10 Theses on European Economic and Social Policy

1. The **Lisbon Agenda** is the central strategy for growth and employment in Europe focussing on the knowledge society and increasing productivity. So far, it has fallen short of its aims, particularly in respect to significantly increasing productivity. For that prupose, workers' participation and codetermination, higher investment in training and education and greater capital intensity are of fundamental importance. The corresponding socio-economic environment must promote capital accumulation by striking a balance between increasing demand and optimising supply-side conditions.

2. In the Eurozone in particular, national political leeway is restricted by various framework agreements. The current regulations, consisting of the Maastricht Criteria and the ECB's monetary policy, should be supplemented by a **coordination of fiscal and wage policies.** Full employment in Europe depends decisively on stronger macroeconomic and wage policy coordination, as well as a stabilising monetary policy.

3. Every European economic and social policy is faced by the challenge of taking account of its effects on each of the different national welfare state models. In particular, it must consider the different stages of development of the old and the new member states and respect national growth and employment policies, insofar as they correspond to fair competition in Europe. Economic convergence, full employment and Europe-wide solidarity should be the aims of a socially just Union. A future **European Economic and Social Model** will preserve particular features of individual welfare states and safeguard them by means of minimum standards.

4. The member states have, as a result of pressure due to Single Market integration, lost more control over national social policy than the EU has accrued. In the EU's multilevel regime social policy has so far played a subordinate role. The member states' autonomy concerning social policy should be strengthened, while parts of social policy (such as education policy) should be further integrated. The social governance of Europe should not, however, aim at the standardisation of national social policy institutions. **European framework directives should serve to protect national social security achievements,** such as public services of general interest.

5. Current **tax competition** in Europe requires adjustments to welfare state financing and is leading to a shifting of the tax burden on income and consumption. The financial basis for national social security should be fairly pooled and safeguarded, to which end tax policy should increasingly be harmonised. Harmonisation is not in conflict with a just national tax policy; on the contrary, it is one of its preconditions. In the medium term,

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In its recent work, the Friedrich-Ebert-Stiftung's Division for International Dialogue has focused on the prospects of European Economic and Social Policy, European Foreign and Security Policy, European Neighbourhood Policy and International Security Policy. These theses are a contribution to the political positioning within the above-mentioned fields. They also seek to outline future challenges and topics.

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the European Union should have its own financial resources, based on a European corporate tax. From that it should establish, among other things, a growth fund to promote technological and industrial progress.

6. The **regulation of financial market actors** in Europe is not sufficient given the potential risks arising from investment behaviour and financial instruments for the European economic area. By means of adequate capital requirements, increased transparency in financial market actors' investment behaviour and efficient information exchange between national supervisory authorities through the creation of a European cross-sector supervisory institution, European financial markets should become a stabilising factor in a productivity-orientated European economy. The one-sided orientation towards shareholder value hinders capital investments in fixed assets, and thereby growth and employment.

7. The increasing one-sidedness of the completion of the Single Market threatens the European integration project as a whole. Every further step towards integration should therefore be in accordance with the notion of 'Social Europe' and be subject to **binding social monitoring.** This monitoring should consist of three elements: the setting of minimum social and environmental standards, the introduction of checks that evaluate EU policies and laws in terms of their social consequences, and the development of the Open Method of Coordination through the introduction of binding indicators, including sanctions and incentive mechanisms.

8. **Economic democracy** should be anchored and strengthened in the European Economic and Social Model by means of the institutional strengthening of the Social Dialogue, the introduction of a European law on industrial relations (following up the Directive on European Works Councils) and the reinforcement of the hitherto only advisory competencies of the European Economic and Social Committee.

9. **Solidarity between the member states** is of decisive significance for the shaping of a European Economic and Social Model. To that extent, regional policy should be used more intensively as a means of redistribution. The best approach would be to overcome regional differences in productivity and capital intensity instead of creating transfer payment dependencies. The Cohesion Fund should therefore be strengthened to kick-off catch-up processes of low income regions. The Globalisation Fund must similarly be further developed to alleviate the consequences of social change and dislocations.

10. The creation of a European Economic and Social Model requires the intensification and standardisation of European **migration and integration policy.** Immigration on economic grounds should take into account future demographic challenges and the need for a (highly) qualified workforce. A horizontal approach to immigration control through a points system would be more sensible than sectoral or occupational solutions. A sustainable immigration policy also requires a sustainable integration policy. A European refugee policy must meet the requirements of our humanitarian obligations. Integrated European policy approaches should therefore focus on the the causes of flight.

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