



Conference - Call to Europe VII  
'Democracy First'

13.15-13.30: Closing Remarks of Session 1 – Democracy First – Re-Writing the Rules  
of the EU Economy

- Thank you for inviting me to this conference.
- Making the **economy work for all has been at the core of our debate** for many years.
- And we had to take many steps to arrive where we are today.
- We have had to **fight hard to put an end to harsh austerity policy**.
- We have been tireless in insisting for a proper change of the European policy mix.
- Today, we can count some **victories**.
- Today, thanks to our calls Europe has a **strong investment strategy** and enjoys some level of **fiscal flexibility**.
- But these are not enough, we need to do more.
- Europe still faces **many challenges**. Growing **inequalities** both economic and social, unacceptably high levels of **unemployment** and **sluggish economic growth** are all shortcomings that deserve our immediate attention.
- And they are not our only concerns. In the midst of Europe's current economic and social state, we should always **factor in** growing **extreme populism**, the constant scare of another **terrorist attack** and the lack of a solid European response to the **migration crisis**.
- We have talked to our citizens. It is the feeling of being underrepresented, left behind and not being taken care of that has alienated people from politics and from the European project.
- To deal with this social deficit we need to make sure that **Europe** becomes **more fair, more sustainable, and more equal**.
- Modernizing the economy is at the center of this debate.
- Let's be clear, **Europe has solid foundations**: the **founding freedoms**, the **single market**, and the **common currency** set the right basis for making the Union move forward and progress.
- What we need to work on is the framework.

- **I believe that the key words here are: Investment, Flexibility, and Social Rights.**
- Investment is indispensable for promoting growth and creating new jobs.
- Flexibility is much needed to allow Member States to follow existing rules, ensure fiscal responsibility and at the same time make sure that their welfare state works well and for all.
- Creating strong social rights is the thread that keeps all the above together, that ensures that the economy works to the benefit of citizens and society.
- **These notions must be the drivers for modernizing our economy.** For making the European economy more social.

*So, let's change the framework*

### **1. The Stability and Growth Pact**

- Now let's consider the tools of the current framework and how we can use them constructively to make the framework better.
- Let's take for example the **Stability and Growth Pact**, a tool put in place to oversee and coordinate countries fiscal performance. But does it?
- The way I see it the Pact puts **more emphasis on the Stability element rather than the Growth element.** The **flexibility** introduced in the Pact was a necessary step forward for facilitating Member States to retrieve their path towards economic growth.
- But **more needs to be done** to make sure that the rules in the Pact become sustainable. I believe it is clear and evident to all that the **Pact lacks balance.**
- And the right balance lies in bringing **economic and social policy on equal footing.**
- It has been a very big mistake to use mostly fiscal indicators in the Pact.
- How can meeting deficit targets be more important than rising poverty levels?
- How can competitiveness be more important than rising unemployment levels?
- They are not!
- **Society should no longer suffer at the expense of meeting fiscal targets.**
- It is our responsibility to ensure this.
- Therefore we need to start reforming the Pact. We need to **introduce social indicators, we need to ensure social and economic convergence, and we need to strengthen the flexibility component.**
- Countries must be able to provide for their citizens. Priority must be given to a robust social safety net. This is the Europe we have inherited from its founders. This is what societies need to move forward and prosper.

### **2. The deepening of the EMU**

- Now, focusing more on the Eurozone.
- **The deepening of the Economic and Monetary Union offers a tremendous window of opportunity** for modernizing the economy.

- Pierre Moscovici made a bold move in December. He recommended the Eurozone adopts a more expansionary approach, by agreeing on a fiscal stimulus of 0.5% of GDP.
- This would have given the Eurozone an extra 50billion to promote economic recovery.
- But, unfortunately the Eurozone Finance Ministers turned this idea down.
- That was a big disappointment for all of us.
- If we cannot get the Ministers support on this we have to bring forward different arguments.
- I am a strong supporter of **creating a Eurozone Budget**.
- This Budget can be used **to promote the sustainability of welfare states, keep public investment** at viable levels and facilitate the **implementation of progressive reforms**.
- As we all know the number of unemployed people in Europe is unacceptable.
- Member States are having great difficulty dealing with this challenge.
- Please consider that only now, with the flexibility instrument, have countries been given some means to create new jobs.
- **Member states need a reinsurance to keep their welfare states afloat.**
- A **European unemployment insurance scheme, a convergence code, a golden rule for public investment** are all ideas that can actively contribute to keeping welfare states functioning well.
- Using the Eurozone Budget to **tackle key symmetric and asymmetric shocks does not mean that we will set aside fiscal responsibility**.
- On the contrary it means that **fiscal responsibility can be strengthened** by being more tailored to current needs and challenges.

