



## PES statement on European economic governance

Adopted by the PES Presidency, 24 February 2011

As the ideology of austerity and public budget cuts gains ground in Europe, the PES is instead committed to confronting the conservatives' attempt to dismantle our social model and promote real alternatives to address the real problems of Europeans. The battleground for these competing visions for Europe is the reform of **European economic governance**. The radically conservative proposals of the European Commission are unacceptable to progressives. This legislative package introduces a culture of sanctions and punishment into European integration. It neglects our central concern for jobs and growth. It ignores basic principles of democratic accountability and subsidiarity. It disregards the role of social partners, the right to collectively bargain and indeed, the Charter of Fundamental Rights of the European Union. It will aggravate the problems it purports to solve.

The package is currently awaiting the European Parliament's opinion. The S&D Group has tabled a number of amendments, which are clear red lines on what must be changed. Together, the socialist family is demanding strengthened European coordination to boost employment and growth. In the current political context – a right wing European majority set on implementing 'austerity-only' packages, we might not be able to change the proposed package. However, we are in a position to provide clear and strong opposition. There are, however, already signs that a normal democratic process will not be allowed to take place. The conservative-dominated European Council has expressed its desire to tie the hands of the Parliament by resorting to a "political agreement" at its summit in March. This, in plain English, equates to bullying.

Moreover, the French and German conservative governments are attempting to push a shameful deal through the European Council. Their proposal amounts to the principle that the price to pay for solidarity between countries is to abandon solidarity *within* countries.

This "**competitiveness pact**" would have far-reaching implications on fiscal and social policies. In line with the recommendation contained in the Commission's proposals, the pact suggests in particular abandoning automatic indexation of wages, adopting budget balance rules in all eurozone member states' constitutions, harmonizing corporate taxation and increasing the retirement age to 67 years. The pact would reduce competitiveness to cutting labour costs and wages, instead of emphasizing public investments in innovation, research and education. The pact would weaken our welfare states and reduce social protection, and be in clear breach of subsidiarity rules by circumventing social dialogue processes and interfering with national preferences.

The PES will not sign off on this deal. We will oppose any plan that we deem socially unacceptable and economically counter-productive.

The PES is pushing for a balanced reform of European economic governance. The most pressing challenge of this reform is building up defences against speculation and strengthening the position of governments against markets. Priority must be given today to designing the most efficient



**rescue mechanism for the eurozone.** The PES has already proposed to consider the following actions: the European Stability Mechanism must be allowed to intervene directly on the market and purchase sovereign bonds; the level and quality of the guarantee it provides must be developed to reach the targeted stabilizing effect; the very logic of the conditionality it applies must be transformed, from imposing austerity to ensuring growth, jobs and responsible public finances; and the IMF participation to the stability mechanism must be reorganized.

