



**11th ECOSY/YES Congress  
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**Adopted policy paper on socialist economics**

## **THE ECONOMY AT THE SERVICE OF WELFARE – THE SOCIALIST ECONOMIC MODEL FOR THE EU**

### **EUROPE NEEDS AN INTEGRATED ECONOMY TO SERVE THE EUROPEAN SOCIAL MODEL**

Today the Single Market is at the heart of all European policy. All other political goals underpin the freedom of economic market. The fast integration of national markets and free trade have an impact on the economy, but they also have a strong impact on the European social model. The ideology of free markets undermines social standards and democratic decisions in Europe. To regain the trust of the people, Europe needs to deliver real benefits for everybody. Europe needs to become a place where social security is ensured for every member of the society, where young people can build a secure and self-determined future and no one is left behind. It is the noble duty of the socialist and social democratic forces in Europe to end the race to the bottom in term of social standards and to build a real political union. The European Union as a political tool has to be used to reinforce the primacy of politics over the markets.

The Young European Socialists believe that to overcome the current crisis and regain the trust of the people, as well as to re-balance the relationship between market actors and states, we need an entirely new way of looking at politics, economics and markets. We need to restore the balance in which economy is a part of society, not a separate entity to it, and where the economy is under democratic control and financial markets have a connection to the real economy. The purpose of the economy must be to serve the welfare of the people.

### **A CHANGE OF PRIORITIES IS NEEDED**

To achieve a social and democratic Europe, a change of priorities in the European agenda is needed. The creation of a single market for free trade can no longer be the most important goal of the European Union. The new number one priority of the European Union has to be the wellbeing of the people. We need a social, environmental and political Union. This includes a social security system that covers the life risks, an education system that ensures a good education for every child, decent working conditions and real democracy.

To ensure the wellbeing of the people and to develop a sustainable economy we need binding goals for a European social state.

## **BINDING GOALS FOR A EUROPEAN SOCIAL STATE**

A secured minimum income above the poverty line, fair and just wages, welfare support for the unemployed, a collective reduced working time in order to create more jobs, a high quality health care system for everybody, a pension system that enables people to keep their standard of living after a long working life, collective insurance against grave financial impact of risks like accidents, disability or need of care, free access to education and a decent childcare system need to be ensured for every European. We are aiming to achieve the same relative level of social security for each and every person in Europe, regardless of the member state in which they live. It is a matter of solidarity and justice, as well a matter of social peace in the union.

The bodies of the European Union shall have the responsibility to ensure equal social security levels in the whole union. Standards have to be binding for the member states.

We do have the need to agree on more concrete social goals to complete the approach to a coherent strategy, but even more importantly, we need to develop a plan to implement the strategy and achieve the defined goals.

Unfortunately the social standards in the member states of the EU today are not at the same level. To ensure that a system of common European Social goals is not misused to drive social standards in down, a system of minimum standards and target corridors need to be combined with a social progressive clause, that ensures that the level of social security already achieved at national level will be kept.

## **A PROPOSAL FOR A BINDING METHOD**

To achieve a Europe where social welfare is a priority, the institutional framework has to be changed. Today the European Union has exclusive responsibilities in all areas of the single market, which means for foreign trade, customs union, monetary policy, and EU competition law the European institutions have the right to make binding decisions for all member states in these areas. The side effect of this policy is a higher weighting of the policy fields around the single market. These policies have a much higher assertiveness than others and can so undermine social and democratic standards. A change in priorities has to be followed by a structural change of responsibility. The assertiveness of social and democratic standards needs to be weighted higher than the single market.

Therefore the responsibility of the European Union has to be extended in the area of social policies, economic governance, environmental and energy policies. The single market policies should no longer overrule social rights. The demands of Europe 2020 strategy are a good start and an example for the definition of the goals. We need sustainable growth and employment. But the goals have to be extended and made binding at least as binding as the fiscal consolidation agreements in Europe.

Another way to achieve stronger social goals, would be to strengthen the assertiveness of social norms legally in the framework of the European constitution and legislation. The European Union should acknowledge, widen and institutionally strengthen the European Social Charter. The Charter has to be ratified finally in every member state and become enforceable by law at European level. Other social rules and norms like the UN Civil Pact, the UN Social Pact and the Decent Work Agenda of the International Labour Organisation (ILO) should be treated the same way. In addition, we support the social dialogue on the European level. We want to strengthen European trade unions and to facilitate the implementation of European workers councils. The voice of the European employees has to be represented in the European Union.

