14.2.2017 A8-0038/1

Amendment 1
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on behalf of the GUE/NGL Group

Report **A8-0038/2017**
Reimer Böge, Pervenche Berès
Budgetary capacity for the Eurozone
2015/2344(INI)

Motion for a resolution (Rule 170(4) of the Rules of Procedure) replacing non-legislative motion for a resolution A8-0038/2017

European Parliament resolution on budgetary capacity for the Eurozone

The European Parliament,

– having regard to the Treaty on European Union (TEU), in particular Articles 122 and 151 thereof,

– having regard to Rule 52 of its Rules of Procedure,

A. whereas it became obvious during the financial crisis that the EU Treaties do not provide the euro area with the instruments to deal effectively with economic and financial shocks and do not cater for an orderly exit from the euro area; whereas the economic governance framework has, in fact, proved to be counterproductive as it forces Member States to adopt pro-cyclical measures, does not serve and is contrary to both workers' and people's interests and constitutes a powerful inhibitor of societies' progress;

B. whereas, following the introduction of the euro, structural macroeconomic imbalances and asymmetries between Member States have led to several Member States having overvalued real effective exchange rates, with considerable negative impact on their productive structure and international investment position, and have caused a recessionary bias in the Member States of the European Union;

C. whereas the Economic and Monetary Union (EMU), the common policies and the single market have not fostered convergence, cooperation or solidarity, but rather economic domination, divergence and uneven development; whereas cohesion policy is not sufficiently effective in tackling the divergence among Member States;

D. whereas the economic governance framework and the EMU have served to implement cuts in public investment, labour income and public welfare, promoted the privatisation of public assets, the liberalisation and deregulation of markets, demand-hampering structural reforms and the loss of social and labour rights, including the dismantling of collective bargaining, which is enshrined in core conventions of the International Labour Organisation (ILO) and the EU Charter of Fundamental Rights; whereas this has caused economic stagnation, deflationary trends, rising socio-economic inequalities, poverty and high unemployment;

E. whereas Member States have been forced under duress to adopt harsh adjustment programmes at enormous social and economic costs; whereas several national governments resigned after financial assistance was withheld; whereas the lack of a fair system of redistribution leads to the disintegration of core economic sectors in the peripheral countries, and instead of having a set of investment programmes to promote growth, these Member States become hostage to permanent borrowing to address this imbalance;

F. whereas the three financial stabilisation instruments created outside of the EU budget structure and outside of the Treaty provisions – the Greek Loan Facility (GLF), the European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM) – have in particular contributed to the imbalance between core and periphery economies; whereas these mechanisms have imposed conditions of enforced austerity on access to credit, hampering the capacity of the Member States directly affected to react to their concrete situation; whereas such conditionality being imposed on sovereign governments is unacceptable and anti-democratic;

G. whereas the Banking Union contributes to further banking sector concentration in the EU, has further weakened the Member States' ability to control their banking systems and does not tackle the 'too-big-and-too-interconnected-to-fail' problem, and hence the bail-in regime remains non-credible, putting taxpayers and Member State budgets at great risk;

H. whereas the Capital Markets Union will amplify systemic risk via securitisation and foster shadow banking and asset-stripping of public infrastructure by insurers and pension funds, as opposed to strengthening sound and decentralised retail banking as the primary source of funding investment for small and medium-sized enterprises (SMEs);

I. whereas the Five Presidents' Report on the future configuration of the EMU envisages bringing into force a wide range of tools, bodies and frameworks that prevent a way out of the prevailing austerity and neoliberal narrative; whereas this will aggravate pro-cyclical policies and weaken the democratic sovereignty of Member States; whereas its central recommendations, such as productivity boards, undermine collective wage bargaining; whereas this report was drafted without the involvement of the European Parliament or of national parliaments;

1. Notes the greater importance attributed by the Commission to the euro area fiscal stance; stresses that this is insufficient to break with the austerity policies;

2. Deplores the blackmailing posture of the EU institutions and some Member States towards those countries that decide to break with the austerity policies and the

neoliberal doctrine;

3. Stresses that the introduction of any kind of budgetary capacity for the euro area by itself will not solve the structural imbalances in the EMU and that a fundamental change in the orientation of its economic policies and governance is required to address the root causes of the euro crisis, particularly the contribution of macroeconomic imbalances to private and public indebtedness;

4. Rejects the establishment of the envisaged Eurozone Treasury, since it will imply a further concentration of power in supranational entities and the Treasury will be embedded in the framework of the Fiscal Compact and may contribute to the enforcement of demand-hampering structural reforms, thus undermining democratic sovereignty and contributing to the imposition of austerity;

