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Decision makers meet at the EESC to debate the way out of the debt crisis

The search for answers to the EU economic crisis has continued at the European Economic and Social Committee (EESC) with a debate on the sovereign debt crisis. In an unprecedented event, representatives of the EESC, the European Commission, the European Parliament, the European Investment Bank and the European Central Bank exchanged views with the Italian Minister for European Affairs and the President of the Eurogroup.

Staffan Nilsson, President of the EESC, opened the session with a clear statement on the sovereign debt crisis, calling for a fiscal stability union in the EU and the introduction of Eurobonds. Concrete initiatives are needed, he said, for member states to share fiscal responsibilities and so that interest rates on the public debt of countries that are making fiscal consolidation efforts can fall. President Nilsson stressed the importance of creating a growth model which is credible, coherent and sustainable. Michael Smyth, President of the EESC Economic Section, made clear that for him the EU is facing a crisis of demand with dangerous similarities to the crisis of the 1930s. Today as then, he said, the orthodoxy of austerity is fundamentally wrong and will only lead to recession. That is why new strategies need to be implemented at national and EU level. If nothing changes, Europe may become a breeding ground for populism and radical parties. "The human cost of the crisis is much higher than the financial cost", he added.

The Commission's representative focussed the debate on the creation of a backstop for the financial sector at EU level and indicated possible options for progress towards better fiscal integration. The main concern, according to the representative of the Commission, is the high borrowing costs that remain in some countries in spite of monetary union. However, there are signs of shared responsibility, for example in relation to the European Financial Stability Fund. Carmelo Cedrone and Gérard Dantin, rapporteurs for two EESC opinions on Eurobonds and similar instruments for shared debt, made clear that their expectations regarding fiscal union are very high. To them, the monetary union was born not only as an economic project, but an important political venture. As a solution to the current situation the EESC had concretely proposed two kinds of bonds: stability bonds to mutualise debt with shared responsibilities and investment bonds to attract capital from the BRICs. Sylvie Goulard, member of the European Parliament's Committee on Economic and Monetary Affairs, stressed that the European Council must not be the exclusive political arena to tackle the current crisis and that a broader approach is needed. "We cannot continue staying at the doors of every European Council meeting waiting for the white smoke from the Sistine Chapel as if this would solve the crisis".

Enzo Moavero Milanesi, Italian Minister of European Affairs, spoke in favour of fiscal discipline as a precondition to the recovery of confidence, as well as the need to secure the banking system and make sure that burdens are not transferred to future generations. He also supported greater regulation of the financial system by member states and European institutions. For the sake of stability, some type of mutualisation of debt should be established, he said, while the golden rule of the balanced budget needed to be revised, giving scope for investment that will result in growth at European level, such as macro-regional infrastructure projects. Following further discussions with the European Investment Bank on project bonds and a presentation of the outside view from the International Labour Organisation, the debate was concluded by Jean-Claude Juncker, President of the Eurogroup. He confirmed that Europe and the Euro area will have to take some very crucial decisions over the summer regarding fiscal integration, progress towards a banking union and stimulating growth. In response to criticism of the decision-making process in the Eurogroup, he made clear that this is a small price to pay in a constant ongoing debate between 17 democratic states, in whose parliaments more than 60 political parties are represented. "Imagine where we would be if we didn't have a strong common currency but several national currencies fluctuating in the global financial storm", he closed the debate.

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