of the majority, is technically and politically viable.

2. Winners and losers

The impacts of the economic crisis and the misguided management policy imposed by the EU's existing institutional structure and balance of powers have not affected all EU member States to the same extent; similarly, the costs are being distributed in a clearly asymmetric way within each country, having thus a different impact on the distinct social groups.

The southern European economies are mainly suffering from the most destructive consequences. Stunted by their weak productive structures and their high levels of indebtedness, they are also under an unbearable market pressure while being stuck in the institutional rigidity of the EU. Other European countries are facing the crisis with more competitive productive structures, lower debt levels and more developed

Welfare States, which soften the effects of the cutbacks and the recessive outcomes of the implemented policies.

But not only does the crisis manifest itself unevenly among the EU economies at a national level, an unequal distribution of costs is also evident from the perspective of social groups and companies. Despite being deliberately concealed by the dominant discourse this perspective has a crucial importance.

On the one hand, a large segment of the population has been impoverished, the youth perceives with extreme concern the worsening of their professional horizons (the feeling of belonging to a lost generation is quickly spreading) and many small and medium-sized firms are deprived of the necessary credit to operate, to undertake new investment projects, or simply to survive in a scenario where markets are experiencing ongoing contraction. On the other hand, those who stand at the top of the economic and social pyramid have better resisted the onslaught of a crisis for which they are to a great extent primarily responsible. Furthermore, the crisis itself has given birth to a scenario in which new opportunities open up for them: markets that are overtaken by business groups who benefit from financial flaws or the bankruptcy of their competitors; deregulation and concentration processes; banks that receive large amounts of resources and support from the public sector; private companies and public service privatizations with extremely favorable conditions for investors; possibilities for firms to reduce wages, dismiss workers, increase the working hours or change any of the other working conditions, etc.

We should not forget including among the winners a banking system that has been at the origins of the crisis and is still present in its current development. Banks' main shareholders, managers and executives of supervisory and regulatory bodies have in no way been made responsible for their disastrous management nor have they assumed the corresponding economic costs. Furthermore they have not suffered any penal sanctions for their fraudulent actions. Aside from a temporary loss in the value of their shares, the banking system has been rewarded for its excessive indebtedness and its misjudgments regarding high risk investment projects that they were financing. These rewards have adopted the form of an unlimited support from the ECB and the respective national governments, which ended up aggravating the situation of the public sector accounts. The bank bailout plans have provided – and still provides – public financing in extremely generous conditions without match insofar as it has not turned into the reestablishment of the credit flow or the economic activity.

Both perspectives – the national and that of social groups – contribute to the rise of inequalities and divisions in a Europe that was already characterized by a growing heterogeneity (arisen from increasing productive, social and spatial disparities).

In this complex process through which markets, corporations and even the former balance of powers are being restructured, the institutional and political map of Europe map is being subjected to a deep reconfiguration driven mainly by Germany. Being in the leading position in the "North", this country is representing the interests of large creditor banks, of the EU bureaucracy, of the large transnational companies and of the international monetary and financial institutions. The critical situation that many EU economies and the serious problems the euro itself are facing provide a historic opportunity to build an adequate European project and to strengthen the competitiveness of exporting companies.

In this context, an asymmetric perspective of those who bear the responsibility of the crisis outbreak has been imposed, which would fall primarily on the currently indebted countries. As a result, the burden of adjustment must fall mainly on these countries, by means of what are believed to be imperative austerity policies. However, a more realistic perspective of the imbalances within the EU needs to highlight the impact of policies which led to a contraction in wages and domestic demand, such as those applied by countries like Germany. The German policy-making strategy of following a markedly export-led growth plays a major role in the inflated trade deficits of the Southern European countries. A long-term solution would also require thus a thorough review of such a strategy.

3. Criticizing the conservative strategy to find a way out of the crisis

The economic policies prescribed and imposed on the peripheral countries of the Euro zone are grounded on a diagnosis that sets as central pillars of the roots of the crisis the squandering and inefficiency of the public sector.

Added to this determining cause there is also the alleged exorbitant consumption of populations that have lived beyond their means, which has led to unsustainable debt levels and imbalances in the external accounts. Therefore they should now pay for their excesses, reduce the social protection levels that had before the crisis, have access to fewer and worse public goods and work longer for less income – those who still get to keep their jobs.

