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REPORT

on the financial, economic and social crisis: recommendations concerning measures and initiatives to be taken (mid-term report)
(2009/2182(INI))

Special Committee on the Financial, Economic and Social Crisis

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the financial, economic and social crisis: recommendations concerning measures and initiatives to be taken (mid-term report)
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The European Parliament,

– having regard to its decision of 7 October 2009 on setting up a special committee on the financial, economic and social crisis, and its powers, numerical composition and term of office, adopted under Rule 184 of its Rules of Procedure,

– having regard to Rule 48 of its Rules of Procedure,

– having regard to the report of the Special Committee on the Financial, Economic and Social Crisis (A7-0000/2010),

Causes

1. Notes that the causes of the current crisis are manifold and its effects are both immediate and long-term; that several warning signs were overlooked and the scale of the crisis, as well as the impact and the spill over effects of the crisis were underestimated;

2. Notes that the crisis that originated in the United States with the subprime bubble had roots that date back a long time;

3. Notes that global imbalances, regulatory governance (regulation and supervision), and monetary policy - together with specific factors inherent to the financial system such as complexity and opacity of financial products, short-term featured remuneration systems, inadequate business models - are the three main contributing factors to the current financial crisis;

4. Considers that the proliferation in the financial sector of conflicts of interest, vested interests and cases of operators who are 'too close to talk' has in some cases aggravated the crisis;

5. Notes that the USA's expansionist monetary policy, encouraged an excess of liquidity in search of high returns and the development of domestic demand based on consumer credit and thus household debt, as well as high government expenses financed through cheap access to capital;

6. Notes that there has been speculative behaviour in the financial markets, with some investors taking very large risks, which was enhanced by the oligopoly in rating agencies; notes that any market economy works best when accompanied by democratically agreed, transparent and multilevel regulation accompanied by healthy ethics and moral that encourage sound financial, economic systems and do not damage the real economy;

7. Notes that the proliferation of complex off-balance-sheet products (SPVs, CDOs, CDS, etc.) and securitization arrangements, by means of an unregulated parallel banking system has increased rather than decreased systemic risks; notes that establishments which concentrate on savers and on financing to SMEs have proven their value;

8. Believes that the absence of a more sustainable pattern of production, distribution and consumption in the face of climate change, the loss of biodiversity and the depletion of natural resources feeds into the root causes of the crisis;

9. Considers that the economic and financial governance structures in place at the onset of the crisis, be these at global level, in the USA or within the European Union, lacked coherence and consistency in separating macro- from micro-prudential supervision, focussed excessively on bottom up micro-prudential supervision of financial institutions and country level monitoring of macroeconomic indicators whilst neglecting the system-wide view of the financial and macroeconomic developments that would necessitate monitoring of the interconnectedness amongst financial institutions and amongst countries;

10. Notes that globalisation has developed without the emergence or parallel evolution of global governance structures to accompany market integration, especially as regards global balances or imbalances and financial markets, and sees the G20-process as a step in the right direction, but points out that an effective representation of the EU-position at the G20 is necessary;

11. Notes that the European Union recognised the free movement of capital as provided for in the EU Treaties in July 1990 which contributed to economic development, notes however that the free movement of capital was not accompanied by a harmonisation of taxes on savings, adequate cross-border regulation or supervision on a European level;

12. Condemns that the principles of the SGP were not always respected in the past (EPP) and notes that substantial imbalances between the euro zone economies have occurred;

13. Notes the absence of proper regulation, robust supervision and the complete lack of instruments for contingency management in the event of a banking crisis showed how much further the European Union needs to go to have in place mechanisms fit to manage the policy challenges associated with having a single market and an integrated financial system; notes in particular the absence of a cross border bankruptcy mechanism;

Effects

14. Notes that the public deficit in the European Union rose from 2.3% of GDP in 2008 to 7.5% in 2010, and from 2% to 6.3% in the eurozone according to Eurostat, with the public debt-to-GDP ratio rising from 61.6% of GDP in 2008 to 79.6% in 2010 in the European Union and from 69.4% to 84.7% in the eurozone, brushing aside in two years all the efforts at budgetary consolidation made over almost two decades by some Member States; Deplores this setback as it will make responding to unemployment and demographic challenges much more difficult;

15. Considers that Europe’s public finances were already in a poor state before the crisis: since the 1970s the level of Member States’ public debt has gradually crept upwards under the impact of the various economic downturns the EU has experienced; notes that the cost of recovery plans, falling tax revenues and high welfare expenditure have caused both public debt and the ratio of public debt to GDP to rise in all Member States, although not to a uniform degree across the Union.

16. Considers that the full effects of the crisis have not yet been unleashed and that a relapse, as in a double-dip recession, cannot be ruled out, particularly as regards the unemployment level;

17. Notes that, the crisis has had an impact on employment in the entire EU, although the jobless rate rose by an average of only 1,9% across the EU-27; and that the negative impact on employment will continue as a result of the customary delay with which economic trends are mirrored in the job market, underlines that the Commission forecasts point to an EU-wide rate of unemployment of almost 11% in 2010 which will have serious implications for the EU's labour force.

18. Notes that the social effects of the crisis are very different depending on the Member State, as whereas the unemployment rate is 10 % on average, in some countries it reaches 20%, escalating to over 40% of young people, which underlines the importance of structural improvements needed in some countries;

19. Considers that while a policy of debt reduction is important, a rapid consolidation of public finances, should not be detrimental to the systems of social protection and public services, when these have rightly been welcomed for the role they play as automatic stabilisers in mitigating the crisis; notes that fostering efficiency in social protection and public services can simultaneously improve economic efficiency and the quality of services; recognizes that the failure to strike the right balance could lead to sluggish growth over a long period accompanied by persistent unemployment and thus the inexorable erosion of Europe's global competitiveness;

20. Notes that high levels of unemployment carry not just social costs but also high economic costs in that the unemployed cannot contribute much to domestic demand and pay less taxes and social security contributions, Notes that this increases the burden on those working in the form of higher taxes and on the future generations through a higher debt burden;

21. Notes that on the basis of the figures for 2007, which are the last available and thus date back to before the crisis, there were 30 million working poor, and according to recent figures 79 million people live below the poverty line in the European Union, and this number has probably risen since then;

22. Notes that, beyond unemployment, the crisis has had a multifaceted social impact, notably including some erosion of working conditions, increasing difficulties for some people to access basics needs and services, increasing homelessness, over indebtedness and financial exclusion;

23. Notes that, as with any crisis the current one has negative effects on growth and employment first on the most vulnerable including young people, children and women, as well as ethnic minorities and migrants;

24. Shares concerns about the pro-cyclical aspects of the regulatory, prudential, accounting and taxation rules which amplify the fluctuations that are inherent in the functioning of the market economy;

Response

25. Notes that the bail-out of the banking sector by governments only represents part of the costs inflicted on society by the financial crisis while the costs of the recession and the increase in public debt will be substantial, some 60 trillion dollars being lost worldwide;

26. Notes that the crisis has led to a dramatic increase in state aid following the adoption of the temporary framework for state aid, and regrets the damaging effect this may have had on upholding a level playing field in Europe. Calls on the Commission to take a strong lead in fighting protectionism and distortion of competition;

27. Approves the non-conventional measures put in place by the ECB and national central banks over the last 2 years to bail out banks in the Member States that that were at risk of bankruptcy because of unprecedented levels of toxic assets; welcomes especially that guarantees on deposits were provided to clients of these banks, but stresses the need to gradually phase out these unconventional measures in order to prevent unfair competition in the banking sector;

28. Points out that in October 2008, the European Union adopted the European Economic Recovery Plan amounting to 1.6% of its GDP, compared to 5% in China and 6.55 % in the United States;

29. Welcomes the adoption by the Ecofin Council on 10 May 2010 of the 750 billion euro stabilisation plan settling a financial stability mechanism to address the risks of default by sovereign borrowers partly using Article 122 of the TFEU as legal basis of this plan; notes the inherent democratic deficit and accountability void of the Council's rescue package decisions that did not include consultation with the European Parliament; demands that the European Parliament be involved as co-legislator in forthcoming crisis rescue proposals and decisions;

National recovery plans

30. Regrets the modest level of co-ordination between the different national recovery plans, as the multiplying effect and leveraging potential of EU-level co-ordination would most likely have exceeded the effect that can be reached through largely national-level planning which bear the risk of contradicting each other; calls for an increase in the European dimension of future recovery plans and large scale investments;

31. Calls on the Commission to give a very precise report on the effectiveness of the national bank rescue packages and national and European recovery plans decided over the autumn and winter of 2008-2009 with respect to the Union's long and short-term objectives, including a thorough analysis of the consequences of the revised state aid mechanisms adopted in conjunction with the crisis and with regard to competition and the upholding of a level playing field in the EU, financial reform and in terms of job creation;

32. Notes that some Member States, particularly those who received the EC balance of payments assistance, do not actually have opportunities to create real national recovery plans with elements allowing to stimulate growth and employment, since all the options until year 2012 are limited to public expenditure cuts, tax increases and reduction of GGD;

Future - a Europe of added value

33. Deems it unacceptable for the Union to be the only integrated area in which the question of energy, especially of the energy mix , is not regarded as a strategic one both internally and in the context of relations with partner countries; considers that initiatives on energy need to be taken in the EU in close coordination between the Commission, the Member States and the relevant sectors of the industry to ensure the supply of energy such as oil and gas to its Member States through a diversified network of energy pipelines, notably by negotiating supply contracts and organising storage capacity, as well as by funding and coordinating research and development of new energy sources as part of all relevant programmes such as the 7th Research Programme 2007-2013 and its subsequent updates;

34. Proposes that the Commission assume full responsibility to ensure the steering and financing of projects in the following fields, amongst others: new investment in research and the development and deployment of renewable energy sources, in energy efficiency, especially in the European building stock, as well as in resource use efficiency more generally,

- strengthening the European energy network by interconnecting national networks and distributing power from major centres of renewable energy production to consumers, as well as introducing new forms of energy storage and the European High Voltage Direct Current (HVDC) "super-grid"; a public rail high-speed service connecting the Union from east to west and north to south, and the development of plans to facilitate investment in infrastructure for it, and critical infrastructure in public ownership;

- providing fast internet access throughout the Union, and the fast execution of the EU's digital agenda and insuring all citizens free and reliable access;

- development of EU leadership in the field of e-health,

- completing the development of and creating common standards for electric mobility;

35. Believes that, while there may be agreement on matters of governance and on EU activity in terms of shared competence and supplementary action, the Union requires resources, especially financial resources, to pursue such a strategy;

