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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 (A7-0267/2010),

Causes

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

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

3. Notes that global imbalances, regulatory governance (regulation and supervision), and monetary policy - together with specific factors inherent in the financial system, such as the complexity and opacity of financial products, short-term featured remuneration systems and inadequate business models - are the three main factors contributing 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 aggravated by the oligopoly in rating agencies; notes that any market economy works best when accompanied by democratically agreed, transparent, multilevel regulation accompanied by healthy ethics and morality that encourage sound financial and 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 resulting from an unregulated parallel banking system has increased, rather than decreased, systemic risks; notes that establishments that concentrate on savers and financing for SMEs have proved their value;

8. Considers that the economic and financial governance structures in place at the onset of the crisis, whether 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 among financial institutions and among countries;

9. 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;

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 the fact that the principles of the SGP were not always respected in the past and notes that substantial imbalances between the euro-zone economies have occurred;

13. Notes the absence of proper regulation and 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 an internal 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 euro zone 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 euro zone, 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 throughout the 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: whereas the unemployment rate is 10 % on average, in some countries it reaches 20%, escalating to over 40% of young people, which underlines the extent of the 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 fewer taxes and social security contributions; notes that this increases the burden on those working, in the form of higher taxes, and on 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 that 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 is having negative effects on growth and employment, first affecting 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 represents only 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 USD 60 trillion 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 two 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 the fact that guarantees on deposits were provided for 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 EUR 750 billion stabilisation plan, which established a financial stability mechanism to address the risks of default by sovereign borrowers, partly using Article 122 of the TFEU as the legal basis of this plan; notes the inherent democratic deficit and accountability void of the Council's rescue package decisions, which 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 coordination among the different national recovery plans, as the multiplying effect and leveraging potential of EU-level coordination would most probably have exceeded the effect that can be reached through largely national-level planning, which carries the risk of being mutually contradictory; 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 response to the crisis and with regard to competition and the upholding of a level playing field in the EU, financial reform and job creation;

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

The 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 the energy mix , is not regarded as a strategic issue both internally and in the context of relations with partner countries; considers that initiatives on energy need to be taken in the EU on a basis of close coordination between the Commission, the Member States and the relevant sectors of the industry in order to safeguard the supply of energy sources, 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 on 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 for ensuring the steering and financing of projects in the following fields:

- 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";

- developing a high-speed public rail service connecting the Union from east to west and north to south, together with plans to facilitate investment in its infrastructure and critical infrastructure in public ownership;

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

- developing 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, to optimise long-term financing of pensions, and to 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 of rating agencies always to correctly assess and properly manage risks and 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, takes the view that 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 in order to restore confidence; calls upon the Commission, therefore, to investigate the use of off-balance sheet transactions, unfunded liabilities and the proliferation of SPV and SPEs and to 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 G20 level and within the European Union, and, where possible, to be abolished through the application of a common rule book for financial services;

41. Believes that loopholes in regulation which allowed subsidiaries of foreign financial services to operate significant unregulated business in the EU 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 been over-reliant 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 important part of of the 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 should be able to fulfil its fundamental tasks in normal times as well as in times of crisis;

46. Notes that the size of financial institutions and their respective balance sheets have introduced the concept of 'too big to fail'; calls on the Commission, therefore, to require

banks to produce a “living will” detailing 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), enabling it to make a major 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, 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 hedge funds must be submitted to the same rules as any and every investment fund; stresses that supervision and regulation must target speculative movements on the financial markets in order to curb and rein in speculation against countries, currencies and economies;

51. Considers that lax corporate governance of financial institutions has contributed to the crisis and needs addressing in order to ensure that risk committees are operational and effective, board members are sufficiently knowledgeable about the institution's products and 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 their clients, shareholders and employees;

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

54. Deems it vital that the EU should take into account, in defining 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, such as savings banks and cooperative banks, while recognising that different banks have different areas of expertise and core competencies; notes that plurality has proved its worth 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, knowing the character, track record and business plan of loan applicants, is in a position to take a calculated risk based on personal knowledge in accordance with EU legislation such as the MIFID and consumer credit directives which provide 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 to the difficulties posed by the enormous amount of private debt for both 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 a 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 from a lack of competition; proposes that research be carried out into the reliability of a system whereby investors and savers pay for access to the information they need;

