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**Onderwerp:** Not public debt but greed and speculation are holding back economic recovery

**NOT PUBLIC DEBT BUT GREED AND  
SPECULATION ARE HOLDING BACK  
ECONOMIC RECOVERY**

23 March 2010



**The European Trade Union Confederation (ETUC) met the President of the European Council, Herman Van Rompuy, on 23 March. During this meeting which takes place on the eve of the Spring Summit, the ETUC insisted particularly on the necessity to keep employment at the top of the agenda, to have a robust public sector, to maintain social expenditure, and to fight financial speculation. The ETUC warned against allegations that the public sector is holding back the economy..**

**European Trade Union Confederation [ETUC]  
Confédération européenne des syndicats [CES]**

Those who are now blaming public and social expenditure for holding back economics are confusing cause and consequence. Rising public sector debt did not cause the crisis; high private sector debt caused the crisis and its excess savings of households and companies which weakens recovery.

In today's economy, public debt is 'crowding in' (not 'crowding out'!) business investment: Public debt supports the demand for products and services, thereby backing up business investment. In the absence of public sector and social security led demand dynamics, business investments and the economy itself would spiral into a depression and a deflation similar to the Great Depression.

The real problems with companies' access to finance lies elsewhere: Banks despite being backed up by 3 trillions of public support, despite high profits and despite a continuing culture of scandalously high bonuses, are still reluctant to provide sufficient credit for investment. Meanwhile, hedge funds are speculating against the euro and individual Member State, thereby pushing up the interest rate on sovereign debt while at the same time cashing in on speculative profits.

The ETUC therefore urges policy makers need to eradicate financial speculation on euro area sovereign debt by issuing a common Euro bond. Also, new sources of European finance need to be developed so that the excess savings of the private sector can be directly mobilized for investment (a European tax on financial transactions, European level action against excessive bonuses, a tax on banks' (balance sheets).

Says John Monks, ETUC General Secretary: *"Privatisation of public services and deregulation of labour and financial markets has landed us into the crisis: Continuing with the same neo liberal policies as in the past is a recipe for further economic disaster".* He added: *"I deeply regret that some policy actors apparently have an extremely short memory: In the absence of public sector demand and social security benefits, the economy in 2009 would have spiralled into another Great Depression".*

*The ETUC exists to speak with a single voice, on behalf of the common interests of workers, at European level. Founded in 1973, it now represents 82 trade union organisations in 36 European countries, plus 12 industry-based federations.*

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