



Theme Resolution on **Liberal Answers For A New Prosperity**

Approved at the ELDR Congress, 20 November 2009, Barcelona, Catalonia

Upholding the principles of the Treaty of Rome (1957), Europe's Liberal Democrats firmly believe that a Europe of freedom and prosperity can only be achieved through the liberal principles of protecting and promoting the rights and freedoms of the individual; and by making it possible for all of Europe's citizens to develop their individual talents and to have a decent quality of life in a free society.

The financial crisis and the great economic recession are not only provoking a deep reflection on the situation that we presently find ourselves in, but also stimulating debate about how the European Union can reinvigorate itself to ensure environmentally sustainable economic growth, employment opportunities and social progress.

European Liberal Democrats assert their commitment to market principles together with a strong sense of social responsibility as the means through which to encourage prosperity. Competition and knowledge sharing is what drives companies to research and innovate in pursuit of competitive advantage, which in turn leads to a better standard of products and services and lower prices. Furthermore, Liberals consider that a competitive business environment in combination with an efficient, affordable and sustainable system of social protection is necessary to achieve the highest possible standard of living for Europe's citizens and therefore that policies of nationalisation, over-regulation and protectionism are a major mistake and a real threat to the economy as well as the labour market.

Free and open market economy: markets, growth and employment

- ELDR notes that the past fifteen years have seen a sustained period of economic growth and better social conditions for hundreds of millions of people, mainly in the emerging countries. As a result of globalisation, one of the main causes of this evolution has been the opening of the world markets and this process must continue in the form of the Doha trade negotiations;
- ELDR notes that the free market economy has not been without its faults in contributing to the financial crisis but considers that the fundamental free market principles are not to blame, rather that the market actors, notably some stakeholders in the financial sector, exploited the existing lack of sufficiency and consistency in regulations which led to debt, asset bubbles and market instability;
- ELDR furthermore notes that major causes of the crisis included US government housing policy, lax monetary policy, regulatory arbitrage and global economic imbalances;
- ELDR calls for maintaining free and open markets and believes that protectionist actions are an impediment to private entrepreneurship and Small and Medium sized Enterprises, which are the backbone of Europe's economy. Therefore the "European Small Business Act" should be implemented in order to improve SMEs' access to the internal and global markets;
- ELDR considers that remaining committed to the completion of the EU Single Market is essential for Europe's economic growth. It is therefore important that Europe strengthen

its implementation and enforcement of common rules and principles in the internal market;

- ELDR calls for greater EU-wide public and private investment in research, innovation and development so as to ensure sustainable job creation and prosperity;
- ELDR considers that the crisis has shown the value of states as lenders of last resort, in appropriate circumstances and under common guidelines, but this does not mean that they should be seen as a general or early lender;
- ELDR considers that extended state ownership of banks risks distorting competition and may hinder economic recovery;
- ELDR demands that the temporary flexibility in competition policy - as elaborated in Commission guidelines under pressure of circumstances - must be fully reversed as soon as possible and appropriate exit strategies from state ownership developed;
- ELDR calls for a 25 per cent reduction in the administrative burdens for business by 2014, compared with their current level;
- ELDR notes that a secure, sustainable and affordable energy supply is vital for the European Union's future growth and prosperity, and demands greater efforts to achieve this;
- ELDR calls for support of decentralised regenerative energy technologies, supports the energy solidarity clause in the Lisbon treaty¹ and calls for increased investment from the European Union and its Member States in technologies that will ensure energy efficiency, sustainability and security of supply, and facilitate the move to a low carbon economy to counter the effects of climate change and provide for sustainable mobility;
- ELDR calls on the EU to take ever stronger steps in pioneering environmental policy;
- ELDR further urges the EU to respond to the crisis by introducing economic reforms which will support increased growth in the longer term;

