

Liberal Responses to the Debt Crisis

The European Liberal and Reform Party convening in Palermo, Italy on 23-25 November 2011

Whereas

- The introduction of the Euro has become a symbol of Europe's willingness to integrate and build an area of cohesion and stability;
- Therefore the withdrawal from the Eurozone by one or other states is neither straightforward nor desirable, in any case the huge long-term cost would have to be weighed against the potential short-term benefit;
- The success of the Eurozone is an indispensable precondition for the economic recovery and future prosperity of the European Union;
- The member states have not adhered to commonly agreed rules and in particular to the Stability and Growth Pact and have willingly accepted growing disparities within the Eurozone;
- These developments have highlighted the need to coordinate fiscal and economic policies much more closely and improve budgetary surveillance;
- New tools of economic governance like the "six-pack" and the European semester have been approved;
- The EU is at a critical cross-road and either succeeds in deepening integration or will have to face a process of disintegration.

And

- Welcomes the decisions taken by both the Eurozone summit on 26 October 2011 in Brussels and the recent G-20 on 3-4 November 2011 in Cannes;
- Calls in particular for the immediate implementation of all measures adopted at these meetings to preserve the stability of the Euro, to tackle vigorously the debt crisis within the Euro area and the European Union (EU) as a whole, and to push for financial reforms in the EU;
- Calls on member states to introduce "debt brakes" in all national constitutions concerned;

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- Underlines the importance of automatic sanctions in case of violation against the newly agreed upon rules and insists on rigorous enforcement;
- Urges the governments of the Eurozone to speed up the decision and implementation process in order to become more independent of market pressure;
- Strongly supports the strengthening of the EFSF and introduction of the ESM; insists the introduction of the ESM to be accompanied by a system based on transparent and objective criteria for sovereign default that allows insolvent countries to regain competitiveness within the Eurozone. Such system should involve as little political influence as possible;
- Considers that more effective coordination of fiscal, budgetary and economic policies is needed and believes that the community method is the only appropriate approach to achieving such coordination;
- Stresses the importance of a consistent regulatory framework in the European Union for all financial markets and insists on appropriate government measures and strict enforcement;
- Given the urgency of the situation, accepts that the ECB takes all measures it considers to be necessary short-term to stabilise the Eurozone without any political interference;
- Calls for the empowering of Olli Rehn, new Vice-President of the Commission responsible for economic and monetary affairs, to assume the responsibilities currently divided between the President of the Eurogroup and the rotating Chair of ECOFIN;
- Recommends that this Commissioner chairs the regular and ad-hoc meetings of European finance ministers, surveys the adherence of national finance ministers to agreed upon policies and represents the Eurozone in international fora;
- Notes the proposals of the group of economic advisors to the German government that the Eurozone establishes a Debt Redemption Pact facilitating the mutualisation of the debt of its members exceeding 60% of GDP and amortising that debt over a long period of time (20-25 years);

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- Expresses confidence that these measures will eventually lead to the establishment of a strong zone of economic and financial stability and high competitiveness;
- Recognises that fiscal union and economic government will require a much greater sense of popular legitimacy and democratic accountability at the EU level;
- Notes that the Commission predicts in its Green Paper on Stability Bonds potential benefits of mutualising the remaining debt of Eurozone members at a later stage and considers it a useful starting point for further consideration at a later stage;
- Calls for a strong political reaffirmation by all the EU institutions of the strategic imperative of European unification, not least in the field of economic policy;
- Accepts that in times of acute crises swift decision-making is essential, deploring, however, the excessive use of intergovernmental arrangements and calls on the Council – in accordance with the spirit of the Lisbon Treaty – to refer to the use of the community method;
- Believes that all stages of European integration should be attempted by and for all member states; nevertheless, calls on those states which choose not to follow the above mentioned path not to obstruct the states wanting to participate in that process;
- Realises that the above mentioned package does require treaty changes notably in article 125 and therefore calls for a Convention at the earliest possible date in order to deepen the democratic legitimacy and effectiveness of the European Union, including the way the European Parliament and the Commission are being elected.

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