

The Paris Declaration

A way out of the crisis in Europe

Twelve Green proposals for a socially just and environmentally sustainable solution to the crisis

Introduction: summit-as-usual is a failure

Our world is experiencing combined financial, economic, social, ecological and democratic crises, with runaway climate change being a life threat for humanity. The present crisis is embedded into this broader context. From the Arab Spring to the Israeli tent-city movement from the Occupy movement to environmental NGOs to human rights defenders, across the world people are fighting back. Greens are partners in solidarity with these initiatives.

We are facing the consequences of an unsustainable development model, focusing on economic growth alone, ignoring ecological and social constraints and fuelled by excessive public and private debt, privatisation and deregulation. These crises are eroding social cohesion and leading to political disintegration of the continent, driving us to irrelevance in the 21st century.

The crisis has exposed fault lines in the construction of the Euro and placed weaker Eurozone economies in danger of defaulting on their sovereign debts, necessitating multiple emergency support measures, which even today may not be adequate to stem the tide. Resolving these built-in structural problems will require significant steps to be taken and these in turn will impact all EU Member States, whether they are Eurozone members or not.

As the Euro is under threat, the foundations of stability, which have underpinned European society since the end of the Second World War appear to be eroding. Right-wing populists and intolerance are gaining ground and participative democracy is all too often being sidelined. National populists are inching closer than ever to power. However, we have good reason to be proud of European achievements : Integration avoided a resurgence of military conflicts within the EU and promoted a better understanding between Europeans. We are determined to defend and further develop them.

Thus far, the response of the European and national policymakers has been inadequate. It has been marked by a lack of vision and of decisiveness, basically coming up with too little, too late. This has been caused by a consistent denial of four realities :

- Simultaneous and coordinated austerity policies as the sole policy response can only drive Europe into economic recession, worsening the sovereign debt issue rather than resolving it;
- Greece is insolvent and has been in a deep recession for several years, therefore public debt will never be reimbursed in full.
- No monetary union is sustainable without a strong, fiscal and political union; coordination cannot be an effective substitute to integration.
- Unsustainable public finances or lack of competitiveness are not the main causes of the crisis we're in: at the heart of the problem lies the global increasing inequality of incomes and wealth in the last decades and an over-leveraged and over-extended financial sector, addicted to debt and speculation and benefiting from implicit and explicit public guarantees. This has led to unsustainable credit growth and risk accumulation and a global increase of inequality of incomes and wealth in the last decades.

While the recent summits have shown the European decision-makers waking up to these inconvenient truths, they remain ideologically biased: their approach to sustainable public finances is mainly focused on expenditure cuts; they see competitiveness as only driven by low wages; for them inequalities in society are not a problem; they are mainly driven by fear for the markets and tomorrow's opinion polls. All this has produced a crisis response which is not only ineffective but whose costs are primarily borne by the most vulnerable in our society, increasing the ever-growing inequalities within and across societies.

The dramatic lack of vision and leadership demonstrated thus far by leading policy makers both at Member States and European levels has fuelled an increasing popular distrust vis-à-vis the European Union. This is the case in both net contributing countries, where people feel financial commitments are taken on their behalf without appropriate justification. This is also the case in countries under emergency assistance where citizens feel powerless and outraged by the impact of unjust austerity measures, whilst at the same time it is business as usual in the financial sector.

Streets protests are multiplying spontaneously and conventional political processes appear no longer to connect with the citizens. Initiatives, like 'Los Indignados' in Spain and the Occupy movement, have, in a short space of time, become a truly international expression of anger, frustration and opposition to political processes based on ideologies that penalize the majority and reward the few. We recognize and support the democratic right to peaceful protest and as such, we deplore the use of force against peaceful protesters and occupiers. We express solidarity with those taking part in these initiatives all around the world. All the above mentioned movements merit our support and our solidarity.

Even though we face enormous challenges, this crisis is a unique opportunity to achieve a quantum leap forward, enabling Europeans to build a socially just and environmentally sustainable society based on the respect of human rights and built upon a participative multi-national, multi-level democracy. What we need is a paradigm shift, putting human well-being in a sustainable environment at the centre of policy-making, not just as a long-term, distant objective. This is a moment of truth in the history of humanity: we are at the eve of a transformation of our civilization. While no ready-made blueprint exists for a sustainable world in the 21st century, we Greens acknowledge the depth and breadth of changes that need to be implemented.

Therefore, we propose a Green New Deal for Europe – a comprehensive set of policies, which aims to provide innovative and interlinked solutions to the challenges facing us in the 21st century and which requires new political thinking and new economic visions. We believe that Green New Deal will foster a wave of new quality jobs and investments, which will drive a new model of development.