Reform of the financial system: better regulation, not more intervention

- ELDR notes that new conditions are needed for the global financial system that ensure transparency and credibility combined with rules that restore confidence in the system, such as encouraging market stability through long-term investments, building on reform of rating agencies and independence of central banks;
- ELDR calls for an inquiry into the role of central banks and their specific role in the emergence of the financial and economic crisis;
- ELDR considers that the answer to preventing such future crises is not more intervention but better regulation and greater supervisory capacity;

¹ Article 176 A of the Lisbon treaty

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- ELDR calls for appropriate and timely reductions of public spending and interventions consequent on the financial crisis: heavy debt burden will slow economic recovery across the EU;
- ELDR calls on the European Union to request the financial sector to conduct their business under principles of prudence, good governance and compliance, especially in relation to securitisation, transfer and management of risks, fair and transparent principles for asset valuation, and for remuneration in financial institutions based on risk-adjusted return; remuneration procedures for bonuses should include a long-term perspective, with bonuses spread over several years;
- ELDR calls for a single European financial supervisory authority (covering banking, securities and insurance) whose role includes avoiding systemic risk and goes beyond that of a coordinating association of national control authorities and particularly covers financial institutions with cross border activity; this should also perform European financial oversight operating in concert with the ECB and the network of European central banks;
- ELDR promotes consideration of the issue of too-big-to-fail institutions and supports the G20 proposals for “living will” contingency plans for systemically important cross-border institutions. Such institutions must be more transparent – too big to fail means too big to have secrets; ELDR suggests that intervention to prevent systemically important financial institutions from engaging in risky hostile takeovers may be required;
- ELDR demands that the relaxations of the Stability and Growth Pact that have been introduced must be taken back, and calls on the European Commission to ensure stricter coordination at the European Union level and, where necessary, to show a commitment to sanctioning all Member States that do not comply with the Pact, as much in times of growth as in recession;

Social conditions and ethical fundamentals

- ELDR emphasises that liberals have a huge role to play in fighting for democracy all over the world and defending the liberties that only democracies can ensure, including reinforcing equal opportunities, the promotion and respect of private initiatives, the assumption of individual and collective responsibilities, and working for a strong and active civil society;
- ELDR considers that new rules on sustainability and economic growth which respect the environment must be key elements of the new economic order: such rules will serve as an engine for new economic growth, when implemented on the basis of level playing field principles;
- ELDR considers that the widely spread, often uncritical, acceptance and promotion of business models that encourage short-term profit making have diluted individual responsibility and commitment to ethical work practices;
- ELDR remains firmly committed to free and open markets believing that they offer unique, and the best, opportunities for growth and prosperity, and that individual responsibility within a free market system is vital for economic recovery and to prevent future financial crises;

- ELDR calls for greater empowerment of individuals, for the promotion of values and financial education that transcend the national level, so as to re-connect people with their surrounding and global environment, and to make them more accountable for their actions;
- ELDR considers that a social protection system should be aimed at stimulating a person's individual capabilities and independence; and remains committed to the idea that having a job is the best form of social protection;

New international order: the reform of international institutions

- ELDR considers that the European Union should be a real global player in leading the world's economic recovery; urges the European Union in this respect to speak with one voice in international fora;
- ELDR supports the European External Action Service becoming an effective service ensuring the integral use of the EU external policy instruments, also to further the economic performance of our region;
- ELDR calls for a much stronger European Parliament that is able to represent the European people effectively in all legislative processes;
- ELDR calls for a strong European Commission, mindful of the principle of subsidiarity, that is able to coordinate and effectively take the lead at the EU level to ensure that the Union has a comprehensive European recovery plan in the fight against the economic, financial and social crisis;
- ELDR calls on all Member States to fully support the Commission in its work and not to hinder its effectiveness by promoting national concerns over those of the Union as a whole;
- ELDR calls for the continuing enlargement of the Eurozone while strictly maintaining the established criteria;
- ELDR believes that a new system of supervisory bodies and their functions is necessary at the international level. ELDR calls for reform of the Bretton Woods institutions (International Monetary Fund and World Bank), including the seats and votes of EU members.

These are the Liberal ways forward to a new prosperity in a new economic order.