

**A different recovery :**

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**Intervention by Pervenche Berès,**

**Chairwoman of the employment and social affairs**

**committee in the European Parliament**

Thank you Paula for your contribution and helpful introductory remarks of this morning plenary concerning the different recovery that we have to propose for Ireland, for Europe.

Economic recovery is still just a future prospect. We are nowhere near an exit from the crisis, and the risk of a double dip recession should be seriously considered.

First of all, I would like to thank again all of you for the organisation of the conference but I would like to question the title of the session: is it a different recovery or a real recovery?

Now, I would like to express to you my view on the recovery process we have to propose to EU citizens to ensure a fair way out of the crisis or as I prefer to call it a proper entry strategy in the new sustainable and solidar development model we need to look for.

Therefore I will first come back to the current European context and analyse the economic, social and political situation at EU level.

The crisis is not over in Europe. In fact, conservative governments are doing everything they can to get it to last for longer.

Let me just remind you some essential figures that illustrate the gravity of the current situation: by the end of the year, 25 million European citizens will be unemployed in Europe and 8 million of them lost their job due to the crisis.

Unemployment continues to increase: over 10% now.

Markets are still nervous – more than a month after the decisive plan adopted in May for the Eurozone, the Euro was down, around \$1.20. It lost 20% of its value since the beginning of the year. In September, the Euro was up again, and is now around 1.40 Dollar

Public finances must be a concern to us all. But excessive cuts mean killing the recovery before it even start, and it does not prevent your country from being downgraded! (Greece, Spain, Portugal, Ireland).

We must pay careful attention that the austerity programmes do not aggravate the social hardship by making cuts in the social security systems.

You see that due to the speculation of financial actors against states, especially in Greece, Spain and Portugal, some countries have been forced to implement social cuts.

***1) Cost of the crisis and irresponsible conservative response to it***

The cuts implemented by the conservative are much more severe and they represent for them a welcome ideology to slim down the state and especially the welfare state.

Let me just recall what G20 leaders stated in Pittsburgh “we will pledge to sustain a strong policy response until a durable recovery is secured. We will act to ensure that when growth returns, jobs do too”.

The last months have shown that the wrong choice is being made by the European Conservatives. Theirs is a choice based on excessive public budget cuts, destroying jobs and dismantling the welfare state as a result. Their focus on accelerated fiscal consolidation is by definition short-sighted and its employment and social consequences are disastrous. Furthermore, by weakening the perspective of a quick and sufficient recovery process, they also endanger the long term viability of public finances in Europe.

When austerity measures now are implemented by countries in relatively good economic health (e.g. Germany), one must ask if these measures are nothing less than a conservative assault on the welfare state.

It has been and still is up to all progressive forces, to outline a clear practical path out of the crisis. Based on a solid understanding of the causes of the crisis, we should continue calling for a balanced approach on fiscal solidarity, sustainable recovery for jobs and growth, and for social progress.

***II) Our response to the crisis – Key proposals of the Report on economic recovery and governance***

The European Parliament proposes a real and appropriate alternative on economic governance. The European Parliament sent on Wednesday a strong signal to EU citizens by adopting at an overwhelming majority a report on the economic, financial and social crisis. I do not think that, in Europe, members of the Parliament and Mr. Barroso and Mr. Rehn have the same understanding of the economic governance. They still address, in their public statements, their vision of economic governance. We say that economic governance should be an instrument for the success of a fair and sustainable strategy.

Let me just present a few elements concerning the kind of economic governance that we imagine for the future of Europe:

One of the core proposals of the report on the consequences of the economic, financial and social crisis that was adopted at an overwhelming majority on Wednesday concerns our common EU2020 strategy. After the failure of the Copenhagen Summit, and the recent turmoil on the financial markets and in our economies, climate change hardly makes headlines any longer. Europe needs to show the way. I believe the economic crisis gives us the opportunity to deal with the climate crisis.

Therefore, I strongly support the idea of the creation of a European energy Community. And if we address both problems in a smart and coherent way, Europe can emerge stronger from the crisis putting itself firmly as a leader on the path towards real sustainable development.

Therefore, we have to prepare and make the shift to low carbon activities by promoting new patterns of consumption, production and mobility, while supporting a fair transition towards a carbon-free economy. This also means strong long term investment in remodeling housing, public transport and infrastructure, education and innovation.

Concerning the terms of the current debate on the macroeconomic governance, we are also convinced that this debate should not only focus on the situation of countries having excessive deficit, but also surplus in order to create the conditions of a balanced sustainable and fair recovery for all EU member states.

The Commission should also tackle the issue of the large divergences existing between member States concerning the tax on labour and capital and that this tax reform favorable to the labour factor should also take into accounts environmental considerations.

Finally, we also propose the creation of a Mr. opr Mrs Euro who would be in charge of coordinating the bloc's economic policies and take the responsibilities that are currently shared by three people. First, he or she would be a vice-president of the European Commission, in charge of economic and monetary affairs. He or she would

also chair meetings of the ECOFIN Council and third, chair the regular meetings of the Eurogroup. This institutional innovation will first add consistence to the EU economic policy and second bring a unique representaion of the EU in the various international bodies dealing with financial and economic issues.

