

1 **13th EGP Council, Tallinn, 8-10 Oct. 2010 - Draft Policy Paper**

2 **The macro-economic and**
3 **financial framework**
4 **of the Green New Deal**

5
6 **Setting the scene**

7
8 The European Greens believe that human activity should take into consideration that we are part
9 of a rich yet finite, interdependent and fragile ecosystem. Within this context we view the
10 economy as a tool and not as an objective in itself. The ultimate goal of economic activity is to
11 meet the basic needs and to contribute to a better quality of life for all, now and in the future.
12

13 We can only have a healthy economy when the earth is healthy. Present generations do not own
14 the earth, but use it and hold it in trust for of future generations. Sustainable development meets
15 the needs of the present generation without compromising the needs of the future generations.
16

17 A green economic vision places social and environmental justice and equity within nations and
18 between nations at the centre. This includes a just use of the earth's resources and reversing the
19 trend of the widening gap between rich and poor. We seek to reduce inequalities in the
20 distribution of power and access to resources. Every person has the right to meet their basic
21 needs: clean air, water, food, shelter, energy, health, freedom. Every human being has the right to
22 solidarity, democracy, self determination, autonomy, responsibility, dignity and self-fulfillment.
23 The economy should enhance wellbeing rather than detract from it.
24

25 The Green New Deal is the endeavour that will bring about this transformation.

26 **Why a new course is needed**

27
28 We are living in a paradoxical situation. Before our economies began to shrink in the present
29 crisis, we had never been wealthier, in the sense of Gross Domestic Product. But millions of
30 Europeans still live in poverty or are on the verge of it. Since the mid-70s and the end of the
31 'long boom', European economies had to face rising and persistent mass unemployment. At the
32 end of each cycle the level of unemployment would be higher than in the cycle before. Macro-
33 economic policies did not succeed in solving this problem. Keynesian 'stop and go' policies
34 revealed their limits, especially in a context of financial deregulation and the expansion of open
35 economies. Indeed, since the end of the Bretton-Woods financial system, sanctioned by the the
36 decision by US president Nixon in 1971 to abandon the convertibility of the US Dollar into gold,
37 macro-economic policy has been implemented within the context of financial deregulation.

38 Floating rates and the ever more free circulation of capital was considered to be the only possible
39 financial system for our economies. The economic and financial system is characterised by its
40 instability and imbalances, where repeated crises seem to be the only form of corrective
41 mechanism.

42
43 The current economic crisis is a perfect example of the basic instability of the system. At the
44 start we had major imbalances - broad economic imbalances in global trade, the increasingly
45 negative balance of payments of the U.S. plus real-estate bubbles in several countries and the
46 excessive growth of private debt in several OECD countries. In the end, we saw an
47 unprecedented recession with millions of job losses worldwide. Meanwhile, the entire global
48 financial system was shaken to the point of needing a massive injection of public capital into the
49 major banking institutions. This crisis reveals that high growth rates based on excessive debt and
50 over-spending are not sustainable in any way. The dire situation of Iceland, but also Ireland and
51 the Baltic States, until recently showcased as model economies, illustrate the unsustainable
52 character of these growth models based on debt and financial deregulation. This crisis therefore
53 reveals the failure of policies driven by what can be defined as neoliberal thinking.

54
55 Macro-economic policy aims, namely through monetary and budgetary policy, to steer the
56 principal economic indicators such as GDP, inflation, employment rate and the current account.
57 First, the implementation of the Green New Deal thus calls for a new direction of economic
58 policy aimed at reducing our carbon footprint and improving our quality of life. Redefining
59 objectives of economic policy requires new economic indicators to steer and evaluate policies.
60 Second, the implementation of the Green New Deal will force a redefinition of budgetary and
61 monetary policy at European level in order for them to serve these social and environmental
62 objectives. Ultimately, the Green New Deal will hold even more promise in the context of a
63 globally organised monetary system that helps guarantee the stability of industrialized and
64 developing economies.

65

66 **Putting the economy at the service of people and the planet**

67

68 **New objectives for economic policy...**

69

70 The green answer starts with a redefinition of the goals of macro-economic policy. New
71 objectives entail major changes to our economic model. The GND has two objectives: reducing
72 the pressure that our economy exerts on the environment and improving the quality of life of the
73 inhabitants of our planet. Macro-economic policy must therefore aim to achieve both of these
74 objectives, which are linked, since human well-being depends in part on the reduction of our
75 ecological footprint.

76

77 In order to reach the first objective, macro-economic policy must favour financing investments
78 necessary for a sustainable economy. In order to reach the second objective, macro-economic
79 policy must abandon its aim of maximising production in the monetary sense, measured by GDP,

80 and rather aim for the creation of societal wealth. The proposed policy therefore marks a break
81 with the traditional growth logic which has implied over-consumption in the developed
82 economies. In our model, GDP must be redefined and GDP growth as it is currently defined can
83 no longer be a policy objective. What really matters are decent living standards and quality of
84 life for all, which has different implications in developing or industrialized countries and regions.
85 In the rich economies, issues such as inequalities and consumption patterns are the most
86 important as, in spite of a high level of material wealth, a significant part of the population are
87 experiencing a poor standard of living.

88

89 **...which imply new indicators...**

90

91 The implementation of an economic policy entails having the relevant indicators.

92

93 The first objective of the GND is to decrease the pressure our economies are exerting on the
94 environment. The effectiveness of economic policy to reach this first objective must therefore be
95 measured using an indicator focusing on the physical limits of human use of and impact on
96 nature, such as the ecological footprint. The environmental objective cannot ultimately be valued
97 in purely monetary terms as natural capital is not entirely substitutable by man-made capital. The
98 **ecological footprint** is a good guideline as it combines both aspects of the relationship between
99 economic systems and the environment, i.e. the use of finite natural resources for economic
100 production, and the impacts of economic activity on the environment (carbon emissions,
101 pollution, loss of biodiversity, etc).

102

103 Keeping monetary indicators will be necessary even in a green new deal economy as the
104 economic field is still based on monetary exchanges. Nevertheless, current indicators such as
105 total GDP and GDP per capita should no longer play predominant role. GDP has been criticised
106 for decades by environmentalists as it treats social and environmental impacts as externalities,
107 not reflected in overall economic measurements. Moreover, instead of measuring the flow of
108 income or consumption, sustainability obliges us to focus on stock. In that way, the use of the
109 **adjusted net savings indicator** appears to be a good basis. This indicator follows the same
110 principle as corrected GDP but is expressed in terms of level of wealth instead of flow of income
111 or consumption. The idea is that sustainability requires the maintenance of a constant stock of
112 “extended wealth” i.e. natural + productive + physical + human capital, which are all seen as the
113 ingredients necessary to provide opportunities equivalent to those that we have enjoyed to future
114 generations.

