

## **A Credible and Solid Currency**

The European Liberal Democrat and Reform Party, convening in Helsinki, Finland, on 13-15 October 2010:

Considering that:

- The Head of the European Central Bank intends to impose relevant sanctions of a fiscal and political nature;
- The stability of the Euro currency is to a large extent based on the credibility of its regulations and safeguards;
- The sanctions envisaged in the Stability and Growth Pact for excessive overspending have not once been employed, despite massive violations of the pact by numerous member states;
- The non-employment of these measures is due to political meddling by the affected countries, big and small, in the ECOFIN council;
- The Stability and Growth Pact has known several adaptations in 2005, to better reflect medium-term objectives. However this did not solve the underlying fiscal imbalances;
- As a result of irresponsible budget policies and the subsequent sovereign debt crisis, the European Financial Stability Facility was set up as a temporary special purpose vehicle, able to provide up to 440 billion Euros of credit to those member states that private lenders would no longer serve because of the risk of their defaulting;

Fearing:

- The possibility of the transition of the Eurozone into a debt union, which is clearly forbidden in article 125 TFEU and ruled out in the promises given to the population when the Euro was introduced;
- The diminishing credibility of not only the legal and political arrangements establishing the Euro currency, but the diminishing overall credibility of promises given in connection with the European integration process.

Maintaining:

- That the way to secure a stable common currency as well as intergenerational fairness lies in balanced or surplus budgets and in more integrated and coordinated economic policies among euro area member countries;
- That the sovereign debt crisis is not an inevitable natural phenomenon, not even in times of crisis, but a mere result of mismanagement and lack of political will and ideology. Spending as the only way out of a crisis needs to be vigorously rejected.

Welcomes:

- the determination of EU Member States to resolve the economic crisis through better fiscal discipline leading to healthy government budgets, a strong and stable currency and ultimately to a sustainably competitive and credible European Union in a changing global context.

- The introduction of the EU semester, which integrates the fiscal and economic policies and introduces the *ex ante* monitoring of the national budget by the European Commission.

Calls for:

- Strict budget discipline in all member states of the Economic and Monetary Union (EMU). As laid down in the treaties, member states ought to aim for balanced budgets, with a three percent budget deficit being the maximum allowed under extraordinary conditions. Stronger emphasis should also be laid on staying below the maximum debt level of 60% of GDP as defined in the second criterion of the SGP, and on surveillance of both public and private debt;
- A stronger enforcement of the criteria of the Stability and Growth Pact by creating gradual and automatic sanctions in the preventive and corrective arms of the Stability and Growth Pact which are not only financial, but also political, and calls for a new Stability and Growth Pact that would allow for temporary suspensions of payments from the cohesion and structural funds to countries that repeatedly violate the SGP. However, this does not exempt the Member States from fulfilling their obligations toward their citizens and businesses;
- The depoliticisation of the power to enforce the Stability and Growth Pact, by moving the decision from the ECOFIN council to an independently enforced mechanism executed by the European Commission;
- The orderly phase-out of the EFSF on 30 June 2013, as planned and promised at the time of its creation;
- The introduction of European standards for EMU member states' financial accounts, including clear and enforceable reporting standards that are cross-checked by EUROSTAT;