The argument goes on to acknowledge the minor role played by the Euro zone's institutional weaknesses and inconsistencies, which has hindered the satisfactory management of the situation and occasionally, has also contributed to its aggravation. It is added that these institutional design problems must be resolved by strengthening the banking union, taking firm steps towards the homogeneity and fiscal discipline and, as a climax, ultimately admitting formulas of public debt mutualisation. Consequently this would reduce financial instability, without encouraging the peripheral countries to return to squandering resources that they borrowed.

As a result of this diagnosis a package of measures that set the fiscal consolidation in the short term as an absolute priority has been imposed, seeking to achieve a strict and permanent balance in the public accounts. Internal devaluations are promoted at the same time, with the intention of lowering the prices on exports and convert the external sector in the engine of economic recovery through labor costs reduction.

The hypothetical progress in fiscal consolidation and the escalation of net exports would benefit from the maintenance of bailout plans subjected to strict compliance with predetermined targets. Meanwhile, the Euro zone is rebuilt so as to strengthen the capacity of the EU institutions to make effective their prerogatives to control, decide and manage the budgetary and economic policies of the member States.

However there is no valid argument that sustains either this biased diagnosis or the economic policies that are derived from it, or the alleged expansionary effects that the austerity measures would have in the future.

The data are conclusive. Public deficits are not being reduced within the expected deadlines. Both the public and external debts continue to rise, whereas private debt has not decreased significantly. The instability of the financial markets cannot be halted but through the intervention of the ECB but its effects last anyway just days or weeks. The rise in net exports is above all the effect of the fall in domestic demand rather than of the improvement in output supply; and ultimately it has not offset the widespread collapse in spending and investment of public and private economic agents nor has it avoided a second recession. In addition, the negative impacts on the potential growth as a result of cutbacks in investment and innovation, education, the adoption of new technologies, the destruction of productive capacity and the consequences of long-term unemployment, will constitute an added restriction to the future economic recovery. Finally, the most prejudicial social effects of the crisis take the form of unemployment, poverty and the exclusion of the most vulnerable social groups while sharpening an inequality which was already present in the roots of the crisis and that has but increased since its outbreak.

How then, can the obstinacy to persevere in these types of policies be explained? The persistence in error is first of all the expression of a "theoretical fundamentalism" that, far from being weakened, occupies a prominent position in both the academic world and the political decision centers. The approach that they defend is as resounding and simplistic as this: whatever the cost of it, austerity is the waiting room to economic growth. In the fiasco of the policies implemented in recent years, those installed and caught up in this theoretical loop do not seem to have found the data and arguments that would suggest a thorough revision of their hypotheses and fundamental statements.

But this is not only, or not mainly about ideological convictions or more or less well founded *a priori* academic judgments. There is more, much more: the fact is that an alliance of powers with social and economic elites has been created. Those elites are the same who are benefitting from the current situation and finding new opportunities therein. They aspire to reach new spaces of accumulation that ensure higher rates of profitability through a more regressive redistribution of income and a low-priced appropriation of public and private assets.

One could even conclude that behind the claims of stability there is something similar to a "hidden agenda" whose ultimate goal is no other than to offer up the public social sector to the market and the private interests. What is certain is that if this agenda was once hidden, today it is not. The public sector is being subsumed by the market logic and the interests of those who benefit from it. As a consequence, new budgetary constraints are being introduced, regressive tax reforms are limiting its tax collection capacity and public services that so far had a solvent demand are being dismantled in order for them to become new sources of private profits.

4. An alternative diagnosis of the economic crisis in the Euro zone

The great financial crisis that broke out in the US economy in 2007 immediately spread to a European and global banking system that was already excessively vulnerable. This vulnerability was the consequence of the deregulation processes, of the weakness of supervisory and control bodies and of a system of incentives allowing economic actors to take maximum collective risks with minimal personal responsibilities, all of which have contributed to the breach of some basic requirements in supervisory or risk assessment activities.