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 ratings market could improve the quality of ratings;

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

EU governance

61. Considers that at times of economic and social crisis Europeans expect accountability, responsibility and solidarity to be the guiding principles behind European decision making;

62. Notes that for decades before the crisis, many European countries were experiencing low economic growth and high unemployment owing 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 to low domestic demand; notes that Europe needs more transparent and efficient financial markets and higher economic growth that is 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 or, failing that, that the financial transaction tax should be introduced as a first step at EU level; calls on the Commission swiftly to produce a feasibility study taking into account the global level playing field and to 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 it; therefore deems it essential that the policies implemented be consistent; considers that action by the EU institutions will be decisive here;

66. Notes also the 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 outside the euro area with an alarming rate of public debt;

68. Points out that the long-term sustainability of public finances is essential to stability and growth; welcomes the Commission proposals to strengthen the management of the euro zone 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 led to financial consolidation strategies which will greatly constrain the governments' capacity to act; at the same time, warns that these austerity packages should not lead to measures which could dampen economic recovery, employment creation and social cohesion;

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

can be attributed to inadequate governance and, as reported by the 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 that it reflects the euro zone's weaknesses in coping with the spillover 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 expenditure, 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, and public investment must be properly targeted and focus on innovation, research, education and energy efficiency, and new technologies should be considered a 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, the common commercial policy (CCP), the euro, the launching of structural reforms and 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 be overburdened with debt contracted in the past;

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 up to the public sector, but that reliance should be placed on tripartite systems including public, occupational and private pension schemes duly guaranteed by specific regulation and supervision in order to protect investors; considers, furthermore, that pensions will need to undergo European-wide reform to 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 been anticipated;

78. Believes that what Europe needs is a more united and 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 internal market; considers it vital for the Commission to utilise regulations instead of directives as the legal basis in order to facilitate uniform adoption across the EU and to 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; recalls that in this endeavour we must bear in mind our commitments on climate change and the potential of certain green technologies; considers that the EU budget needs to be better used, so that it becomes a real catalyst for all national efforts in the areas of research and development, innovation and creation of new businesses and jobs; calls further on the Commission to put forward concrete proposals on how to enhance cooperation 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 the market and where there are no privileges distorting it;

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; also suggests 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 call, if the strategic objectives of the Union are to be achieved by 2020, for new financial models involving both public and private funds;

84. Invites the Commission to make full use of 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 create separate institutions on an intergovernmental basis, which would exclude some countries from decision making and would prevent equal weight being given to the views of all Member States;

85. Urges the Member States and the Commission to accelerate the creation of conditions for the public and private sectors to cooperate closely including in the form of public-private partnerships, in order to meet the challenge of long-term investment at national and European level, leading to sustainable, inclusive and competitive growth;

Economic and Monetary Union policies

86. Confirms its 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 euro zone; takes the view that, first and foremost, the euro must be a bastion of stability for 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 that 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, independence of the ECB, budget discipline and fostering 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, but calls for the ECB to play a greater role in controlling asset inflation;

91. Stresses that the SGP is the only existing regulatory instrument that can provide a fundamental regulatory framework for macro-economic policies and public finances in the EU;

92. Underscores the need for the euro zone to increase its resilience by finalising an institutional set-up based on both 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 euro zone economies, thus exacerbating the consequences for the economically weak countries and leading to substantial trade imbalances within the euro zone; notes, however, that the benefits of the euro for the Union as a whole, for example 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 on the need 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 Stability and Growth Pact is an important tool for putting pressure on the sustainability of public finances, which has contributed to economic responsibility

within the euro zone; 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 euro zone as a whole; considers that this economic policy instrument was not designed to act as a sustainable corrective process to compensate for current imbalances and manage periods of crisis or of very low growth; takes the view that beyond the application of existing rules, Member States should implement internal policies to foster growth, innovation, competitiveness and a qualitative objective whereby the public deficit must not exceed certain 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 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, 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 euro zone and had not anticipated the high degree of divergences, which ultimately led to an increase in the spreads, as fears concerning the solvency of some Member States drove up their risk premium;

