

European Socialists' plan to fix the Eurozone

PES Presidency welcomes conclusions of high-level working group chaired by MJR

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Regardless of Brexit, the rest of Europe needs to find practical solutions to its problems. A key reason for low growth and high inequalities in much of Europe is the poor functioning of the Eurozone, whose current rules hold back many Member States' ability to invest in more productive and fairer economies. Unfortunately, reform of the Eurozone has been taking place only very slowly. Many conservative forces in Europe are

opposed to greater risk-sharing and solidarity, preferring the current situation when the Eurozone is divided between a prosperous core and a prospect-less periphery.

This is why the Party of European Socialists decided to step up action and call for decisive steps to be taken in strengthening and rebalancing the Eurozone. Maria João Rodrigues led a high-level working group which worked over six months on proposals to reform the rules of the Stability and Growth Pact and create a shared budgetary capacity at the level of the Eurozone. This should enable Eurozone countries hit by the long economic crisis to catch up again with the stronger Member States, based on growth-friendly and socially fair reforms as well as greater investments. The working group also proposed to create an insurance mechanism within the Eurozone, which would provide support to any country that undergoes an economic shock in the future. Only with these new tools can the Eurozone be expected to bring prosperity and well-being to its citizens and to avoid new rounds of austerity and social hardship.

The high-level working group included Commissioner Pierre Moscovici, sherpas of Social Democratic leaders from Germany, Italy and other countries, as well as several Members of the European Parliament and national parliaments with strong expertise on Eurozone issues. Building on the detailed paper produced by the high-level working group, the Presidency of the Party of European Socialists adopted on 16 June 2016 a declaration which summarises the proposals. The initiative will be further discussed by Socialist Heads of State or Government and party leaders at their meeting in Paris on 7 July.



Towards an EMU of sustainable economic growth and employment PES Presidency Declaration, adopted 16th June 2016

The establishment of the euro is one of Europe's greatest achievements. The obvious shortcomings of the current structure of the Economic and Monetary Union (EMU), in overcoming crises, ending unemployment and promoting social and economic convergence cannot overshadow the fact that a prosperous future for our continent goes hand in hand with a strong and efficient EMU. For this, it is clear that the European policy mix needs to change and the monetary union to be deeply reformed.

Europe needs more democracy, more unity, more risk-sharing, and more solidarity. It needs a reinforced EMU that is equipped with the right tools, enables investment in sustainable growth, delivers high employment in quality jobs, puts social and economic considerations on an equal footing, upholds social rights and is democratically accountable.

The prosperity of the EMU is a common European aim and all Member States have an interest in it. The deepening of the EMU should therefore be an open process, in which non-Euro area Member states can actively be involved in the debate and could be consulted on issues relating to the Eurozone. The role of national parliaments and the European Parliament is essential in making sure that the deepening of the EMU is founded on the principle of democratic accountability and responsibility.

The PES Presidency warmly welcomes the conclusions of the PES High Level Working Group on 'A New Fair Deal for the Eurozone and the EU'¹ as constructive contribution to the ongoing debate on deepening the Economic and Monetary Union. The conclusion outlines a progressive approach to:

1. Re-launch growth and reduce inequalities within and between countries by renewing economic and social convergence and cracking down on tax avoidance
2. Strengthen democratic accountability and legitimacy to reinstate trust and reinforce the political union.
3. Develop risk sharing and solidarity mechanisms to protect the stability of the common currency, support convergence and ensure swift recovery from economic shocks.
4. Ensure financial stability, strengthening the protection of citizens' deposits and restoring confidence in the financial sector.

As Party of European Socialists we want to promote an Economic and Monetary Union that:

- **Promotes strong and cohesive societies.** Social and economic inequalities are a wound that Europe must close. Europe has the ability to recover with the proper tools. We have already achieved more fiscal flexibility for Member State to invest in growth and social progress. But this is not enough. We are convinced of the need for ambitious public and private investment and for a real programme of progressive structural reforms² that promote quality job creation, innovation for sustainable growth, investment in human capital, and

¹ PES HLWG conclusions 'A New Fair Deal for the Eurozone and the EU'

² [PES Presidency declaration 'For a programme of Progressive reforms'](http://bit.ly/1rE8hvY) (<http://bit.ly/1rE8hvY>), 19 November 2015, building on the [Conclusions of the PES working group on 'Progressive reforms'](http://bit.ly/1UNeilJ) (<http://bit.ly/1UNeilJ>)



sustainable welfare systems that are effective in reducing social inequalities and poverty. The Stability and Growth Pact should be further reformed to ensure fiscal responsibility as well as healthy growth potential.

