

Statement of the SMEs Platform “Plataforma PYMES” about the draft Royal Decree Draft on the establishment of a Macroprudential Authority in Spain

Macroprudential policies include tools to promote good practices and to limit risk-taking, intended to the whole financial system or to some areas of it, rather than specific financial institutions. It contributes to ensure that all agents should act with caution against potential systemic risks.

Numerous international economic agencies and organizations are requesting the implementation of systems in Spain that could allow the approval of macroprudential tools, **largely** borrower-based such as the Loan to Income (LTI) and the Debt Service to Income (DSTI), since it is one of the few EU countries that remains without implementation of these systems.

The request of the international agencies and organizations in this issue has been intensified in the last years due to the acknowledgment that the European Central Bank will not modify the monetary policy.

This background rises the inflation in certain assets, above all the real-estate properties, and could lead to excessive ratings of assets over the medium rating, what technically we know as a “bubble”. These international agencies state that macroprudential borrower-based measures have to be accompanied with supply-side policies.

In particular, the Bank for International Settlements (BIS), the Deutsche Bundesbank and the current board of the Federal Reserve System of the USA indicate that the financial stability cannot be achieved just by macroprudential measures, being required a shift in the current monetary policy and preserving the financial stability over the price stability.

The European Mortgage Directive indexes the macroprudential borrowed-based measures to the caps of the DSTI and LTI. Nevertheless, these measures have not been added to the recent Regulatory Law of the Real-estate Credit Contracts.

Likewise, the references of these macroprudential borrower-based tools are not mentioned in the Opinion approved by the Inquiry Congress Commission of the financial recession in Spain and the financial assistant program.

Furthermore, the Prime Minister announced last December 20th that the draft of the General State Budget Law for 2019 would be in line with the Agenda of Sustainable Economic Change, that within its proposals is considered the establishment of the Macroprudential Authority.

Against this backdrop, it is framed the Draft Royal Decree of Creation of the Macroprudential Authority and Financial Stability Board, relevant for the residential real-estate sector at a national and European level.

Statement of “Plataforma Pymes”

“Plataforma Pymes” endorses the statement of the international economic organizations that are claiming for the implementation of macroprudential tools, mainly borrower-based with caps in the DSTI and the LTI, that would contribute to guarantee the financial stability of the Spanish financial system, and within it, the European financial system, **whether** supply side policies for residential real-estate sector are also set up in parallel. To reduce the production costs of construction for sale or rent of new built/renewal dwellings is needed for having affordable prices in the sector that could face the “affordability housing crisis” that affects all advanced economies,

included the Spanish. Indeed, it should not be forgotten the business fair profit that has to be in line with private development activity of price affordable housing.

Regarding the draft Royal Decree for the establishment of the Macroprudential Authority, “PlataformaPymes” proposes:

1. The Macroprudential Authority should consider the representation of the international economic agencies and organizations as the IFM, ECB, EBA, ESRB or the BIS, in line with the current “Steering Committee” of Sareb (spanish Assets Management Company or Bad bank), where the ECB is a member, to increase the independence and the mainstreaming of the Authority. This could give an innovative nature compared to other current European Macroprudential Authority and would prove the Spanish compromise with the international economic agencies, especially from the EU. It should be noted that Spain is submitted to the Post-Programme Surveillance reports of the European Commission and the ECB (that implies the partial loss of economic sovereignty) until the entirety of the resources applied in the financial assistance scheme for the recapitalization of the Spanish financial system will be returned.
2. The current great debt and lack of productivity of the advanced economies, Spain among them, as well as the lack of effect of no conventional monetary policy and accommodative low rate interest, negative deposit rate and the growth of the Central Banks budget, would be leading to the second phase of the Great Financial Crisis of 2007 that supposes an urgency issue. “Plataforma Pymes” considers that the Macroprudential measures borrowed-based DSTI and LTI of the ECB and the residential real-estate supply policies should be working through the first quarter of 2019.

The conception principles of the “Plataforma Pymes”:

Against a backdrop of deep indebtedness and lack of productivity of the advanced economies, and once started the normalization process of the accommodative monetary policies and unconventional low rates of interest, negative deposit rates and the growth of Central Banks balances would be leading to the second phase of the Great Financial Crisis that started in 2007, all our ideas rely on our engagement with a new model of inclusive capitalism as opposed to the neoclassic, financial, clientelist, rentier and extractive capitalism, such as ideological anticapitalism. Therefore we defend a social and inclusive market economy, based on equal opportunities and competition among companies and the commitment with society and our environment. An equitable capitalism based on inclusive and sustainable economic growth with equal opportunities for all companies against the interests created by a neoclassic capitalism furthering excessive rents by monopolies and oligopolies which increases the production costs for SMEs and self-employed and on the public interest of the productivity. In the model we defend and whose principal actors are SMEs and self-employed, our aim is the improvement of productivity and of the economy’s growth potential in order to extend the positive effects to all population sectors, thereby reducing the inequalities among the population that furthers at the same time the ex-ante redistribution of income by fair rents from the needed fair profit inherent in any business activity.

For more information, you can check in the following link: <https://www.plataformapymes.org/>