115

116 The calculation of this indicator is made by adding to net savings (gross national savings minus
117 consumption of fixed capital) education expenditures (considered as investment in human
118 capital) minus an estimation of the depletion of natural resources (reflecting the decline in asset
119 values associated with their extraction and harvest) and a monetary evaluation of global pollution
120 damages resulting from CO2 emissions. The advantage of that indicator is that it is already
121 available for 140 countries and data are validated by the World Bank. It draws attention to
122 investments in human capital and good governance that have emerged as important factors as
123 part of a nation’s capital. This indicator has to be used in complement of a non-monetary
124 indicator as it can lead to inconsistencies. Developed countries may be seen as being “on a
125 sustainable path” because high levels of human and man-made capital compensate for poor

126 natural stock, while some developing countries, especially natural-resources exporting countries
127 are “on a non-sustainable path”.

128
129 The second objective of the GND is a better quality of life for all on the planet, which implies
130 using two sets of indicators.

131
132 On the one hand, an indicator of human and social well-being is needed and must encompass
133 simultaneously several dimensions such as employment and personal activity, access to health
134 and education, material living standard, poverty, political voice and participation, subjective
135 happiness, social connections and relationships, etc. These dimensions can be summarised in one
136 synthetic indicator (on the model of the Index of Social Health) or presented as a dashboard,
137 depending on the use one wants to make of it. On the other hand, inequalities should be
138 evaluated by an indicator summarising the various societal and geographical inequalities
139 including gender inequality. Since, at this stage, no such indicator exists, GINI might provide a
140 suitable proxy. Besides, the ecological footprint is also useful to assess global inequalities
141 regarding the use of natural resources and the global distribution of wealth.

142
143 It is crucial that all four above mentioned indicators are satisfied simultaneously. Significant
144 thresholds have to be defined for each indicator and to be set as binding and non-substitutable
145 goals. This is because the objectives of the GND make sense only if they go hand in hand: a high
146 level of human development and a low level of inequalities have to be reached within the limits
147 of the planet. Reaching one objective (e.g. achieving a high level of human development) doesn't
148 compensate for the other (e.g. still increasing the ecological footprint). Finally, it is important
149 that the indicators serve not only as guideline for the elaboration and evaluation of policies but
150 also as popular symbols of the cultural change inherent in the GND. Therefore, the new
151 indicators need to be simple enough to be understood by everyone and to be straightforward
152 communication tools. Restricting to four the number of indicators also follows this logic.
153 However, this doesn't prevent a higher degree of complexity and disaggregation when using the
154 indicators in policy making.

155
156 ***Therefore, we Greens propose:***

- 157
158 • Eurostat and national statistics institutes should start or expand the collection of data
159 supporting the alternative indicators and publish a dashboard presenting both classical
160 economic indicators and alternative ones.

161
162 **... but also a re-regulation of our economies...**

163
164 Economic policy must aim for stability. Cycles of boom and bust, repeating periods of crisis,
165 with peaks in unemployment and job insecurity, are profoundly undermining the cohesion of our
166 societies and create a feeling of lasting insecurity for a large part of the population. Not being
167 able to promise the complete eradication of crises in market economies, we must strive for
168 regulatory frameworks that allow us to greatly reduce the destructive impacts of possible crises.
169 This is why we strictly oppose too-big-to-fail or too-interconnected-to-fail structures, for
170 instance. Trust in a sound economic future is a factor of well-being for European citizens.

171 Moreover, economic stability is a key factor for long-term investment, essential for the
172 introduction of a green economy.

173

174 **... and an optimization of the localisation of our economies**

175

176 A sustainable economy will optimize the localisation of production where that helps to minimize
177 the ecological footprint. The organisation of international trade will have to change in order to
178 take into account this new aim. There is no “one size fits all”: neither full globalization nor full
179 localisation can be consistent with our overall goals of reducing our environmental impact and
180 increasing social justice. Local economic activity should be favoured wherever it makes the most
181 ecological and social sense. Including the real costs of all externalities (transport, energy) is
182 therefore required in order for prices to reflect real impact¹.

183

184 The localisation of our economies must also be looked at in terms of land and structural
185 management and regional policies. In order to create regions with converging standards of
186 wellbeing and low ecological footprint, the transfer of economic activity may be required. This
187 will make sense providing that the concerned sectors respect the potential and the genuine
188 character of a region and the voice of citizens in its reorganisation. Criteria of landscape
189 protection may be necessary to maintain sustainable forms of agriculture even in areas where
190 productivity is low.

191

192 The location of economic sectors and the choices made should also take into account social
193 factors and aim to meet the basic needs of the local population, an aspect that is important in
194 rural areas in the industrialised countries and especially in developing countries, where cash-
195 crops replace food production and lead to further impoverishment and food crisis.

196

197 **Putting finance at the service of the economy**

198

199 If the economy has to serve the needs of the people and the planet, it cannot do so if finance
200 remains disconnected from – or rather keeps working against – the economy. To put it bluntly,
201 putting finance back at the service of the economy implies closing down the global finance
202 “casino” where huge losses are compensated by the general public.

203

204 A united Europe must play its role in solving the financial crisis. Once equipped with the
205 instruments of the macro-economic framework: economical governance, budget coordination
206 and solidarity and fiscal consolidation, it will be able to play this role on a global level.

207

208 Since 2007 financial markets have entered into a period of repeated crisis that in the end may
209 contribute to the failure of key businesses, a decline in consumer wealth, substantial financial

¹ A study will be financed by the Green Group in the European Parliament in order to evaluate the impact on the localisation of the production depending on the price of carbon. The place of international trade within a Sustainable economy will be at the centre of a specific debate within the Greens. Its conclusions will have consequences for the macro-economic framework of the Green New Deal. In any case, the Green New Deal working group can, in future contributions, propose tools towards the localisation of our economies.

210 commitments of governments that would have to be taken from other sectors and a significant
211 decline in economic activity.