Financial Regulation and Supervision

36. Points out that the ultimate purpose of the financial system is to provide appropriate instruments for saving and for putting savings to use in the form of investment to provide support to the real economy and to promote economic efficiency, assuming part of the risk of enterprises and private households, optimise long-term financing pensions, and create jobs as done, for example by regional and local retail banks; notes that this function is especially important in a situation where new means of growth are needed, entailing substantial investment in clean technologies; emphasises that financial development must also be put to use in the cause of fairness by extending access to credit and insurance – subject to adequate safeguards – to sections of the population currently cut off from it insists that regulatory reform in the financial sector must not be carried out for the sole purpose

of ensuring financial stability but must also reflect the aims of sustainable development;

37. Notes that this crisis marks the limits of a system of self-regulation and over-reliance on the capacity of market participants in the financial sector and rating agencies to always correctly assess and properly manage risks and to avoid moral hazard;

38. Welcomes the present proposals of the Basel Committee on Banking Supervision (BCBS) and the role played by the institution as such, but bearing in mind that a "one-size-fits-all" approach is detrimental to financial institutions in the EU, regulation should be timed and proposed on the basis of thorough assessments of its impact on the extent to which financial institutions serve the real economy and society"; shares concerns expressed about the right level of capital requirements and the length of transition periods;

39. Notes that transparency in both corporate and Member State financial statements is required to restore confidence; therefore calls upon the Commission to investigate the use of off-balance sheet transactions, unfunded liabilities and the proliferation of SPV and SPEs and consider limiting their use or requiring mandatory declarations in published accounts;

40. Notes that a major deficiency in the oversight system has become evident as a result of this crisis; calls for opportunities for regulatory arbitrage to be minimised globally through firm agreement at the G20 level, and within the European Union; and, where possible, be abolished through the application of a common rule book for financial services;

41. Believes that loopholes in regulation that allowed subsidiaries of foreign financial services to operate significant business in the EU, unregulated, need to be closed;

42. Notes that there is at present insufficient international regulation of crisis management in the financial sector; calls on the Commission to come forward with concrete proposals for an EU framework for cross-border crisis management in the financial sector, taking into account initiatives taken by international bodies, such as the G20 and the IMF, in order to ensure a global level-playing-field;

43. Notes that standards, notably when using fair-value, are pro-cyclical in their impact on decision-making notably by financial institutions that have over relied on them; notes that this fault can also be observed in some regulatory, prudential and taxation rules;

44. Is aware of the specific problems associated with the importance of banking and insurance sectors held by foreign establishments in many of the New Member States;

45. Notes that it is necessary to strike a balance between the need to take steps that help preserve financial stability and the need to maintain banks' ability to provide credit to the economy. It is important that the banking system is able to fulfil its fundamental tasks also in normal times;

46. Notes that the size of financial institutions and their respective balance sheets have introduced the concept of ‘too big to fail’; therefore calls on the Commission to require banks to produce a “living will” to detail their orderly liquidation in the event of a crisis;

47. Welcomes the European Central Bank's (ECB) strong role in the framework of the European Systemic Risk Board (ESRB) in order to make a strong contribution to financial stability in the European Union;

48. Stresses the need to introduce new standards for statistical data on the financial sector, strengthening the risk monitoring and surveillance capacity of the European Commission;

49. Wishes to encourage financial innovation provided that it leads to the development of transparent tools for financing useful technological innovation, long-term investment, pension funds, jobs and the green economy; is looking forward to further EU action in the area of innovative financing with the aim of mobilising long-term savings in favour of sustainable, and strategic long term investments and expanding access to financial services;

50. Reaffirms the paramount importance of a system of supervision and regulation which leaves no financial transaction and no financial instrument off the record book; insists that in this respect, hedge funds must be submitted to the same rules as any and every investment fund; underlines that supervision and regulation must target speculative movements on the financial markets in order to curb and reign in speculation against countries, currencies and economies;

51. Considers that lax corporate governance of financial institutions has contributed to the crisis and needs addressing to ensure risk committees are operational and effective, board members are sufficiently knowledgeable in the institution's products and that management and non-executive directors assume responsibility for aligning investor and employee interests with respect to compensation policies;

52. Notes a lack of values and ethics in the behaviour of some actors in financial markets and institutions; underlines that financial markets and institutions have to take into account, as part of their corporate social responsibility, the interests of all of the parties involved, such as its clients, shareholders and employees;

53. Deems that a sufficiently broad set of criteria for systemic risk need to be used as the basis for categorising financial institutions, especially within the EU; considers that use of these criteria entails asking in how many Member States' institutions operate and how big they are, and most importantly the capacity of a given institution to disrupt the internal market – a point underscored when the crisis demonstrated that a large size was only one of several factors that posed systemic risk;

54. Deems it vital that the EU should take into account, in the definition of new rules, the need to maintain and expand the structural diversity of its financial sector and believes that the European economy needs a sound network of regional and local banks, like savings banks and cooperative banks, recognising that different banks have different areas of expertises and core competencies; notes that plurality has

proven as a value in the financial crisis and has added to stability and that uniformity can lead to systemic fragility;

55. Calls for a return of the role of the traditional bank manager who knows the character, track record and business plan of loan applicants in order to take calculated risk based on personal knowledge; according to EU legislation such as MIFID and Consumer credit directives providing for consumer information and protection;

56. Stresses that in order to revitalise and unblock the flow of credit to companies and individuals, it is essential to find long-term solutions for the difficulties with the enormous amount and overcapacity of private debt both on households and businesses;

57. Calls for increased transparency in the relationship between Member States and their relationships with leading financial institutions;

58. Welcomes the Commission's proposal of 2 June 2010 and considers that the business model of the Credit Rating Agencies may result in conflict of interests given that the agencies are used to measure the financial strength of the companies that pay them, and that their model does not enable them to evaluate the macroeconomic aspects of decisions; realizes that the credit rating agencies contributed to the crisis because their incentives were set up in a harmful way largely resulting of a lack of competition; proposes to research whether a system whereby investors and savers pay for access to the information they need would be reliable;

59. Asks the Commission to launch a feasibility and impact study on the setting up of a public and independent European Credit Rating Agency and considers that courts of auditors, as independent bodies, ought to contribute actively to the rating of sovereign debt; believes that this development would introduce a welcome plurality of standards; considers that increased competition in the market of ratings could improve the quality of ratings;

60. Calls on the Commission to explore proposals on shareholder voting rights by providing for greater transparency in respect of shareholders' identities and strategies and by encouraging long-term investment;

EU Governance

61. Considers that in moments of economic and social crisis Europeans expect accountability, responsibility and solidarity to being the guiding principles of European decision making;

62. Notes that for decades before the crisis, many European countries were experiencing low economic growth and high unemployment due to a lack of capacity in some Member States to reform their economies towards a knowledge-driven economy and to restore their competitiveness on the international markets, as well as low domestic demand; notes that Europe needs more transparent and efficient financial markets and higher economic growth conducive to high quality employment and social inclusion;

63. Favours the introduction of a tax on financial transactions, the revenue from which would improve the functioning of the market by reducing speculation and help to finance global public goods, and reduce public deficits; considers that such a tax ought to be as broadly based as possible but, failing that, that the financial transaction tax should be introduced as a first step at the EU level; calls on the Commission to swiftly produce a feasibility study taking into account the global level playing field and come forward with concrete legislative proposals;

64. Notes that the European Union is finding it more difficult than other regions in the world to get out of the crisis, largely on account of inappropriate, insufficient and belated political responses to the crisis and the structural weakness of its governance capacity and notes the risk that the crisis will seriously and permanently weaken its economic, and thus political, position on the world stage, which perhaps will only be regained in the long term and if the EU is able to consider the sustainability of the concept of the "European way of life" without undermining its core values;

65. Considers that the Union will need to achieve greater coherence in policy making to rise to the challenge facing the Union; therefore deems it essential that the policies implemented be consistent; considers in this respect that action by the EU institutions will be decisive;

66. Notes also deficient economic governance structures in the European Union whereby this fragmentation impairs the Union's capacity to impose its weight in discussions on the major macroeconomic imbalances, particularly with the United States and China;

67. Believes that the crisis has revealed a trend in the economic policies of the last years which left many countries both within and without the euro area with an alarming rate of public debt;

68. Points out that the long-term sustainability of public finances is essential for stability and growth; welcomes the Commission proposals to strengthen the management of the eurozone in the medium and long term, which are designed to prevent any repetition of the current currency crisis, and shares its view that the Stability and Growth Pact requires more effective incentive and penalty mechanisms;

69. Underlines that in order to restore sound growth rates and achieve the objective of sustainable economic development and social cohesion priority should be given to dealing with persistent and significant macroeconomic imbalances and disparities in competitiveness; welcomes the recognition of this necessity by the Commission in its communication on economic policy coordination;

70. Notes that this has lead to financial consolidation strategies which will constrain heavily the governments' capacity to act at the same time; warns that these austerity packages should not lead to measures which could dampen the economic recovery, employment creation and social cohesion;

71. Notes that the crisis highlighted structural weaknesses in certain EU Member States and notes that problems of some Member States in financing their debt on the

markets can be attributed to inadequate governance and , as reported by IMF, to international financial markets sounding false alarms;

72. Considers that the financial crisis in Greece and other countries within the euro area are a serious matter for the euro area as a whole and reflects euro zone's weaknesses in the ability to cope with the spill-over effects of the global financial sector;

73. Considers that any development model, based on the universally declared desire not to return to the status quo, needs to make the link between sustainability and solidarity; proposes that the Union’s future strategy be sustainable in terms of financial markets, the economy, government expenditures, economic and social impetus, climate and the environment;

74. Considers that in order to avoid the risk of structural after-shocks, focusing the exit strategy on long-term sustainable growth should be the leading criterion for policy choices. From this perspective, the content of fiscal packages is essential. Policy choices should be made in accordance with medium to long term objectives. Public investment must be properly targeted, focus on innovation, research, education, energy efficiency and new technologies should be considered priority;

75. Points out that the Union’s greatest successes have come from the achievement of practical projects and the implementation of substantive policies, such as the internal market, Common Commercial policy (CCP), the euro, the launching of structural reforms, the Erasmus programme, which the Commission is working to drive forward;

76. Considers that solidarity between generations means that neither the young, nor senior citizens should not be overburdened with debt contracted before;

77. Notes that the crash has shed new light on the demographic challenge and the challenge of funding pensions; considers that the funding of pensions cannot be entirely left upon the public sector, but rely on tripartite systems including public, occupational and private pension schemes duly guaranteed by specific regulation and supervision in order to protect investors; furthermore considers that pensions will need to undergo European-wide reforms to help contribute towards financing solidarity between generations; considers that the increase in life expectancy raises cross-cutting issues regarding the organisation of society that have not yet been anticipated;

