



10th June 2010

A Progressive Way Out of the Crisis

Joint Declaration adopted by the PES Presidency and the S&D Group in the European Parliament

The economic and financial crisis has dealt Europe a terrible blow. For almost three years now we have seen the ever more serious human consequences unfold. It has left the people of Europe with a stark choice: common action or stagnation. This crisis has proven to be the turning point for economic cooperation, showing that a Monetary Union cannot function without an Economic Union. The European socialist and social democrats have the responsibility to outline a clear practical path out of this crisis.

During the last months we have seen the emergence of a specific pattern, both in Brussels and the national capitals. The wrong choice is being made by the dominant rightwing forces all across Europe. It is a choice based on a discredited ideology. It is a choice based on a mythologized economic past. It is a choice based on slashing public budgets, destroying jobs and dismantling the welfare state. It is a choice based on allowing the same unregulated markets that brought us the economic crisis to now dictate the terms of the economic survival of sovereign EU member states. It is a choice based on denial of the indispensable role of politics and of democratically elected representatives in safeguarding fiscal consolidation, growth, and social cohesion over that of the markets. The conservative strategy is increasing the gap between the rich and poor in our societies, hitting the most vulnerable the hardest. Women, in particular, as a majority of the employees and users of the public sector, are suffering from the austerity cuts, not only affecting women's positions but the future of our children. The Conservatives' only ambition in addressing the crisis and its consequences is to brush coat after coat of fresh paint over the cracks revealed in the walls of their economic house. Their focus on the "quick buck" is by definition short-sighted; the right simply does not have the tools to overcome this crisis, to draw the necessary conclusion and to launch an alternative for Europe.

We, European Social Democrats and Socialists, have a new path based on a solid analysis of the causes of this crisis. It is a structurally sound path based on learning the hard lessons. After the neo-liberal economic project has been so publically and violently revealed to be a giant empty warehouse, bereft of ideas, European progressives must reclaim the mantle of the economic realist. We need to make economic decisions part of politics again. Our way is not only an ideological one. Our way is simply the most sustainable and inclusive solution for all Europe's citizens.

Against the Conservatives' unsustainable and unsound policy all across Europe we are committed to carry through a *progressive way out of the crisis*, to achieve economic recovery, sustainable growth, more and better jobs, social inclusion, long-term sustainability of public finances and safeguard Europe's position globally. This approach is based on four immediate policy actions, and constitutes our plan to strengthen the economic governance of Europe:

First, we must protect governments' access to finance from speculation through the establishment of a European Mechanism for Financial Stability. EU Member States, whose



public finances were badly damaged in rescuing the financial sector and the real economy, cannot engage on the road to recovery under the threat of a pending sovereign default. A European mechanism for members of the Euro-zone, based on solidarity, cooperation and responsibility, as endorsed by the PES Prime Ministers and Leaders on the 25th of March 2010, is part of the answer to enable governments to conduct needed recovery policies. All EU Member States need to stand together in order to promote jobs and growth. Moreover, there is a need for an improved, effective regulation of the financial industry and its products. There is also a need to regulate rating agencies, which are contributing a lot in the exacerbation of speculative attacks.

Second, in order to consolidate public finance while safeguarding our social model, we must raise new, fair and sustainable revenue through new fiscal and non-fiscal sources.

First and foremost we need a tax on financial transactions. It is about fair burden-sharing, restricting speculation and ensuring a contribution from the financial sector to a way out of the crisis. A fair taxation of activities with strong negative environmental externalities, such as a carbon tax, must also be part of this fiscal revolution, which will halt decades of drifting away from the taxation of capital and towards the taxation of labour. An effective way to address tax evasion and fraud, based on cooperation, is also part of the solution. A redefined use of EU structural funds and European Investment Bank' loans, as well as European mechanisms such as Eurobonds to finance long-term investments would also provide additional financial leeway outside of national central budgets.

Third, we must make recovery of the economy and the labour market, as well as social progress, the core objectives of public policies.

Public spending must be reoriented to this purpose, with a special focus on greening our economy. Prospective cuts must be carefully targeted and limited, and social cuts must be avoided as far as possible. In order to provide national budgets with the required breathing space, the application of the Stability and Growth Pact must be done in a balanced way. The deadlines for correction within current ongoing excessive deficit procedures must be extended. To limit the social consequences of the crisis and empower all citizens to actively participate in the labour market, a European Social Progress Pact should be adopted. There is no progressive way out of the crisis without gender equality. Targets and measures for women's employment therefore need to be included in all recovery initiatives.

Fourth, we must make fiscal policies more efficient by enhancing European economic policy coordination, notably in the Euro-zone.

The coordination of fiscal policies in Europe must be turned into an instrument for the promotion of growth and job creation, through the optimisation of spill-over effects. Restrictive views that coordination equals public cuts must end. Economic cooperation must also be strengthened at the international level, against the conservatives' attempt to return to economic nationalism.

These actions must be taken today to guarantee that we will be able to attain our long-term objectives tomorrow: to shift to a low carbon economy based on knowledge and innovation, in an inclusive society with strengthened welfare systems.

The European Socialists and Social-Democrats are committed to emerge stronger from this crisis, and we will take the bold actions needed to do so. Against the destructive stance of Conservative forces, the PES commits to standing united for a Progressive way into a prosperous, inclusive and sustainable European future.

