Agreement
establishing the Action Committee
for Democracy in Europe

(Comité Action Démocratie Europe – CADE)

Brexit and the new US Administration have destabilised the « Washington Consensus », through limitations to the free movement of commodities and persons, in contrast with further global deregulation of finance. After the « Bretton-Woods System » (1944-1971), based on multilateral liberalisation of trade and on exchange controls, the « Washington Consensus » led, from the seventies, to credit privatisation, before the triumph, over the nineties, of banking and financial markets deregulation, while the last barriers to trade and direct investments were blown up. The oligopoly of systemic banks (too big to fail, and now too big to jail) imposed its rule, the rule of instantaneous gain, to the body politic. Not content with constraining governmental policies, therefore citizens, pitting them against one another, notably in Europe, into a wild competition, aimed at neutralising or jeopardising the defence of common interests, so as to preserve opportunities to gamble on interest or exchange rates.

In firms, this destabilisation leans on a standard policy of short-term maximisation of the shareholder value with an objective of return on equity. There exists, *de facto*, a private banking governance of the world economy, without democratic legitimacy and effective checks and balances . Corporate financial management consists of a set of now systemic practices : interference of pension funds and other institutional investors in the strategies of listed companies ; conflicting objectives between long-term financing of real wealth creation and instantaneous speculation based on forecasting its failure and hedging positions against this anticipation (securitisation....) ; pressures on corporate strategic decision-makers of a listed company to bring its industry back to a financially homogeneous core business, so as to make the comparative evaluation of shareholder values easier ; steering share prices through the buying back of the company's own shares, as made possible by insider trading ; excessive earnings through stock-options and golden parachutes ; hidden profits in tax havens[1].

The 2008 financial crisis, that came from across the Atlantic, and was amplified by the incompleteness of the euro, degenerated into an economic crisis through a massive conversion of private debt into sovereign debt, and austerity policies aggravated the risk of secular stagnation. A social crisis followed (erosion of social protection, dismantling of public services), and now a political crisis (slimming-down of economic policy to short-term book-keeping of nation states, rise of national-populism).

Long before EU member states commemorate the 60^{th} anniversary of the Rome Treaty (1957), based of the principle of non-discrimination between nationals, global financialisation engaged them in a race to the bottom on wages, taxation and social protection, in contrast with this principle and with a risk of disintegration for both the EU and the Eurozone. Ideally, there is only one way out : creating, alongside national democracies, a European democracy, just as sovereign as them, and based on the shared need for a joint action capacity, to meet the challenges of this century, and a single negotiating power in front of the global financial oligarchy and continent-wide nation states.

But we are in an emergency : the rotation of shareholders has become a method for capturing short-term capital gains, and it poses a threat to long-term investment, to its financing and to the social contract. States, or agreements between states, within the largest possible scope, should give precedence to stakeholders' over shareholders' capitalism, though the prohibition of all above listed practices and, against the explosion of inequality, through the limitation of the pay gap in each company, on pain of being banned from procurement and/or from the long-term investment market. In parallel, nation states and, above all, the Eurozone, should equip themselves with a powerful state-owned financial intermediation, capable of financing the long term.

A 21^{st} Century « Bretton-Woods »

When it comes to the international monetary regime, a global frame is required for economic policies, featuring common principles, guidelines to prevent disruptive divergences between macroeconomic policies, and supervisory procedures focusing common factors of financial instability, all implemented under scrutiny of a reformed IMF, where the distribution of member states' power and accountability is recast.

From this viewpoint, the Eurozone must do its utmost to restore the IMF in the role it played under the former Bretton-Woods system, but was given up while credit was privatised on a global scale. As for the eurozone, it has in the first place to get back as a whole the sovereignty that the euro countries have lost individually, to gain political autonomy, preserve multilateralism as required by a multi-currency system, acquire in the fund an appropriate representation in line with the role of the euro as a reserve currency.

The very core of the Double Democracy, both national *and* European, as the political form of a Eurozone common sovereignty, is a Eurozone budget to guarantee financial stability, alongside monetary stability, which would remain the ECB mandate, as lender of last resort in a fully-fledged banking union.

Eurozone issues will stay insoluble, as long as its governance is intergovernmental (the Eurogroup), hence focused on the creditors vs. debtors divergence. « No automatic rule will force the German government to carry out a policy making up for [other countries] wage deflation through increasing German wages or expanding government expenditure »[2].

For the time being, the « European semester » procedure must evolve : national and European multiannual fiscal frameworks cannot be guided any longer by intangible rules. They have to be coordinated, taking into account the Eurozone macroeconomic situation and member states interdependence, according to a contra cyclical logic and under parliamentary control, by both national parliaments and a parliamentary representation of the eurozone[3].

To change the eruozone into a sovereign body politic and « investor of last resort »[4], and move it onto an inclusive and sustainable growth path, an autonomous budget of 3-5 % of the zone GDP is required. These budget resources will be raised by a eurozone Treasury, and voted by the common parliamentary representation.

A lasting exit from financialisation

If Double Democracy is the European touchstone for exiting the crisis from the top and preventing new financial shocks, it is the condition for collective efficiency as well, as long as nation states are facing issues which they cannot solve individually. However, before construction starts, nobody (neither citizens nor nation states, neither local communities nor the social and solidarity economy) is exempt from starting a business for the continental or global common good, or initiate actions and free the world from the commodification of work and nature and the monopolisation of wealth by the few.

In that respect, the Action Committee for Democracy in Europe will explore practical ways, open to member states, even if the European Council does not agree on the completion of monetary and banking unions, and the creation of a Eurozone tax-and-spend power[5].