A Green Compass: Guiding principles for a credible response

While Europe is confronted with this unprecedented crisis, the two key challenges of the 21st Century remain pretty much there: ensuring prosperity and well-being for everyone on the planet – and not just for the happy few - both for current and future generations while fitting our development model within the physical limits of our planet. The future of humanity on this planet depends on the nature and speed of the global response to these challenges. This leads us to adopt the following guiding principles in devising our response to the current crisis:

- If Europeans, who represent 7% of the global population, want to retain – actually to regain – the ability to shape their own future and to have a role in global affairs, they need to act together as one. Europe as a whole and the Euro-zone enjoy overall economic fundamentals which, while not being ideal, position us reasonably well in macro-economic terms; on top of that, we have strong resources – our people, our knowledge and our innovation capabilities, our collective wealth, our diversity – which enable us collectively to respond to the challenges we face. This entails that any scenario leading to the break-up of the Euro-zone, which would be the first step of the political disintegration of Europe is unacceptable to us. Conversely though, any enhanced political integration of the Euro-zone cannot lead to the crystallization of a two-speed Europe; it is necessary to strengthen the common economic governance in the Eurozone, but this should not lead to an exclusion of the other EU member-states;
- More equal societies perform better: all empirical evidence points at the fact that a more even income and wealth distribution is a key condition for individual and collective well-being; therefore, crisis solutions must turn-around the accelerating drive towards more income and wealth inequality;
- Sustainable public finances at all government levels are a key ingredient of success; they need to be balanced at reasonable speed considering economic activity, optimizing expenditures as well as income, especially when absolute public debt levels are high. In that perspective, debt can only be justified as an instrument of funding investments that effectively increase the material or immaterial capital available to future generations;
- A systemic problem needs a systemic solution which restores the primacy of politics over speculation. Therefore the finance industry must be forced back into its role of supporting the real economy, which in turn must be an instrument to the well-being

of all. Ultimate social utility must therefore guide decisions in matters related to the regulation of the finance industry;

- The polluter-pays principle: those whose actions drove us into the crisis we're in today and who benefited most from the debt- and speculation-fuelled development model must be the ones contributing most to its resolution. Whenever governments need to financially step-in, they must exert their (even temporary) ownership rights.
- Finally, any solution must reduce rather than increase the growing democratic gap both at the European level as in the Member-States.

In the short-term : only bold steps will do

The fire has yet to be extinguished; there will be no lasting solution if the downward spiral is not stopped. Therefore, following the conviction that solidarity and fiscal soundness go together, we Greens call for the following actions to be taken:

1. **Make the Greek debt-burden sustainable** : the announced 50% voluntary reduction in the holdings of Greek debt by the private sector is insufficient, as not even all private bond-holders will participate while public ones remain whole. This will result in an actual debt reduction of at most 25% while what is actually needed is an at least 60% overall reduction of this debt, which entails either a full participation of all private and public bond-holders or a substantially larger haircut of private bond-holdings.
2. **Make the EFSF (and future ESM) an effective backstop** : the current – and very unclear – scheme for expanding the impact of the European Financial Stability Fund falls short of what is needed to deter further speculation on member-state sovereign debt. In order to become a credible backstop, the EFSF must be made into a bank, able to draw on liquidity facilities of the European Central Bank; its decisions must be taken by the majority rule. The proposal to resort to discredited financial engineering on a massive scale in the form of CDS-like credit insurance and CDO-like special investment vehicles does nothing to counter the lack of confidence.
3. **Recapitalise the European banks** : the amount – € 109 Bn – decided by the latest summits is at the lower end of what is actually need to make the European banking industry resilient; an amount of € 300 Bn is probably closer to the mark. Private sources must contribute first, but if public money is used, ownership rights and control must be transferred to the taxpayer (through temporary public control 'thus enabling progress towards wider mutualisation within the European banking system). Strong conditionalities must be imposed, e.g. profits must be retained to strengthen their capital with any excess flowing back to the States' treasuries; ensuring bank balance sheets are down-sized by divesting the most risky activities first, thus ensuring that lending to the real economy is not negatively impacted;

ending the executives' self-serving behaviour as regards pensions, bonuses and salaries; preventing any breach of law by rescued banks, for example tax evasion. In addition measures to avoid a credit crunch are of crucial importance. In instances where the losses resulting from bank failures threaten the debt sustainability of a sovereign state, the ECB and EFSF should implement a range of measures to reduce such recapitalisation costs to the State.

