



5<sup>th</sup> November 2008

**PES Leaders' declaration  
adopted by the PES Leaders on 5<sup>th</sup> November 2008**

**Taking Europe out of financial and economic crisis: An Urgent European Plan of Action**

Last night the new President of the United States of America announced “Change has come to America”. This is a time for change in America and also in Europe and the whole world. We, the PES are ready to deliver change in Europe. We are faced with the same challenges as President Obama to halt recession, to create new and better jobs, to tackle climate change. In this declaration we present our plans for change and to stop recession, and we welcome the prospect of renewed cooperation with the United States to work “toward the hope of a better day”.

**This crisis is the great defeat of neo-liberal capitalism . Unfortunately, millions of innocent, working families are paying the price. This is totally unacceptable – the European Union and all Member States must act now. We must act on the basis of our way- the socialist and the social democratic way – not for a market society but for the well regulated social market economy.**

We are facing the biggest and deepest crisis in the history of the European Union. Speculation, greed for excessive returns, lax regulation and irresponsible managers have led financial institutions to fail and markets to lose confidence. It is an unprecedented crisis leading rapidly to recession, rising unemployment and falling investment. People are fearful for their homes, their savings, their pensions and their jobs.

Now is the time to swing the balance in favour of democratic governance over the market, in favour of the public interest over private financial gain and unaccountable speculation. It's time to propose our progressive vision on a new reform of financial markets, which will ensure that a financial crisis will never occur again. Ordinary families should not pay the price for the greed and irresponsibility of the financial markets. Socialist, labour and social democratic European political parties must make the case for action to safeguard the standard of living of our citizens. We cannot afford to wait – decisive action is needed now.

Our social democratic way is the solution to the crisis –the well regulated social market economy. In recent years the conservative ideology of deregulation and neo liberalism has been dominant. They argued that government was bad and the market was good. But markets without adequate rules are bound to fail. This crisis is the final proof.

We cannot obtain much-needed investments in our societies to create new and better jobs and a knowledge-based economy, without regulated, transparent and stable financial markets. We cannot ensure the functioning of the financial markets without actions to fight recession. Preventing a financial meltdown was the first, urgent step. Now we must urgently take action in a second step for better regulation and to counteract the economic recession.



Europe needs energetic and coordinated action from the EU and its Member States simultaneously on two fronts:

1. Economic policies to defeat a recession and create new jobs and growth;
2. An EU regulatory framework to a better financial market;

## **1. An Urgent Action Plan for Growth, Jobs and social policies to counteract the recession**

Economic recession is not a law of nature. We need action at Member State and at European level and we need it now.

Member States have already begun to take national action in response to the economic downturn. But we must avoid potential conflicts and costs related to lack of cooperation. These are the most important needs for action:

1. We must protect vulnerable groups from increases in food and housing prices, and sustain their pensions and income levels, sustaining purchasing power. We must ensure as a part of our solution create opportunities for young people.
2. We must act simultaneously to take full advantage of our economic interdependence. Therefore, we need coordinated investments across Europe's Member States, making sure our recovery plans are an integrated part of common efforts for smart, green growth and jobs and meeting Europe's climate and energy goals.
3. The EU should consider a new financing opportunity through European green bonds at a zero interest rate to finance green investments.
4. Bolder measures to support SMEs should be introduced to complement the recent EIB measures, particularly to ensure sustained credit lines to SMEs by the banking system.
5. The scope of restructurings covered by the Globalization Adjustment Fund should be widened, to take account of the impacts of the crisis. Furthermore, more flexibility for co-financing of the Structural Funds should also be introduced.
6. Targeted interventions to support EU Member States which do not belong to the Euro zone and have been particularly hit by the crisis

Europe has a massive responsibility to take the lead in this fight against recession.

## **2. A regulatory reform of financial markets – Europe must take the lead**

Our long-term goal is a new global financial market regulation – a new WFO with competences corresponding to the WTO. We are cooperating with the US democrats for converging roadmaps. But it will take time. Europe has a unique obligation and chance to be the first initiator for creating new and better rules for the financial market. That's why Europe must take the lead with its own new roadmap for regulation – in the same way as we cooperated to avoid the meltdown of the banking system.

Europe must begin this new reform for better regulation. These are our 10 concrete actions:

1. No free ride any more – either for hedge funds, private equity or investment banks. New regulation must cover all financial players.
2. We insist on a new strong standard of transparency and disclosure for all financial players.
3. A European supervision, to cope with the cross-border financial market players, starting with a mandatory link between national authorities.
4. Fair and correct ratings of all products. A European credit rating agency would be an essential contribution.
5. An end to irresponsible, excessive borrowing and untransparent debt packages. We insist



- on new rules to ensure strong capital reserves for all financial institutions that deal with loans and debt.
6. Responsibility and risk must be reconnected and speculative, incremental short-selling, that exacerbates the crisis, must be banned.
  7. Greed and conflicts of interest should be tackled. We demand limits on executive pay and remuneration, and mechanisms to ensure that earnings reflect losses as well as profits and a fair taxation must be realised.
  8. The same rules of transparency should apply to sovereign wealth funds as to the rest of the financial markets.
  9. We must protect workers' interests by ensuring that employees are informed and consulted during all takeovers, including leveraged buy outs, and by making information available on investments made by pension funds.
  10. We must resolutely fight tax evasion and eliminate International tax havens .

This European roadmap for regulation must be our basis for a stronger voice at global level future cooperation with the USA and Japan on the path to global regulation.

The EU should play an effective role as part of the reform process of global financial architecture. We cannot continue with the "soft" regulation of Basel II. **A real Bretton Woods II reform is essential.** We need a global regulatory framework for the financial markets through the establishment of a new World Financial Organization (WFO).

**We insist that all European Member State, the European Council, the European Parliament and Commission should take immediate action. Europe needs to have a common voice in these international negotiations.**

For far too long the conservatives have dictated that the market should do it alone, in Europe and in America. Now it's time for change and a new direction for Europe as well as for the USA.

**PES Leaders, gathered today at this Emergency PES Leaders' meeting, insist that the European Union should establish this new Urgent European Plan of Action.**

