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PARTY OF EUROPEAN SOCIALISTS
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EQUAL SOCIETIES:
Progressive economy

The European Union has one of the world's most developed economies, and is the most fair and equal region in the world. It is defined by a unique economic model that combines economic dynamism and social protection and that has brought prosperity, integration and cohesion. People can travel, work and study across the continent. They can do business and make transactions more easily than ever before. **However, this model that has shaped our continent is under threat and must be further improved. The recent crisis revealed certain flaws which we want to fix in order to be able to protect everyone.** In a context of multiple societal transformations involving globalisation, digitalisation, technological progress, climate change and energy transition, **it remains our primary mission to ensure the fairness of such transformations**, so that technological and economic progress translate into social progress too.

1. We want to move towards a new economic model that focuses on social progress, gender equality, respect for human rights and sustainable growth, and that has citizens' wellbeing at its heart, in line with the UN's Sustainable Development Goals. This means **creating quality jobs** and prosperity with thriving small and medium sized enterprises, cooperatives, and a revived industrial policy, driven by leading research and innovation. It means **achieving full gender equality** and making use of women's full potential particularly on the labour market and in leading positions. It means **creating a healthy environment** with a real strategy for green growth for a sustainable future for all. And it means **creating more equal and fair societies** with stronger, broader social protections and forward-looking social investment strategy.

Today, one of most important challenges that Europe has to face is the rise of inequality — the widening of the gap between the rich and poor in our societies and between our countries. Europe's richest 1% own nearly a third of its wealth, while the bottom 40% own less than 1%. In 2015, almost 120 million people in Europe were facing poverty or social exclusion. That is almost one quarter of the entire EU population.

We do not accept inequalities as inevitable. They are caused or exacerbated by specific policy decisions in our economic governance, labour market institutions, tax systems, and the way the financial sector is allowed to operate.

Inequalities can be overcome, but change and reform are needed at national and European level. This shall be our priority in order to make substantial change towards a more prosperous and inclusive society.

2. We want to change the economic approach in Europe. Austerity policies have put enormous stress on economies, societies and governments. They have increased inequalities, unemployment levels and poverty rates. These policies brought about the closing down of busi-

nesses, the dismissal of employees, the shrinking of their basket of daily goods and reduced public services.

3. For all these reasons, **we want to put an end to austerity-only policies**. Our economic growth model combines responsibility, flexibility and investment. These three dimensions are mutually supportive and key for driving both economic growth and social cohesion. Public finances have to be managed in a responsible way, but responsibility has two sides. One is to **manage public budgets responsibly** to keep them sustainable. The other is to **keep adequate social security provisions in place** and provide for society's future needs with **well-targeted investment in human capital, strategic and social infrastructure**. Neither of these elements can be overlooked.

The existing European budgetary and fiscal rules are not geared towards these objectives. **Member States must be allowed to adapt their policies and reforms according to society's needs in a timely manner**. Managing public spending well does not mean focusing only on spending figures, but must also look at the quality of spending and at how inclusive growth can be supported in a sustainable way. Unfortunately, the conservative response to the financial crisis was to focus on monetary stability exclusively, making social and political stability merely a cosmetic aim.

For us, growth and prosperity can only be attained when monetary, social and political stability are all guaranteed.

The EU must be committed to both stability and sustainable growth. The main aim is to bring prosperity and wellbeing to all. Economic governance has to be more balanced. It is unsustainable for budget rules to recognise only cuts, and not spending, as an economic driver. Currently Europe is in an exceptional juncture. Interest rates are purposefully very low. With a combination of progressive reforms, increased investment and the ECB's monetary policy, we can transform the economy, open up new growth opportunities and further develop existing ones. It is a matter of political will to do

so.

4. We want an economy that gives back to people. For that we must give an extra boost to both public and private investment to create jobs. Agreeing on a European investment plan, which had been initiated by our political family, was a big first step forwards in that direction. **Europe must put social investment at the core of its strategy**. The economy must prioritise serving the needs of society, promoting cohesion, equality and wellbeing.

