en

News | 20.10.2011

What should the Eurozone and EU Summits achieve?

Five priority issues for the Greens

EU and Eurozone heads of state are set to meet this weekend with expectations high that the summit will deliver a comprehensive set of solutions to the ongoing Eurozone crisis. Ahead of the summit, Green economic spokesperson **Sven Giegold** outlines the key issues that need to be addressed by the summit.

The piecemeal responses to the crisis so far - in terms of financial market regulation and managing the sovereign and banking debt crises - have utterly failed and led to a make-or-break situation in which decisive action is urgently required. The following five areas, in particular, need addressing.

1) Recapitalisation of banks - European and democratic approach

We need a true European approach to bank recapitalisation. The German government has up to now insisted on the primacy of national solutions. This led to months of uncertainty about the bank rescue plans. Europe must be a central part of the solution; it is not the problem. In concrete terms, this means that:

- If public money is needed to increase capital, this must be European money in order to break the vicious circle of bank and sovereign debt crises. An indirect recapitalisation through the European Financial Stability Facility (EFSF) will not solve the problem.

- If public money is used, owners' rights and control must be transferred to the taxpayer (through partial nationalisation). There must be a temporary nationalisation of the rescued banks and profits must be retained to strengthen their capital with any excess flowing back to the states' treasuries. Management powers must be fully exercised: to change the business model; to ensure bank balance sheets are sized-down by divesting the most speculative activities first, thus ensuring that lending to the real economy is not negatively impacted; to end managers' self-serving behaviour as regards pensions, bonuses and salaries; and to prevent any breach of law by rescued banks, for example tax evasion.

- The European Banking Authority must define Europe-wide uniform capitalisation levels, which must not be based on the risk-weighted standards used until now, under which, for example, sovereign debt is still considered to have a risk weight of zero.

2) Credible solution to the current sovereign debt crisis

- Greece's sovereign debt must be restructured according to the principle of debt sustainability for the country and must be based on current market prices.

- Leveraging of the EFSF, in whatever form, cannot be more than a transitional solution in anticipation of the introduction of Eurobonds, which is the only stable and sustainable solution.

- The debt restructuring and austerity measures in Southern Europe have to be accompanied by a European-coordinated, robust green investment programme - in renewable energies, energy and resource efficiency and education for example - to avoid a downward spiral.

3) Comprehensive regulation of financial markets

- We need a European approach against the "too big to fail" problem, which Germany and France, in particular, have ignored up to now in the interests of their big banks. In addition, there is a need to implement proposals to completely separate risky investment banking from banking which serves the real economy, along the lines of proposals in the US (Volcker rule) and the UK (Vickers Commission). Ultimately, the aim should be to reduce the systemic importance of the biggest banks and ensure that any bank can fail with minimal damage to the wider financial system and economy.

- Un-transparent, over-complex and speculative financial products with no social or economic benefit must be banned.

- There is a need for a debt brake for banks, i.e. a simple leverage limit that is not dependent on banks' own assessment of the riskiness of their assets. The German government must give up its resistance to this measure.

4) Fair burden sharing and social re-balancing

The crisis must not widen the social gap. A stabilisation of financial markets will not succeed without a new social rebalancing. The European summit must give a clear signal in this regard, foremost to the citizens in the countries most hit by the crisis, who are paying a high price for the political mistakes of the last few years. This implies:

- Giving a clear political go-ahead to the introduction of a financial transaction tax for the entire European Union.

- Ending the situation under which certain wealthy sections of society have been sheltered from contributing to the costs of the rescue measures introduced. They must now contribute to covering the costs, such as through wealth taxes, coordinated at EU-level.

5) Start the process of treaty change

European heads of state and government must initiate a procedure for treaty change, which will enable the new challenges facing Europe to be met. Treaty change is necessary: to issue Eurobonds; to anchor the idea of a European economic government in the treaties; to strengthen parliamentary control of European governance; and to harmonise European tax policies, with a view to stopping large corporations or top earners profiting from the differences in national tax legislation through tax avoidance or tax evasion. This will only possible through a European Convention, followed by national ratification.

Recommended

Press release

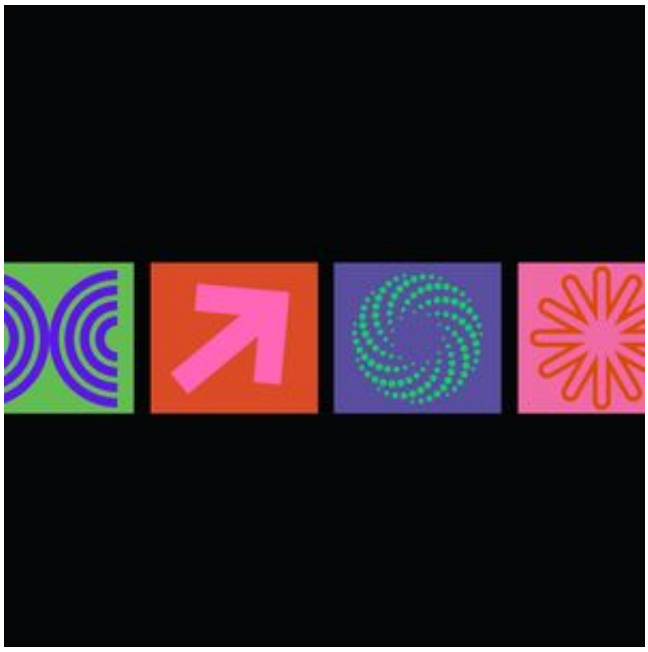
Jan van der Wolf



[Social Package step in the right direction but more am…]

06.05.2026

Event



REMADE IN EUROPE

05.05.2026

Press release

homa-appliances_unsplash.com



We need an industrial booster for European industry, c…

04.03.2026

Event



EU TECH STARS SUMMIT

05.02.2026

Responsible MEPs



Sven Giegold

Member

Contact person



Sven Giegold

Member

Please share

- E-Mail