In the EU, beneath the surface of an apparent convergence reducing the gaps between levels of per capita income and average long-term yield rates of the member States, the crisis showed up a fractured Europe where the differences in the productive structures and specialization patterns between countries had expanded and the extremely serious macroeconomic imbalances predominant of the peripheral economies were in sharp contrast with the sound situation of the core EU countries. Similarly, the inequalities of income, assets or working conditions have increased both among different social groups and within labor, although this effect was at first concealed by an average per capita income growth in most peripheral countries which was higher than in the core countries of Europe.

Actually, this average income growth was based on fragile foundations where indebtedness, enhanced by the financialisation of the economies and the single currency itself, played an essential role. Abundant and cheap credit flowed from Northern EU economies with current account surpluses to Southern economies, where investments of dubious quality and sustainability were financed with maximum

short-term profitability. This favored the deindustrialization of the latter, encouraged the waste of goods and energy resources and, at least in the Spanish case, it destroyed landscapes and the environment at the same time as it got involved in many cases of political and economic corruption.

Ideal markets should allegedly ensure an optimal use of resources and provide clear signals to the economic agents, enabling them to take the appropriate decisions, maximize the utility and minimize risks and costs. The actual existing markets, however, favored the expansion of economic activities that stayed away from external competition, increasing the weight of low-tech sectors characterized by a low productivity, a low added value, and the absence of qualification requirements for most of the labor force they employed. Moreover, the indebtedness of private economic agents has multiplied way above medium-term sustainable levels. The logic and the automatic functions of the markets, the nonexistence of industrial policies and the effects of the monetary union in and of itself encouraged a poor use of many of the resources generated in the peripheral countries, and a consolidation of productive structures and specialization patterns maintained through abundant and cheap external financing.

The credit had stepped-up domestic demand in the peripheral countries above households' disposable income and, even more, above industrial goods supply, that were imported in order to sustain growth. Thus, over-indebtedness of private economic agents was accumulating and growing external deficits exceeded any sustainable limits.

The outbreak of the global financial crisis, the muddle that then struck the banking system and the ensuing credit flow paralysis hit the real economy and revealed the depth of the structural problems in the "Southern" Euro zone countries as well as the inadequacy and inability of the European institutions to manage a single currency and a common market in an economic area that was so fractured, uneven and with such huge internal imbalances.

In 2008 the gradual correction of excessive private indebtedness of peripheral countries began, which had surged as a consequence of the logic and normal functioning of the Euro zone. Only then and not before, the public sector increased public spending in an effort to partially compensate for the weakness in domestic demand, induced by private deleveraging and froze financial flows. An increase which in fact could not be maintained, since the recessive effects of the crisis and the fiscal reforms carried out prior to the crisis had drastically damaged the tax-collecting capacity. Altogether, the rise in unemployment and the costs of public debt financing, not offset in time by the ECB, demanded greater government outlays. It is from then on, not before the crisis, when the current imbalances in the public accounts started to show up.

On the other hand, increasing disparities in the productive structures and specialization patterns and the expansion of social and territorial inequalities had already taken place before the crisis, highlighting the failure of the convergence objective – the ultimate justification and main distinguishing feature of the European Union project - and revealing the structural dimension of the European crisis. Beside the serious and true problems of financial instability, the public deficit, the poor institutional design of the Euro zone and the consolidation of a fractured Europe are the expression of structural deficiencies that must be immediately addressed. The solution requires time, the cooperative effort and the solidarity of all member States.

This diagnosis that *EconoNuestra* submits to the scrutiny and review of all people and groups who wish to participate in the debate and in the elaboration of a manifesto aimed at the public opinion, is open to the nuances, corrections and critical arguments provided by all those who wish to take part. Our claim is not so much to convince as to learn, acquire better knowledge and highlight together the essential features of the crisis and the main objectives that achieve greater social support. We also intend to provide criteria for action in order to highlight an alternative program of economic policies aimed at paving the way out of the crisis.

For that reason, we find it convenient to note some contributions to the diagnosis of the crisis with which we do not agree or that we consider insufficiently tinged, but also deserve to be explicit, be taken into account and considered in the context of the debates we aim to promote.

In the first place, we are pretty skeptical with the assessment that the main long-term problem which the Euro zone needs to tackle affects the initial failures of its institutional design; although it is impossible to ignore that these institutional weaknesses and inconsistencies exist and must be solved. Nor can we agree that the spiral of recessions that the peripheral countries –and with less intensity, the whole EU— face, has its origin in these failures. And even less, with an analysis of the problems where the existing fractures in Europe or the weaknesses of the productive structures and specialization patterns of the peripheral countries disappear or are subsumed in issues of institutional design or can be solved by simply rectifying these design failures.

