



15 September 2010

Economic Governance of Fair Growth

Declaration on a balanced approach on EU economic policy coordination agreed by the PES Prime Ministers and Deputy Prime Ministers

The Party of European Socialists (PES) has consistently been calling for a real, effective and positive European coordination of economic policy. While the Conservatives push for a coordination architecture solely based on austerity measures and sanctions, we offer a new, more inclusive deal on economic governance reform, capable of delivering the right type of policies. A deal which is fiscally responsible, socially fair, economically efficient and that ensures economic convergence and stronger welfare systems. A deal which would put us on the path towards fair growth.

Regarding strengthening and broadening macroeconomic surveillance, it is just as important to consider the labour market and the social situation of a given country as it is to consider its fiscal position. This means that we must insist on including employment and unemployment rates as well as levels of e.g. poverty and social expenditure as indicators on the scoreboard for surveillance. The aim of this is not to punish countries with excessive unemployment or high levels of poverty and social exclusion, but to enable an assessment of support needed from EU level. A broader and more balanced surveillance also requires more balanced governance. All relevant Council formations, including EPSCO, should therefore be involved in the coordination of European economic policy and on dealing with the Europe 2020 strategy. The European Council should have the central role in this coordination, supported by the General Affairs Council. Moreover, balanced efforts should be made both by member states with an account deficit and by countries with an account surplus;

By strengthening coordination of economic policies through a “European Semester”, there is a need to ensure that budgets and national reform programmes are mutually reinforcing. There should not be a hierarchy between implementing the Europe 2020 strategy and macro-economic governance;

To ensure discipline, there are sanctions laid down in the Stability and Growth Pact. We are open for discussion on how to improve fiscal discipline. However, the EU structural funds should not be a part of sanctions. Instead, they should be used as positive incentives for structural reforms and social cohesion;

In order to rebalance the national budgets, an effective, sustainable and socially balanced consolidation of public finances with medium term expenditure reductions is necessary. But this needs to be complemented by the creation of new sources of revenue, including a financial transaction tax (FTT) and bank levies. Furthermore, the joint issuance of euro-denominated bonds (“Eurobonds”) should be seriously explored.