Goal setting processes at the European level need to be agreed under a maximum of democratic influence of the European people and European parliament.

The policies to achieve the goals do not necessarily need to be implemented at European level. Existing systems at national level can act in a more sustainable and democratic way to achieve the commonly defined goals. A new way to approach the principle of subsidiarity, that shares responsibilities better between European, national and local level is a restart for a democratic Europe. In return, member states and local levels need greater opportunities to safeguard democratic and social rights against single market decisions.

A deep change in the European priorities is necessary to develop a true social and political union. This process cannot only be implemented technically, but need to be accompanied by a new constitutional process.

## **ECONOMIC GOVERNANCE**

Better regulation of financial markets is the base for any kind of economic governance in Europe. The financial crisis highlighted the need for stronger financial market regulation and supervision. The regulatory framework for creating a banking union, with enhanced supervisory and resolution rules must be at the centre of discussion. The banking sector must be reformed and recover its primary function: serving the needs of the real economy, amongst others by separating retail and investment banking. Financial liquidity must be restored, depositors' savings in retail banking must be safeguarded to restore confidence and the risk of major bank runs must be tackled. The shadow banking sector must be urgently regulated and consumer protection increased. Bank-like structures and products – including unnecessary derivatives, credit default swaps, and short selling need to be prohibited and traded only through central counterparties. Moreover, the credit worthiness of Member States must be protected against financial market speculation; to do this an independent, European Credit Rating Agency should be established. No European legislation should refer to the ratings of other Rating Agencies, without transparent evaluation criteria.

We demand the implementation of a European Financial Transaction Tax, if necessary using the method of enhanced cooperation. It is our aim to make a financial transaction tax a standard in Europe and the rest of the world. We need to make a complete reform of the European Central Bank in order to have a more democratic ECB. The ECB also has to be at the service of the member states by being allowed to lend money directly to member states. Even though the national debts of the rich world nations have gotten a lot of scrutiny, citizens' private debts which is at this point are even larger than nations have been largely overlooked. It is important for governments to take steps so that people would not suffer unnecessarily. Also it is important for governments to take action so that people would not be able to take loans they couldn't repay.

## **ECONOMIC INEQUALITIES BETWEEN MEMBER STATES NEED TO BE TACKLED**

The different levels of economic productivity and big differences in foreign account balances, where few countries have a large overhang of exports, causes financial instability and an unjust share of jobs in Europe. This problem has to be tackled as seriously as the budgetary topics. Therefore we demand that the European stability pact be complemented by a foreign stability pact, an agreement what defines a binding maximum corridor of trade imbalance for each member state between exports and imports.

Furthermore the ability for the European Union to support regions with structural problems need to be extended. If we do not develop methods to reduce the economic inequalities between member states, we have to break the taboo of financial equalisation between member states.

We support a strategy of growth in Europe. Austerity policies are never a path to financial consolidation and cause grave injustice in society. Therefore, YES rejects the implementation of the fiscal compact. A solid economic strategy for Europe needs a solid and sustainable industry

spread over the European regions. However stimulation of growth cannot be our only answer to tackle the financial crisis. We need to tackle the growing difference between rich and poor and we need to force banks, companies and people with high incomes to refinance the cost of the crisis.

## **EUROPEAN INVESTMENTS**

A European investment strategy is necessary. We demand a European future fund that can manage investments in Europe independent of national interests. The investment decisions should be taken from the European Parliament with the aim to foster sustainable production and ecological mobility.

When it comes to investment stimulus two things are essential. First of all we must create incentives to pool the investment potential from both public and private sector understanding that they are complementary. Such incentives should include Project Bonds for providing securities to privately funded projects with medium to long payback time. i.e. infrastructure projects. The funding of the public part of the investments should be done by increasing significantly the lending capabilities of the European Investment Fund and European Investment Bank by issuance of Eurobonds.

Secondly the investments covered by the program should be targeted to areas that have the best prospects of payback in terms of job creation, maximum value-added and increased competitiveness. Traditionally socialists have supported infrastructure projects as a means of stimulus. This the right way to act now too, but besides roads and bridges we must fine-tune the scope to be more focused on state-of-the-art technologies and cross-border infrastructure that unites Europe. Another major target should be industries and especially Research & Development that develops energy and resource efficient solutions. All of the funding should be more steered towards high-risk innovative projects, SME's and start-ups because it increases European competitiveness.

