en | fr | de | nl

Publication | 18.05.2010

No way out of the crisis without European economic governance

Input paper from Dany Cohn Bendit, Philippe Lamberts, Pascal Canfin and Sven Giegold

After several months of vacillation, European leaders and the European Central Bank (ECB) finally resolved during the night of Sunday May 9 to Monday May 10 to establish a unprecedentedly comprehensive rescue plan for the eurozone. In parallel, on Wednesday May 12, the Commission issued proposals for reinforced monitoring the budgets of Member States.

These two initiatives pose some problems. On one hand, they respond to the problem of debt by creating additional debt as they focus on drastically curtailing public spending. This approach risks aggravating the social consequences of the economic crisis and of (once again) plunging the EU into recession. However, they are also welcome, as long as they constitute the seeds of a true common economic governance, the missing political foundation of the European Monetary Union. For the European Greens, this governance should be founded upon five pillars:

1. **Responsible public spending,** which involves providing a sustainable framework for public spending and increased surveillance of macroeconomic development. This also would involve a first step of reforming the Stability and Growth Pact in order to make use not only of the indicators of expenditure, deficits and public debt, but also of a wider range of indicators for macroeconomic sustainability. These indicators such as private debt, the balance of current accounts and the real rate of exchange would give a broader picture of the internal and external imbalances between Member States. This would allow the launch of co-ordinated preventative and corrective actions which would be better informed and which would concern both countries in deficit and in surplus. Responsible public expenditure also means expenditure (including at the European level) that is reoriented towards the objectives of environmental sustainability and social cohesion.

2. **Fiscal harmonisation**: while balanced public finances are a condition for economic stability, we cannot, as is the case for both the Commission and the ECB, rely on addressing the area of expenditure alone: the income part of the equation is just as essential. Whether it is a matter of taxation of company profits (particularly transnationals), establishing a tax on financial transactions, a special contribution from the banking sector (*bank levy*) or the fight against tax evasion, only a joint approach will allow each of the 27 Member States to find the means to enact their policies and to ensure that social cohesion is maintained.
3. **Strong regulation of financial markets**: it is essential to restore the financial sector to its primary

role of supporting the development of the real economy. The European Parliament has just approved the financial supervision package, with the support of the four largest political families; it is time for the Council to stop its obstruction of all serious regulation and to join the Parliament's common position. Furthermore, it is essential to limit the destabilising effects of financial speculation. In the short term, numerous measures could contribute to this, such as the prohibition of the trade in CDS (*Credit Default Swaps*), which involves speculation on sovereign debt securities, and the creation of a tax on financial transactions as well as the *bank levy* mentioned above, which would limit the capacity of banks to go into debt in order to finance their speculative operations.

4. **Own resources reinforced by the EU**: it should be emphasised that with an aggregated public deficit of 6% of GDP, an aggregate stock of public debt of 88.5% of GDP, which is held to a very large extent by Europeans themselves, the fundamentals of the EU as a whole are healthier than those of the USA (98% and 10% respectively, with a debt of which half is held by non-residents, such as China). This means that the EU as an actor potentially has strong credibility towards the market. It would be in the collective interest of the Member States, if the EU had available a reinforced budget, supplemented by own resources (fiscal as well as borrowing capacity, the infamous Euro-obligations), which can be mobilised in favour of joint objectives, particularly the EU2020 strategy.
5. **The initiation of a European Green New Deal**: this EU2020 strategy must be used as the tool to bring about a sustainable transformation of the EU's development model. The two primary challenges of the 21st century are to reconcile development with the physical limitations of our planet (climate and depletion of resources) and to ensure social justice within our societies and between them. The financial crisis must not obscure these challenges; responding to them not only constitutes a duty but above all an opportunity: it is here that the sources of employment for this century are to be found.*This Green New Deal must be financed not only by an increase in the European budget but also, through the allocation of interest-free loans by the European investment Bank (EIB) to actors in this ecological conversion (particularly local collectives). A prerequisite for making such EIB funding available would be that the EIB obtains refinancing at zero interest rate from the ECB.*

Only the implementation of these five pillars can provide the European Union with a way out of the crisis which takes the high road and with sustainable development at its core. The entire edifice will be undermined if even one of these pillars is omitted. A joint approach to economic governance is no fairytale: work is already underway in areas of each of these five pillars, even if they often suffer from lack of ambition or will. It is high time to show the political determination to accelerate progress in making these pillars a reality.

After having achieved very widespread integration of their markets, Europeans and their leaders are now faced with a simple but key choice: if they want to take control of their joint destiny and ensure for half a billion Europeans a future that is commensurate with their potential, there is no other way forward than accelerated and deeper political integration.

Dany Cohn-Bendit
Co-president of the Groupe Verts/ALE at the European Parliament

Philippe Lamberts
Member of European Parliament Ecolo (B), Co-president of the European Green Party

Pascal Canfin

Member of European Parliament, Europe Ecologie (F)

Sven Giegold
Member of European Parliament Bündnis 90/Die Grünen (D)

Recommended

Event

[EU TECH STARS SUMMIT]

05.02.2026

News

©nobutz/pixabay

[PLENARY FLASH: Greens/EFA Priorities 15 to 18 Decembe…]

15.12.2025

Press release

Photo by Julian on Unsplash

[Win for consumers with new bank liability, but fight a…]

27.11.2025

Press release

josue-isai-ramos-figueroa-unsplash

[Greens/EFA welcome Court ruling on Minimum Wage Direct…]

11.11.2025

Responsible MEPs

Sven Giegold

Member

Philippe Lamberts

Member

Please share

- [E-Mail]()