4. **Rebalancing the austerity-only** approach: while we still see the need of sustainable public finance according to the Treaties, some parts of the Troika emergency policies have been socially unjust; the conditionalities they impose must be rebalanced, insisting on effectively chasing revenue from the most affluent in society and breaking taboos and privileges such as immunity the defence establishment in Greece or for the Churches in countries such as Greece or Italy. On top of that, the EU should leverage its unused cohesion funds, lowering the co-financing requirements for Member-States under assistance in order to stimulate valuable economic activity. What is needed is a shift from one-sided austerity to socially just and sustainable structural reforms and investment to strengthen national economies

In the medium/long-term: engaging in a deep transformation

Short-term action is no substitute to more lasting and fundamental responses, which will put Europe on a sustainable recovery track. Here are the essential components that we Greens see in that comprehensive approach:

5. **A strong re-regulation of Europe's finance industry** : Europe must not hesitate to go beyond "Basel III" proposals, imposing ambitious capital requirements (15%), an absolute limit on the leverage ratio, binding liquidity requirements. In our view, too-big-to-fail institutions are simply too-dangerous-to-exist; the opportunity must be taken now to act upon those and to shrink them to manageable size, ensuring that any financial institution can fail with minimal damage to the wider financial system and economy. Also, rules must achieve watertight separation between narrow banking that serves the real economy from riskier investment – in fact, often speculative – banking. As a rule, financial products and activities that have no demonstrated social or economic benefit must be banned; the use of techniques such as naked transactions and transactions with borrowed products should be banned or at least strictly regulated. Finally, the shadow-banking system must be gradually starved of funds through stronger rules governing liquidity and opaque off-balance sheet vehicles. An independent, scientifically based European rating agency should be created, focusing on the quality of debt, including its ecological sustainability.

6. **A comprehensive European tax strategy:** sound public finances, enhanced social cohesion and environmental sustainability cannot be achieved without a deep transformation of tax policies across Europe. At the EU level, action must be taken in order to implement an EU financial transaction tax (FTT), an EU climate/energy contribution, a common consolidated corporate tax base (CCCTB) associated with a minimal effective taxation rate so as to ensure a fair contribution by the corporate sector. The EU must develop a tax disarmament treaty" whereby Member States would dismantle the tax havens built into their own legislations and commit to actively fight against tax evasion and limiting avenues for tax avoidance within a comprehensive European strategy. All the above require that an end be put to the unanimity rule in tax matters, which must become an ordinary legislation domain, subject to co-decision by the EU Council and Parliament. At national level increased progressivity of income taxation as well as wealth taxes must be implemented.
7. **Establishing a European Monetary Fund** able to act issue euro-bonds, that should increase the attractiveness of Europe's sovereign debt market, making it both more liquid and resilient while preventing moral hazard by imposing clear conditionalities for participation, especially in terms of fiscal discipline. This EMF should be established as a community (rather than inter-governmental) instrument, democratically accountable before the European Parliament, absorbing the role of the current European Financial Stability Fund as a crisis-response instrument. By further implementing measures for transparency and accountability, and democratizing the governance of the IMF, additional funding must be considered, helping to assist economies in need of emergency loans and structural aiding.
8. **Make the macro-economic surveillance framework operational and more balanced:** This framework, established by the "six-pack" last September, must be implemented in a balanced way. It must effectively tackle both surplus and deficit countries as they affect one another and introduce economically relevant social and environmental indicators such as income inequalities, education expenditures, the ecological footprint or resource productivity.
9. **Make the EU budget an instrument of economic policy :** No monetary union has been successful without a credible common budget as an instrument of economic policy. Therefore, what is needed is a substantially more ambitious EU budget, funded by own resources co-decided by the European Parliament and flowing from the FTT and climate/energy contribution, enabling partial relief of Member State contributions, the budget being then complemented by project bonds in order to finance projects of general interest such as pan-European renewable energy infrastructures or making Europe a leader in resource- and energy efficient solutions. This will create a strong and relevant European Treasury.
10. **A Green New Deal for Europe :** the single-minded focus on austerity is a self-defeating strategy. Selling off the means for future productivity for short-term

window dressing is no way to run a company, much less a country. Savings of European households and enterprises have been substantially rising : this is the capability that needs to be mobilized and combined with the (limited) investment capability of Governments into a pan-European Green New Deal that aims at investing in greening our energy, transport, production infrastructures, in restoring our natural resources, in enhancing social cohesion, in education, research and innovation. This mobilization requires a coherent plan, as well as regulatory strategies such as

- a. Putting the EU2020 targets on an equal footing with the stability- and growth pact financial targets, which would increase the pressure towards directing public investments towards social and environmental sustainability;
- b. a more effective pricing of CO₂ through a move to a 30% GHG emissions cut by 2020 to push up the price of carbon, a carbon tax covering non ETS sectors and a full auctioning of allowances;
- c. The imposition of carbon stress tests to financial institutions, the introduction of climate risk as systemic risk into legislation, the promotion of green indices that indexed-based funds can refer to, the development of green banking in order to make clients more aware of the carbon footprint of the investments made with their savings deposits (with tax incentives where appropriate);
- d. The European Central Bank shall be allowed to refinance bonds issued by the European Investment Bank, on the condition that these bonds support sustainable investments.
- e. Mandating public pension funds and incentivising private pension funds to allocate a proportion of their portfolio to green investments and companies.
- f. Implementing an energy transition ensuring a progressive way towards a renewable energy future out of the nuclear and fossil-based energy system