78. Believes that what Europe needs is a more united, efficient and less bureaucratic Union and not just more coordination; believes that the Commission, whose task it is to define and defend the general European interest, must, as a priority and in line with its right of initiative, commit to action on behalf of the Union in those fields where it has shared competences or competence to coordinate Member States’ actions, while implementing and enforcing common policies and setting boundaries for action by market or state players that would hamper the Single market; considers it vital for the Commission to utilise regulations instead of directives as the legal basis to facilitate uniform adoption across the EU and prevent distortions;

79. Asks the Commission to organise, where necessary, sector-based round tables so that all the stakeholders in a given market can work together with a view to encouraging the re-launch of a genuine European industrial policy as well as fostering innovation and job creation; reminds that in this quest we have to bear in mind our commitments regarding climate change and of the potential of certain green technologies; considers that the EU Budget needs to be better used, so that it becomes a real catalyst of the entirety of national efforts in the domains of research and development, innovation and creation of new businesses and jobs; further calls on the Commission to put forth concrete proposals on how to enhance corporation between business and research and promote clusters and to support such a strategy with adequate funds; stresses that one fundamental driving force for development in any market is free and fair competition, where it is easy for newcomers to enter, and where there are no privileges distorting the market;

80. Believes that effective economic governance implies endowing the Commission with proper, stronger management responsibility, thereby enabling it to use both existing tools and the new tools provided for by the Lisbon Treaty, such as Articles 121, 122, 136, 172, 173 and 194, which confer on the Commission the task of coordinating reform plans and measures and establishing a common strategy;

81. Believes that strengthening economic governance must go hand in hand with reinforcing the democratic legitimacy of European governance, which must be achieved through the closer and more timely involvement of the European Parliament and of national parliaments throughout the process;

82. Proposes that responsibility for economic and monetary affairs at the Commission should be given to one of its vice-presidents; proposes that that person be tasked with ensuring that EU economic activity is consistent, with overseeing how the Commission exercises its economic, monetary and financial-market-related responsibilities and with coordinating other aspects of the Union's economic activity; that he or she should participate in the work of the European Council, chair the Ecofin Council and the Eurogroup and represent the EU on relevant international bodies;

83. Considers that the budgetary difficulties currently faced by Member States and the need for considerable investment and if the strategic objectives of the Union are to be achieved by 2020, requires new finance models involving both public and private funds;

84. Invites the Commission to fully use the letter and spirit of the Framework Agreement with regard to the special partnership with the European Parliament, with a view to setting the priorities of the European agenda in the interest of all citizens; calls for an intensified dialogue with the national parliaments, in particular in the areas of budgetary and financial matters; warns against any attempts to creating separate institutions of intergovernmental basis, which would exclude some countries from decision-making and would undermine equal weight to the views of all Member States;

85. Urges Member States and the Commission to accelerate the creation of conditions for the public and private sectors to cooperate strictly, also in the forms of Public Private Partnership, in order to meet the challenge of long term investment at national and European level leading to a sustainable, inclusive and competitive growth;

Economic and Monetary Union policies

86. Confirms our commitment to the Euro; recognises the strategic function and value of a common currency; stresses the transparency and economic benefits the Euro has brought to the Eurozone; takes the view that foremost the EURO must be a bastion of stability of the European economy;

87. Notes that the primary objective of the ECB's monetary policy is to maintain price stability; points out that the objective of price stability can be achieved effectively only if the root causes of inflation are properly addressed; recalls that Article 127 of the TFEU also assigns to the ECB the task of supporting the general economic policies of the Union; deems it essential for Member States in the Euro area and those with a special status strictly fulfil their obligations and leave no doubt about the common aims of price stability, independent of the ECB, budget discipline and their fostering of growth, employment and competitiveness;

88. Notes that a monetary union needs strong coordination of economic policies to be resilient to economic downturn; regrets that in the Economic and Monetary Union the emphasis has largely been on the "Monetary";

89. Agrees with the IMF that crisis management is not an alternative to the corrective policy actions and fundamental reforms needed to reinforce the foundation of the European Monetary Union;

90. Commends the ECB on its efforts to control inflation, calls however for the ECB to play a greater role in controlling asset inflation;

91. Stresses that the SGP is the only existing regulatory instrument currently in force, for providing fundamental regulatory framework for the macro economic policies and public finances in the EU;

92. Underscores the need for the Eurozone to increase its resilience by finalising institutional set up based both on incentives and sanctions for necessary actions;

93. Notes that the changeover to the euro, as the report on the first ten years of the euro has shown, has also revealed a widening of divergences in competitiveness between the eurozone economies, thus exacerbating the consequences for the economically weak countries and leading to substantial trade imbalances within the eurozone; However, the benefits of the euro for the Union as a whole, e.g. in terms of relative economic stability, price stability and a low inflation rate, have been substantial;

94. Stresses the need for many countries to put their fiscal house in order and reduce significantly their deficit and debt levels; agrees with the Council to ensure fiscal sustainability and enhanced economic growth and employment in all Member states

and therefore agrees that plans for fiscal consolidation and structural reforms need to be defined and implemented accordingly;

95. Considers that the Growth and Stability Pact is an important tool to ensure pressure on the sustainability of public finances that has contributed to economic responsibility within the eurozone recognises that it has been hampered by poor enforcement, and has not given sufficient leverage for optimising the economic policies of each of the Member States and the eurozone as a whole; considers that this economic policy instrument has not been designed to act as a sustainable corrective process to compensate current imbalances and manage periods of crisis or of very low growth, considers that beyond the application of existing rules, Member States should implement internal policies to foster growth, innovation, competitiveness and a qualitative objective that the public deficit shall not exceed respective benchmarks;

96. Considers that the stability and growth pact does not take into account other imbalances such as the ones in private debt and in current account which also have an impact on the Monetary Union;

97. Notes that even after it became clear that the accuracy of statistical data reported by some Member States was questionable in some cases, that during the previous parliamentary term when the directive on Eurostat was being revised, the Council was opposed to giving Eurostat the power to conduct the on-the-spot checks advocated by the European Parliament;

98. Considers that the authors of the Maastricht Treaty expected a convergence of competitiveness between Member States in the eurozone and had not anticipated the high degree of divergences, which ultimately led to an increase of the spreads, as fears concerning the solvency of some Member States drove up their risk premium;

99. Notes that these last months have seen a number of temporary exceptions on the application of European state aid norms. Thanks to these, Member States had the opportunity to contain the impact of the crisis. The growth phase, towards which we are heading, requires solid foundations. It is in this context that we need to gradually return to the normal state aid regime, thus ensuring a level playing field in Europe;

100. Urges to strengthen the provisions of the Stability and Growth Pact, especially its preventive arm, where the means of peer pressure are the strongest instrument presently available to make Member States comply with Council recommendations; urges the economic surveillance carried out by the Commission to get more teeth; considers that the possibility of creating incentives for fiscal consolidation has to be explored;

101. Proposes the setting up of an effective incentive and penalty mechanism applied to the implementation of the stability and growth pact which would contribute to preventing the worsening of the current crisis and ensure the prevention of a new future crisis;

102. Believes that multilateral surveillance and requests for adjustment must be directed at situations of both deficit, and surplus states, taking account of each country's specific circumstances, in relation to demography for example, and that they must

have regard to levels of private debt, trends in wages compared to labour productivity, employment – especially youth employment – and current-account balances; considers that these factors, if they cannot be employed in the same way as the current stability pact criteria, should be used as warning signals; believes more transparency is needed with respect to public finance data and welcomes the Commission proposal on quality of statistical data;

103. Urges the Commission to put in place an enforced European sanctioning mechanism which is under its clear competences within the eurozone in order to force Member States to respect the rules of the Stability and Growth Pact;

104. Considers that the stability and growth pact proved not to be efficient enough in coordinating fiscal policies, its reliance on individual countries' policies raised problems with enforcement and fairness of information, it failed to make the link with employment levels and job creation in a way as to generate a properly balanced economic policy mix, and it equally failed to address the issues of real convergence, competitiveness and creation of eurozone synergies; therefore, there is a need for further coordination between member states and the eurozone economies in particular, in order to strengthen the economic balance in the eurozone;

105. Considers that the broad economic policy guidelines both for stability and growth established jointly with Parliament should be used as a framework for discussion and evaluation of the Member States' budgets – before their presentation to the respective National Parliaments;

106. Believes that, having a single currency, the eurozone countries should go a step further by making arrangements for a mutual issue of a proportion of Member States' sovereign debt managed providing a basis for more complex multilateral surveillance, for ensuring that the eurozone market as a whole is more attractive and for joint debt management;

107. Considers that the implementation of the structural reforms especially the adaptation and restructuring of the social distributions systems in the New Member States need a strong support and solidarity from the Union; regardless of any global financial, economic and social crisis situation, the Eurozone and the ERM II have to be further enlarged by new Member states which have fulfilled the Maastricht criteria; such decisions inter alia would prove the stability and sustainability of the eurozone itself.

108. Considers that levelling out the existing major differences in competitiveness within the eurozone by keeping wage increases in line with productivity gains and inflation expectations is key to avoid the emergence of rifts within the eurozone;

109. Calls for substantial improvement in the social dialogue on macro-economic issues, which must entail more than merely informing the social partners about guidelines proposed or adopted;

110. Calls on the Commission and the Council to define broad common guidelines for the EU to implement sustainable market economy; believes that such guidelines should

be defined annually on the basis of an assessment including the wage/productivity evolution at national and European level through proper social dialogue;

Fiscal policy

111. Calls for a common budgetary strategy, in order to restore and safeguard long-term economic growth area;

112. Considers that public expenditure that is efficiently used for spending with a view to the future (on education, training, infrastructure, research, environment etc.) can stabilise the economy by nourishing healthy and sustained growth over time; takes the view that high-quality responsible public spending combined with fostering the entrepreneurial and innovative potential of the private sector can drive economic and social progress;

113. Stresses the importance of establishing a stronger link between the instruments of the Stability and Growth Pact, macroeconomic instruments and the Europe 2020 National Reform Programmes by presenting them in a coherent way, thereby also making for enhanced comparability of national budgets as regards spending in different categories; Member States should not only view their respective economic policies as a matter of national interest, but also as a matter of common interest, and should formulate their policies accordingly; reminds the Member States of the enhanced role of the Broad Economic Policy Guidelines;

114. Insists that, if the Europe 2020 strategy is to be credible, greater compatibility and complementarity is needed between the national budgets of the 27 EU Member States and the EU budget; emphasises the greater role the EU budget should play by pooling resources;

115. Considers that public investment, that is targeted smartly can have a major leverage effect on long-term investment; proposes extending the mandate of the EIB to include the ability to issue Eurobonds to invest in major structural projects according to the EU strategic priorities;

116. Points out that a common currency can only operate under the condition that member states coordinate their budgetary policy and open their books to each other; recognises that this process requires the close cooperation with National Parliaments;

117. Calls on the Commission and the Council, with Eurostat's support, to improve the comparability of spending under national budgets in order to identify policy complementarity or convergence;