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

100. Urges that the provisions of the Stability and Growth Pact be strengthened, especially its preventive arm, where the means of peer pressure is the strongest instrument presently available to make Member States comply with Council recommendations; calls for the economic surveillance carried out by the Commission to be given 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 to be applied to the implementation of the Stability and Growth Pact, which would contribute to preventing any worsening of the current crisis and ensure the prevention of a new crisis in the future;

102. Believes that multilateral surveillance and requests for adjustment must be directed at situations of both deficit and surplus, taking account of each country's specific circumstances, in terms of 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 the quality of statistical data;

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

104. Takes the view that the Stability and Growth Pact proved not to be efficient enough in coordinating fiscal policies, that its reliance on individual countries' policies raised problems with enforcement and fairness of information, that it failed to make the link with employment levels and job creation in such a way as to generate a properly balanced economic policy mix, and that it also failed to address the issues of real convergence, competitiveness and creation of euro zone synergies; takes the view, therefore, that there is a need for further coordination among Member States, and the euro zone economies in particular, in order to strengthen the economic balance in the euro zone;

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, in addition to having a single currency, the euro zone countries should go a step further by making arrangements for a mutual issue and management of a proportion of Member States' sovereign debt providing a basis for more complex multilateral surveillance, in order to ensure that the euro zone 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 distribution systems in the new Member States, needs strong support and solidarity from the Union; regardless of any global financial, economic and social crisis situation, the euro zone 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 euro zone itself.

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

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 a sustainable market economy; believes that such guidelines should be defined annually on the basis of an assessment which includes 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 a long-term economic growth area;

112. Considers that public expenditure used efficiently with a view to the future (on education, training, infrastructure, research, environment etc.) can stabilise the economy by nourishing healthy, 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 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 in terms of spending in different categories; believes that Member States should view their respective economic policies not only 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 are needed between the national budgets of the 27 EU Member States and the EU budget; emphasises the greater role the EU budget should play in terms of 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 in accordance with the EU strategic priorities;

116. Points out that a common currency can only operate if Member States coordinate their budgetary policies and open their books to each other; recognises that this process requires 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 sectors and short-term remuneration in the private sector and which 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 an exit from the sovereign debt crisis will require a long-term process which must be well designed and ensure 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 all the instruments needed at this stage to put in place real economic governance of the Union and better surveillance of the state of public finances in the Member States;

Internal market

122. Highlights calls in the Mario Monti and Louis Grech reports, adopted by the European Parliament on 20 May 2010, for a more holistic approach to the internal market, in terms of both strategy and perception, with a view to making it more effective and restoring public confidence; underlines the importance of the “Single Market Act” initiative of legislative and non-legislative proposals to strengthen and update the internal market, complete the Digital internal market and address and break down remaining barriers;

123. Considers it essential that the Single Market Act include an ambitious agenda for social and consumer protection in the form of the insertion of a social clause in all legislation related to the internal market, legislation on services of general economic interest, a legislative agenda to strengthen workers' rights, an ambitious legislative package for consumer protection that makes a difference to the daily lives of citizens and better tax coordination by means of harmonisation of the corporate tax base and VAT rates;

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

125. Points out that the internal 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 with a view to facing the economic crisis and strengthening the internal market;

126. Takes the view that initiatives by single states cannot be effective without coordinated action at EU level, making it fundamental that the European Union speaks with a strong single voice and implements common actions. Solidarity, on which the European social economy model is based, and the coordination of national responses have been crucial to avoiding 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 internal market and a reduction in 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. Encourages the Commission, therefore, 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 also rely 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 internal market for business in the era of globalisation, in order to boost job creation and innovation in new technologies in Europe;

130. Believes that in order to establish an effective internal 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, with the aim of 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 and 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 internal 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 conduct 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 finally to 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 to the internal market; remains concerned, however, that there are still significant problems for public authorities in achieving their policy objectives within a complex set of rules, as well as in ensuring SME access to the public procurement markets;

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

136. Believes that putting in place sound, effective rules for an economic area, following a crisis on the scale of the one we have experienced, constitutes 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. Takes the view that Europe should once again turn into a favourable location for investments and production, and become a world benchmark for innovation and growth; believes that financial institutions, be they public or private, must do their utmost to ensure that the financial markets work for the benefit of the real economy and of small and medium-sized enterprises;

138. Asks the Commission to carry out an annual assessment of public and private investment needs and how they are being, or should be, met;

