PES

MESSAGE FROM THE PES SOCIAL AND LABOUR MINISTERS TO THE FINANCE MINISTERS

Monday, 08 March 2010

As we continue to face global economic challenges, economic policies to sustain demand and foster job creation should be a key priority of the upcoming EU2020 strategy. People need help from the state, at national and European level, now more than ever. The costs of failing to promote active employment policies or of providing an adequate social safety net are not costs we can afford. To secure economy recover we need economic policies that will sustain demand, promote employment and help the most vulnerable.

Structural reforms and supply-side policies are certainly needed to a move to a smart, green and inclusive growth, but demand side policies should not be forgotten, particularly in the current situation. To restore net jobs creation should be the top priority for social, economic and even financial reasons, because this is certainly the best to rebalance our public finances. Therefore:

1. The coordination of budgetary policies at European level will be important not only to consolidate public finances, but also to foster European growth.
   - The coordination of budgetary policies regarding the common priorities of public spending towards a greener, smarter and more inclusive growth will be important.
   - In the framework of the revised Stability and Growth Pact, the Member States able to redirect their public expenditure and tax structures towards these objectives should be allowed to have more time to reduce their public deficit and debt, provided they can demonstrate that this will contribute to higher growth and a consolidation of their public finances.
   - To ensure social justice, tax burden shall be put not only on labour, but also moved to environmental pollution such as emissions and financial sources.
   - The surveillance procedures should follow-up not only the indicators of the public deficit and debt, but also growth, employment and social cohesion
2. The Community budget should be adapted to contribute directly to the economic recovery and to the EU2020 Strategy, starting with the proposal for the 2011 budget and going further in the next financial perspectives.

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3. In the present context, characterized by international competition for financial resources, it could be useful to examine the possibility of converting national bonds into Eurobonds as an important mechanism to reduce the cost of the long term investments for and job creation in a greener and a smarter economy.
4. A European industrial policy is crucial to economic activity and jobs creation without weakening the economic and social cohesion of Europe.
5. The call for lifelong-learning and extending Erasmus as central priority for an inclusive knowledge society will only be credible if underpinned by new financial solutions.
6. Reforming Welfare systems should aim not only at supporting people during change, but also ensuring a high level of social protection and public service while actively reducing social inequalities.
7. Financial supervision must be quickly enforced at European level, to ensure that the agenda for the financial regulation and restructuring is more swiftly implemented. Our financial systems must be not only stabilized but also re-focused on real investment, growth and jobs creation.

This also means that a “transformational agenda” should really be transformational, encompassing reforms not only in the welfare and education systems to preserve and update the European social model but, most of all, reforms in the financial systems and corporate governance if we want to re-build the conditions for sustainable growth.

Annex

Protecting the sovereignty of the Eurozone members against speculative attacks

The PES Prime Ministers have agreed on a common declaration on 10 February 2010. It states:
“The protection of the Euro-zone as a whole also requires a clear and coordinated response of the Euro-zone itself, based on political and fiscal responsibility and solidarity. A consistent framework must be defined in order to ensure that the eurozone has the internal means to avoid any risk of default by combining national fiscal discipline with a last resort mechanism of financial support coupling lending by private banks with a guarantee to be provided by Euro-zone Members, under specific conditions.”

The setting up of the mechanism for one Country requires a balanced conditionality. The State benefiting from the mechanism must implement a strategy for fiscal consolidation which is compatible with a sustainable and fair economic recovery. The ECOFIN Council should asses the applicant Member State’s strategy, and in particular criteria of public deficit, public debt and priorities of public spending and revenue. In the assessment of the fiscal consolidation strategy, attention must be paid to its outcome in terms of economic growth, employment level, and reduction of social inequality.