5. Stresses the need for a banking structural reform separating retail banking from investment banking to allow for orderly bank resolution without the privatisation of profits and the socialisation of losses, while ensuring public control and decentralisation of the banking sector, as opposed to the aggravation of systemic risk and volatile financing conditions via the Capital Markets Union;

6. Considers that the EMU exposed its vulnerability in the context of the global financial and economic crisis when unsustainable imbalances, caused by beggar-thy-neighbour policies in core euro Member States such as Germany and by short-term capital flows to the periphery, contributed to elevated debt levels (private and public) and caused a dramatic increase in government borrowing costs in some Member States, following the rise in public debt owing to bank bailouts and initial counter-cyclical policy responses to the crisis;

7. Warns that future shocks could further destabilise the euro area as a whole, since the EMU, as well as the European economic governance framework, prevents its Member States from using the right and necessary economic tools to respond properly to the current and future economic and social crisis; considers that, in the case of symmetric shocks brought about by a lack of internal demand, monetary policy alone cannot reignite growth, particularly in a context of zero lower bound, and that these symmetric shocks should be addressed by funding investment aimed at aggregate demand and full employment;

8. Stresses that the introduction of the euro as a common currency has eliminated tried and tested policy options for counterbalancing asymmetric shocks, such as exchange rate realignments; reiterates that the relinquishing of autonomy over monetary policy therefore requires alternative adjustment mechanisms to cope with asymmetric macroeconomic shocks and to achieve real and social upward convergence under democratic control;

9. Calls for the establishment of a support programme and, at the request of the Member States in question, the option to join an exchange rate mechanism with the European Central Bank for the symmetric stabilisation of exchange rates for those Member States which may wish to negotiate an orderly exit from the euro on the grounds that their membership has become unsustainable and unbearable; stresses that such a programme

should provide for adequate compensation for the social and economic damage caused by these Member States' presence in the EMU; stresses also the need for the creation of an emergency plan to support the economy of those countries that have suffered from the Troika's intervention; underlines the need to create legal clarity on an orderly exit from the euro in the framework of Union membership and the need for application of capital controls, including debt restructuring and debt write-down, governed by the principles of *lex monetae*, according to which debtors may settle debts in their preferred currency;

10. Is extremely worried about the debt burden on the EU peripheral countries; considers it imperative to reduce the debt burden, through debt renegotiation (of amounts, maturity and interest rates) and the annulment of its speculative and illegitimate component, bringing it to sustainable levels, as a matter of urgency and of elementary justice;

11. Calls for the Treaty on Stability, Coordination and Governance and the European Semester to be repealed, as they constitute an undemocratic economic straightjacket that has an adverse effect on Member States' economic performance and social development; calls for them to be replaced by policies which ensure upward social convergence, inclusive growth and employment; stresses the need to exempt public investment from the Maastricht criteria until these treaties are repealed (golden rule of public investment), as investment creates income streams and assets for future generations and the intertemporal spread of borrowing costs is hence justified;

12. Stresses that the European Fund for Strategic Investments (EFSI) induces rent-seeking and asset-stripping by private investors at the expense of the Union budget, via public-private partnerships, the privatisation of profits and the socialisation of losses, while only sparsely contributing to additional investment; considers that via EFSI the European Investment Bank has acquired too much levy over the Union budget while displaying a poor track record in terms of the regional distribution of investments and support for SMEs;

13. Calls for a meaningful public investment programme in support of the real economy, which should be based on solidarity and territorial cohesion; considers that this programme should focus on the creation of decent and quality jobs and at the same time increase the standard of living and social protection of workers, in particular strengthening collective bargaining and collective agreements and extending the right to strike;

14. Underlines the need for the European Central Bank to fund public investment in the real economy rather than asset-price bubbles, and that the purchase of bonds by national development banks to that end would be in accordance even with the currently dysfunctional EU Treaties; considers that public investment would have large self-financing effects via the multiplier, particularly in Member States with liquidity-constrained households and banks;

15. Stresses the need to effectively reduce chronic current account surpluses; points out that balanced current accounts of Member States are necessary to mitigate the need for permanent transfers and render arbitrary fiscal rules superfluous, as under the condition of balanced current accounts any Member State with a preference for higher public

borrowing could finance it via domestic savings without external indebtedness;

16. Stresses the need to tackle the problem of corporate tax avoidance and tax evasion and to establish progressive and fair taxation systems addressing base erosion and profit shifting;

17. Calls for the democratic control and accountability of the euro area to be strengthened at EU and Member-State level, pursuing maximum democratic control and transparency, by ensuring the participation of social partners and civil society at the core of the decision-making process and the restoration of political and democratic leadership in the development process by subordinating economic power to democratic political power;

18. Instructs its President to forward this resolution to the Council, the Commission and the governments and parliaments of the Member States.

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