118. Believes that the Union and Member States must work towards the introduction of fiscal principles that will cease to encourage indebtedness in the public and private sector sector and short-term remuneration in the private sector and could possibly include bonus/malus mechanisms based on criteria relating to decent work and the environment;

119. Notes that recovery from the financial, economic and social crisis, and the exit from the sovereign debt crisis will require a long term process which must be well-designed and ensure a balanced and sustainable development; acknowledges that compromises may have to be made between growth, fairness and financial stability and that such compromises must be the subject of political decision-making; asks the Commission to present financial development proposals that take these aims into account, particularly with regard to the EU 2020 strategy, and to explain the types of compromise on which political choices may have to be made; hopes that this will provide a basis on which the Union can facilitate debate and permit policy comparisons following consultation with all parties that have a stake in financial-market reform (banks, investors, savers and the social partners); calls on the Commission furthermore to involve the European Parliament more closely in this process, particularly when devising and then implementing the EU 2020 strategy;

120. Urges the Union to better equip itself with countercyclical economic policy management instruments;

121. Considers that the Lisbon treaty provides the entirety of necessary instruments at this stage, to put in place a real economic governance of the Union, as well as a better surveillance of the state of public finances of Member States;

Internal Market

122. Highlights calls in the Mario Monti report and Louis Grech report, adopted by the European Parliament on 20 May 2010, for a more holistic approach to the Single Market, in both strategy and perception for it to become more effective and to restore public perception; Underlines the importance of the “Single Market Act” initiative of legislative and non-legislative proposals to strengthen and update the Single Market, to complete the Digital Single Market and to address and break-down remaining barriers;

123. Considers it essential that the single Market Act includes an ambitious agenda for social and consumer protection through the insertion of a social clause in all legislation related to the Single Market, a legislation on Services of general economic interest, a legislative agenda to strengthen the workers' rights, an ambitious legislative package for consumer protection which makes a difference to the daily life of citizens and a better tax coordination through harmonisation of the corporate tax base and VAT rates;

124. Notes that the internal market requires the support of all as a backbone of the European project and the foundation of sustainable wealth creation in the EU;

125. Points out that the Single market is one of the main drivers of European growth; underlines that the EU 2020 strategy should serve as a concrete program for growth and employment in order to face the economic crisis and strengthen the internal market;

126. Initiatives by single States cannot be effective without a coordinated action at EU level. It is therefore fundamental that the European Union had a strong sole voice and common actions. Solidarity, on which the European model of social economy is

based, and the coordination of national answers have been crucial to avoid the protectionist measures of short duration, by single Member States; expresses its concern that the re-emergence of economic protectionism at national level would most probably result in fragmentation of the single market, reduction of competitiveness and therefore needs to be avoided; is concerned that the current economic and financial crisis could be used to justify reviving protectionist measures in various Member States, whereas the downturn calls for common safeguard mechanisms instead;

127. Takes the view that progress in the Internal Market should not be based on the lowest common denominator. Therefore encourages the European Commission to take the lead and come forward with bold proposals; encourages the Member States to use the method of enhanced cooperation in areas where the process of reaching an agreement among 27 is not achievable. Other countries would be free to join these spearhead initiatives at a later stage;

128. Warns against the notion that the European economy can somehow develop and grow without free and fair trade with as many other countries in the world as possible, including our leading trade partner today, the US, and emerging economies like China, India and Brazil; considers that the European Union should rely also on its own strengths by making better use of its internal market, especially since the bulk of its growth is also linked to domestic demand;

129. Stresses the need to unleash the potential of the Single Market for business in the era of globalisation, to boost job creation and innovation in new technologies in Europe;

130. Believes that in order to establish an effective single market, the Commission must produce a clear set of political priorities through the adoption of a ‘Single Market Act’, which should cover both legislative and non-legislative initiatives, aimed at creating a highly competitive social market economy;

131. Recognises that within the European Union the construction of the internal market without some tax harmonisation, notably regarding corporate taxes or a definition of the components of social protection have led to some extent to excessive competition between Member States seeking to attract taxpayers from other Member States; notes nevertheless, that one of the great advantages of the single market has been the removal of barriers to mobility and the harmonization of institutional regulations, fostering cultural understanding, integration, economic growth and European solidarity;

132. Recommends that the Commission conducts an independent exercise to identify the top 20 single-market-related sources of dissatisfaction and frustration which citizens encounter every day, in particular in relation to e-commerce, cross-border medical care, and mutual recognition of professional qualifications;

133. Calls on the Member States to finally accept correlation tables concerning the implementation of legislation in order to make legislation deficits more transparent;

134. Stresses that a well functioning procurement market is essential for the Internal Market; however remains concerned that there are still significant problems for public authorities in achieving their policy objectives, within a complex set of rules as well as ensuring SME access to the public procurement markets;

135. Encourages the Commission to come forward with a proposal introducing a "sunrise clause", ensuring that EU internal market laws would automatically enter into force at a given time when Member States do not transpose them in time;

136. Believes that putting in place sound and effective rules for an economic area, following a crisis on the scale of the one we have experienced, makes a significant contribution to competitiveness; considers that the EU authorities have a particular responsibility for ensuring that the reform agenda is adhered to, inter alia by national political authorities;

137. Europe should once again turn into a favourable location for investments and production and to make it a world benchmark for innovation and growth. Financial institutions, be they public or private, have to do their outmost to ensure that the financial markets work for the benefit of the real economy and small and medium-sized enterprises;

138. Asks the Commission to make an annual assessment on public and private investment needs and how they are being met or ought to be met;

Taxation

139. Recognises that to further develop the Union's Single Market, a coordinated approach is needed at both national and EU level to capitalise from best practices in the fight against tax fraud and evasion, while defining appropriate incentives for tax payers to duly pay taxes and tax authorities of Member States to adopt effective preventive measures against any type of tax malpractice;

140. Considers that reducing tax fraud levels would help to reduce public deficits without increasing taxes while maintaining social spending; is concerned about the distortion created in the single market due to the different levels of tax fraud in the Member States; asks the Commission to elaborate an impact assessment to evaluate the different problems provoked by tax evasion and black economy in all Member States*;*

141. Stresses the fact that achieving sustainable public finances requires not just responsible spending, but also adequate and fair taxation*,* more effective collection of taxes by national tax authorities and a more intensive fight against tax evasion*;* in that connection, calls on the Commission to propose a set of measures to help Member States restore the balance of their public accounts and to finance public investment by tapping innovative financial sources;

142. Notes, echoing the work carried out by Mario Monti, that increases in public revenue linked to good economic performance have generally led to tax cuts; notes that taxation on labour should be reduced in order to increase European competitiveness; supports Mario Monti's proposals for the establishment of a Tax Policy Group,

bringing together representatives from Member States as an important step to encourage dialogue between European countries; invites the policy group to primarily discuss the framework for a taxsystem that would address environmental goals and support resource efficiency; welcomes the proposal for a directive on common consolidated corporate tax base in the 2011 Commission work-programme;

143. Recognizes that a major driving force of institutional improvement and economic growth in member states is their sovereignty to choose how they wish to levy taxes, considers primordial the reduction of fiscality levied on labour, so as to allow the least fortunate and to the middle classes to lead a decent life from the fruit of their work;

144. Advocates a tax structure geared to easing the burden on labour and to encourage and create incentives for employment, innovation and long term investment;

Regional, Economic and Social Cohesion

145. Considers that cohesion policy should be regarded as one of the pillars of the Union's economic policy, contributing to long-term EU investment strategy;

146. Notes that Cohesion policy has become an essential element of the European Economic Recovery Package as a public policy which can be turned against the crisis and address short term demand stimulation while at the same time investing in the long term growth and competitiveness;

147. Considers that the strength of Cohesion policy in linking recovery with long-term growth comes from its three basic characteristics: it sets strategic guidelines that are conditions for the resources to be transferred and they are binding both for Member States and regions; it leaves space for Member States and regions to tailor interventions to the specificity of places; and it has the capacity to monitor and support in achieving goals;

148. Underscores that the uneven impact of the crisis across the European territory reflects different competitive starting points, varying degrees of recourse to anti-crisis measures and means different long term outlooks. The effects of the crisis might result in weakened territorial cohesion if it is not countered by policies targeting specific problems in a differentiated manner. Notes that in some of the countries most affected by the crisis, cohesion policy accounted for a major part of the total public investment;

149. Considers that the post-crisis strategy will be more effective if regions and cities are involved in its implementation; multilevel governance offers broader policy space allowing to more effectively promote economic recovery in the EU as regional and local levels of European governance have the capacity to translate European general strategic goals into their own territorial specificities, are capable of harnessing policy tools they have at their disposal as well as the enthusiasm of all partners: business, academia, civil society;

150. Points out that today there are many policy tools at local and regional levels of governance. Both innovation, that can bring productivity gains, and greening, that can create new demands and markets, require regional and local focus. They require a place-based integrated approach to investment and growth policies. A region, a city, a town, a rural area can be a place where all partners can be brought together and all elements needed to find a solution can be found;

151. Expresses, therefore, its concerns about the lack of progress in devolving power to the communities; local and rural communities provide for opportunities in relation to the economy, employment and community building. Providing support for these communities permits to reduce exclusion through the reinforcement of the community tissue and augmenting therefore its absorption capability;

152. Points out that as regions will continue to gain in importance in driving the economic agenda of the EU, local lending needs to be strengthened. This can be stimulated through strong regional banks. Regulation of the financial services industry should take into account the need of stimulating entrepreneurship and financing for SMEs. The financial support for SMEs in cohesion policy should move towards venture capital finance. This would allow greater involvement of the banking sector and a more efficient use of structural funds;

153. Calls for further reform of the actual Cohesion Policy structure so that funds may be provided more rapidly and efficiently to Member States, regions and cities. More flexibility is required and the Commission must take it into account when designing future Cohesion Policy;

154. Considers it vital that any long-term EU investment strategy supported by the cohesion policy be linked to results in terms of competitiveness, innovation, job creation and green growth, improvements in economic, social and territorial cohesion at European level, and especially between old - and new Member States;

EU2020

155. Calls for the EU 2020 strategy to pursue a broad political concept for the future of the EU as a competitive, social and sustainable Union putting people and the protection of the environment at the centre of policy making;

156. Considers that, if these goals are to be achieved, it is time to coordinate closely our macroeconomic policies aiming as a priority to increase the Union's growth potential, focusing on a model of inclusive and sustainable development, without which none of our problems can be solved; considers that this ought to be the focus of the new EU 2020 strategy;

157. Recognises that, to prevent the responses to the euro crisis resulting in a lengthy period of economic stagnation, the Union should, at the same time, implement a strategy to accelerate sustainable economic growth, alongside reforms aimed at restoring and improving competitiveness;