212
213 It should be pointed out that Europe did not stay away from the global casino: European financial
214 institutions that amassed 'toxic' assets linked to US subprimes revealed their lack of
215 understanding of the complicated products of the interconnected financial system which is not
216 enough nor adequately regulated. It is striking that the first European banking company to fail
217 was in Germany, a country spared, up to that point, the real estate bubble. IKB Bank,
218 specialising in loans to SMEs, thought it wise to invest in American subprime mortgage credits.
219 One of the consequences of the long-term, worldwide economic breakdown is the 2010
220 European sovereign debt crisis.

221
222 In this situation both market-based and regulatory solutions have been implemented or are under
223 consideration. In 2008 and 2009 governments and central banks responded to the slowing down
224 of the economies with unprecedented fiscal stimulus and monetary policy expansion. In 2010
225 austerity programs are on the agenda, especially in Europe, where the euro zone is at risk
226 because of the pressure on the financial markets, which led to the Greek crisis and could
227 destabilize other member states as well.

228
229 The control of the financial market is urgently needed, because the regulatory framework has not
230 kept pace with the rapidly developing financial sector, which invented new high risk products.
231 The financial markets have also reached a degree of complexity and globalization which causes a
232 lack of transparency and difficulty in controlling them. Specifically, it increased the importance
233 of the shadow banking system (investment banks and hedge-funds), of derivatives, off-balance
234 sheet financing, subprime lending. At this stage only global government can effectively and
235 rapidly influence the situation, which nowadays rapidly leads to global contagion and global
236 economic shock. Europe must be united in order to push through the necessary measures.

237
238
239
240
241

242 **Reduce systemic risk**

243
244 Deregulated globalised finance is a factor in financial contagion. European banks must firstly
245 serve to finance the European economy, and must be aware of their responsibility to avoid the
246 negative economic and social effects caused by financial instability. The division of the ING
247 cooperation into two separate entities, one for banking activities and one for insurance activities,
248 as imposed by the Commission, marks a positive evolution towards the reduction of the size of
249 financial actors in the EU.

250
251 *Therefore, we Greens propose:*

- 252
253
 - Breaking up banking groups considered "too big to fail", whose bankruptcy would be a
254 systemic risk;

- 255 • A set of stringent capital requirements rules that would strongly discourage excessive
256 risk-taking by financial institutions while favouring those that focus on narrow banking –
257 i.e. collecting savings and issuing loans to the real economy;
- 258 • That the compensation of executives and financial traders must be drastically reined in.
259 These were effectively one of the root causes of the current crisis as large banks tried at
260 all costs to artificially inflate the performance of their funds in order to justify the
261 outrageous salaries of their traders. This encouraged executives to take ill-considered
262 risks when trading credits. From now on, their extravagant salaries and bonuses must be
263 controlled in order to be in line with real, sustainable performance.
- 264 • The implementation of a global financial transaction tax (Tobin/Spahn type tax) in order
265 to discourage high-frequency trading and speculation and provide governments with a
266 new source of income; If not possible at global level, the financial transaction tax should
267 be implemented at regional level and in particular in the euro-zone.
- 268 • That naked short-selling, that is, speculating on the loss of value of assets without having
269 a corresponding business exposure and owning any such assets, be permanently banned;
- 270 • That the valuation of stocks by the fair value principle (mark to market), which has
271 proven to be feeding the crisis, should be reformed; similarly, accounting rules must
272 ensure that the balance sheets and corporate accounts reflect the economic reality, e.g. by
273 drastically restricting the ability of financial institutions to remove key risks from their
274 balance sheets and by moving away from rules that are exclusively based on short-term
275 market value;
- 276 • That initiatives be taken at European level to effectively tackle the accreditation,
277 transparency and control of hedge funds;
- 278 • Similarly, that increased action be taken to prevent tax fraud and tax evasion, effectively
279 closing the tax havens within the EU and putting pressure on those outside the EU;
- 280 • That consideration be given to measures effectively preventing speculative shareholders
281 to exert control on enterprises (e.g. by imposing delays before their voting rights become
282 effective)
- 283 • That institutions that "act like banks" should be regulated similarly to banks, and that the
284 shadow banking sector should be better controlled
- 285 • That an early-warning system to help detect systemic risk should be established
286
287

288 **Simplify the financial system**

289
290 The financial sector developed thanks to financial instability and made it its day-to-day business.
291 In this way, the Credit Default Swap (CDS), which increased tenfold in the four years between
292 2004 and 2007, exceeded by a factor of 12 the amount of risk receivables that these new
293 instruments were supposed to cover. The financial sector thus self-maintains a system where new
294 financial instrument become vehicles of instability.

295
296 Creating a regulated international monetary system should reduce the need for hedging
297 instruments. But the simplification of finance must also involve getting rid of financial
298 innovations whose harmful consequences only came to light during the financial crisis. Their
299 control or abolition is necessary.
300

301 *Therefore, we Greens propose:*

302

- 303 • Putting an end to complex securitisation, which only takes responsibility away from
304 lending organisations, making them unaccountable of the consequences of a rash and
305 reckless group of borrowers; therefore all financial instruments currently marketed and
306 sold by financial institutions, especially those which enable securitization of loans, must
307 be scrutinized by a Financial Services Testing Foundation, set up at European level.
308 Those whose harmlessness and added value to the economy are in serious doubt should
309 be banned.
- 310 • Banning the marketing of structured products to local authorities and private individuals.
311 Namely, this means preventing the sale of loans in foreign currencies, such as loans in
312 Euros in Eastern European countries.
- 313 • That current examples of ethical banks and alternative finance networks should be
314 supported and encouraged as they represent concrete ways of putting the financial sector
315 at the service of a green economy and society.

316

317 These proposals would not prevent banks from financing the economy. They would not lead to
318 an increase in the cost of credit, but rather to a better evaluation of risks. Indeed, banks will still
319 be able to refinance each other. They will also always be able to issue shares and bonds on
320 financial markets if they wish to increase their own resources.

321

322 **No player, no market, no instrument without supervision**

323

324 As finance has become global, global supervision is required. However, as two years of G20
325 governance demonstrates, this is still a (very) long term perspective. Therefore, Europe should
326 not delay the implementation of an EU supervisory structure that can tackle trans-national,
327 multirole financial players, instruments and markets effectively. All the rules defined above
328 should be duly enforced by a European finance watchdog, enjoying appropriate powers and
329 resources.