Taxation

139. Recognises that in order to further develop the Union's internal market, a coordinated approach is needed at both national and EU level to capitalise on best practices in the fight against tax fraud and evasion, while defining appropriate incentives for tax payers to duly pay their taxes and for the tax authorities in the Member States to adopt effective preventive measures against all types 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 internal market as a result of the different levels of tax fraud in the Member States; asks the Commission to draw up an impact assessment to evaluate the different problems caused by tax evasion and the black economy in all the 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; calls on the Commission to propose a set of measures to help the 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, which would bring together representatives from the Member States, as an important way of encouraging dialogue between European countries; invites the policy group to discuss primarily the framework for a tax system that would address environmental goals and support resource efficiency; welcomes the proposal for a directive on a common consolidated corporate tax base in the 2011 Commission work programme;

143. Recognises that a major driving force for institutional improvement and economic growth in the Member States is their sovereignty in choosing how they wish to levy taxes; regards it as essential to reduce taxes on labour, both for the sake of the least

fortunate and in order to allow the middle classes to live decently from the fruits of their labours;

144. Advocates a tax structure geared to easing the burden on labour and encouraging, and creating 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 in the European Economic Recovery Package, being a public policy which can be used to respond to the crisis and address short-term demand stimulation while at the same time investing in long-term growth and competitiveness;

147. Considers that the strength of cohesion policy in linking recovery to long-term growth comes from its three basic characteristics: it sets strategic guidelines that are conditions for resources to be transferred, which are binding on both Member States and regions; it leaves space for Member States and regions to tailor interventions to local specificities; and it has the capacity to monitor and support in pursuit of goals;

148. Underscores that the uneven impact of the crisis across Europe's territory reflects different competitive starting points and varying degrees of recourse to anti-crisis measures, and that it means different long-term outlooks; points out that the effects of the crisis may result in weakened territorial cohesion if it is not countered with 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 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 more effective promotion of 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 and are capable of harnessing the policy tools they have at their disposal and the enthusiasm of all partners – business, academia and civil society;

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

151. Expresses, therefore, its concerns at the lack of progress in devolving power to communities, given that local and rural communities provide opportunities in terms of the economy, employment and community building, and that providing support for

these communities allows exclusion to be reduced by reinforcing the fabric of the community and thus increasing its capacity for absorption;

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, and that this can be stimulated through strong regional banks; notes that regulation of the financial services industry should take into account the need to stimulate entrepreneurship and financing for SMEs, and that financial support for SMEs in cohesion policy should move towards venture capital finance, which would allow greater involvement of the banking sector and a more efficient use of structural funds;

153. Calls for further reform of the current cohesion policy structure to enable funds to be provided more rapidly and efficiently to Member States, regions and cities; points out that more flexibility is required and that the Commission must take this 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, green growth, and improvements in economic, social and territorial cohesion at European level, especially between old and new Member States;

EU 2020

155. Calls for the EU 2020 strategy to pursue a broad political concept of the future of the EU as a competitive, social, sustainable Union which places 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 our macroeconomic policies closely, aiming as a priority to increase the Union's growth potential and focusing on a model of inclusive and sustainable development, without which none of our problems can be solved; considers that this should be the focus of the new EU 2020 strategy;

157. Recognises that, in order to prevent the responses to the euro crisis from 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 excellence and equity and reforming the educational model; believes that education should constitute a public good in the eyes of the Union, with investment in all aspects of the education system, in quality of education and in

broadening access to higher education; proposes the introduction of a permanent, inclusive European-level system of lifelong learning, under which the Erasmus and Leonardo programmes for education and training mobility would become more generally accessible; points out the need to urgently raise the level of investment in the field of R&D, particularly in view of the 7FP mid-term evaluation and the next EU financial perspectives;

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

161. Considers that the EU 2020 Strategy as proposed by the Commission should concentrate on making the internal market less bureaucratic, by reducing administrative burdens on business by 25% by 2012, and more efficiency-driven, by using the internet as the backbone of an EU-wide e-market that will generate 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 the 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; takes the view, moreover, that a life-course perspective should be introduced, as poverty of its parents has a direct impact on a 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 an EU framework policy on minimum income schemes, taking account of subsidiarity, different practices, collective bargaining and national law in the Member States, and 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. Considers that the Member States should hold debates in their respective national parliaments prior to adoption of their stability and growth (EU 2020) programmes;