### **III) Financial means for a recovery strategy**

We all know that the deficit and debt issues constitute right now a major concern for the future of Europe and that European citizens like the Irish people want Europe to propose other measures than sanctions and punishment against countries facing fiscal difficulties. We think that the conservative solution is extremely dangerous, because it will dampen the recovery path of Europe, lead to a new recession period and increase the gap between EU citizens and their institutions.

Financial markets have not stopped their attacks on the Eurozone because their fear of sovereign default has been replaced by the fear of sluggish growth. This is the reason why the conservative project to tackle the deficit and debt problems will not work. If a government intends to please the markets by slashing public spending, it is mistaken: markets are increasingly worried about cuts and their consequences on growth! Not saying we are not committed to debt reduction, but the pace and the way of it is the question: when to do and it who is it to pay for it?

A key part of our new proposals on the debt issue is the idea of handling the debt through collective European instrument – Eurobonds that could easily finance long term investment projects. This idea is a natural follow up from the decision to agree on a mechanism for the Euro-zone.

We should also propose exploring the possibility of setting up a European debt agency to continue being ahead of the conservatives and give a strong impetus for a revival of the European project.

The European debt agency is a tool for the people to reclaim ownership of public debt, to build a stronger fence against speculators. It would lower the cost of borrowing for all and strengthen the European Union.

In order to meet the policy objectives of our ambitious strategy, Europe will need additional own resources that will bring the necessary and required streams of revenue. Among the different eventual options that we social democrats imagined, one has our favour: the tax on financial transactions. This instrument will ensure at EU level a significant source of revenue, more than 100 billion Euros A year, and will at the same time penalise the short term speculative and socially useless transactions.

Furthermore, it should be clear for all of us that the European Council dominated by the conservatives is not officially pushing for the FTT: they are still divided on this issue and only call for an exploration of the idea of the FTT. They all dismiss the EU FTT by explaining that this instrument could only be implemented at the global level. This dogmatic position is unacceptable.

The European Parliament demonstrated its will to move faster on this issue than the Commission and heads of states.

In the report on the economic, financial and social crisis it is clearly stated that the Parliament favours the introduction of a financial transaction Tax to be introduced as a first step at EU level if it is not possible at the global level.

**IV) No sustainable recovery without appropriate regulation of the financial system**

**A strong recovery will only be possible if the G20 leaders and Europe finally hold their promises of the 2009 G20 summits.**

**In the aftermath of the first shocks that hit the global economy in 2007, international momentum for radical reform of the international financial system was apparently reached last year by the G20 summits in Pittsburgh and London.**

**At this time, progressive forces in Europe and all over the world believed in a critical rethinking of the destructive financial neoliberalisation. However, 3 years after the subprime crisis, some conservative governments demonstrate that they are slipping back into bad old habits.**

**Concerning the working method announced: in 2008, in Washington, just after the collapse of Lehman Brothers, G20 leaders stressed the necessity to find “global solutions to global problems”.**

**Let me also just remind you that G20 Leaders promised one year ago, in Pittsburgh “to turn the page of an era of irresponsibility and to adopt regulations and reforms to meet the needs of the 21<sup>st</sup> century global economy”. It is time for action and convergence right now. In Seoul, G20 leaders have to show their real commitment to close the loopholes in the financial system and to find a way to stop the process that could lead to a dramatic currency war.**

**With respect to the reform of the financial system, I think that the EU did a quiet good job by providing a new supervisory architecture, by establishing first a European systemic risk board in charge with the detection of risks that could pose a danger for the financial system as a whole and second three sectoral authorities in charge with the supervision of banks, insurances and the markets. Although these authorities could have gained direct supervisory competences on financial institutions, their power will be significant by developing standards to be implemented by national supervisors. They will also have a binding competence by settling disagreement between national supervisors and last but not least, credit rating agencies will be submitted to the direct supervision of the new European Securities and market**

authority. Tighter control at the global and regional levels of credit rating agencies is essential in order to control methodology rules they employ, to prevent any conflict of interest and to apply strong sanctions, including fines, when required. This is a good step, but it is not enough. We propose the creation of a European independent credit rating agency that will bring more diversity and objectivity on this oligopolistic credit rating market. It is unacceptable that only 3 major CRA that failed to do correctly their jobs and assess properly risks at the start of the crisis continue today to rule the roost on financial markets.

What we still wait in Europe are appropriate rules and tight monitoring of derivatives products: we want the G20 leaders to push for registration and relocation of derivatives contracts – financial weapons of mass destruction- on central counterparties. This key issue will be discussed in the coming months by the EU institutions and I am determined to fight full transparency on this still opaque market and hope that the EU will decide on the ban of irresponsible and high risky practices such as naked short-selling.

Finally, let me conclude by saying that now, I really think that the time has come to demonstrate a strong commitment and a political leadership to make it possible for Europe and each of its European members States to face the current major economic, social and financial challenges.

Therefore, we social democrats call all for a strong commitment to the added value that our European project brings in order to get Europe out of the crisis and ensure that tomorrow European citizens will have a decent work, will escape poverty and will have more faith in the ability of our Union to pave the way for a fair and sustainable recovery.

Thank you for your attention.