330

331 *Therefore, we Greens propose:*

332

- 333 • The implementation of the EU financial supervisory structure as advocated by the
334 European Parliament, combining the European Systemic Risk Board and the three
335 European Supervisory Agencies, operating as an integrated structure with a common set
336 of rules;
- 337 • The implementation of a European bank resolution fund designed to manage future bank
338 failures and funded by levies based on banks' total liabilities² (i.e. both short and long
339 term liabilities), while making sure the costs associated with the levies are not passed on
340 to the banks' customers in the form of higher charges;

341

342

² Excluding: Tier 1 capital and insured retail deposits (i.e. those covered by the Financial Services Compensation Scheme);

343 These new regulations should lead to a reduction of the share the financial sector hold in the
344 economy. This share has never been so great as it is now: 5% of gross added value of the EU 27
345 in 2008, or 10% more than 10 ten years ago. However, banks, whose primary focus is financing
346 the economy, have absolutely no reason for such a high share in added value. The end of
347 complex products should bring about a significant decrease of the size and profitability of banks.
348 This drop in profitability would also be emphasised by the break up of large banking groups,
349 which should allow for greater competitive intensity in this sector. The consequences of this
350 profitability drop would be the end of extravagant salaries and a decrease in the banking sector's
351 workforce. Banks will no longer have the means for such munificence.

352

353 **Building an effective economic governance for the EU³**

354 A Europe of knowledge and innovation cannot be built on a deregulated economic model. The
355 European Union must acknowledge the incapacity of a free market to optimally allocate
356 resources. It must also recognise the unstable character of deregulated financial markets. Europe
357 does not need "effective and integrated financial markets", to use the words of the Lisbon
358 Strategy. It needs regulated financial markets at the service of a Europe of knowledge,
359 innovation and ecological transformation.

360

361 **Keep the Euro zone open to all Member States**

362

363 The integration of European economies and the ensuing interdependence make exchange rates
364 stability a mandatory condition for stability of European economies. The development of a single
365 monetary zone appears desirable for countries already part of the Economic and Monetary Union
366 (EMU). This would avoid monetary dumping by competitive devaluation from non-Euro
367 countries of the European Union outside the Euro zone. Such an evolution would be desirable for
368 the very open economies of most eastern countries also because their integration into the Euro
369 zone would be a factor of stability for such countries. However, this integration can only be
370 possible following a stronger economic convergence process, better addressing internal
371 imbalances than has been the case for the integration of every Euro zone member until now. This
372 convergence process cannot be forced and no integration to the Euro-zone should be done
373 without the clear support of citizens. The prospect of enlargement of the Euro zone, politically
374 and economically desirable, must be seen in a more or less long term perspective, depending of
375 the state of these countries' economies and the citizens' will.

376

377 **Redefining the objectives of the European Central Bank (ECB)...**

378

379 Today, the ECB formulates its monetary policy with control of inflation as its principal
380 objective. This objective must be redefined all the more because it currently limits itself to
381 inflation of consumer prices. Indeed, controlling inflation should, in a GND strategy, serve the
382 primary goals of this economic policy, which are, after all: reducing pressure exerted by our

³ One should keep in mind that in terms of monetary policy, the European Union is divided between countries belonging to the Euro zone (16 Member States) and the others (11 Member States).

383 economies on the environment and increasing quality of life for as many people as possible.
384 Monetary policy must be at the service of these two objectives. Fighting against inflation is a
385 goal, but it must not be considered an end in itself for the ECB.

386
387 The concept of low inflation protecting non-active citizens with fixed incomes (like pensioners)
388 to the detriment of working persons is a debatable one. Nevertheless, control of inflation can be
389 justified as for example an instrument to keep low long-term interest rates, necessary to finance
390 the Green New Deal. Today, the rigorous monetary policy of the ECB and the credibility
391 acquired from the Bundesbank ensure low long-term interest rates for all countries of the Euro
392 zone. Maintaining low long-term interest rates (defined by the market following inflation
393 perspectives and economic agents' preference for immediate consumption) must therefore remain
394 an important intermediary objective for the ECB.

395 396 **... which implies broadening the ECB's scope of action**

397
398 The ECB must also have the objective of limiting fluctuations of the economic cycle. To do so,
399 the Central Bank's policy must help prevent and counter the development of speculative bubbles
400 on asset prices. The notion of inflation must therefore not be limited to the price of goods and
401 services but also incorporate the evolution of patrimonial assets prices (financial products, real
402 estate...). Because it is perfectly feasible to have a high inflation of asset prices and low inflation
403 of consumer prices simultaneously. This is the pre-crisis situation and the one that appears to be
404 occurring again, with a quasi deflation in the real economy and the formation of another bubble
405 on the markets. By ignoring this situation, the ECB contributed to the excessive debt of
406 European households and companies. As a consequence, the rate of debt of households in the
407 Euro zone reached 93% of their income in 2007. A record which can be explained for the most
408 part by the boom in real estate prices in several Euro zone countries (Spain, France, Italy and
409 Ireland). A situation which weakens the financial position of the working classes who, in the
410 case of a drop in income, often become overwhelmed by this unsustainable debt.

411
412 ECB should also play an institutional role also in the management of the European government
413 debt. In periods of recession it must have the ability to purchase government bonds directly, thus
414 supporting the currency and controlling debt. In periods of expansion it must have the opposite
415 requirement, namely to gradually eliminate the portfolio of government bonds it has in its
416 possession thus helping to curb the currency and financial policies. This institutional role of ECB
417 in terms of debt management will make it more efficient as a regulator of monetary circulation in
418 the eurozone. As the result of its intervention it will depend less on interest rate policy. The
419 Stability and growth Pact should be adjusted so that the institutional interventions of the ECB
420 can be added to the European framework of financial control.

421
422 Central banks cannot simply observe and take note of the "irrational exuberance of markets", to
423 use the words of Alan Greenspan in 1996. They owe it to the citizens to act and find solutions
424 where markets are incapable of rationally allocating resources.

425
426 The redefinition and enlargement of the objectives and mandate of the ECB should encompass a
427 strong reinforcement of accountability and transparency. A stronger accountability could be
428 achieved through a compulsory confirmation vote after nomination by the European Council as

429 well as revocation powers for the European Parliament as it is the case for the Commission and
430 the FED in the USA. Such reinforcement involves also a broader transparency policy (e.g.
431 publications of minutes and disclosure of financial operations accompanied with appropriate
432 confidentiality measures and delays for ex post disclosure in order to preserve financial stability
433 if required)

434

435 A long term green monetary policy requires answering to the question on who should be entitled
436 to create money, how and why. If money creation and supply is to be understood as a service of
437 general interest and a public good it is therefore crucial to promote a strong regulation and
438 democratic ownership of such a process. Experiences aiming at de-privatizing money supply and
439 developing local monetary systems have helped deprived regions to stage their economic self-
440 defence and could also play a role for broader localisation and diversification strategies i.e. for
441 efforts to set up smaller, more local economic channels. Policies should be designed with the aim
442 of supporting existing grassroots initiatives (Systems of Local Exchange, Transition Towns,
443 solidarity purchase groups, time banks etc) and encouraging the development of new ones.

