

Adopted resolution

OVERCOMING THE GREEK DEBT CRISIS AND ORGANIZING THE FUTURE OF THE EUROPEAN MONETARY UNION

The crisis in Greece has imposed financial difficulties on many people's lives as well as a serious challenge to the European Union. The European Green Party (EGP) recognizes that Greece is "system-relevant". Solving its debt crisis is a task of great importance for all members of the European Union (EU).

Overcoming the crisis in Greece

The reasons for the Greek crisis are not only economic but also social and political. In the last few decades employment in the public sector grew excessively, for economic but also clientelistic reasons. The strategic advantage of the Greek economy in sustainable agriculture and tourism was damaged through bad investments into mass tourism and unsustainable farming including the misuse of EU funds. Key reasons for the high indebtedness of the Greek state were the excessive increase of government expenditure caused by bad economic policy, corrupted and inefficient tax authorities, widespread tax evasion as well as crisis related costs. Furthermore, labour costs grew faster than productivity contributing together with excessive, credit-financed consumption to an annual current-account deficit of more than 11% of GDP. This current-account deficit was not financed by direct investment (FDI) but through a rapid expansion of debt. Therefore, the EGP appreciates and supports measures to cut public spending, the fight against corruption and increasing public income through fighting tax fraud and a reform of taxation.

- For these steps the EGP recommends that the budget cuts should be designed to harm weaker parts of the population as little as possible, but concentrate on cutting wasteful spending, for example the unnecessarily high expenses for the military (4,1% of GDP). The EU has to take more responsibility to help solving the ongoing conflict between Turkey and Greece. The EGP urges all European states to reduce drastically their exports of weapons to Greece and Turkey.
- The reform of the taxation system should lead to the introduction of green taxes, like e.g. taxes on non sustainable tourism, pollution and kerosene, as well as a raise of the top tax rates. Greece should consider a levy on wealth in order to insure the contribution of profits from widespread corruption and tax fraud.
- Furthermore, to overcome the crisis, Greece has to lower its current account deficit. As it is a member state of the EMU the devaluation is not possible and therefore has to lower its costs, including excessive consumption and high wages. It is crucial to spare the low incomes – a reduction of those incomes would be anti-social and hamper the domestic demand.
- In addition, the Greek economy will not be able to recover without a set of green investments, because the crisis and the cost-cutting measures burden both private and public consumption. Therefore the EGP stresses the importance of an investment programme which boosts the green economy. Therefore the EGP stresses the importance of a investment program, with particular focus on green job development for young people, which boosts the green economy, as well as incentives for youth self employment and cooperative action. The EU should consider to shift in time structural funds to compensate partly the recessionary consequences of adaptation process of the deficit-cutting measures.

European reaction to the Greek debt crisis

The European Green Party recognizes that the EU has to advise, support and actively supervise the programme of the Greek government. We emphasize that this should happen based on the rules of the reformed Stability and Growth Pact of 2005 as well as the values of the EU including the solidarity principle.

- The EGP therefore proposes that the countries of the Eurogroup guarantee Greek government bonds in order to help Greece escape the vicious circle of constantly increasing interest and risk surcharges. But this help must be conditional on the application of an efficient and just cost cutting programme by the Greek government.
- The EGP also urges the member states of the EMU not to tolerate the massive speculation against Greece and therefore European taxpayers. This can be ended by shutting down the affected submarkets including credit default swaps on Greek government bonds.
- Financial markets, especially private banks, are to a great extent jointly responsible for this debt crisis: giving more and more credit to a not solvent customer and hoping that other states and taxpayers will pay their credits back is not acceptable. Costs of the public interventions therefore have to be partly refinanced by the introduction of a financial transaction tax in Europe.
- The EGP urges the governments of the EMU to quickly and resolutely work on the help for Greece, as its government has to borrow billions in the next months and the speculation the help will only make it more difficult.

Ending the imbalances inside of the EMU - for strong economic governance in Europe

The European Green Party recognizes that the indebtedness in the Southern member states of the EMU is not only due to their own financial mismanagement but was partly caused by a lack of economic cooperation between Eurogroup countries. On the one hand sluggish growth of demand including wages in countries such as Germany, Austria and the Netherlands contributed to the imbalances as well as on the other hand expansionary policies in Spain, Italy, Portugal and Greece. Both led to current account surpluses and deficits which are threatening the monetary union. Therefore the EGP demands a reform of the Stability and Growth Pact. The aims of this reform have to be:

- the synchronization of the member fiscal policies as mandatory standard to render them anti-cyclical
- A pact for European external stability which extends the excessive deficit procedures to other imbalances such as unsustainable, excessive current account surpluses or deficits
- the transition from tax-competition towards tax-cooperation and an increased EU budget based on its own income, which promotes the balancing of uneven regional development
- the empowerment of stabilising bodies like the "Macroeconomic Dialogue".

EGP supports a stronger integration of economic policy in Europe.

Nevertheless stressing the need of the democratic legitimacy of such a government and the decision-making structure, especially when more responsibilities are transferred to the European level.