



“Europe is in the wrong hands”

Our alternative to a Conservative Europe: a strategy for jobs, fair growth and social progress

Adopted by the PES Leaders conference in Athens 4 March 2011

We, the PES Leaders, have gathered at an historical moment in Athens to discuss our progressive alternative to ‘austerity only’. This month is a decisive one for the European Union, the eurozone and, most importantly, Europe’s people. At stake are the principles upon which the EU was founded: solidarity and a common destiny. European conservatives are set to sacrifice these principles by putting states and citizens in competition with each other. The proposals that they have put on the agenda for this month’s European Council are driven by a desire to institutionalize austerity and to dilute our social models and our welfare systems. Despite all the evidence of the last 30 months, the aim seems still to be to make the ordinary people pay for the failure of the financial markets. Europe is in the wrong hands.

The PES has a clear, socially responsible and economically credible alternative for fair growth, jobs, social progress and balanced budgets. We are the Party that understands that it is neither the people nor welfare that is responsible for the crisis, but greed, irresponsible conservative government policies in some member states in the recent past and uncontrolled financial markets.

In 2011, the dismantling of welfare provision will reduce living standards across the EU and weaken those who are already weak. The conservatives are sending a clear message to the citizens of Europe: “We decide; you sacrifice”. They would do well to remember that only the rich can afford a poor state.

At the upcoming extraordinary summit of Eurozone Heads of States and at the March European Council, the rightwing will continue pushing its one-sided, socially detrimental and economically unsound agenda of further cuts and stifled growth. The conservatives are hiding behind technicalities and vague concepts to implement their ideological bias towards small states and big markets. Under the pretext of “increased competitiveness”, conservative governments want to impose a “Pact” on all member states, which is more a diktat of an ultra-neoliberal and austerity-only agenda that would make it impossible for them to overcome the crisis.

Failure to resist this intense pressure from the conservative German and French governments, and failure to agree to a joint and decisive strategy to finance new European growth, in the midst of fiscal cuts, and to give once and for all a convincing answer to Europe’s debt crisis,



would have dire far-reaching implications in terms of fiscal, growth, social and employment policies. The Franco-German demands would reduce EU countries to subsidiaries of a corporate entity. With a two-state dominated Europe, the voices of smaller member states and the democratically elected European Parliament will be all but ignored. We cannot allow Europe to be reduced to a sum of competing states. Europe has a value of its own. We know that the solution to the crisis can only be found by using the community method, on the basis of co-ordination, subsidiarity and solidarity, involving all EU institutions and member states.

The same logic applies to the European Commission's '*Annual Growth Survey*', which is demanding from member states to tighten austerity measures, to intervene with collective bargaining with the aim to lower wages, to weaken employment and social protection, social standards and public services, in direct contradiction with the objectives of the Europe 2020 Strategy and its integrated guidelines.

The aim of the whole exercise of the rightwing – adoption of the Pact and the proposed actions in the Growth Survey, followed in the National Reform Programmes – is to make it close to impossible to implement progressive policies in any member state or region; to dismantle our welfare states, interfere with social dialogue and the sovereignty of member states; and to increase the influence of financial markets in society.

The Pact and the Growth Survey also follows the spirit of the proposed reform of European economic governance, which is currently awaiting the European Parliament's opinion. Enhanced economic governance is about how to cooperate in Europe. But the proposal on the table is putting punishment and mutual defiance at the heart of the EU. If passed unimpeded, it would have dire consequences on our social models. It would disregard the role of social partners, the right to collective bargaining and indeed, the Charter of Fundamental Rights of the EU. It would break an already damaged bond between Europeans and their elected European representatives.

The European rightwing is missing the big picture. It ignores the causes and dimension of the multi-faceted crisis that threatens our economy and societies. Symptoms such as the ongoing currency war, trade policies, speculation on commodities, lack of transparency of the enhanced system already point to the errors of the conservative way.