444

445

446 *Therefore, we Greens propose:*

447

448 • That the ECB's mandate must be modified so as to include the oversight and the fight
449 against speculative bubbles. This monitoring will be done in particular by the analysis of
450 the evolution of outstanding loans. In the event speculative bubbles appear, the Central
451 Bank must reduce available liquidity. Mortgage loans should have been rationed as early
452 as 2005, which would have avoided bubbles in Spain, Ireland or France.

453 • To do so, the Central Bank could adjust the compulsory reserve requirements with
454 national central banks with respect to the volume of some types of outstanding loans,
455 including real estate loans. This policy would allow regulation in one of the Euro zone
456 countries without penalising the entire zone.

457 • To 'green' ECB refinancing policy: The European Central Bank reserves the right to
458 refinance credit and inject liquidity into the economy through re-discount rates and open
459 market operations. This way, the Central Bank ensures liquidity of the banking sector.
460 However, the ECB actions must encourage that liquidity put at banks' disposal actually
461 results in financing the real economy (lending / credit to companies and private
462 individuals) and not in financial operations aiming at achieving short term capital gains
463 (financing investment funds, hedge funds, trading for own account).

464 ▪ Access to banking liquidity must not depend solely on a "best payer policy". The Central
465 Bank must make its refinancing rates more selective by imposing differentiated or split
466 rates, taking into account the profile and policies of financial intermediaries.

467

468 **Adopt a sustainable budgetary policy**

469

470 *Regain structural budgetary balances*

471

472 Budgetary policy is mainly driven by structural spending. Indeed, the State's budget is essentially
473 made up of recurring spending (education, health, defence, security) which aims to ensure the
474 production of public goods. Beyond current crisis deficits, the high debt level of the main

475 Member States (61,5% of GDP in 2008 for the EU 27) can be explained by an increase in
476 structural public spending and a continuous trend toward reducing taxation for the wealthiest
477 individuals and for corporations.

478
479 The increase in public spending is to a considerable degree being driven by structural trends.
480 Industrialized economies strongly depend on the production of public goods (education, physical
481 and digital infrastructures, etc...). Spending on health increases faster than GDP due to increased
482 demand for health care and greater technical skill they require. Furthermore, most European
483 countries are faced with an ageing population. Contributory Pension schemes will therefore see
484 their costs increase distinctly.

485
486 The increase of public debt limits the margins of manoeuvre in public policy. Interest charges are
487 reducing the possibilities for discretionary spending. Moreover, public debt leads to an inverted
488 redistribution from the poorest to the richest. Instead of raising sufficient taxes, the State indebts
489 itself to the middle and upper classes and pays them interest on bonds. This interest has to be
490 financed by all tax payers and increasingly governments rely on indirect taxes (VAT, Fuel tax,
491 ...) to close the gap.

492
493 In order to fight against this unsustainable debt which increases inequalities, it is necessary to
494 reconcile fiscal revenue with the spending that is necessary to achieve the GND objectives.

495
496 ***Therefore, we Greens propose:***

- 497
- 498 ▪ Increasing the progressivity of income taxes and ensuring that all forms of income are
499 taken into consideration, including capital income, inheritances,.. in order to reduce the
500 tax burden on labour income and to achieve a more fair income taxation;
- 501 ▪ The creation of new indirect taxes namely on financial transactions and on balance sheets
502 of financial institutions (bank levy).
- 503 ▪ Abolishing environmentally destructive subsidies and introduce sunset legislation.
- 504 ▪ With regards to taxing company profits, the EU needs a common consolidated tax base at
505 European level. A minimum taxation rate, possibly with a corridor option, must also be
506 set up to avoid fiscal dumping between Member States.
- 507 ▪ Increase the efforts against tax fraud and tax evasion, that are estimated at 300 Bn €
508 annually in the EU;
- 509 ▪ Effectively fight against tax havens, starting with abolishing those within the confines of
510 the EU;
- 511 ▪ Focusing also on the spending side: shifts to government spending that supports
512 sustainable sectors; reduce spending on sectors like armament and subsidies for nuclear
513 power and other pharaonic projects.

514
515
516 ***Regain margins of manoeuvre to finance the GND***

517
518 The reduction of public deficits is all the more necessary as the transition towards a sustainable
519 economy will require major investment in infrastructure. Financing these infrastructure
520 investments cannot rely on governments alone and will have to include mobilizing private

521 investment through different tools including incentives and penalties, regulation.... Whatever
522 investment capability is left to Governments must be focused on Green New Deal projects.

523
524 In order to finance the GND, banks need access to privileged financing through the European
525 Investment Bank (EIB). The EIB could borrow on financial markets at preferential rates thanks
526 to State guarantee and funding from the European Budget. EIB will also offer preferential rates
527 to finance projects with a high social and environmental value. The United Nations or a
528 European agency would give labels to projects (i.e.: Investments in building insulation,
529 development of public transport, etc...) that could benefit from these low interest rates, which
530 would strengthen their profitability. Financing the GND will also be done through existing
531 instrument provided by the EU as structural funds. We should give the structural policy an
532 orientation towards green development and avoid the support of unsustainable projects. Having a
533 coherent strategy like the GND can also help to elaborate a coherent funding policy.

534
535

536 *Therefore, we Greens propose:*

- 537
- 538 ▪ The creation of new and progressive eco-taxation in order to fund the transformation of
539 our economies.
 - 540 ▪ When money is borrowed to be invested in the infrastructure for the GND, it shouldn't be
541 counted as deficit in the sense of the Stability and Growth Pact, or at least not entirely. It
542 should be considered as useful investment for the GND.