Secondly, we also find questionable interpretations that emphasize the financial instability as the sole or main cause of the crisis, often associated with speculative interests that proliferate extensively in sovereign debt markets of the peripheral countries. Although these problems of instability, lack of financing and high financial costs are severe and require an immediate solution to facilitate investors' ability to continue buying and maintaining the public debt of the peripheral countries, we do not think that the specific deeper problems that affect the peripheral countries arise or find a proper solution in the financial field. Even once solved the peripheral

economies' problems of financing, via any of the debt mutualisation formulas that are being envisaged, the problems of modernization of the output supply and a quality shift in the specialization patterns would remain intact and waiting for specific solutions, all of which require efforts, resources and specific policies to be achieved.

Thirdly, the economic crisis is defined by the collapse in demand, which has done nothing but increase with the austerity policies that have been set in place. However, the role that could be played by a short-termed expansive policy to achieve a lasting recovery of the economic activity deserves an in-depth discussion, to the extent that the flaws and weaknesses of the output supply would remain intact. As far as we are concerned, there is no possible return to the pre-crisis period when domestic demand was sustained by the credit and private economic agents' over-indebtedness, but which caused an unsustainable economic growth, little or not at all desirable. Neither can that same growth model be restored nor the role played at that moment by the private leverage be replaced by a mere plan of stimulating demand by the public sector.

And fourthly, we contemplate with concern the edges of an approach we consider to be overly simplistic in that it establishes a deterministic link between the claims of "more Europe" or the strengthening of the political powers of the European institutions, and the solution to the economic crisis. Even more so when the particular proposals to expand and strengthen the political responsibilities of the European institutions do not include or imply greater transparency or greater citizenship control, nor point to any sort of federal relationship between sovereign partners bound by common objectives and policies for the benefit of the whole. The political Europe is moving forward with overt proposals that are leading to a more regressive Europe, where transfers of resources between countries and regions, in addition to being limited, are subject to compliance with strict budgetary commitments. And where the only redistribution accepted is the one imposed by the markets, where the euro works in the service of the richest economies, with an institutional design that prioritize their interests and reduces the already severely depleted spaces of democratic representation. The demand for stronger institutions does not make any sense if, at the same time, it is not tied to the specific characteristics that are intended to be reinforced: a more democratic, cooperative and supportive European unity project, that sets as its inevitable principle a greater social and territorial cohesion thereby allowing for the development of the weaker partners.

5. Priorities and performance criteria for a new economic policy

The negative consequences of the conservative strategy to put an end to the crisis, which have already occurred and which are still to occur, require a strong citizen action to halt and reverse the drift in which the European economy finds itself,

especially in the economies of Greece, Portugal, Spain or Italy, as well as and the European Union project itself.

At the same time, it is desirable that the opposition to the cutbacks –in government expenditures, wages, public goods and rights— goes hand in hand with alternative proposals attempting not only to reverse the vicious cycle of the recession we are currently in –a priority issue— but favor as well the interests of the majority, preserve social cohesion and solve the deeper problems that affect the Euro zone’s peripheral economies - the necessary matter.

It is not our intention, however, to establish here an overly extensive program of specific measures to be implemented, but rather to propose a discussion on what should be the priorities and fundamental criteria of action to build a new economic policy strategy in our countries and in the EU as a whole.

This is in fact justified by the condition that, in our opinion, has to be first met: to put the true meaning of democracy back in the centre of economic policy-making as well. This has a very precise meaning for us. First, preparing an economic program is not a technical process exclusively reserved to specialists (economists) even when their intervention is needed to help provide consistency and feasibility to the specific steps that are proposed and to the relationship between these steps and the objectives that have been set out. Defining the priorities and establishing the hierarchy of values that inspires any economic program is essentially a social process that requires political information, discussion and agreement on the part of the citizenship. Movements such as the Indignados in Spain and others from all over Europe undoubtedly represent a major step in this direction: participating in the formulation of a basic social consensus built around economic-policy goals is part of the very concept of citizenship.