## **REDEFINING THE EUROPEAN FINANCIAL INSTITUTIONS**

A common European Budget and an own-resource European taxation, collected at European level are necessary. The European Budget has to change. The European Union has to increase its own resources and reform and expand its budget, with a strong political will and clear political choices for investments in the welfare of all its citizens. The 7-year budget cycle must also be changed to reflect the 5-year cycle of the European parliament mandate. This increases democratic control and transparency of the European budget policy.

The crisis of the eurozone still undermines the foundations of the European Union. Europe strongly needs to develop ways to tackle the problem. We support the idea of Eurobonds and welcome the initiative of the European Central Bank to bring interest rates down. But we also recognize that bold political solutions are needed in the long run. We need to prevent the exit of any single country and stop speculation about a break-up of the Eurozone. The blackmailing of states by the financial markets has to come to an end. Therefore YES calls for a possibility to refinance the state debts directly over the European central bank at the European key interest rate. Those who had a role in creating of the crisis have to also help refinancing the debt. We demand an additional wealth tax to be used to refinance the debt on a long run.

The mandate of the European Central Bank needs to be extended. Price stability cannot be the only goal of the European central bank. Future orientation of the central bank should equally include the level of employment and economic growth.

## **TAX HARMONISATION**

YES demands a European tax harmonisation. The open tax competition between member states has a grave impact on the European state finances in all member states. If our goal is to ensure a European social system, we can no longer allow this race to the bottom exist.

Minimum taxes have to be agreed primarily on corporate taxes. In the long run the minimum tax rates could be set also on personal taxes, wealth taxes and VAT. Tax havens have to be closed within the European Union. European bodies and political forces need to push on agreements with tax havens outside Europe. All tax treaties should include a requirement of automatic tax-data exchange. YES demands also country-by-country reporting by multinational corporations and creation of a common inclusive database for companies operating within the area of the European union. All countries in European Union should abandon exemption method as a method for the elimination of double taxation and introduce controlled foreign corporation (CFC) rules into domestic laws. OECD should let UN to lead the fight against tax havens and tax evasion. We also demand to close taxation loopholes in legislation that allows companies or other bodies to reduce tax rates through loss amortization or transfer pricing. The existing proposal of the Common consolidated Corporate tax base (CCCTB) that offers a harmonized tax regulation to multinational European companies but does not harmonize the rates of taxation. We reject the CCCTB and demand an alternative approach including, at minimum, a tax harmonisation on Corporate income taxes.

## **A DEMOCRATIC ECONOMY**

A European Economic model needs to strengthen democracy in the EU. At first, we need to ensure that decisions in favour of the free market no longer undermine the democratic right of European citizens. We need to extend the rights of co-determination, collective bargaining and the right to strike on a European level to ensure employees' rights that already exist in the member states can be used equally at European level.

For the past thirty years, worker protections have been slowly rolled back across Europe. Rates of trade union membership have been suppressed. The right always has a very clear agenda with respect to weakening labour power and calls for internal devaluation across Europe as a way to drive a race to the bottom.

The structure of labour markets have changed and the rise of the service sector and the lack of stable jobs has made it much harder to organize the entirety of the workforce. Increasingly, we witness a breach between well-protected insiders and under-protected and precarious outsiders. We urgently require a legislative agenda dedicated to tackling the problem of labour market dualism, which makes it possible to empower workers across sectors and universally throughout the workforce.

We demand that the legal possibilities for democratic forms of company organisation, such as cooperative etc., are strengthened. We demand that the influence of employees versus shareholder interests, particularly in stock options, are further strengthened.

A democratic economic governance need to be accompanied by a macroeconomic governance which transfers the political goals into economic policy.

The debate about Corporate Social Responsibility cannot only stay in the sphere of voluntary commitments. We need binding rules to achieve social and equality goal. The implementation of a binding gender quota on company boards is only the beginning. We demand that companies are made responsible to cover the negative side effects of their production on the environment and society.

*Done at Södertälje, Sweden, on 9th March 2013.*

*Thomas Maes, Secretary General.*