543
544

545 **A new EU framework for fiscal and macroeconomic sustainability**

546
547 The recent economic and financial turmoil have clearly illustrated the fragility and vulnerability
548 of the Eurozone and more broadly, of the EU as a whole. Given the current emergency situation
549 and the threat of a deflationary trap if aggressive and uncoordinated measures of fiscal
550 consolidation are implemented across the EU, it appears crucial to go beyond the temporary
551 measures aiming at stabilising the euro area. The current crisis in the EU is a solvency crisis that
552 initially manifested itself as a liquidity crisis. This cannot be resolved in the long term by simply
553 pouring new debt into highly indebted countries in combination with accelerated and
554 uncoordinated plans for fiscal consolidation. The current strategy of securing credit lines to
555 vulnerable countries coupled with high real interest rates under conditions of deflationary shock
556 therapies basically amounts to buying time. A longer-term perspective requires tackling the
557 problem of underlying insolvency and therefore the structural roots of the current situation. Such
558 a longer-term vision involves correcting internal macroeconomic imbalances within the
559 Eurozone and the EU. If the objective to regain a balance of public finances is a necessity for
560 over-indebted states, it will not solve alone the problem of economic imbalances between
561 countries of the Euro zone. EU Member States have failed to maintain the cohesion and a proper
562 coordination of the euro-zone economies. Therefore, it is urgently needed to define a new EU
563 framework for fiscal and macroeconomic sustainability and therefore economic governance of
564 the euro-zone and more broadly of the EU. Such new framework will require the reform of the
565 Growth and Stability Pact.

566

567 ***A coordinated approach for macroeconomic rebalancing as a necessary reform to the***
568 ***Stability and Growth Pact***

569

570 The current crisis made it obvious that the fiscal position is unsustainable if the financing of the
571 private sector is unsustainable. One can not help noticing that the Growth and Stability Pact
572 ignores that problem. Spain and Ireland were amongst the star pupils in the Eurozone before the
573 crisis in terms of public deficit. However, these countries were in economic overheat and had
574 amassed huge and unsustainable amounts of private debt (both companies and households). They
575 have no other levers but deflation, with all its harmful social consequences, to regain
576 competitiveness, a prerequisite since exchange rate policies are no longer an adjustment factor.
577 In addition, low workforce mobility in Europe does not allow for a rebalancing between
578 economic zones showing differentiated growth and inflation performances. Thus, in case of
579 inflation differential, deflation then becomes the only means for a country to regain
580 competitiveness.

581

582 In the current context it is crucial to enhance surveillance and strengthen economic policy
583 coordination beyond the budgetary dimension to address other macroeconomic imbalances.

584

585 At the level of surveillance the EU should adopt a scoreboard that will indicate the need for
586 action reflecting both internal and external developments. It would encompass a relevant set of
587 indicators and reflect, inter alia, developments in current accounts, net foreign asset positions,
588 productivity, unit labour costs, employment, and real effective exchange rates, as well as public
589 debt and private sector credit growth and asset prices. It would appear particularly important to
590 detect asset price booms and excessive credit growth at an early stage to avert costly corrections
591 of fiscal and external imbalances at a later stage. Following an in-depth joint diagnosis based on
592 this scoreboard (which would contain some specific provisions for eurozone Member States), EU
593 Member States would coordinate and decide about their national efforts together. All Member
594 States should aim to make progress, but those with larger gaps should generally contribute more
595 towards meeting targets of debt stock and deficits. Decisions should include a concrete course to
596 cut non-cyclical government expenditure, as well as measures related to the correction of other
597 macroeconomic imbalances. As members would decide together the path to rebalancing, the
598 overall applicability and the spill-over effects would need to be addressed and taken care of. For
599 example, it might be to the benefit of all Member States to allow some of them to postpone a
600 full-speed consolidation if the resulting relative growth effect is positive for the sum. Such a joint
601 decision and coordination process would require countries with current account surpluses to
602 stimulate employment and internal demand *inter alia* by increasing investment for a sustainable
603 recovery, while countries with current account deficits would adopt specific measures intending
604 to rebalance public budgets and current accounts taking proper consideration of the need to
605 preserve social protection and cohesion. In any case, such a procedure would require a proper
606 articulation with Member States' budgetary process as well as with the EU budgetary process in
607 order to guarantee a full participation of Member States National Parliaments and the European
608 Parliament to the decision making process (see point 3 below).

609

610 ***Eurobonds for sovereign debt financing in line with agreed joint paths for macroeconomic***
611 ***rebalancing***

612
613 After the adoption of joint and coordinated rebalancing mechanisms, a Eurobond emission
614 should then cover a substantial proportion of the public debt issuance required in order to finance
615 rebalancing mechanisms while avoiding moral hazard⁴. This implies that the soundness of fiscal
616 policies has to be carefully monitored and scrutinized before and after the issuance of these
617 Eurobonds and this requires a a stronger role for Eurostat. Member States governments would
618 authorize bond issues for which they would meet the servicing requirements. Nevertheless, the
619 bonds would come from a central issuing authority and would be both indistinguishable and
620 interchangeable in secondary markets -one bond would be much as another (of the same coupon
621 and maturity) no matter which country authorized the issuance. In other words, all Eurobonds
622 with the same characteristics would attract the same ratings.

623
624 In case of non-compliance with the decided joint rebalancing path, incremental correcting
625 measures based on early warning alerts for individual Member States, for a group of members or
626 for the EU as a whole (in close coordination with the forthcoming European Systemic Risk
627 Board) as well as appropriate and proportionate sanctions and incentives should be foreseen⁵.

628
629 ***A EU financial facility and an enhanced coordination and articulation between EU and***
630 ***Member States budgets as a counter-cyclical complement for a sustainable fiscal consolidation***
631

632 An adjustment procedure could be a win-win option if it allows a vulnerable Member State to
633 redress its public finances at a lower cost. In most budget adjustments, investment expenditures
634 are significantly reduced because they are easier to shift than consumer spending. One solution
635 could be that the EU continues to fund investment expenditures (through the Structural Funds
636 and the European Investment Bank) in exchange for a national commitment to adjust through an
637 EU financial facility. Such a counter-cyclical complement or compensation for a sustainable
638 fiscal consolidation of National adjustment measures by further EU financed investment would
639 also win more easily the public's approval, and would give to the EU institutions a positive role.
640 Explicit and objective eligibility and conditionality criteria and an instalment procedure should
641 be therefore defined in the new framework.