Innovation

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

168. 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 to be at the forefront of new employment sectors and attracting private investment;

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

170. Considers that energy network interconnections are crucial to the functioning of the internal market in the energy sector, as well as to more extensive generation of energy from renewable resources; emphasises the importance of smart-grid development;

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

172. 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;

173. 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;

174. Calls on the Commission to develop and propose a mechanism whereby SMEs and other innovators would be offered 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 mechanisms by the European Investment Fund distributed through the private equity fund, would enable the projects to leverage private investment up to 80%;

175. Supports the establishment of financial institutions to provide financing for innovation projects throughout the Union, which are essential for future sustainable growth;

176. Urges the Commission to work to eliminate administrative hurdles, and to improve the conditions for innovation, for example by creating the single EU patent. Notes that well-intended programmes aimed at boosting competitiveness and shaping a sustainable economy are not working properly, as SMEs, universities and multinationals are discouraged from participating in European programmes;

177. Notes that fiscal and monetary policies are no substitute for structural reform, which must address the underlying weaknesses of the European economy – sharply growing debts and deficits, an ageing population, the highly probable new surge in inflation, risks to industries generated by climate-change policies, especially owing to uncertainty about new targets and standards, low productivity and lack of competitiveness; calls for higher efficiency in using public money, at both European and national levels; considers that the differences in the timing and 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; believes that these efforts should lead to faster real convergence among national economies;

178. 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;

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

180. 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 emphasised 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 internal market;

Employment

181. Considers that one of the great challenges facing the European Union is that of maintaining its competitiveness, increasing growth and combating high unemployment;

182. 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 improving employment performance; calls, therefore, for a new agenda to promote decent work, guarantee workers' rights throughout Europe and improve working conditions;

183. 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;

184. 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;

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

186. 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;

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

188. Calls on the Member States and the Commission to achieve a 75% employment rate for men and women by 2020 by reducing labour-market segmentation and stepping up efforts to facilitate the balance between work, caring responsibilities and family life;

189. 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 programmes to equip young people with the skills needed in the real economy;

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

191. Believes that, while education should remain the responsibility of the Member States, EU investments and EU-wide recognition of qualifications are needed in all aspects of the education system, in the 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;

192. Makes the point that employment is one of the key factors in 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 that offers decent work and furthers the cause of innovation;

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

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

195. Notes that it is important to facilitate mobility, which also makes it easier for companies to find the skills they require and the internal market to function better, including 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

196. 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;

197. Believes that it is time to look to the future and learn from the lessons of the past, thereby achieving over time the structural changes that will make our SMEs more competitive and ready to face the additional pressures that will come from the globalised environment and our competitors' capacity to enter into ever more innovative markets, and in so doing potentially guaranteeing jobs for many of the more vulnerable members of the work force and their families;

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

199. 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 an EU Guarantee Fund for SMEs; also calls for an evaluation of existing funding schemes, especially the CIP programme, and for dedicated efforts to make EU-backed loans accessible to businesses in all Member States and to develop services to SMEs and social dialogue structures;

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

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

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

203. Notes that the financial crisis, compounded by the resulting economic downturn, has resulted in less risk capital being available for SMEs and entrepreneurs; calls, therefore, 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;

204. Takes the view that, in the context of recovery, particular attention should be paid to the role of SMEs in terms of productivity and the creation of new assets, and that mechanisms should therefore be implemented to avoid the exit of SMEs from the market, increasing unemployment and prolonging economic frailty; considers that efficient distribution of the European Social Fund should also be guaranteed;

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

206. Realises that the EU internal market helps to create a fertile business environment throughout the Union, whilst also benefiting consumers; is aware, nonetheless, that SMEs face numerous challenges in operating in the internal market and often operate below their efficient scale, and that, especially at the micro level, SMEs need to be supported in order to be able to operate throughout the internal market, that their access to information about opportunities needs to be brought up to the level where trans-European platforms can be established, and that only then can SMEs explore business opportunities, find complementarities and, ultimately, find the means to gain access to markets within the Union;

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

208. Encourages the creation of specialised stock markets which cater exclusively to SMEs and have low barriers of entry, with a view to facilitating the equity process; considers that SMEs should focus more on equity, and against this background proposes the removal of negative tax incentives for both sides of the market, the investors and the market;