158. Notes the five headline targets agreed by the European Council on employment rate, research and development, greenhouse gas emissions, education levels and social

inclusion; stresses that these headline targets should be formulated in the framework of a consistent and coherent sustainable development strategy combining the economic, social and environmental policy agendas;

159. Considers that education should be placed at the very heart of the Union's economic strategy, with the goal of raising the overall quality of all levels of education and training in the EU, combining both excellence and equity and reforming the educational model; Believes that education ought to constitute a public good in the eyes of the Union, with investment being needed in all aspects of the education system, in quality of education and in broadening access to higher education; proposes the introduction of a permanent and inclusive European-level system of lifelong learning, under which the Erasmus and Leonardo programmes for education and training mobility would become more generally accessible; considers the need to urgently raise the level of investments in the field of R&D, particularly in the view of the 7FP mid-term evaluation and of the next financial perspectives of the EU;

160. Notes that tackling youth unemployment and fostering an effective matching of skills and market needs should be focal points. Public-private partnerships in education need to be developed; cross border mobility for students and researchers in exchanges, internships should add to boosting the importance of enhancing the international attractiveness of Europe's higher education institutions. Retaining the target of spending 3% of GDP on R&D boosts innovation through research and higher education;

161. Considers that the EU2020 Strategy as proposed by the Commission should concentrate on making the Single Market less bureaucratic by reducing administrative burdens on business by 25% by 2012, and more efficiency-driven using Internet as the backbone of an EU-wide "E-Market" generating new services and jobs;

162. Believes that the governance structure of the Europe 2020 strategy should be strengthened to ensure that it will achieve its objective; considers that a broader use of binding measures is necessary to make the new strategy a success, instead of continued use of the open method of coordination in the field of economic policy; urges Council and Commission to come forward with an economic strategy for economic recovery based primarily on EU instruments and not mainly on intergovernmental initiatives;

163. Recognises that good governance or an economic government will not, in itself, be enough to provide the EU with the growth strategy it needs in order to tackle the crisis and square up to global competition; is convinced, however, that 10 years of EMU have demonstrated – in the unique context of the euro – the absolute need for such a strategy;

164. Insists that the EU 2020 strategy should include a target for reducing poverty in the EU by half, and points out that a majority of Europeans currently living in poverty, or at risk of poverty, are women, in particular older women, migrant women, single

mothers and carers; ; moreover, a life course perspective should be introduced as the poverty of parents has a direct impact on child's life, development and future;

165. Calls for an ambitious long-term strategy against poverty with the aim of reducing inequalities and social exclusion with far-reaching targets for poverty reduction and in-work poverty; proposes in this regard an EU framework policy on minimum income schemes in accordance with subsidiarity, different practices, collective bargaining and national law in the member states, on the basis of European criteria scaled to reflect the standard of living in each Member State; calls also for a child allowance with the above aim of reducing poverty, inequalities and social exclusion;

166. Insists on a strategy including a target of reducing poverty in the EU by half. A majority of Europeans currently living in poverty or at risk of poverty are women, in particular older women, migrant women and single mothers; moreover, a life course perspective should be introduced as the poverty of parents has a direct impact on child's life, development and future;

167. Considers that the Member States should hold debates in their respective national parliaments prior to adoption of their stability and growth (EU2020) programmes;

Innovation

168. Notes that the Commission's Innovation Scoreboard shows Europe still lags considerably behind Japan and the United States in terms of research and innovation;

169. Considers that in addition to funding for small and medium enterprises, the European Union needs to take a proactive and coordinated approach to funding research and innovation and needs to be at the forefront of new employment sectors and attracting private investment;

170. Notes that the transition to an energy efficient economy as a way to increase the EU's energy security should be one of the priorities of the European Commission and Member States; considers that the EU should encourage innovation in energy generation from renewable resources, putting emphasis on low-carbon local sources;

171. Considers that energy network interconnections are crucial for the functioning of the internal market in the energy sector, as well as for wider generation of energy from renewable resources; emphasizes the importance of smart grid development;

172. Points out that SMEs should be the backbone in the development of renewable and energy efficient technologies; notes that creation of financial instruments to encourage energy efficiency and innovation in renewable energy use is crucial;

173. Considers that investment in the renewal of housing stock and public transport needs to be prioritised in order to reduce energy costs and energy poverty and to initiate a virtuous circle;

174. Advocates a fair and equitable gradual transition to a green economy; believes that the job losses resulting from the transition need to be anticipated with measures to step up training and improve workers' skills in the new technologies; notes that fuel poverty is a significant and growing concern;

175. Calls on the Commission to develop and propose a mechanism whereby SMEs and other innovators would be offered a risk-softening funding in public-private partnership with private equity funds, where money from the European Investment Bank together with public money from the Member States with the support of risk-guarantee mechanism by the European Investment Fund distributed through the private equity fund would enable the projects to leverage private investments up to 80%;

176. Supports the establishment of financial institutions aimed at providing financing to innovation projects throughout the Union, which are essential for future sustainable growth;

177. Urges the European Commission to cut down administrative hurdles. Urges the European Commission to improve conditions to innovate e.g. by creating the single EU patent. Well-intended programmes aimed at boosting competitiveness and shaping a sustainable economy are not working properly as SMEs, universities and multinationals are discouraged to participate in European programmes;

178. Notes that fiscal and monetary policies are not substitutes for structural reforms. Structural reforms have to address underlying weaknesses of the European economy, sharply growing debts and deficits, ageing, highly probable new surge of inflation, risks to industries generated by climate change policies, especially due to uncertainty about new targets and standards, low productivity and lack of competitiveness; calls for higher efficiency in using public money, both at European and national levels, Considers that the differences in timing and the intensity of the crisis as well as the different ex-ante-fiscal and monetary positions of the individual Member States should be taken into account when adopting coordinated policies and targets. These efforts should lead to a faster real convergence among national economies;

179. Considers that the European winning strategy has to be based on sound fiscal policies fostering innovation, education and workforce employability- the only way to boost productivity, employment and growth in a sustainable way;

180. Reminds that climate change, resource scarcity and halting biodiversity loss are the framework conditions for future European economic growth; notes that this growth must, thus, be based on decoupling economic growth from resource use, green innovations, and ecologically sustainable economic progress;

181. Welcomes the strategy adopted in 2007 by the European Council aimed at increasing the EU's energy independence and setting out specific commitments to combat climate change; considers that the crisis has further emphasized the relevance of this strategy; considers, however, that for this strategy to be successful, it requires more ambitious action by the Union on top of measures to regulate the single market;

Employment

182. Considers that one of the big challenges facing the European Union are maintaining its competitiveness, increasing growth and combating high unemployment;

183. Reiterates that high-quality employment should be a key priority in a 2020 strategy and that a stronger focus on properly functioning labour markets and on social conditions is vital to improve employment performance; calls, therefore, for a new agenda to promote decent work, ensure workers' rights throughout Europe and improve working conditions;

184. Believes that the new strategy must put more emphasis on decent work, including the fight against undeclared work, and on ensuring that people who are currently excluded from the labour market can gain access to it;

185. Believes that the new strategy should encourage labour markets which improve incentives and conditions for people at work while, at the same time, increasing the incentives for employers to recruit and retain staff;

186. Points out the importance to look at Europe's diminishing competitiveness on a global scale; keeping the long term projected labour shortages in mind, it is important to look beyond the crisis and explore European schemes to allow for knowledge migration and the prevention of a European ´brain drain';

187. Considers that firm and resolute action on employment is all the more necessary as there is a risk that economic recovery in the Union may not be accompanied by sustainable job creation;

188. Urges the Union to link its actions on employment with measures to combat poverty and social exclusion, together with effectively functioning internal market for workers within the EU so that the crisis does not further increase inequalities;

189. Calls on the Member States and the Commission to achieve 75% employment rate for men and women by 2020, through reduction of labour market segmentation and stepping up efforts for reconciliation of work, caring responsibilities and family life;

190. Considers that efforts to support job creation need to be focused on employing the young, which in turn calls for furthering the provision of gender-sensitive programs aimed to equip the young with the skills needed in the real economy;

191. Stresses the need to create inclusive and competitive labour markets which provide greater flexibility for employers while at the same time ensuring unemployment benefits combined with active support for re-employability in case of job loss;

192. Believes that while education ought to remain the responsibility of the Member States, EU investments and EU-wide recognition of qualifications are being needed in all aspects of the education system, in quality of education and in broadening access to higher education; proposes the introduction of a permanent and inclusive European-level system of lifelong learning guidelines,, under which the Union's Erasmus and

Leonardo programmes for education and training mobility would become more generally accessible;

193. Makes the point that employment is one of the key factors of the economy because it contributes to spending power; considers that the EU should pursue the aim of full, high-quality employment and that the sustainable functioning of the internal market depends on a labour market offering decent work and furthering the cause of innovation;

194. Urges Member States to address through labour market related policy measures both the cyclical and the long term dimensions of unemployment;

195. Considers that Europe needs solid growth to sustain its social system, which contributes to the competitiveness of the European social market economy;

196. Notes that it is important to facilitate mobility, which also makes it easier for companies to find competence and the single market to function better, also in a crisis; notes that labour mobility needs to go hand in hand with the improvement of working conditions;

Creating new jobs by promoting SMEs

197. Notes that SMEs and entrepreneurs play a significant role in all economies and are the key generators of employment and income, and drivers of innovation and growth;

198. Considers it is the time to look forward and reason backward. That is to achieve over time those structural changes that will make our SMEs more competitive and ready to face the additional pressures that will come from the globalized environment and our competitors' capacity to enter into always more innovative markets. By doing so it could also be a guarantee for jobs for a good part of our less protected part of the employment force and their families;

199. Believes, SMEs are crucial for future development, growth and welfare in the EU, and that the EU's competitiveness vis-à-vis the world can be strengthened by prioritizing SMEs;

200. Calls on the Union to promote its web of SMEs – which are at the forefront of job creation – by facilitating their access to credit, notably through support for guarantee schemes and the creation of new standard products to combine loans and equity for smaller companies; Calls on the Union to create a EU-Guarantee Fund for SMEs; also calls for an evaluation of existing funding schemes, especially the CIP programme, and a dedication to making EU-backed loans accessible to businesses in all Member States as well as the development of services to SMEs and social dialogue structures;

201. Recognizes that the current definition of an SME in the EU has to be re-examined and the criteria regarding the number of employees needs to be lowered in order to allow for more targeted policies aimed at SMEs;

202. Realises that the ambition set to drive industry and SMEs towards innovation will not be achieved solely through improving access to capital in general, but there should also be an aim to diversify the sources of financing;

203. Considers that a variety of different alternative stock market operators can be beneficial especially in providing access to capital for SMEs;

204. Notes that the financial crisis, compounded by the resulting economic downturn has resulted in less risk capital being available for SMEs and entrepreneurs; therefore calls for an enhanced role for innovative finance solutions to enable SMEs and especially young, highly innovative companies to play their role, both directly and indirectly, in improving overall growth performance;

