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Draft Resolutions and declarations

FOR THE URGENT REFORM OF THE FISCAL STABILITY TREATY

Submitted by JS Portugal

Over the last decade, Europe is facing its second economic recession. The impacts of these two recessions are long known, namely with a huge increase in unemployment, disinvestment in social welfare and a reduction of public services such as healthcare and education, among many other social and political consequences. Despite the well identified problems and most importantly the well known root causes, the European Union has failed to act accordingly. Not only has the Union failed to break the cycle of recession, but it has also been unable to protect the European citizens mostly affected by the crisis, hence contributing to the decline of trust between the population and the institutions.

In times of recession, the need for economic investment increases in order to allow the States to implement policies that boost growth and at the very least maintain, if not increase, the social protection mechanisms. However, for the member states in the Euro Zone, since 2012, there has been pungent limitations. The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, more plainly referred as the Fiscal Stability Treaty (TSCG), which imposes a maximum of 3% budget deficit and 60% of public debt in GDP, has been one of the most clear limitations to these intents.

The need for balanced budgets and public debt under control is not something to be overlooked in Europe, nor is something that should be disconsidered. It is our belief that the mechanisms of control must be tendentially equal to all member states, in the sense that countries in similar situations must abide by the same criteria and that there shouldn't be different treatments among member states. Unfortunately, recent years have shown how states are not perceived or treated under the same circumstances; the revelations of François Hollande are merely one of the existing evidence of this fact. But, in times when economic recession is as steep as it is now and when political decisions most need to be made to protect the most vulnerable and promote the creation of new jobs, the EU needs to be able to be flexible and allow its member states to implement pro-investment policies. In order to allow for this flexibility there needs to be profound reform in the Fiscal Stability Treaty.

The reform of the Fiscal Stability Treaty does not revolve only around increasing the 3% and the 60% limits. The discretionary choice of these figures is, naturally, a matter of great concern to us for it settles virtually impossible goals for member states to achieve or to have as a realistic reference in the pursuit of a more equal society. Be that as it may, the real reform is one that allows for member states to apply economic policies that promote equality and social justice, also allowing for countercyclical economic policies in times of recession and social turmoil without the subsequent application of sanctions. Moreover, the reforms proposed by the EU in countries that go into default, cannot be based neoliberal policies. The TSCG has very clear determinations that member states must adopt in case of surpassing the established limits. These determinations include the liberalization of the labour market, the reform of the pension funds and systems and seldomly a set of privatizations in key economic sectors like electricity, energy, communications and transports and even water systems. These are not innocent or unbiased choices; au contraire, they are the result of an ambitious plan of reforms to further open the markets for private companies in sectors traditionally owned by the State.

As Young European Socialists, fighting for a fairer more equal society, we cannot accept limitations to policies that create more jobs, equal opportunities to all, regardless of any individual condition, and that allow for states to protect their citizens in the time where they need it the most. We believe that politics is above all the most noble instrument to improve people's lives, improving living conditions and eliminate the barriers that perpetuate inequality. Therefore, we urge the European Union to:

a. Reform the Fiscal Stability Treaty by reviewing the current limits imposed to member states in times of economic recession;
b. Allow for more flexibility in the need for compliance with the Treaty in order to implement countercyclical economic policies and a change in the counting of multi-year investments in a single year budget;
c. Ease on the sanctions in countries that go into default due to major international external factors, as was the case with the 2008 subprime crisis that severely affected the economic situation of almost all European countries.

The crisis of the Eurozone is a crisis of the banking sector, a public debt crisis, a crisis of under-investment and a social crisis. As all of this is interlinked, we cannot hope to end this crisis by separating those issues. Even though counter cycle economic policy can be seen as a way to counteract crisis, as young socialists we acknowledge that this way of making policy is not the only solution. The main goal must be to enforce economic growth and end the vicious recessionary cycle. Recognising that a reform on the FST itself wouldn't be enough, we as YES propose an additional multifold plan that requires no change in treaties:

a. We propose that banks in need of recapitalization from the ESM be turned over to the ESM directly – instead of having the national government borrow on the bank's behalf. Banks from Cyprus, Greece and Spain would likely fall under this proposal. The ESM, and not the national government, would then restructure, recapitalize and resolve the failing banks dedicating the bulk of its funding capacity to this purpose.
b. The Maastricht Treaty permits each European member-state to issue sovereign debt up to 60% of GDP. Since the crisis of 2008, most Eurozone member-states have exceeded

this limit. We propose that the ECB offer member-states the opportunity of a debt conversion for their Maastricht Compliant Debt (MCD), while the national shares of the converted debt would continue to be serviced separately by each member-state.

c. We propose that the European Union launches a new investment program to reverse the recession, strengthen European integration and restore private sector confidence. This program will be co-financed by bonds issued jointly by the European Investment Bank (EIB) and the European Investment Fund (EIF).

d. We propose that the European Commission in accordance with national governments starts an immediate social solidarity program that guarantees access to nutrition and to basic energy needs for everyone living within the European Union.