5. We want to support public investment to create fairer societies and sustainable economic growth. Today, investment is still below the pre-crisis levels**.** Europe must aim at closing this investment gap. **Specific instruments, such as the 'golden rule',** whereby productive public investment is not calculated in Member States' budget deficits, are **needed to increase public investment**. For instance, investing in a programme to bring unemployed people back to work has a cost, but it also brings enormous benefits for the individuals involved (in 2016, one in five 25-29 year-olds in the EU were not in a job, education or training) as well as for the economy and the state budget. So these positive returns need to be recognised with this golden rule or similar instruments.

Private investment also needs support. Investment goes hand in hand with strengthening integration in the European single market.

An investment strategy must focus on improving social infrastructure, increasing people's standard of living and promoting fair, sustainable and cohesive growth and ecological transition.

Companies, especially SMEs and microenterprises, need more access to financing. Investor accountability is essential, especially when private investment receives public support.

6. We want an economy that is sustainable. Europe's new economic model must **combine social progress, economic development and environmental stability**, based on the Environmental, Social and Governance (ESG) criteria**. The financial sector must contribute to the transition to low-carbon and resource-efficient economy** with more transparency and better financial products. But this is not enough. We need new public issuances of **green financial instruments at EU level** to cater this transition.

7. We want an economy that leaves no-one behind. Member States' social and economic reforms have to be more coordinated to **ensure greater internal upward convergence** in terms of investment, productivity, jobs creation, wages, taxation and social benefits. This is not about harmonising policies for the sake of harmonising policies; it is about **avoiding a Europe working at different speeds with growing inequalities**. It is **about preventing social and fiscal dumping and profit shifting**. It is therefore important to set the right common objectives and ensure joint action. **Sustainable growth and social cohesion must drive this effort.** The countries of the euro area have specific opportunities and challenges in this regard, but to date the euro area lacks the appropriate instruments to achieve this. Therefore, we call for **a deep and ambitious reform of the Eurozone** to achieve those goals. **A budget for the Eurozone must be used to support upward convergence**. It is the right way forward to ensure that there is no drop in investment levels, notably social investment, and to support national unemployment benefit systems. **We aim to bring down the cost of public debts, with new solidarity instruments, in a sustainable and fair way** to restore financial stability and protect our social models. We must seize this momentum to complete the Economic and Monetary Union and optimise the Eurozone.

8. We want an economy that is fair. We want to take further steps to **ensure fair tax systems that promote social justice** and the necessary means to sustain our social model. **Tax avoidance by companies, multinationals, banks, legal entities and wealthy individuals harms our societies**, distorts the single market and prevent member states from collecting the resources necessary to sustain those in need and conduct robust innovation and industrial policy. Tax avoiders are still allowed to shop for the country that allows them to accumulate the most profit. This is not just immoral, it also

provokes a destructive corporate tax rate competition between countries, with a direct negative impact on taxpayers and public finances. Therefore, we want a common consolidated corporate tax base in Europe.

Our tax systems need to be reformed to address new forms of trading, new sources of income, and new services.

As citizens, we enjoy the way digitalisation has made our life simpler but we need to keep a critical eye on the price we end up paying for this simplicity. **Some digital companies pay zero or close to zero taxes.** That means that traditional companies and taxpayers have to chip in to cover the difference, **which leads to unequal societies and big income inequalities**. We live in ever more connected societies and evolving economies, but the tax systems we use are outdated. **Fairer tax systems will ensure a fairer distribution of income.**

To address tax evasion and tax avoidance we need to **strengthen transparency and efficiency**. We must close loopholes in the internal market that lead to forum shopping, social dumping, the creation of letterbox companies, bogus self-employment and the undermining of social and labour standards. Countries must automatically exchange tax-related information and companies and trusts must be open about who runs them. We must also tax profits where they are generated.

Companies and banks must publicly disclose where they operate and pay their fair share accordingly.