Europe is in the wrong hands. The PES can do a better job than the conservatives on all the issues that matter for European citizens. We are the Party with a plan for creating fair growth, more and better jobs, social progress, a new European industrial policy, new revenues, for diminishing public debt and for making the most of the EU. Our alternative is based on solidarity, fairness, equality, including between genders, and responsibility. It is also based on respect for democracy and the rejection of all extremism. In the coming 5 years, the difference between our strategy and the conservatives' 'austerity only' approach amounts to 8 million jobs.¹ Our alternative would put Europe on a path to full employment. It would generate far more economic growth and strengthen social cohesion. It is the only strategy that can really address the debt crisis and ensure the long term sustainability of public finances. The PES Leaders are calling for the following common actions:

¹ "Ways out of the crisis", report by the Economic Council of the Labour Movement, Copenhagen, 2nd of March 2011



- 1. Together, we can generate new and fair growth.** The PES supports improving competitiveness as it is one of the preconditions to strengthen growth. But making Europe's economy more competitive will not be achieved through cutting wages and social standards. What our economy requires is a real European industrial policy, a strategy for coordinated investments and regulations to make our economy smarter, greener and more inclusive. Framework conditions for all industrial sectors must be upgraded, boosting innovativeness, improving education and training, strengthening infrastructure and increasing energy and resource efficiency. European standards need to be developed. EU and national investment into manufacturing must be stepped up. Working conditions must be improved and consequences of industrial restructuring closely monitored.
- 2. Together, we can create new jobs and deliver true social progress.** A European Employment and Social Progress Pact for fair growth must be implemented, to create new and better jobs and to fight inequalities. Central to this progressive Pact is ensuring real gender equality. Member states need new financial breathing space in order to invest in better education, training systems, innovation and labour-intensive sectors such as green technologies, health and care. Active labour market policies must be strengthened. Specific policies must be put in place to tackle youth unemployment and discrimination of young people on the labour market. Furthermore, the integration of women in the labour market must be improved, notably by stepping-up child care. National social security systems need to be safeguarded and reinforced with the adoption of common minimum social standards. Such minimum standards must in particular guarantee minimum income, decent wages and quality of work. Specific programmes and policies need to be developed to ensure social integration of all Europeans, to overcome inequality and to fight poverty. Additionally, social concerns should be mainstreamed into all EU and national policies and programmes. The PES will shortly launch a large scale Social Campaign to advocate these demands and raise awareness about the severe social consequences of conservative policies in Europe.
- 3. Together, we can achieve more effective public spending, not immediate and deep cuts.** With strategic investment we can recover from the jobs crisis and put in place a new, fair growth model. New fiscal instruments, such as a financial transactions tax and carbon tax, can help generating additional resources for investment and would introduce a measure of fairness into our taxation. A tax on financial transactions is a feasible instrument which can generate €200bn of new revenue per year. It is a fair tax which does not affect ordinary citizens, but only financial markets and in particular financial speculators. It would ensure that those who are responsible for the financial crisis contribute to the cost of restoring the economy. Throughout the Union, EU funds must be fully deployed, in particular by making use of cohesion funds for growth and employment enhancing investments.
- 4. Together, we can handle the public debt in the eurozone and develop its economic pillar in a fair way.** New revenue to finance job-creating investment is part of the answer. If our economy grows and creates jobs, this will increase tax revenue and reduce governments' spending on benefit. But we can and must do more for tackling the specific situation in the eurozone, where speculators are allowed to put wedges between member states for lack of a sufficiently developed economic pillar.



We must set up a truly efficient rescue mechanism for the eurozone, which would include credible instruments to ensure a fair contribution from the banking sectors' creditors to the cost of the crisis. Eurozone financial support to distressed member states must be aimed at economic recovery. In this respect, already granted financial support packages must be renegotiated, interest rates on loans lowered and more time must be given to repay the loans. We must strengthen the internal coherence of the eurozone, through targeted investments and higher wages. We must lower the interest rate divergences between member states. The eurozone could also benefit from a mechanism – e.g. a stability agency – relying on the issuance of Eurobonds, for a common management of a determined part of public debt and for cross-border investments. A system of Eurobonds can only be part of a broader common economic strategy for the eurozone aiming at ensuring closer integration. Moreover, it will be necessary to improve coordination of national economic policies, including budgetary and fiscal policies, in order to harvest the full benefits of the euro in terms of jobs and growth.

- 5. Together, we can use the EU for what it is for.** The EU is a fantastic opportunity for its citizens and countries. Cooperation, solidarity and the EU budget have a huge potential for jobs and the economy. But to reach this potential, we must change the governing rules of the EU. Huge progress is needed in terms of financial regulation. Furthermore, the reform of the EU's economic governance must put in place a non-partisan framework, and not trap the union in a one-way race to the bottom. To this respect, we need smart fiscal rules that leave room for both investment and countercyclical policies.

There is another way for Europe. The PES has identified a clear foundation and long-term funding for Europe to be able to safeguard and to strengthen its social model. It is not only socially just, but economically sound. It represents a new direction for Europe. A direction based on equality and fairness, on jobs and growth, and on a genuine contribution to society from the financial markets.