A more politically integrated and a more democratic Europe

Most of the actions referred to above mean a profound change in political focus and priorities and require a more politically integrated Europe. Acting on their own, the Member-States are unlikely to be able to re-regulate the financial sector, to tackle the tax bases that increasingly evade them, to mobilize the investments needed for a Green New Deal or to face the global financial markets. This will require substantial changes to the EU treaties. For us Greens, it is imperative that both the process leading to a more politically integrated Europe as its' functioning must increase democratic accountability and participation. Therefore, we propose

11. **Key economic policy guidelines to be co-decided:** At the moment, the EU Commission is effectively orienting economic and fiscal policy in Europe and in certain Member-States. In order to give them a democratic underpinning, the actions by the Commission in that domain should become subject to political guidelines adopted in co-decision by the EU Council and Parliament. In that sense, the multi-year economic strategy (currently EU2020) as well as its annual implementation guidelines (currently the Annual Growth Survey, part of the EU semester) should become legislative acts under co-decision.

12. A Convention for a new Europe : What is needed is a new round of reform of the EU treaty, starting from the calling of a Convention as soon as possible, composed by the representatives of the European and national parliaments as well as of social partners and civil society, including through innovative forms of representation, which should pave the way which should pave the way for substantial Treaty changes to provide the legal basis for the actions outlined above. , In order to strengthen the democratic basis, we urge for a EU-wide referendum that will have to decide on the agenda changes, which should enter into force if a majority of peoples and States approve them. Treaty revisions can in no way be negotiated behind closed doors by EU heads of State and governments and then forced down the throat of the parliaments.

Conclusion

More than anything else, what is needed now in Europe is trust : trust between economic players, trust between governments, trust between economic players and governments, trust in the EU institutions, but above all trust of our citizens in their banks, in their economy, in their governments, in their future. We Greens believe that small, reluctant, crisis-as-usual steps will not do; they will only increase the chances of economic, social and environmental collapse. Only if we are prepared to take a bold leap forward, towards more political and democratic integration, towards deeply transforming our societies and economies for more social justice and environmental sustainability, will we stand a chance of success. The proposals outlined above should be seen as first steps in this deep transformation; that is our offer to our fellow citizens. We are prepared to bet our future on them.

Refounding the European Project

1. European Greens are convinced that the European project needs to find a new sense of direction and purpose. The alienation of public opinion towards the EU is growing because of the 27 member states' inability to produce sustainable and progressive common solutions to the multiple crises impacting the citizens.
2. The erosion of the Community decision-making process to the advantage of intergovernmental negotiations, where the rule of the strongest prevails, undermines the importance of European parliaments and leads to little public debate. Decisions are taken on the basis of narrowly defined national interests. The current deep financial economic and social crisis shows that such a mechanism of "governance" is wholly inadequate. More European democracy is the anti-dote to this deplorable situation.
3. The European Union will not achieve cohesion and efficient functioning if the institutions representing the Europeans, namely the European Parliament and the Commission, continue to be side-lined and their powers constantly eroded, among others by the French-German top leaders who monopolise the discourse and the power. We strongly oppose the practice of the European Council to undercut the Lisbon Treaty focus on qualified majority voting by meddling in all policy matters. This is not only an institutional or legal question, it is also a democratic and transparent decision-making process. We want to make use of community method to put into practice the Green New Deal and the ecological reconversion of the European economy.
4. In the past, treaty reforms have been effected by government representatives gathered in Intergovernmental Conferences deciding unanimously, and with little or no public debate and participation. Reforms cannot continue to be based on diplomatic conferences run exclusively by member states.
5. The recent massive mobilisation of citizens all over Europe shows that the future of the European project has to be decided with them and not over their heads.
6. The EGP supports the proposal that this European Parliament should start, as it is entitled to do under Article 48 of the Treaty of European Union, a procedure for the calling of a new Convention for a new Europe. However, the procedure must be established in such a way that the conclusions of the Convention cannot be completely changed by an old-style intergovernmental conference. New ways and new alliances have to be found to break this ongoing dead-lock.
7. In the framework of the "Development of the Green Political Agenda" procedure agreed in Budapest, the EGP decides therefore to create a Working Group charged with the task of producing, by the next EGP Council meeting, a proposal on the contents and the procedure for changing the EU Treaty, and which will ensure a large public participation of European citizens in the process of re-designing the European project.