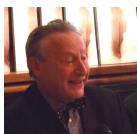


# The crisis demands ambitious and sometimes unpopular solutions

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Reading over some of my papers on the financial crisis, I suddenly wondered whether readers question the “unrealistic”, “naïve” or even “utopian” character of some of the proposals which may appear to overlook “political reality”.

It could be the case, for instance, concerning the (very unpopular) suggestion to make significant amendments to the Belgian tax code by introducing a capital gains tax and align taxation of revenues from investments on those on labour.

It covers, at European Union level, the call for more ambition with regard to financial reform such as my plea for a unified regulatory/supervisory framework; it pertains also to the recommendations on extension of EMU membership to all Member States as well as a partially “federal” budget in the Eurozone to facilitate the integration of economic and fiscal policies to match pooled monetary policy.

Other suggestions concern the implementation of a universal “bank licensing” system aiming at fighting against fraud and criminal behaviour through a series of compulsory measures requiring the exchange of information in exchange of the guarantee provided by governments to depositor’s current and savings accounts; the creation of a clearing and settlements platform for the interbank market and a novel approach to the delicate matter of remunerations by distinguishing the amount that should be considered a deductible “operating cost” from payments that are more akin to a non deductible “profit sharing”.

It is certainly true that it is most difficult to muster sufficient political will to address these sensitive questions independently of a crisis and to overcome the pressure exerted by lobbies defending both private and public partisan interests when they are not outright electoral.

However we are very precisely in “abnormal times”. There is a large consensus that this crisis of exceptional dimensions requires profound changes and that it is out of the question to aspire to set the clock backwards. The French philosopher, Michel Serres, writes in his recent book *Temps des crises*:

*“Either it is really a crisis and there can be no recovery because, as would be the case in a rehearsal, it would degenerate anew, in a cycle, towards a critical situation at least as dire... or otherwise, to the contrary, the normal course of events can resume its course in which case it was not a crisis.”*

The situation requires a paradigm change and a complete reassessment of our conception of life in society. The continuing aggravation of inequalities is unsustainable, as much in the interests of those who have been its main beneficiaries as in those of the vast majority abandoned on the

wayside who have been its victims. This obligation must induce a greater degree of solidarity at all levels.

First of all at European level, through the realisation that only a more integrated EU that is to say a more – let us dare the word – federal Europe, can meet the challenges of the irreversible globalisation of our lifestyle, conditioned by instantaneous transmission of information and increasing mobility of people, goods and services. Reducing inequalities within the EU is necessary in order to defend the interests of all its citizens by speaking with one voice in concert of nations. The Greek crisis gives is a textbook example: as soon as the EU expressed its solidarity, speculation, fuelled by financial operators, abated at least temporarily; any further hesitation will only rekindle it. This example demonstrates the need to accelerate the speed of economic integration well beyond what was considered desirable or doable before the crisis.

That is why my proposal to accelerate the extension of EMU to all Member States, even if it means softening entry requirements, far from being an utopia, is most urgent; it would bring considerable advantages to the EU reinforcing its position on the international scene. It would allow greater flexibility and sovereignty in economic policies, restoring the use of the “foreign exchange” tool from which it is currently deprived and which puts it at considerable structural disadvantage. This flexibility will be all the more necessary that, as Baron Lamfalussy recalled during the Louvain University economist’s colloquium, it is necessary to reconcile the unavoidable strengthening of public finances with the stimulus programs underpinning the economic recovery.

In this great social upheaval, it is important to integrate into the economic and financial reform process, which is often very technical and difficult to understand, both the social and environmental dimensions, if one seeks to curry favour with the ordinary citizen. Those that oppose these measures are sawing the still prosperous branch on which they sit.

The experts, who have blessed the reforms, have exonerated in advance the politicians for the lack of ambition of the proposals currently in the process of ratification. They should verify if their earlier recommendations are still valid within the developing context. In the event, the apparent improvement in the economy will foster the lowest common denominator compromise which will already contain the premises of future crisis. The courageous fight being put up by the European Parliament to restore a more ambitious reform should be widely encouraged.

The body politic has the huge responsibility of resisting the temptation of nationalism and protectionism which would signal the end of Europe’s prosperity and world influence. If in the past politics has been described as “the art of the possible”, it now becomes the “means of the necessary”. That is why I persist and sign.

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