Secondly, as European citizens we must take back the capacity to effectively decide on the desirable orientation of our economies. Let it be clearly understood: this is not only about the level – national or European - in which the decision-making process must be placed, but the democratic character it must essentially have. We are therefore opposing the appropriation of the fundamental decisions that the European institutions have made, which are of little transparency and not at all politically accountable. Or decisions made by certain influential governments, which, under a technocratic and neutral appearance, impose measures on countries in distress, taking advantage of their weakness. Measures against which the citizens manifest their clear opposition since they favor very specific groups and they often contradict the programs by which governments won the elections.

Thirdly, we believe that transparency is always required when it comes to the economic measures to be taken, and especially required in such critical moments as

the current situation. We cannot accept current events: with no let-up, elected governments apply policies that are in clear contradiction with the programs that citizens voted. Committing to the initial program and increased democratic control over this compliance should form an essential part of the change in the current situation.

Based on the above, the economic policies of countries with high levels of debt (public, private and external) are presently facing the fundamental constraint imposed by the credit squeeze, particularly reflected by the crisis of sovereign debt markets and the situation of government bond spreads. In our view, the economic crisis cannot be reduced to a sovereign debt crisis; however it is essential to solve it in order to get out of the recession and, at the same time, to begin to untie the knot of the underlying problems that affect our economies.

In this sense the ECB intervention, acting as a true central bank in all its functions including that of the lender of last resort and supporting the fiscal policy, is essential to achieve an acceptable level of debt-financing costs. Analyzing the technical details of the different ways in which the ECB intervention can be made more specific or any other of the institutional changes that are needed, require thorough attention and detailed assessments of their implications and impacts, but the role that ECB played since the beginning of the crisis can be unambiguously condemned. After initially denying its responsibility in sovereign debt market issues, the ECB then went on to perform some discontinuous and ineffective interventions, ending up by an apparent compromise to unlimitedly intervene in the secondary markets, although subject to a strong macroeconomic conditionality. We reject this action for at least two reasons. Firstly because it is a non-democratic institution that is setting the national economic policies and ensuring their implementation by the respective governments: one can hardly find a starker example of non-compliance with the principles that we highlighted in the preceding paragraphs. Secondly, because we are fully aware that the conditions imposed will basically lead to stricter adjustments and reforms, whereas what countries with financing problems need is precisely the opposite: to use these resources in order to adopt the economic-policy measures that are necessary to generate new jobs and sustainable economic activities.

More specifically, we can point out some of the priorities that should constitute an alternative program of economic policy:

1st. The austerity policies should be abandoned and give way to different policies, focused on creating and maintaining employment. There is no such thing as an "expansive austerity" and the clearest impacts of the cutbacks and other austerity measures are the further sinking of domestic demand and the deepening of recessions. The austerity policies are part of the problem, not tools to facilitate the way out of the crisis. Neither balance in public finances can be the first priority

in the economic policies as it currently is, nor can the cutbacks be the way to solve the current public deficit issues.

2nd. Apart from these short-term effects on demand stabilization, it is also necessary to preserve the public sector's ability to intervene in the economy at least in two structural aspects. Firstly, universal access to basic services of the Welfare State (education, health, pensions and family assistance services) should be understood as an unquestioned right of the citizenship, and the only agent that can ensure this equal access for all citizens is the public sector. Secondly, the problems of productive specialization and low competitive capacity in sectors with high added value require public investment in different areas, such as education, technology, innovation and infrastructure. As in the previous case, these objectives cannot be subordinated to a deterministic compliance with rules of balanced budget that are far from any economic logic and are impossible to fulfill without leading to a severe economic contraction that, additionally challenge the provision of basic social services.

3rd. To a large extent, the current difficulties of the public sector do not originate so much in too lax spending policies, but rather in the recession itself and in the strategies set in place prior to the crisis, meant to reduce the tax-collecting capacity of public administrations, particularly by cutting down the relative contribution of companies and higher income households. This trend must be reversed, thus ensuring the necessary income through progressive tax reforms that impinge on the speculative financial operations, capital income, taxes on high incomes and persecution of tax fraud.

