



An effective Banking Union to protect European citizens

PES Presidency Declaration

Adopted by the Presidency on 25th of April 2013

The continuing economic and financial crisis is having a severe impact on the European social model. Citizens do not only face a decrease in their living standards and extreme difficulty in finding a job. They are also experiencing a drastic loss of confidence in the European economy, and ultimately in the European Union itself.

From 2008 until December 2011, EU Member States had to inject a total of over €1.6 trillion for saving ailing financial institutions¹. It represents over 10% of the annual GDP of the whole EU. In four years, the EU has spent € 600 billion more on banks than on the EU Budget over seven years (2007-2013). In the meantime governments' debts have exploded and continue to increase, forcing most Member States to reduce public investments and cut social expenditure. A healthy banking sector is key to the wellbeing of our societies but we can no longer accept that keeping the banking sector afloat leads to tearing Europe's social fabric apart. The cost of inaction would be immense: unemployment figures are alarming. Forecasts keep being revised upwards to reach 10.7% across the EU by 2014, while over 5.8 million young people are out of a job. We must intervene quickly and decisively to safeguard the economic and social future of our Union.

Our family has pushed forward steps towards this direction: by pushing for a stronger regulation of the financial markets and the banking system; by calling for a global Financial Transaction Tax; by calling to break 'the vicious cycle between banks and sovereigns' to bring down public debt and the cost of debt servicing; by establishing a resolution fund for the countries participating in the Banking Union financed by the banks themselves and by involving the European Stability Mechanism (ESM); by calling for a more balanced and timely adjusted approach to fiscal consolidation; by calling for the creation of a mechanism of partial debt mutualisation through the development of a European Redemption Fund; by highlighting the need to pursue growth oriented strategies that promote employment for women and men and by having made the return of normal lending to the real economy a political priority.

The political, social and economic imperative of breaking the vicious circle between banks and sovereign debt is a priority. The interdependence between banks and sovereigns is a lose-lose situation. Citizens must no longer pay for banks' mistakes and banks should no longer rely on governments to step up and cover their mistakes. Therefore the PES calls for concrete action to be taken in order to create the foundation of a reliable and stable financial system that allocates financial burdens on a fair manner.

We must act boldly and swiftly in order to ensure the stability of our financial system, to boost economic growth and create new jobs in particular for young people in Europe:

- Europe needs a strong Banking Union needs to be strong and have a strong mechanism, namely a resolution fund, that will be financed by banks and enable the financial sector to absorb future financial shocks at its own capacity whilst reinforcing financial stability and credibility and ensuring depositors' protection. The rights of non-eurozone members need to be safeguarded.



- Separating commercial from the investment banking activities would create a firewall for citizens' deposits and risky investment trading would be ring fenced to protect ordinary citizen. This is a crucial step for creating a safe and stable banking system that can provide funding to the real economy.
- We push for stronger regulation of the financial markets: excessive speculation needs to be cut down, a cap on the bonuses for bankers must be applied and the FTT should be swiftly implemented by the agreed 11 Member States² while hoping for additional support soon. The financial markets need to start serving the real economy and the collective needs of society.
- The regulation of the shadow banking system, the implementation of stricter rules to tackle tax evasion and tax fraud as well as to fight against the development of tax havens need to be part of this enhanced financial regulation. Our aim is to implement the automatic exchange of tax related data in every country of the European Union and safeguard the European social model by restoring fiscal and social justice.

We need a strong Banking Union to restore access to credit to the real economy. We aim to create a stable banking sector capable of reestablishing the flow of capital to SMEs and competent to serve an ambitious European growth and employment policy with a particular focus on the fight against youth unemployment. While, fiscal consolidation is necessary to restore economic stability it should be implemented in a timely manner. Austerity-only policies must be reversed. In order to achieve economic recovery, the European Growth Pact and the program against youth unemployment already agreed by the European Council needs to be put in place without further delay and needs to be complemented by further common measures to boost growth and create new jobs for women and men. The Multiannual Financial Framework must also be equipped with the necessary budgetary means, including own resources, for the EU to reach the objectives of the EU 2020 Strategy. We will not give up our fight for a European youth guarantee until it is implemented. We call for an Action plan for European Industrial policy that will create Jobs and Growth.

These political commitments must be made reality. It is a matter of restoring social justice, of prioritizing our citizens' needs and of reviving confidence in European values. It is urgent to restore citizens' confidence by rebuilding the link between the sustainability of our social model and the sustainability of our financial system and by re-establishing the primacy of democratic policies over the financial markets. The European Union is our common chance to proceed on this way and to defend our social model in the globalized world of today. That is why we commit ourselves to European solidarity and responsibility as our political spirit to find a common way out of the crisis.

¹ European Commission report : 'on state aid granted by the EU Member States'
http://ec.europa.eu/competition/state_aid/studies_reports/2012_autumn_en.pdf

² France, Germany, Belgium, Austria, Slovenia, Portugal, Greece, Slovakia, Italy, Spain, Estonia