209. Calls for the 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 to fostering the EU's recovery;

210. 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 European and national level. Points out that, by definition, innovating start-up SMEs carry a high-risk bankruptcy profile, so that an entire rethink of their financing and corollary activities is needed. Stresses that, since these innovating start-ups are in the most difficult position when it comes to obtaining financing through the banking system, credit guarantee schemes need to be drawn up specifically for this segment;

211. Calls on the Union to aim for a more balanced composition of financing for SMEs; notes that the share of capital markets in financing SMEs has to be increased;

212. Proposes that the Commission should establish a "One SME – One Job" project by creating a new financial instrument at EU level to encourage the activities of SMEs in the Union; considers that a more balanced composition of financing of SMEs should be achieved. Takes the view that the share of financing of SMEs via capital markets, venture capital, 'angel investors' and public-private partnerships must be increased and stimulated. Calls on the Commission and the Member States to reduce significantly

public procurement bureaucracy for SMEs and to cut red tape, a move which is essential to the wellbeing of SMEs;

213. Calls for the reform of the Small Business Act document, including binding provisions to be applied by all Member States, and for the establishment of a new Social Small Business Act, which would be a necessary reinforcement of the European social market economy in the post-crisis era;

214. Recommends the creation of a one-stop shop; one-stop shops are needed in connection with every administrative issue for SMEs. Takes the view that a reduction in the administrative burden borne by SMEs is of great importance, as is the introduction of a social component in SME-relevant European legislation. Believes that Europe needs to become the most SME-friendly region of the world;

Development

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

216. Calls for a re-affirmation of the pledging of 0.7% of Member States' GNI to development aid and for an exploration of additional innovative sources of financing to close the financing gap caused by shrinking economies in the developing world;

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

Global governance

218. Recognises the weaknesses and problems caused by the lack of legally binding powers, and the disconnectedness, of the global financial and economic institutions; welcomes in consequence the initiatives to enhance, by means of reform, the effectiveness, global reach and accountability of the IMF and other UN institutions, so that they can be mandated to serve as a platform for overarching economic and financial sector coordination initiatives and, where appropriate, given powers to lay down legally binding rules in the form of international conventions;

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

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

221. 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 the BCBS rules should come into force in the form of international treaties;

222. 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 automatic, multilateral exchange of information as standard procedure worldwide, with a view to improving fiscal transparency and combating fraud and tax evasion;

223. 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 adopted by the ILO to date;

224. Concludes that we need more Europe; considers that there is an urgent need for political and intellectual leadership in order to put the European project back on track; takes the views that 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 internal market project which underpins the Union needs to be completed; urges that mechanisms for economic governance within the Union be strengthened, especially from the point of view of better accountability, contingency management, and economic and employment policy coordination;
Asserts that the financial and supervisory reform agenda must move forward rapidly, addressing not just the shortcomings observed in the crisis but also the need to design 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 a revitalisation of the sustainable social market economy and the values it enshrines;

225. Is committed, within the framework of the Special Committee on the Financial, Economic and Social Crisis, to fulfilling the aims laid down in its mandate in close cooperation with the EU national parliaments, with a view to adopting joint recommendations;

226. Instructs its President to forward this resolution to the Council, the Commission, the President of the European Council, 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:
  - The EU needs to focus on solidarity, job protection and social justice.
  - 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.
  - 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.
  - 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:
  - 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.
  - 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".
  - Policy making should focus on the "boom-bust" cycle since better regulation during boom periods could limit the amplitude of the bust.
  - Regulatory emphasis needs to ensure that financial institutions do not become too risky and make it easier to resolve them when things fail.
  - Accounting standards should be revised to enable them to provide verifiable information to market participants.
  - The MiFID model has to be complemented by product regulation.
  - 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:

- The EU needs to enhance coordination and make better use of synergies between different levels of public governance and different policies.
- Territorial specificities and the asymmetric impact of the crisis should be taken into account when designing crisis exit policies.
- Exit investment patterns should be aligned with long term growth priorities.
- Local lending should be strengthened through strong regional banks and backing of the EIF.
- 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
  - 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.
  - 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.
  - 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:
  - 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.

- 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

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

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 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