205. In the context of recovery, a particular attention should be paid to the role of SMEs on productivity and the creation of new assets and therefore mechanisms should be implemented to avoid their exit from the market, increasing unemployment and prolonging economical frailness. An efficient distribution of the European Social Fund should also be guaranteed;

206. SMEs should be regarded as a motor for developing research and innovation, promoting employment and contributing to EU's competitiveness and therefore should be regarded as partners for smaller investments financed by the cohesion funds. The allocation of funds to universities and the promotion of partnerships with SMEs are key in this regard;

207. Realizes that the Internal Market of the EU allows for a fertile business environment throughout the Union, whilst also benefiting the consumers; nonetheless, SMEs face numerous challenges in operating in the Internal Market and often operate below their efficient scale; especially at the micro level, SMEs need to be supported to be able to operate throughout the Internal Market, their access to information pertaining to opportunities needs to be brought up to the level where trans-European platforms can be established, only then SMEs can explore business opportunities, can find complementarities and ultimately they can find the means to gain access to markets within the Union;

208. Considers that keeping citizens active and productive after retirement is among others in the economic interest of Europe and the loss of their expertise can be mitigated by engaging senior citizens to remain active through looser structures and networks based on their civic engagement and by linking them with economic actors and academia; SMEs could profit most from such a network of informal structures that can be consulted, as most SMEs find it hard to afford these services from the consultancies active in the economies; points out that knowledge accumulated in senior citizens must be circulated to the benefit of all by the establishment of a network at the level of the European Union;

209. Encourages the creation of specialty stock-markets which cater exclusively to SMEs and have low-barriers of entry to facilitate the equity process; considers SMEs should focus more on equity, in this light proposes the removal of negative tax incentives for both sides of the market, the investors and the market;

210. Calls for EU member states to consider efforts to coordinate taxation relative to SMEs; believes that completing the Internal Market to provide cross-border financing and business opportunities for SMEs is essential in fostering the EU's recovery;

211. Stresses that an organic link between industry and innovation and, consequently with education is highly desirable. Innovators, including SMEs need to be at the forefront of investments at the European and national level; points out that innovating start-up SMEs carry by definition a high risk/bankruptcy profile, thus an entire rethink of their financing and corollary activities is needed and since these innovating start-ups are in the most difficult position when it comes to getting financing through the banking system, credit guarantee schemes need to be drawn up for specifically this segment;

212. Calls on the Union to aim at a more balanced composition of financing of SMEs; notes that the share of financing of SMEs through capital markets has to be increased;

213. Proposes that the European Commission should establish a "One SME-One Job" Project by creating a new financial instrument at the EU level in order to encourage activities of SMEs in the Union; considers that a more balanced composition of financing of SMEs should be achieved. The share of financing of SMEs through capital markets, venture capital, 'angel investors' and through Public-Private Partnerships has to be increased, has to be stimulated; calls on the Commission and Member States to reduce significantly public procurement bureaucracy on SMEs, to cut red tape, which is essential for the well-being of SMEs;

214. Calls for the reform of the Small Business Act document, including binding dispositions to be applied by all Member States and for the establishing of a New Social Small Business Act which would be a necessary enforcement of the European social market economy in the post-crisis era;

215. Recommends the creation of a one- stop- shop. These one- stop- shops are needed for every administrative issue for SMEs. Reduction of the administrative burden on SMEs is of great importance, as well as the introduction of a social component in SME-relevant European legislation. Considers that Europe needs to become the most SME-friendly region of the world;

Development

216. Notes that though some of the emerging and developing countries seem to have escaped the worst effects of the crisis, 40% of developing countries have however been highly exposed to the effects of the financial crisis and an estimated 90 million people will be plunged into poverty as a result;

217. Calls for a re-affirmation of the commitments of 0.7% of Member State's GNI towards development aid and the exploration of additional innovative sources of financing to close the financing gap caused by shrinking economies in the developing world;

218. Asks European companies, especially multinationals to ensure that their sub-contracting companies within the production chain are socially responsible;

Global governance

219. Recognises the weaknesses and problems caused by the lack of legally binding powers and the disconnectedness of the global financial and economic institutions; welcomes thus the initiatives to enhance by reforming the effectiveness, global reach and accountability of the IMF and other UN institutions so as to give them the mandate to serve as a platform for overarching economic and financial sector co-ordination, initiatives and, when appropriate, powers to set legally-binding rules in the form of international conventions;

220. Takes the view that the EU's global challenges include matching its economic strength with relevance in the world stage through speaking with one voice; that one of the key projects of EU's foreign policy must be the strive to reform the UN, and UN-related institutions, into global institutions with veritable political leverage over issues of international concern such as, the climate change, financial supervision and regulation, poverty reduction, and the Millennium Development goals;

221. Calls on the European Council to convene a G20 summit devoted solely to the reform required in governance at world level;

222. Recommends that at the same time as improving the governance and operation of the Basel Committee on Banking Supervision, efforts need to be made to strengthen international governance arrangements for other market segments; proposes that BCBS rules should come into force in the form of international treaties;

223. Notes the progress on fiscal governance made by the OECD and in the G20, but advocates urgent and strong action to strengthen the legal and economic consequences of OECD blacklisting of non-cooperative jurisdictions; asks for rapid, practical steps to be taken on the automatic, multilateral exchange of information as standard procedure worldwide, with a view to improving fiscal transparency and combating fraud and tax evasion;

224. Proposes that, following the entry into force of the Treaty of Lisbon, the EU should become a direct signatory of the ILO conventions and that it should sign all the conventions considered by the ILO to date;

225. Concludes that we need more Europe; considers that there is an urgent need for political and intellectual leadership, to put the European project back on track; the Commission needs to make full use of its initiative rights in the fields of shared competences, notably in energy policies, to empower the EU for challenges ahead; believes that the eco-social friendly single market project which underpins the Union needs to be completed; urges for mechanisms for economic governance within the Union to be strengthened especially from the perspective of better accountability, contingency management, economic and employment policies co-ordination;

Asserts that the financial and supervisory reform agenda must move forward rapidly, addressing not just the shortcomings observed in the crisis but equally the perspective of designing a financial system that supports the real economy, is conducive to financial stability and engenders economic growth, long term investment, job creation, social cohesion and the fight against poverty;

Considers it necessary to redesign the taxation systems in a fair manner, in a way that discourages the build up of excessive leverage and promotes social justice, entrepreneurial spirit and innovation;

Calls for the revitalization of the sustainable social market economy and the values it enshrines;

226. Is committed within the framework of the Special Committee on the Financial, Economic and Social Crisis, to fulfil the aims laid out in its mandate in close cooperation with EU national parliaments with the view to adopt joint recommendations;

227. Instructs its President to forward this resolution to the President of the European Council, the Council, the Commission, the President of the Eurogroup, the European Central Bank, the Economic and Social Committee, the Committee of the Regions, the Governments and Parliaments of the Member States and the social partners.

EXPLANATORY STATEMENT

Mandate and objectives

By decision of 7 October 2009, the European Parliament set up a Special Committee on the Financial, Economic and Social Crisis which has as its objectives:

- to analyse and evaluate the extent of the financial, economic and social crisis, its impact on the Union and its Member States, and the state of world governance, to propose appropriate measures for the long-term reconstruction of sound, stable financial markets able to support sustainable growth, social cohesion and employment at all levels, and to provide an assessment of the effect of those measures and the cost of inaction;

- to analyse and evaluate the current implementation of Community legislation in all the areas concerned and the coordination of the measures taken by the Member States to support sustainable qualitative growth and long-term investment, with a view to combating unemployment and responding to demographic and climate challenges, while complying with the subsidiarity principle;

With this end in view, the Committee was to establish the necessary contacts and hold hearings with the European Union institutions, national, European and international institutions and forums, the national parliaments and governments of the Member States and of third countries, and representatives of the scientific community, business and civil society, including the social partners, in close collaboration with the standing committees.

The special committee may make recommendations regarding the measures and initiatives to be taken, in close collaboration with the standing committees.

Method and work programme

Promptly after the constituent meeting of CRIS Committee (15 October 2009), CRIS Coordinators have started elaborating the work programme, which the Committee needs so as to pursue its mandate.

In order to allow the CRIS Committee to successfully achieve the objectives set by this mandate, the work programme needed to be structured on the basis of the following elements: fact finding, analysis and conclusions.

Fact finding

A thorough fact finding element is key to understand the causes of the crisis and the interconnectedness between different policy fields and areas of society.
Keeping this in mind, the CRIS Committee work programme relies on the following main fact finding methods:

- *Public Hearings*

Public hearings provide the opportunity for Committee Members to acquire the opinions of renowned experts and to exchange views with them. To that end, the CRIS Committee held 7 public hearings on different topics and policy areas included in its mandate:

  - The Financial Crisis: causes, consequences and challenges
  - The Spread of the Crisis - on the real economy and on public finances
  - The Social Impact of the Crisis: unemployment and the social state and demographic challenges and the pension system
  - Financial regulation and supervision: main failures of the current system and possible future models
  - European Economic Governance and EU Tools for Economic and Social Recovery: Stability and Growth Pact, reform and sustainability of public finances and budgetary policy
  - Global Governance: global imbalances, climate change challenges, impact of the crisis on developing countries and trade
  - Economic Exit Strategies: financial and monetary aspects and job creation, internal market, innovation and sustainable green growth.

A number of experts provided evidence to the CRIS committee, including representatives of EU, national and international institutions, governments of the Member States, academia, business community, social partners and civil society.

- *Studies and Briefing papers*

The CRIS Committee has commissioned two major studies: an impact assessment on the costs of non-action and insufficient coordination and on crisis management. In addition the Committee has ordered a series of briefing papers to external experts; these provided essential information on the topics of the individual public hearings to prepare substantially the exchange of views at each of the hearings.

- *Workshops*

Compared to public hearings workshops provide external expertise on more targeted subject matters and enable a more detailed discussion. To this end, the following workshops were scheduled:

  - The Nordic Financial Crisis - Lessons from the Nordic Countries in the Early 1990s for the Present Crisis
  - The impact of the crisis on SMS
  - The impact of the crisis on new Member States and the role of cohesion instruments
  - EU-China: a revisited partnership in the aftermath of the global financial, economic and social crisis (to be held in Shanghai on 29 May)
  - Transatlantic Relations (to be held on the 31 May).