642
643 This enhanced coordination and articulation between EU and Member States budgets as a
644 counter-cyclical complement for a sustainable fiscal consolidation could be sought in order to
645 reduce the dependence of fossil energy imports through substantial investment programs in the
646 field of resource efficiency as well as in the field of renewable energies. These programs would
647 not only guarantee a long term return on investment but would also help to correct current
648 account deficits as long as all highly indebted EU countries -and more broadly most EU Member
649 States- are net importers of fossil sources of energy at an average of 8% of their GDP. Last but
650 not least, even within the current framework of the EU budget, margins available under the EU

⁴ In order to limit moral hazard the proportion of deficits financed through the Eurobond issuance could be calculated in order to increase costs for Member States which exceeds the ratio of 60% public debt/GDP. The percentage fee should have a positive size, bounded from above by the interest rate spread that the markets (currently) demand for a government bond without guarantee relative to a benchmark bond like the 10-year Bund. Moreover, complementary mechanisms could allow certain countries in strong difficulties as Greece to distribute counter-cyclically a part of the payment of these fees.

⁵ Sanctions could include *inter alia* a smaller eligibility to eurobonds as well as enhanced conditionality of Cohesion Fund and other EU expenditure.

651 own resources ceiling for payments provide a potential amount going well beyond the 60 billion
652 package adopted by the Council in its European financial stabilisation mechanism. The EU
653 budget therefore provides an important potential leverage for financing an EU facility as a
654 counter-cyclical complement for a sustainable fiscal consolidation.

655
656

657 ***A permanent EU sovereign debt resolution mechanism***

658

659 The special purpose vehicle created the 10th May on a purely intergovernmental and temporary
660 basis should be developed into a proper new EU permanent mechanism which would define the
661 rules and the authorities involved in the management of EU and Eurozone's contribution to
662 rescue packages. This permanent mechanism should encompass the organisation of an orderly
663 resolution of a Member State should a rebalancing programme fail. It should also foresee *ex ante*
664 rules for burden sharing for an orderly resolution intending to avoid contagion and ring-fence
665 insolvency, including debt swaps for sovereign debt with appropriate haircuts and a set of
666 incremental conditionalities. The flight to safety provoked by waves of panic experienced during
667 the current financial crisis have had massive distorting effects and create costly negative
668 externalities. In order to internalize these panic induced externalities and distortions and
669 therefore protect financial stability (which is one of its key objectives), the European Central
670 Bank should continue, when required, to take responsibility for the operation of open markets
671 started on 10th May 2010, which entailed buying sovereign debt of vulnerable Member States in
672 secondary markets, and in the future, debt swaps with the EU guarantee foreseen above if
673 required. In doing so, it would contribute to a decrease in the yields of these bonds and reduce
674 the spreads with stronger bonds. Sterilization measures should be implemented if core inflation
675 increases and if the output gap is therefore reduced.

676

677

678 ***Therefore, we Greens propose:***

679

- 680 ▪ Beyond the current objectives concerning solely public debt a reformed pact should
681 include a broader objective concerning the sustainability of the whole debt of Member
682 States, public and private. Therefore the reformed pact should add an objective for the
683 stability of current accounts which includes specific targets and indicators. A new alert
684 system (the scoreboard mentioned above) has to be based on a broad perspective of the
685 evolution of whole debt of MS and should therefore provide a joint assessment of growth
686 rates, current accounts as well as fiscal, firms and household balances.
- 687 ▪ A new framework for fiscal and macroeconomic sustainability should encompass, as
688 proposed above the joint issuance of Eurobonds for sovereign debt financing in line with
689 agreed joint paths for macroeconomic rebalancing; A EU financial facility and an
690 enhanced coordination and articulation between EU and Member States budgets as a
691 counter-cyclical complement for a sustainable fiscal consolidation and a permanent EU
692 sovereign debt resolution mechanism.
- 693 ▪ Adding an objective for convergence of inflation rates in a broad sense (including assets)
694 so as to avoid a competitiveness discrepancy between Euro zone countries, and more
695 broadly within the EU, source of future imbalances of current accounts.

- 696 ▪ States can also be given objectives of medium-term progression of minimum real wages,
697 at least equal to the increase in productivity. This norm would avoid wage deflation
698 without freezing distribution of added value between wages and profits. At the same time
699 this norm (which should stabilize labour unit costs) would create the necessary conditions
700 for the long term convergence of inflation rates which are historically correlated with the
701 evolution of labour unit costs.
- 702
- 703 ▪ In the long run, as it has a high representative for foreign policy, the EU should have a
704 similar position for economy and finance. Chosen from one of the Eurozone countries,
705 this high representative would hold the posts of president of the Euro group and of Ecofin
706 and vice-president of the European Commission in charge of economic and monetary
707 affairs.

708

709

An economic governance for the planet

710

Restoring international balances by returning to an organised monetary system

711

712

713

714 Stability and sustainability objectives on the macro-economic level also imply a decrease in
715 global imbalances. Financial deregulation has been accompanied by chronic financial instability.
716 Floating exchange rates proved their incapacity to rebalance imbalances in current accounts.
717 Since the beginning of the 90's, the current balance of the United States never ceased to be in
718 deficit - a situation that led to massive debt of the US to the rest of the world, in particular China.
719 Financial markets showed their incapacity to allocate resources in an optimal way when faced
720 with 'bubbles' (Internet bubble, raw materials bubble, real estate bubble, a new speculative
721 bubble currently in the making). Financial deregulation does not keep its promises. It mostly
722 helped its over-zealous supporters to become rich by creating an enlarged financial sector.
723 Worse, this financial deregulation led to a succession of crises with dreadful social consequences
724 for the people living in poverty, be it in our societies or in the global south. The Green New
725 Deal's macro-economic policy therefore outlines a strategy to create a regulated system not only
726 at European but also at global level. This regulated system calls for a decrease in the global debt
727 of our economies and to restore as much as possible a balance of current accounts between the
728 EU and the rest of the world.

729

730

Restore exchange rates stability and supervise the flow of capital

731

732

733 The EU 27's current balance was just under 244 billion Euros in 2008 - 2% of the EU's GDP.
734 This deficit is largely linked to the deficit of the trade balance of goods: a situation which only
735 goes from bad to worse as oil prices soar. It seems likely that this situation will remain with us
736 for at least the next few years. The International Energy Agency foresees the price of oil to
737 rapidly (2011) reach its record high of 2008. Such a situation would lead to imported inflation
738 and could, in time, mean a possible rise in interest rates in the Euro zone to avoid any second

739 round effects. In order to avoid a brutal economic shock as occurred in 1974, Europe must seek
740 to regain commercial balances with oil producing countries. This entails a strategy to decrease
741 our energy dependency, which is both of environmental and economic importance.