### 3. A European Investment strategy

- Moving on to Europe's investment strategy.
- Finally, after years of austerity, our calls for using investment **to expand our economies were heard**.
- Finally, we now have an instrument we can use to pump life into our economies.
- But we have to be careful. Investment is the ignition but it must be used smartly to go full speed.
- **Investment and cohesion must go hand in hand.**
- And so far unfortunately they do not.
- One of the main criticisms of the Investment strategy is that it is mostly used by the bigger and wealthier Member States.
- **We now have a good window of opportunity for ensuring this approach comes to an end and cohesion becomes the main driver of investment.**
- **Not only must we strongly support the actions of our Commissioner Corina Cretu, but we should factor in that the future President of the Committee of the Regions also comes from our political family.**

- **Having Carl-Heinz Lambertz leading that institution gives us one more strong voice to put this message across.**
- We talk about productive investment, we have talked about social investment. These are extremely important for kick starting the economy.
- But to make sure that this kick start is sustainable and fair, we must make sure that investment also promotes and factors in social and territorial cohesion.
- **Investment must be used to bridge imbalances between countries.**
- It must be used to **contribute to the aggregate growth of Europe.**
- **So to recap**, the Stability and Growth Pact, an intensified investment strategy, an ambitious deepening of the EMU can help modernize our economies, strengthen the sustainability of our welfare states and ensure sustainable economic growth.

#### ***4. The European Pillar of Social rights***

- **But all these steps would mean nothing if strong labour and social standards** are not put in place and respected throughout the process.
- I cannot stress this enough.
- As a matter of fact I do stress this on every occasion. Maria Joao Rodrigues, Pervenche Beres, Nicolas Schmit and I met Jean Claude Juncker in Strasbourg in June.
- This was the heart of our message to him:
- **We have to create a strong Pillar of Social Rights. And this has to make a strong difference in people's lives. This means coming forward with concrete proposals and actions.**
- Our economic model cannot be considered modernized if it does not at the same time offer **decent working conditions and health and safety at work.**
- It cannot be considered modernized if it **abuses one of our founding freedoms. Freedom of movement.**
- We need to establish a socially **fair labour market, accessible to all.** I will repeat, and will keep on doing so until this simple sentence is appreciated and understood: **we shall not support a Europe that does not offer equal pay for equal work.**
- I could not agree more with our Employment Ministers who signed a strong declaration in Paris calling for a strong Pillar of Social Rights to – and I quote - **'extend social protection to all forms of employment, including those resulting from the digital revolution.'**
- All these steps entail **working closely with our social partners**, promoting social dialogue, giving citizens an extra tool for expressing their concerns.

***Conclusions – our political family has the right answer***

- **Our political family has the right proposals for making the economy work for all.**
- **We know that the effort has to be twofold.** This is our main difference with the other political parties.
- **We shall not allow economic freedoms to override social rights.**
- This for us is unacceptable.
- These two notions must go hand in hand. And in case of conflict, in fact social rights should take precedence.
- **An economic model that continues prioritizing inequalities and imbalances is fundamentally flawed.**
- It does not correspond with our vision for the future of Europe, is unsustainable and does not contribute in tackling any of the current challenges effectively.
- We stand for a united Europe. There is no southern, eastern, northern or western country. As a Union we must face the challenges together.
- There must be more cooperation and further integration.
- I do not agree with any of the 5 proposed scenarios on the future of Europe.
- I fully agree with Maria Joao Rodrigues proposal for a 6<sup>th</sup> scenario and in my capacity as PES President I will make sure to promote it to the PES family and in particular to our Prime Ministers and Leaders.
- **Because one thing is certain, this is our fight!**
- It will **not be the conservatives, nor the liberals** picking this up.
- It is up to us to remind our colleagues that **the economy is built to serve society and not the other way around.**
- It is up to us to reiterate that citizens need **strong social welfare.**
- It is up to us to take the lead in creating a **strong Pillar of Social Rights** applicable to people of all countries and for all ages.
- It is not only about making the economy work for all. **It is about creating a fair economy that works for all.**

***PES Growth Conference on October the 12<sup>th</sup>***

- The **discussion this morning has been extremely fruitful**, I would like to thank all the speakers for their extremely constructive input.
- I invite you to continue our debate on this pressing issue on **October the 12th** at the **PES Growth Conference**, where I along with **leading members of our political family, Commissioners, Ministers and civil society will be discussing a new growth model for Europe.**