- *Delegation visits*

Delegation visits allow fact finding missions to countries of a particular relevance or where key institutions are based; they provide an excellent opportunity to meet counterparts and key players, who would have been otherwise unable to give evidence to the Committee meetings. For that purpose CRIS has planned the following delegation visits:

- Basel and Geneva, Switzerland: to meet key players in the global institutional framework in WTO, the BIS, the Basel Committee and the Financial Stability Board
- Riga, Latvia: to exchange views with the main institutions of a Member State, particularly hard hit by the crisis that has benefit from the balance of payment facility with the intervention of the IMF
- Beijing and Shanghai, China: to explore, in particular, the issue of global balances as one of the issues at the origins of the crisis and to discuss the future global governance framework
- Washington and New York, USA: to gather knowledge from the source of the financial crisis and to discuss the future developments in their regulation and supervision reform and the global governance of the financial system

- *Expert panel*

As a type of sounding board for its analysis and recommendations, the CRIS Committee has established an expert panel. It consists of well known experts in different policy areas covered by the CRIS mandate and provides advice to the Rapporteur and to Committee members on particular topics.

Analysis

Using the information and knowledge gathered during the fact finding exercises, the CRIS committee elaborated and discussed several thematic papers on different topics covered by its mandate. Most political groups have been allocated the responsibility to elaborate upon certain topics and to present it to Committee members. The following thematic papers have been drafted and discussed by the Committee:

- *The spread of the crisis on real economy and public finances in the EU* - Alain LAMASSOURE (EPP)

  Recommendations:
  - The EU should focus its policies towards a central goal of doubling growth potential through greater coordination and restructuring of the budget.
  - Each Member State must consider how best to adapt its model for economic development and should consider its role as an industrial power.
  - The EU must address the challenge of an aging population, in particular by employment and worker training.
  - Each Member State must bring its public finances back under control; a reallocation of resources will be needed to strengthen investment in sectors with strong growth potential and to reduce the deficits brought about by the crisis.
  - European solidarity must take precedence over international solidarity; the Union must endow itself with appropriate mechanisms, instruments and political agreements, in accordance with the Lisbon Treaty.
  - The external economic policy for the EU in the world after the crisis should be question.

- *The social impact of the crisis on employment demographic challenge and pension system* - Nikolaos CHOUNTIS (GUE)

Recommendations:

- o The EU needs to focus on solidarity, job protection and social justice.
- o Improving competitiveness by undermining labour rights must be discouraged; the focus should be on improving product quality, on education, innovation, new sources of energy, science and technology.
- o The EU budget must be increased substantially and the priorities of the EIB need be refocused on employment and social cohesion, the development of education, research and innovation, economic growth with environmental protection, and the adoption of new, clean and renewable sources of energy.
- o The EU social security scheme needs be reorganised aiming at notably eliminating uninsured employment; integrating working migrants; supporting the long-term unemployed and groups at risk from social exclusion; detaching the management of assets in the scheme from the possibility for financial speculation by subjecting it to strict management rules and control by the State and the social partners; and the coordination of an independent source of funding raised by financial transaction tax and available at a European level assisting those who may not have managed to obtain a full pension due to losing their jobs.

- *Financial regulation and supervision - future model* - Anne E. JENSEN (ALDE)

Recommendations:

- o There is a need for an overhaul of EU financial market regulation and supervision to address regulatory gaps, guard against future crises, restore confidence and create a viable and sustainable financial system which protects growth and jobs.
- o Prudential regulation should be: calibrated to the different financial institutions; provide incentives for prudent behaviour; impose constraints to reduce excessive risk taking; and encourage "real entrepreneurship".
- o Policy making should focus on the "boom-bust" cycle since better regulation during boom periods could limit the amplitude of the bust.
- o Regulatory emphasis needs to ensure that financial institutions do not become too risky and make it easier to resolve them when things fail.
- o Accounting standards should be revised to enable them to provide verifiable information to market participants.
- o The MiFID model has to be complemented by product regulation.
- o EU needs to play active role at the global stage in pursuing a major reform of the global financial system. Where, however, progress at international level is not sufficiently far reaching, EU should lead by example.

- *The role of cohesion instruments and solidarity in the process of recovery and restructuring the European economy* - Danuta HÜBNER (EPP)

Recommendations:

- o The EU needs to enhance coordination and make better use of synergies between different levels of public governance and different policies.

- o Territorial specificities and the asymmetric impact of the crisis should be taken into account when designing crisis exit policies.
- o Exit investment patterns should be aligned with long term growth priorities.
- o Local lending should be strengthened through strong regional banks and backing of the EIF.
- o Cohesion policy should be the main delivery mechanism of the EU2020 Strategy.

• *European economic governance and EU tools for economic and social recovery -* Magdalena ALVAREZ (S&D)

Recommendations

- o Better governance of the European financial system is necessary. At national level mechanisms must be defined to ensure that measures to strengthen and recapitalise national financial systems comply with EU guidelines. At an EU level there should be: an acceleration and expansion of the reforms initiated in the European financial system; a stability fund; a European deposit guarantee fund; a European rating agency; a list of financial instruments according to their associated risk; creation of clearing houses in unregulated or unofficial markets; and anti-cyclical ratios.
- o European fiscal policy needs to be coordinated, sustainable and anti-cyclical. To this end:
  - Member states should focus on combating tax fraud; hence the adoption of the directives on savings and administrative cooperation EU needs to introduce a series of pan-European taxes such as financial transaction tax, bonus taxes and tax on carbon use.
  - Member states must make profound changes to their spending policies: promote active employment policies; give strong support to SMEs; help to restructure the industrial sector; clearly commit to investment in the 'knowledge triangle'; and prioritise green technologies.
  - National policies must be coordinated within the Stability and Growth Pact (SGP), as the only tool for budgetary harmonisation and the main tool for economic governance in EMU. The planned reforms of Eurostat in relation to the control of public finances must be speeded up.
  - At an EU level the role of the EIB could be reinforced.
- o EU needs a new model of growth: it should focus on restructuring the financial sector making it more stable and transparent and serves the real economy.

• *The European economy and industry facing the climate change challenge* - Bas EICKHOUT (Greens)

Recommendations:

- o Environmental effects should be internalised by: tightening the EU ETS cap, full auctioning, border levelling and an auction reserve price; introducing a carbon tax for the non-ETS sectors,; introducing a tax on financial transactions; introducing a market-based instrument for biodiversity; and by phasing out environmentally harmful subsidies.
- o Legislation on energy savings, soil, recycling and renewables should be improved; speeding up the adoption of a soil directive; improving recycling targets and

definitions; introducing an emission performance standard for power plants; and developing an interconnection plan for a European smart grid.

- These developments can be financed by: introducing subsidies for the development of innovative and sustainable technologies and enabling businesses and individuals to access financing for energy saving measures; prioritising climate change in the forthcoming budget reform; linking the EU Structural Funds with social and environmental conditions; offering preferential rates to finance projects with a high social and environmental value through the EIB; and the Commission should issue green bonds with Member States guarantees in order to finance green investments.
- Climate should also be mainstreamed in other EU policies.

• *Global Governance, international monetary policy and tackling global imbalances incl. the issue on tax havens)* - Kay SWINBURNE (ECR)

Recommendations:

- Considerations should include: the implementation of a pro-cyclical monetary policy with respect to interest rates; whether a higher target inflation rate globally would be warranted; the state of the oil market, imbalances in oil producing countries and OPEC; and closer co-ordination of taxation policies globally through G20 to minimise tax arbitrage opportunities;
- Further consideration should be given to: the role of subjective judgement by regulators and directors at times of market stress; less reliance on mathematical modelling; a ban on buying back and cancelling previously issued equity to limit organic growth in financial firms; "living will" to detail their orderly liquidation; and minimising tax incentives which favour debt financing over equity financing;
- For Member States there should be a requirement by Member States to publish financial statements that are accurate and transparent.

• *Economic exit strategies: financial and monetary aspects, SMEs, innovation and new opportunities for sustainable growth* - Regina BASTOS (EPP)

Recommendations:

- SMEs as a driving force for EU recovery and future growth and welfare:
  - Strengthening the social market economy avoiding competition restrictions;
  - full use of Internal Market capacities and new business opportunities throughout EU for SMEs;
  - a new Social Small Business Act;
  - a one-shop-stop for every administrative issue for SMEs;
  - establishing a European seniors consultancy network;
  - coordinating taxation policy concerning SMEs; providing tax incentives and subsidies for them
  - providing external dimension to SMEs policy to enable them to compete internationally
- Innovation:
  - creating a stronger link between industry and innovation;
  - new partnerships between business, science and university research;
  - backing knowledge-based innovations.

- Sustainable growth:
  - boosting employability by "One SME- One Job" Project;
  - using SMEs as a tool for restoring the community economic and social tissue;
  - devolving power to the communities: local implementation of global decisions;
  - seeking out a proactive approach towards exclusion, which often responds to poverty;
  - using the full potential of the emerging information society in order to engage locals in sustainable society planning.

Recommendations by the rapporteur

With regard to the first aspect of the special committee's mandate, the rapporteur takes the view that the financial crisis which has unfolded since the summer of 2007 was in some way expected. Its starting point was the US subprime market, but it could have started elsewhere. What is striking is the extent of its spread, as the subprime market in 2007 only accounted for 13% of outstanding mortgage loans in the USA, its impact on other markets and primarily the European market, the social damage it is causing and the uncertainty about how it will end.

As with any financial crisis, there are **multiple causes**. It first of all reflects a real economic situation related to the means of growth in the United States in the new age of capitalism with the advent of globalisation and global imbalances and the massive need for adjustment that ensues. Widening social inequalities both globally and within individual countries, coupled with the diminishing share of value added accounted for by wages and salaries since the beginning of the 1980s, the dwindling purchasing power of households and the development of consumption based on excessive household debt, all played a decisive role in the development of these imbalances and of certain "financial innovations".

This crisis is finally the outcome of the abuses spawned by an excessive reliance on risk-taking to boost profits in an inadequately regulated or supervised globalised financial system. It helps shed light on an economic system and system of governance that had reached certain limits.

Moving on to the second aspect, the rapporteur considers that **the main lesson to be learnt relates to a dysfunction in decision-making processes.** It is clear that there was no desire to take action on this crisis until it was essential to do so ("As long as the music is playing, you've got to get up and dance[1]") and the full scale of the cost of non-cooperation was felt by a globalised world and by the European Union. When panic took hold of the markets, the initial reaction by the Member States was uncoordinated and was immediately punished. It was only once the Member States sent out signals of their desire to tackle this global crisis together that the situation was reversed, as the markets kept an eye on the Member States. When one looks back at how the crisis was managed, questions clearly need to be asked about the role of global governance beyond the proliferation of international fora and the role of political authority with respect to the position of the ECB in ensuring the effective management of Economic and Monetary Union. It took a crisis to bring about the organisation

[1] Quote from the CEO of Citigroup, Charles O. Prince, in an interview with the Financial Times in July 2007.

of a Eurogroup at head of state and government level, a body that we have long been calling for. Looking forward, this should result in the Union being equipped with economic governance mechanisms that are suitable both for normal times and times of emergency.