742
743 Yet, in the financial system, there are no short or medium term counter weight forces to redress
744 these imbalances. The evolution of exchange rates is too erratic to act as a regulatory force. The
745 United States is thus able to finance an ever-growing deficit of their current balance without
746 harming the dollar. At the same time, China unilaterally maintains a fixed parity for its currency
747 which exacerbates the scope of its current balance excess. This situation leads to over-
748 consumption by the American consumer to the detriment of Chinese consumption. As the current
749 crisis reveals, these imbalances are not sustainable on the long term. Reducing financial
750 instability therefore implies to limit these imbalances.

751
752 In this perspective we call for a new Bretton Woods, which would allow resetting the rules of the
753 international economic and monetary governance towards the GND objectives.

754

755 ***Therefore, we Greens propose:***

756

- 757 ▪ Exchange rates between main regions should be stabilised. The central banks should set
758 limits to short term exchange rate fluctuations. Central banks should act on a coordinated
759 basis in order to insure that the exchange rate remains in the corridor previously defined.
760 In the case of an inflation-differential, the upper and lower bound would be adapted. All
761 participating countries should agree that competition shall take place at the micro level
762 only and not between nations. The aim of this new multilateral regime should be the
763 prevention of fundamental and long lasting trade and current account imbalances.
- 764 ▪ Free flow of capital cannot contribute to a stable economy. Short term flows of capital
765 are not desirable in particular for developing countries if unregulated. There should be
766 economic incentives for long term investment of capital and disincentives to extreme
767 short term investment.
- 768 ▪ Free circulation of capital, which allows speculative attacks on currency and massive
769 withdrawals of capital from an economy, must be regulated through multilateral
770 mechanisms granting support to threatened countries including swaps and other monetary
771 arrangements.

772

773 ***Re-establishing a global economic government in the framework of a more democratic IMF***

774

775 Global economic government needs democratic institutions in order to set up the stability and
776 sustainability pact worldwide. The de-regulated monetary system needs new structures in order
777 to stabilize the financial markets. The creation of monetary zones worldwide with countries that
778 set up common objectives in order to develop converging economies would contribute to
779 facilitate the global control of financial markets and create a greater stability of exchange rates.
780 Short term economic and monetary objectives should be adapted to the actual starting point of
781 the economies of its members. Long term objectives are given by the GND.

782

783 A transformed IMF could act again as guarantor of the international monetary system

784

785 ***Therefore, we Greens propose:***

786

787 ▪ Voting rights allocated to countries can no longer be tied solely to GNP. Demographic
788 weight must be considered.

789 ▪ The European Union / The Euro zone countries must designate a single representative to
790 the IMF, in charge of defending European economy's interest as a whole / the economy
791 of Euro zone Member States.

792

793 ***Establish new price setting systems of raw materials***

794

795 In addition to the objective of achieving more exchange rate stability, the price of raw material
796 must also be set in a more stable way. Setting oil prices daily is a non-sense for a non-renewable
797 resource whose use is set in a long term perspective. As is the case with price setting of iron-ore,
798 main raw material prices should be set on an quarter/annual basis, between the main producers
799 and consumers. This price setting would thus give manufacturers and consumers greater
800 visibility on their expenses. The gradual increase in energy costs could therefore be anticipated
801 more easily and integrated in economic agent's investment decisions. Additionally, speculation
802 on food commodities should be banned.

803

804 ***Therefore, we Greens propose:***

805

806 • More broadly a large set of multilateral and regional arrangements aimed at creating price
807 and supply management systems should be implemented.

808 • Increasing the stocking capacity of the European Union in order to give the EU the ability
809 to smooth price volatility.

810

811 ***New economic relationship with the developing countries***

812

813 All these changes towards a more regulated economic world will have a positive impact on
814 developing countries' economies.

815

816 A supervision of the flow of capital would prevent massive withdrawals of capital from
817 developing economies. It would also prevent local capital being invested in developed
818 economies instead of being reinvested in local development. Moreover, more democratic
819 financial institutions (IMF and World Bank) will give more power to the developing countries in
820 these institutions. The European Union should support a change in these institutions policies.

821

822 Having said in the beginning that growth does not necessarily create development and even less
823 sustainable development, it becomes clear that an evaluation of the consequences, which a
824 globalized economy imposes on non-industrialised (developing countries), is needed.

825

826 The European Union must recognize its ecological debt to developing countries, which results
827 from exploitation of natural and human resources and climate change due to global warming.
828 Even nowadays the extraction of natural resources is often destroying the environment and the
829 basis of survival of the people. Forced by globalization onto the path of copying on industrialised
830 countries and the victims of unequal terms of trade, developing countries are caught in the debt

831 trap. IMF and World Bank claimed to come to their rescue, imposing austerity programs on them
832 in order to streamline their economies according to the criteria of neo liberal growth standards.
833 Since European states have been aware of the problem of greenhouses gases since the beginning
834 of the 90s (Rio summit), it would be consistent to consider that European economies have
835 accumulated an ecological debt starting that time.

836
837 Having said as well that the ecological transformation of the economy (GND) is a global project,
838 the European Union and other global players must rethink their relationship with developing
839 countries in order to promote a sustainable development model for future relations and in order
840 to compensate and to repair damage done in the past.

841
842 *Therefore, we Greens propose:*

- 843
- 844 • That conditionality for IMF support will be oriented on development goals as a prime
 - 845 condition and should no longer be based on deregulation and privatization.
 - 846 • The recognition of the ecological debt of industrialised nations (amongst them the
 - 847 European Union) and the set up of a compensation mechanism and a body charged
 - 848 with control and surveillance
- 849

850 In this perspective, the issue of international trade is central for the GND and should be put in
851 question. On the one hand, the EU economy is highly interdependent and less so with the rest of
852 the world. Only 13% of GDP is linked to international trade. As an economic area, the EU is big
853 enough to be largely autonomous. Consequently, the EU is not forced to be widely open to
854 international trade out of necessity. Moreover, the risks associated to the interconnection of the
855 financial system have been highlighted by the crisis. Apart from Europe's own asset bubbles,
856 Europe's financial system was largely contaminated by toxic financial products import from the
857 US. On the other hand, the question of the inclusion of the developing countries in international
858 trade, and more broadly, the impact of trade on the environment and the need to improve the
859 quality of life for everyone is highly problematic and must be further discussed in order to take a
860 position on the topic.

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862
863

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864 European Green Party for discussion and vote at the Tallinn Council.

865
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