4th. Among the basic objectives to be pursued in the new economic growth model, social cohesion and guarantee of sufficient and decent jobs should have a prominent place: stable jobs, with decent working conditions and fair wages. Past experience shows however, that even if high, economic growth is not enough to ensure both objectives, and actually, specific measures must be adopted in order to achieve them. Furthermore, in addition to being ineffective with respect to employment creation, the labor reforms that have recently been approved go in the exact opposite direction, generalizing the precariousness and the wage devaluation.

5th. The malfunctioning of the Monetary Union in the previous years revealed a problem of great impact on the emergence of the current crisis, which is the accumulation of current account imbalances within the euro zone itself: debtor countries with growing deficits and creditor countries with massive surpluses. This asymmetry must be resolved by a completely different approach. According to the perspective that permeates the current official discourse, the debtor countries found themselves in this situation as a result of excessive costs and wage growth,

so in order to solve it they should follow a process of devaluation that involves cuts in domestic expenditures and labor costs. However, these measures can only be effective at the expense of a further aggravation of the recession. Working out these imbalances require changes in the deficit countries (but of a different nature to those that are currently being promoted, since the most important change that no one seems to be concerned with relates to the productive specialization pattern) as well as in the surplus countries. It is important to understand that a growth strategy based exclusively on exports cannot be generalized to all countries if all of them apply simultaneously austerity measures that exacerbate the lack of global demand. Where will the purchasing power required to increase exports demand come from, then?

6th. The nature of the economic crisis is not exclusively financial, but does have an undeniable dimension related to this field. The financial deregulation process has played a role in the making of the crisis, while its growing importance in the economy as a whole has aggravated the impacts on the real economy. Banks solvency issues and lack of credit mutually reinforce within the economic crisis. Banking bailouts currently carried out detract resources from the public sectors, barely conditioning or penalizing those responsible, but do not provide an answer to the macroeconomic consequences of this credit squeeze. Therefore, an additional priority of an alternative economic policy program should be based on a strict and transparent public regulation capable to prevent the replication of current problems arising from the financial excesses, while restoring access to credit as soon as possible particularly to small and medium-sized enterprises.

7th. Solving the sovereign debt crisis, abandoning the austerity policies and recovering a viable and sustainable economic framework are all necessary conditions to exit the current recession, but they are not enough to overcome the structural weaknesses and shortcomings that characterize the productive sectors of peripheral economies. The way out of the crisis for these countries requires, in any of the assumptions, solving the main issues of the real economy, promoting modernization of the output supply as well as a substantial change in the export specializations. Without a greater weight of the manufacturing sector and intensification of the industrial production, Spanish economic growth will continue to be largely dependent on imports of capital goods and technology. Improving the output supply must be part of a greater effort to consciously search for new patterns of growth. Those patterns will be underpinned by the quality and the social utility of the goods and services generated, rather than by the quantity; and they must be compatible with the sustainability of ecosystems. The growth model must also ensure a positive impact on employment and wages. Such modernization must be compatible with a change in the energy pattern, favoring renewable energies, encouraging energy saving and efficiency and limiting production and

consumption of energy, which entail greater risks, external dependency, direct costs that are not included in the prices and negative externalities.

6. Invitation to participate

We end up this proposal for discussion as we started it. The crisis has already had devastating social and economic effects, but the persistence in the same economic policy strategies that have been so harmful up to now allows us to foresee, if nothing changes, an even bleaker future, fraught with uncertainties.

Far from being drawn into pessimism and resignation, the experience of movements such as the 15-M, trade-unions protests and strikes, in sum, the citizens outrage and broad demonstrations should be a spur to denounce the negative effects of the conservative strategy to overcome the crisis which is currently being implemented as well as the hidden interests that lay behind it, and to persevere in the construction of an alternative that must be economic, but also social and political.

The substantial reorientation of the European economies –and of the EU itself— that we are proposing in these pages will of course attract the active resistance of the economic and social elites which defend the current status quo. Hence the need to build up the critical mass of citizens capable of overcoming such resistance. This text aims at contributing to encourage this civic and democratic effort and invites all interested people to openly discuss their views.

We would like to invite you to participate in this initiative, and feel free to let us know all of your ideas, and your proposals that you think are fundamental and necessary.

Ideas and proposals must be sent to: aportaciones.manifiesto@economy4youth.com; and comments are welcome at <http://www.economy4youth.com/en/>.