At the Commission, leaving aside the role of individuals, what has been striking has been the difficulty experienced in coping with this sort of crisis and the unfitness of an organisational approach involving, on the one hand, the pursuit of macroeconomic policy via established procedures and, on the other, legislation for the financial markets and liaison with the coordination function of national supervisory bodies. There is no provision here for addressing the impact of the one on the other or for the essential interconnection of macroprudential and microprudential analyses.

Given these dysfunctions, the rapporteur believes that our economic model must in future be made much more crisis-resistant through a profound re-balancing of its key components. The Union must rely on its own strength in order to be effective. In areas of shared competence with the Member States it must play its part to the full and it must draw on its internal strength in order to pull its weight in shaping globalisation. The Union can no longer gamble on the growth of other world regions; it must assert not only its interests but also its values at world level.

The second point to be made with regard to responses to the crisis so far concerns the swiftness and scale of the support given to the financial sector. There is a widely held view that, since the outset of the crisis, we have seen profits privatised and losses taken into public ownership. In a situation characterised by reduced purchasing power, the spectacle of governments releasing huge sums over the space of a few days to rescue the banking sector could result in a widespread sense of bafflement. The onset of economic recession in Europe forced the Member States to pump vast amounts into underpinning economic recovery. Their support remains crucial and any premature withdrawal of public input would weaken the recovery. The serious nature of the situation also requires the EU to prove itself *inter alia* in the sphere of social affairs because, whatever the reality of its competences, ordinary people in the Union make a connection between the social circumstances they experience and the way the EU functions. If it fails to prove itself, we shall see a resurgence of nationalism in various quarters, as well as protectionism, and a worsening of the anti-EU mood. Job-creation via the knock-on effects of the forthcoming ‘green’ industrial revolution, while certainly useful, will not in itself be enough. **So one of the big challenges in the current phase of the crisis is to keep the political pressure sufficiently sustained** to ensure that what has gone wrong with the market today is put right and to re-establish a system that serves to finance the real economy. In the task of rebuilding the financial markets there has to be a shift of direction, with a restructuring around the economy’s needs, around long-term investment, the challenge of climate change and population ageing. So far, we have not grasped what is required to bring about that shift because the crucial negotiations are conducted solely between financial-market players and public authorities.

Conclusions, challenges and further work

With the Union experiencing the most serious social and economic crisis in its history – a crisis undermining what have to date been its core components, from the internal market to competition policy and the stability pact – projections for the decade ahead are not possible unless they take as their starting point the current situation, i.e. the issues recognised and the challenges identified in this report. Definition of the EU 2020 strategy ought to have been part of the overall effort, part of the process of crisis management and of strategic planning beyond the crisis.

This strategic exercise by the Union also ought to have been conducted in close cooperation with the national parliaments, the social partners and civil society, and to have involved the European Parliament to a much greater extent. The Special Committee on the Crisis has identified cooperation – an area of shortcoming at both the Council and the Commission – as the third aspect of its remit and the intended focus of its work under extended terms of reference. The Committee's work to date may have yielded conclusions and provided a basis for specific recommendations on certain points, but more intensive efforts need to be invested in exchanges on that basis with national parliaments and in transforming the recommendations into legislative proposals and from there into a work programme.

Were the Special Committee to be wound up, it would create the impression that the crisis has been overcome, whereas in fact the situation on the financial markets has not stabilised and the full economic and social repercussions of the crash are still unclear, although they will be deep and lasting. In all the areas in which initiatives are under way or are to be taken (on EU 2020 and new political guidelines, on economic governance, the financial perspective, regulation and supervision, reform of governance at world level and the Union's representation) it must first be recognised that the current model is in crisis. That is why we are asking that the terms of reference of the existing Special Committee be extended. Such an extension would provide a means of monitoring this multifaceted agenda in a thorough way, studying the issues in greater depth and producing more meaningful policy recommendations based on a work programme to be established, with a follow-up report to be produced in the second half of 2011.

EXECUTIVE SUMMARY

The Special Committee on the Financial, Economic and Social Crisis concludes on the following causes, effects, responses and remedies to the crisis:

Global imbalances, lax financial regulation, a loose monetary policy in the USA, the complexity and opacity of financial products together with wrong risk-incentives and short-term featured remuneration systems, conflict of interests of Credit Rating Agencies, unregulated derivatives, social inequalities and environment-hostile behaviours were among the main causes of the financial crisis.

The current financial turmoil caused world-wide contraction in economic activity and triggered a global economic and social crisis with widespread increases in unemployment, poverty and social exclusion. The rescue measures adopted in the EU had a positive result and the creation of a European stabilisation mechanism was welcome. However, the level of co-ordination between the different national recovery plans was too modest and the Commission should report on their effectiveness. This crisis demonstrates the need for an increased European dimension in the future.

This is why, the European Parliament believes that what Europe needs is a more united, efficient and less bureaucratic Union and that the Commission, whose task it is to define and defend the general European interest, must, as a priority and in line with its right of initiative, commit to action on behalf of the Union in those fields where it has shared competences or competence to coordinate Member States' actions.

The Commission should assume full responsibility to ensure the steering and financing of projects in the following fields:

- renewable energy sources and storage of green power;
- energy efficiency, particularly in the transport and building sector;
- a European energy network and smart grid development;
- a public rail high-speed service throughout the Union;
- critical infrastructure and fast internet access throughout the Union;
- development of EU leadership in the field of e-health.

The European Parliament also believes that, while there may be agreement on matters of governance and on EU activity in terms of shared competence and supplementary action, the Union requires resources, especially financial resources, to pursue such a strategy.

The crisis has revealed the limits of self-regulation. Therefore the European Parliament calls for a regulatory and supervisory system which leaves no financial market, no financial instrument and no financial institution off the record book; To achieve this aim, the following urgent actions need to be taken:

- introducing more counter cyclical regulation;
- reducing systemic risk posed by large and/or interconnected institutions ("too-big-to-fail") and derivative markets;
- enacting strong governance policies on remuneration to remove conflicts of interest and introduce a longer term perspective into the financial system;
- strengthening pan-European and global regulation and supervisory structures;
- investigating the use of off-balance sheet transactions and the proliferation of SPVs and SPEs;
- introducing a tax on financial transaction;
- introducing new standards on statistical data on the financial sector;
- improving shareholder voting rights.

The European Parliament regrets the poor enforcement of the Stability and Growth Pact and calls for improved incentives and sanction mechanisms to ensure compliance under the clear competence of the European Commission. It also believes that a monetary union requires a strong coordination of economic, fiscal and social policies. Consequently, the EU should be better equipped with countercyclical economic policy management instruments.

Multilateral surveillance needs to be deepened, directing adjustment at situations of both deficit and surplus states, taking account of each country's specific circumstances; furthermore, more transparency is needed with respect to public finance data.

The European Parliament calls for a Mr/s Euro, Vice-president of the Commission and chairing the Eurogroup to become the face and enforcement power of economic coordination.

Moreover, Member States need to coordinate their budgetary policy and open their books to each other. This requires an improved comparability of spending under national budgets that should be pushed by the Council and Commission.

The internal market is one of the main drivers of European growth; therefore, the EU 2020 strategy should serve as a concrete program for strategic long term investment and employment in order to face the economic crisis and strengthen the internal market.

To further develop the internal market, a coordinated approach is needed at both national and EU level to capitalise from best practices in the fight against tax fraud and evasion. In this context the European Parliament supports the idea of setting up a Tax Policy Group as an important step to encourage a dialogue between governments on tax policy and advocates a tax structure geared to ease the burden on labour and to encourage and create incentives for employment, innovation and long term investment.

Cohesion instruments are a crucial tool for assistance to the regions, which need it the most, to overcome the consequences of the crisis by supporting investment in infrastructure, businesses and jobs; Therefore it is vital that any long-term EU investment strategy, notably when supported by cohesion policy, be linked to results in terms of competitiveness, growth, creation and preservation of decent jobs and environmental protection.

The European Parliament believes that the EU 2020 strategy is vital for the EU to become a competitive, social and sustainable Union and is convinced that the governance structure of EU 2020 should be strengthened, based on EU instruments rather than on intergovernmental initiatives.

In addition to providing funding for SME's, the EU needs to take a proactive and coordinated approach for funding research and innovation and therefore the EU budget should serve as a catalyst in the domains of research and development, innovation and creation of new businesses and jobs.

Sustainable job creation and high-quality employment should be a key priority; therefore the European Parliament urges the Union to link its actions on employment with measures to combat poverty and social exclusion and believes that further efforts to support job creation need to be focused particularly on employing young people and improving working conditions together with creating an effectively functioning Internal Market for workers so that the crisis does not further increase inequalities.

The essential role SMEs play in the economy as key generators of employment and drivers of research, innovation and growth needs to be emphasized; this calls for a facilitation of SME's access to credit, for the creation of an EU-Guarantee Fund for SME's and for an evaluation of the existing funding schemes. Furthermore, the European Parliament requests the Commission to reduce significantly public procurement bureaucracy for SME's, to cut red tape and to propose creating a one-stop-shop for all administrative issues of SME's.

A high number of developing countries have been highly exposed to the effects of the crisis; thus the European Parliament calls for a re-affirmation of the Member States' commitments towards development aid and the exploration of additional innovative sources of financing.

The European Parliament recognises the weaknesses and problems caused by the lack of legally binding powers and the disconnectedness of the global financial and economic institutions. It therefore highlights the urgent need to develop legitimate, effective and efficient institutions for global economic governance, which build on, complete and improve the current set of institutions, such as the UN, the IMF, the Basel Committee, the IASB and IOSCO; finally, the European Parliament concludes that the European Union needs to speak with one voice at these institutions in order to maximise its influence and impact.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	29.9.2010
Result of final vote	+: 33 –: 2 0: 3
Members present for the final vote	Burkhard Balz, Regina Bastos, Pervenche Berès, Mario Borghezio, Udo Bullmann, Sergio Gaetano Cofferati, Frank Engel, Elisa Ferreira, Vicky Ford, Jean-Paul Gauzès, Robert Goebbels, Monika Hohlmeier, Danuta Maria Hübner, Stephen Hughes, Iliana Ivanova, Liisa Jaakonsaari, Othmar Karas, Wolf Klinz, Hans-Peter Martin, Rolandas Paksas, Olle Schmidt, Theodor Dumitru Stolojan, Kay Swinburne, Marita Ulvskog, Corien Wortmann-Kool
Substitute(s) present for the final vote	Bendt Bendtsen, Cornelis de Jong, Leonardo Domenici, Bas Eickhout, Diogo Feio, Kinga Göncz, Arturs Krišjānis Kariņš, Thomas Mann, Sirpa Pietikäinen, Peter Skinner
Substitute(s) under Rule 187(2) present for the final vote	Jorgo Chatzimarkakis, Holger Krahmer, Marit Paulsen