- **Currencies issued by and for sovereign « commons ».** The objectives of local and complementary currencies may be to : sustain an economic dynamics of solidarity in territories ; spread ecologically responsible production and consumption practices, favouring clean mobility, renewables and the circular economy ; establish between citizens relationships featuring solidarity, reciprocity, proximity, mutual help and curbing discriminations. The development of those currencies would promote a better monetary circulation without inflationary risks, serve sustainable development and help collaborative activities[6]. Trust in those currencies is based on the democratic legitimacy of governmental institutions and non-profit public interest NGOs, or communities of citizens initiating common interest projects[7]. Ending the monopoly of payments and credit by private banks can begin locally. A European – or, failing that, national or regional – digital public platform for payments could broaden and speed up the process[8].

- **A proper golden rule for government and social budgets**. A Fiscal Responsibility Law must define what a deficit means – as Jacques Delors[9] explained : if the excess of expenditure over revenue is long term investment spending, is it to be financed on the current year revenue only ? As it is benefical to the next generations, it has to be financed by borrowing. Then, the government must go into debt. Its credibility will depend on **public finance sustainability** within the multiannual framework. The required proper golden rule consists in binding investment financing to the deficit. The structural deficit has to be equal to net government investment plus debt depreciation due to inflation.[10] On this condition, the proper golden rule would make sovereign debt and government capital equal, in the country to which it is applied. The gradual alignment of this country's partners would free the Eurozone from the straitjacket of one-fits-all arbitrary rules and move it, after an unavoidable moment of political tension and the proposed reform of the « European semester », onto the Double Democracy path, at the service of an equitable and sustainable growth.

- **Tax idle capital rather than income.** Switch progressive taxation from personal income to net book assets (the Tax on Net Assets – or TAN in French – project by the Comité Bastille[11]) would result in : reversing the old trend to favour the remuneration of capital rather than labour, extraction of value rather than production, rent rather than investment ; curbing global, automated, instantaneous speculation ; boosting venture capital investment and easing the objective assessment of the risk involved ; and, finally, making tax havens obsolete. If this reform was implemented within a member state tax system, gradually extended to its partners' ones, it would bring all of them closer to the tax system of Switzerland, the Netherlands or Norway, which would make European harmonisation easier, ending the absurd tax competition that EU member states (or free riders) are waging against one another.

Footnotes :

1 The social consequences of those practices are a daily reality : mass layoffs ; early retirement programmes ; increasing precariousness of jobs ; unemployment presented as inevitable ; wage-freezing or -cutting ; people working longer for less ; cut-backs or closures of undertakings ; corporate relocations ; increasing pay gaps in favour of the beneficiaries of financialisation.

2 Michel Aglietta, Nicolas Leron, *La double démocratie – Une Europe politique pour la croissance*, Seuil, Paris, 2017, p. 184.

3 This representation could be the European Parliament in a restricted formation (MEPs elected in the Eurozone). The T-DEM project by Stéphanie Hennette, Thomas Piketty, Guillaume Sacriste, et Antoine Vauchez, *Pour un traité de démocratisation de l'Europe*, Seuil, 2017, accessible online in French : http://piketty.pse.ens.fr/files/T-DEM%20-%20Version%20finale%209mars2017.pdf and in English http://piketty.pse.ens.fr/files/T-DEM%20-%20Final%20english%20version%209march2017.pdf , pushes for the creation of a

new assembly comprised of both national MPs and MEPs. It is an interesting formula that addresses two needs : to involve the current holders of fiscal sovereignty in member states in the fiscal policy-making process, and to prepare people's minds to a future bicameral European representation (comprised of an assembly, directly elected by citizens, and a council of elected representatives of member states), without which a European constitutional sytem of government would not meet two requirements : (i) the autonomy of common institutions and ressources and (ii) democratic participation of member states representatives to common fiscal and legislative deliberations.

4 Aglietta, Leron, *op. cit.*, p. 156-167.

5 These strategic orientations do not exhaust the needs for European unity in dealing with global risks (poverty, hunger, pandemia, terror, hybrid wars, ecological or nuclear disasters). Ulrich Beck wrote about this topic in : *Risk Society: Towards a New Modernity*. New Delhi: Sage, 1992 (Translated from the German *Risikogesellschaft*) 1986) ; *Power in the Global Age* (2005). Cambridge: Polity Press ; *Cosmopolitan Vision* (2006), Cambridge: Polity Press. They do not exhaust either the republican demand for equality of citizens in voting, paying taxes and benefiting of social protection. This is the idea supported by *Puissance Europe/Weltmacht Europa* in Bernard Barthalay, *A Continental Manifesto* http://manifeste-continental.eu, and powerfully illustrated by Ulrike Guerot as well in her *Warum Europa eine Republik werden muss ! - eine politische Utopie,* Dietz Verlag, 2016.

6 Michel Aglietta, *La Monnaie entre dettes et souveraineté*, Odile Jacob, 2016, p. 191-193.

7 François Morin, *L'économie politique du XXI^{e} siècle,* Lux, Montréal, 2017.

8. This is, with banking regulation, the first preconisation by the European New Deal, the political party created by Yanis Varoufakis in the wake his Diem25 movement.

9 Jacques Delors, *Le Point.fr*, Sept. 14, 2011.

10 Aglietta, Leron, op. cit., p. 106-107.

11 http://www.comitebastille.org/p/blog-page_2362.html. See also : André Teissier du Cros, *La Taxe sur l'Actif Net ou impôt progressif sur le patrimoine dormant – Pourquoi il faut taxer le patrimoine et non plus le revenu*, L'Harmattan, 2016. This idea of a taxation of net assets worked its way to the Fondation Jean Jaurès (IAN, *impôt sur l'actif net*), with the prospect of the implementation of a universal unconditional basic income (shared by the *Comité Bastille* and *Puissance Europe/Weltmacht Europa*).