



## **“From Economic Chaos to Economic Governance”**

### **A call to the European Council for an alternative strategy based on investment and modernisation**

#### **Adopted by the PES Leaders conference in Brussels 23 June 2011**

The European Union, its people and countries, is still trapped in the worst crisis of its history. And people are paying an unprecedented high price.

We, the PES leaders, call on all the Members of the European Council to take a new and different course of action to tackle the crisis at today's meeting. People all over Europe are in desperate need of new solutions, of a new direction for Europe.

**We must move from economic chaos to responsible economic governance.** But the actual proposals before the European Council will not deliver this. After 18 months the conservative majority is still giving the wrong answers to the economic, social and moral challenges put before it. The very idea of the European Union is threatened like never before. Europe must change its course.

We insist that people must come first. Our welfare societies are at risk if the conservatives' way is allowed to continue. We risk alienating a whole generation of young people, who in many member states are faced with mass unemployment, insecurity, reduction of their social rights and, as a consequence, they feel excluded. Rising poverty and social injustice, growing precariousness in the labour market, and the return of unchallenged extremism and nationalism brings back the memory of times thought to be long gone. What began as a financial meltdown has now been turned into a social and political crisis as a result of the conservative majority's European policy. Their adherence to self and business interests negates the possibility for cooperation, solidarity and fairness. There is another way.

In the face of the worst international crisis in modern times, the PES has developed and promoted coherent, fiscally responsible proposals, designed to promote fair growth and job creation. These proposals are based upon ensuring stable public finances. The Eurozone could benefit from a solidarity mechanism for the countries hardest hit by speculators and from a mechanism for a common management of a determined part of public debt. The PES is also promoting a Financial Transaction Tax at EU level, as a first step of a global strategy, and strong and effective regulation of the financial markets. Europe's conservative leadership has rejected our proposals and instead pursued an ideologically motivated strategy which flies in the face of economic common sense. The Right's idea of economic governance is regressive in the extreme. It undermines European solidarity, stifles economic growth and risks impoverishing and socially dividing those countries that have experienced the trauma of sustained currency speculation.

However, our commitment and resolve means that Europe can still choose the right path. Day by day, more and more actors are convinced that our way is right. But the days are running out.

The decisions to be taken at today's European Council will reveal the true nature of the European Union. Is it based on solidarity or self-interest? Is it based on prosperity or punishment? On community or conflict? On behalf of the EU citizens, the European Council has a responsibility to



define that nature. We, the PES Leaders, have taken the responsibility to table these ideas. Now the European Council must take the responsibility to adopt them.

We therefore call on the European Council to implement **a new investment and modernisation strategy for Europe:**

- With a truly coordinated investment policy: Europe must establish a much more ambitious job and growth strategy. The PES has developed such a new plan and documented that we can create 8 million more jobs in the next 5 years, and still have very strong budget consolidation – compared to the conservatives’ “austerity only” way.
- At the European level: an Employment and Social Progress Pact and an effective Europe 2020 Strategy is vital. The way out of this crisis should not have to be paved with social sacrifices. The European Commissions’ recommendations to the member states must not be used to increase pressure to lower wages and to undermine hard-fought and well-earned rights and security. Instead, the European Council should recommend investing in future education and training for new jobs and public services. The National Reform Programmes should be balanced, respecting all dimensions of the Strategy and in line with its integrated guidelines, including the ones on employment and social inclusion.
- At the national level: a smart fiscal rule (our ‘golden rule’) to ensure the sustainability of public finances, leaving out productive public investments from equilibrium targets. We have promoted this in the European Parliament, as an essential ingredient of an intelligent economic governance package.
- With new resources: a financial transactions tax, carbon tax and the full deployment of the European Investment Bank’s capabilities can finance investments for recovery and social progress. Also in this respect, the Eurozone could benefit from the issuing of Eurobonds. A financial transaction tax would ensure that those who have caused the crisis pay a fair share of its costs. We also demand that the EU budget in the future should focus on promoting public and private investment. In this respect, the new procedure created to monitor and correct macroeconomic imbalances needs a strong employment and social dimension and should be supported by adequate funding from the community budget.
- By delivering European solidarity: with a barrier to speculators and excessively high interest rates on public debt. Only then can we start to concentrate on building true cohesion. The Eurozone could benefit from a stability agency and a real European mechanism with joint guarantee. In this respect, Europe must also be bolder when it comes to reforming the financial system; there is a need for more and better rules to control bankers’ pay and to make banks safer, to prevent excessive and de-stabilising speculation. This could well be anchored by a European independent public credit rating agency.

The future of the European project does not only depend on figures. It is first and foremost about people, jobs and a sustainable future. Europe should take the lead in the development of a fossil free sustainable economy, where we use new efficient technologies and political solutions to create jobs and a clean environment. If the Union fails to deliver both opportunities and security in times of change to its citizens, they will ultimately turn their back on Europe. In this respect, we urge the European Commission to be ambitious as it develops the forthcoming proposal on the “Monti II” legislation, which must ensure the ordinary legislative procedure and that the so-called economic market freedoms do not overrule fundamental social rights and public interest.

We, the PES Leaders, call on the European Council to take these proposals into the conclusions of today’s summit and make them reality. The people of Europe need an alternative. It is high time for change. Another Europe is possible.