- **Puts social considerations on a par with economic ones and upholds social rights.** Our political family has highlighted since long the lack of the social dimension in the EMU. Europe has to change gear, full and quality employment needs to be our driving force. This means that working rights, social protection and wage setting should not be devaluated in the pursuit of price competition. Productivity, quality and resource efficiency, not labour costs should be the main driver of competitiveness. More social indicators should be integrated in the European Semester and existing ones better used. Our conviction to promote decent minimum wages, through law or collective bargaining, aiming towards upward convergence, and equal working rights should be reinforced. All workers must receive equal rights and equal pay for the same work at the same place. Social dumping must be fought on all fronts.
- **Is based on tax fairness.** Progressive changes to tax systems are needed, including implementation of the Financial Transaction Tax based on enhanced cooperation, as well as vigorous and persistent fight by the EU and all Member States against tax avoidance, so that profits generated by Europe's economy are re-invested for sustainable growth.
- **Safeguards financial stability and citizens deposits.** With the establishment of the Banking Union the EU has taken very important steps to ensure that the financial sector takes its fair share of responsibility for its own stability, and to shield taxpayers' money from the mistakes of banks. We must now take bold action to set up as soon as possible a common fiscal backstop for the Single Resolution Fund and a European deposit insurance scheme to offer full protection to citizen's deposits. Progress is also needed in separating retail from investment banking activities as an additional measure to protect citizens. At the same time, we want the creation of the Capital Markets Union to be well-regulated and supervised in order to improve SMEs access to finance without creating new risks to financial stability.
- **Creates an ambitious Investment Union.** Our political family succeeded in bringing investment at the heart of European policies as the key driver for promoting equal societies and ensuring sustainable growth and employment. We must intensify our efforts to stimulate both public and private investment. We must use and strengthen all relevant tools, existing and future, including the European Budget with adequate resources, the European Fund for Strategic Investments (EFSI) and the future Capital Markets Union. Our aim is to achieve low-carbon, smart and inclusive growth, to promote new industrial policy, and to address common migration and security challenges.
- **Can face current and future challenges.** The past years have demonstrated the challenges of having a monetary union without a fiscal union. Member States in the euro area face a number of specific constraints on their economic and fiscal policies. The absence of adequate means hindered our ability to respond to the financial crisis. We need an effective mechanism, such as a Eurozone budget, to allow the EMU to immediately react to symmetric and asymmetric economic shocks, promote inclusive growth, structural convergence, high employment and social progress. It could rely as much as possible on existing resources, as the European Stability Mechanism (ESM). Its development should go hand in hand with strong measures against tax avoidance and steps towards greater tax convergence in the Eurozone. It should be open to Member States that have committed to adopt the euro. It should be based on a workable and democratically legitimate governance structure with parliamentary control.



- **Ensures inclusive, representative, and democratic economic governance.** The credibility of the EMU is conditional on strengthening the democratic legitimacy and accountability in the decision making process both at national and European level National parliaments should assume ownership of reforms. Social dialogue must play a central role throughout this process. Successful existing national bodies and structures should not be duplicated nor challenged by new EU bodies. The European Parliament as the only direct democratically elected European body should be strongly involved in shaping the European and Eurozone policy mix. The ESM needs to be integrated into the Community framework and its closer democratic scrutiny at the European level ensured.

Europe has taken a historic step with the creation of the euro. It is now time that we take the measures to ensure that the EMU is equipped with all the necessary tools to respond to the challenges of today and tomorrow. The EMU that we envision puts citizen's needs first. It supports strong and efficient welfare states and growth-oriented sustainable public finances. It safeguards citizen's deposits and promote effective financial regulation. The EMU has to become one of the strongest tools that promote growth, quality employment, and social progress. European Socialists are ready to lead the way.

