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CRISIS COVID19. CONTEXT AND ALTERNATIVES

The global crisis over Covid19 is an unprecedented shock. The economy, and the capitalist system in which it is framed, was already in crisis. These economic crises are the result of the dynamics of capital, and they are the ones that allow the system to remain alive.

After World War II, the state, through Keynesian policy, increased public spending to stimulate demand. They brought in the "golden age of capitalism", with sustained growth of the economy and the creation of the Welfare State. This stage ended with the oil crisis of 1973.

In the 1980s, capitalism entered a new stage. With the Washington Consensus, the dismantling of the welfare state was chosen. Public spending was reduced, privatization arrived, the loss of rights of the working class, financial deregulation, etc. Capitalism entered the phase called "financial capitalism", and with it came a phenomenon called "financialization". Big capital developed its investments to a greater extent in the financial sphere than in the productive sphere.

It is in this context that the 2008 crisis arrived. The Central Banks launched the Quantitative Expansion (QE) and lent large amounts to the banks at negative interest rates. The objective, to save the banks. In the case of the European Central Bank, the money was injected through banks and investment funds instead of being distributed directly to governments.

The Covid-19 is not the main reason for the economic crisis we are suffering, but the trigger of it, in a context where the productive economy was already showing a slowdown, and the financial economy had already suffered several important blows in 2018 and 2019.

Given this situation, the institutions have taken urgent measures to address the coronavirus health crisis. The first is the increase in public spending to provide more resources to health systems.

In the European Union, in March the Finance Ministers agreed with the Commission to activate the escape clause from the EU's budgetary structure. In addition to this the finance ministers of the Member States reached an agreement in April on the funding mechanisms that the Union will promote to face the Covid-19 crisis. The measures agreed upon involve three loan programmes:

* The Pandemic Crisis Support credit line, based on the criteria of the controversial mechanism called MEDE (European Stability Mechanism). This mechanism will allow direct financing to countries that request it of up to 2% of their GDP (the fund represents an amount of up to 240,000 million). But in exchange for receiving a loan, countries must comply with strict austerity measures and submit to the control of finances by the European Union.
* The second programme is the European Investment Bank's Credit Lines, which creates a 25 billion euro Guarantee Fund to cover guarantees for European SMEs, with an allocation of 200 billion euro.
* The third programme is the SURE, with a fund of up to 100 billion euros to provide loans to countries that request them to finance the costs of worker protection and employment schemes, as well as health measures.

All these loan programmes will further increase the debt of the countries requesting them. Debt that will have to be repaid, while meeting the criteria of the EU's budgetary and financial stability framework. As has previously happened to Greece, Ireland, Portugal, Cyprus and Spain, they will have to take austerity measures. Furthermore, the direct consequence of this is that the countries will have no sovereignty to develop their budgetary policy. The austerity measures will mean that the Member States will have to limit their public spending.

The European Commission's latest proposal, Next Generation, makes clear the conditionality, and although it proposes an increase in the direct budget, in no case will it respond to the severity of the crisis or the required urgency of the measures. Furthermore, the process of negotiating the proposal seems to be far from easy. It is difficult to imagine that the proposal will be the final one.

What happened after the crisis in 2008, as well as in recent months, allows us to draw conclusions in order to propose alternatives and measures to be implemented. We must create a scenario for a social exit, and one that faces a change in the economic and social model. Decisions must be taken immediately to avoid the cuts applied after the 2008 crisis. This is essential:

1. Abandon austerity policies. We must break with the budgetary framework that has been attempted to be constitutionalised at European level and in each state: end the limits on debt, deficit or spending rules.
2. Putting the sustainability of life at the centre. It has become clear that the essential thing is to make life and care work sustainable. The right of all dependent persons to have their situation covered by a public, universal and free system of care for dependence must be guaranteed by law, as well as by the publication of the subcontracted sectors in the field of health and care (guaranteeing employment).
3. Give value to public services and the common. Strengthening public services requires a strong increase in budgets for health, education, social services, social benefits, housing, etc.
4. Increase public revenue. The fall in revenue due to the reduction in economic activity and the necessary increase in public expenditure require a strong increase in revenue. High income, corporate and capital taxes need to be increased. Otherwise it will not be possible to avoid today's expenditure being tomorrow's debt and the cuts of the day after tomorrow.
5. Relocate the economy in the face of globalization and internationalization. The sectors most exposed to globalization and internationalization are at the forefront of those suffering from the crisis. The relocation of the economy and the recovery of sovereignty are more necessary than ever at a time when the shortcomings of an economic system dependent on foreign trade in essential products have been seen.
6. Putting people's rights at the centre of the debate, as opposed to those of the capital. The social response is to allocate public resources primarily to people, not to companies. A social shock plan must be based on: guaranteeing social benefits to all people that enable them to lead a dignified life; guaranteeing access to housing and basic services; regulating the maximum prices of basic products and services.
7. Dignify the value of work, and especially that of the precarized and feminized sectors. In order to face the coronavirus, work has been essential (of the health care personnel, of the care workers, of the housemaids, cleaning, feeding,...). The successive cuts in labour rights and collective bargaining must be reversed. Purchasing power must also be increased.
8. Promote social mobilization. These changes are only going to be possible if we are capable of advancing in social mobilisation, in alliance between trade unions and social movements, as we are doing in the Basque Country through the Charter of Social Rights.