To facilitate this, a single EU system to calculate companies' taxable income needs to be put in place, reducing red tape. We need to strengthen the established list of tax havens and impose sanctions on tax evaders but also on the companies and people that assist them in designing the best schemes. Finally, in recent years many scandals have been denounced thanks to people's testimonies. **Whistleblowers need to be protected as they are fundamental in restoring tax justice**. The EU must set high standards to crack down on tax evasion, but tax evasion is international and to tackle it efficiently a global response is also needed. The EU should support the creation of an international organisation, possibly under the UN, aiming at promoting social and fiscal fairness on a global scale.

9. We want an economy that does not gamble with people's lives. We want to **protect our citizens from the shortcomings of the financial sector**, and while very important steps have already been taken with the Banking Union more needs to be done. Ensuring prosperity is not just a matter of ensuring progressive economic governance; financial stability is also crucial. Increasing financial sector regulation and oversight is equally important. After all, it was the financial sector that caused the economic crisis. Europe is creating a framework for monitoring and resolving banks that are in trouble, but this is not enough. The EU has put in place mechanisms, such as the European Stability Mechanism, to support economies hit by a significant crisis. This should be extended to provide guarantees that depositors will not have to suffer from a bank failure. **It was taxpayers that had to pick up the bill of the financial crisis, and more has to be done to protect them.** This means **stronger financial regulation**, greater **guarantees that the banking sector**

will foot the bill for failing banks, and **stronger safeguards for depositors** and their savings no matter where their bank is located. The financial sector needs **greater corporate transparency and accountability** to fight against fraud and money laundering and promote better consumer protection. It also needs to become more user-friendly; access to information and services must reach everyone. **Taxing financial transactions** would help curb financial speculation and ensure that stock market trading contributes its fair share to society. Establishing adequate firewalls between commercial and investment banking remains one of our key objectives to better protect citizens.

10. We want an economy that respects democratic choices. Democratic accountability and responsibility are crucial for Europe's integrity. This is true in financial and economic policy-making as well as elsewhere. Civil dialogue must be strengthened and democracy in the workplace must be supported. European institutions must be given a key role in these areas to ensure that they work to the benefit of all European citizens. **The role of the European Parliament must be strengthened to promote more democratic accountability**. The **Eurogroup can no longer be left as an informal institution without parliamentary oversight**. It must be given **a permanent President, double hatted as member of the European Commission, fully accountable to the European Parliamen**t.

The European Union is the best guarantee of a prosperous and more equal future for all citizens in our continent. But it is clear that the approach to economic and financial policy needs to be changed to achieve this. The conservative and liberal approach based on austerity drives people, regions, and countries apart. **For us, what matters is to move towards cohesive and equal societies.**

To achieve our progressive goals, the EU long-term budget for 2021-2027 needs to be ambitious and reflect a clear and positive long-term vision of the Union's future.

In order to respond to the needs, concerns and expectations of the European citizens, the budget will need to provide the Union with the necessary financial means to face important challenges and attain its political priorities and objectives over the next 7-year period. **It is not acceptable to weaken the main EU solidarity policies through drastic cuts**. **The EU must deliver on its commitment to implement the European Pillar of Social Rights and to be a frontrunner in implementing the UN Sustainable Development Goals (SDGs).** The mainstreaming of the SDGs into all EU policies and initiatives of the next long-term budget is therefore important. To meet the new European challenges new own resources are necessary to finance the EU budget. They could reduce the share of current national contributions.

11. We want the economy to grow in a way that benefits all. It must be the engine that will bring positive social, industrial and environmental changes. Our economic model offers the flexibility to deal with these challenges. It provides the financial means to make the right investment choices. It is responsible towards current and future generations. **As the Party of European Socialists, we are ready to take on this challenge for a real progressive Europe that creates shared prosperity.**

In this resolution we have focused particularly on our priorities for a progressive economy. It goes hand-in-hand with the other resolutions for this PES Congress, which reaffirm our commitment and plan for a social Europe, empowering youth, a healthy environment and modern industries, true gender equality, a fair world, progressive asylum and migration policies, and a stronger democracy in Europe.

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Belgium SPA

Bulgaria BSP

Croatia SDP

Cyprus EDEK

Czech Republic CSSD

Denmark SD

Estonia SDE

Finland SDP

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