



Exit strategies: choosing the right ways out of the crisis

Europe should pave the way for a better regulated financial system and take the lead on global recovery, said keynote speaker Professor Stephany Griffith-Jones at a hearing on Economic Exit Strategies held by the European Parliament special Committee on the Financial, Economic Crisis on Thursday.

How Europe can lead

"What kind of financial system does the world need?" and "How can Europe lead?", were the main questions raised by Professor Griffith-Jones, of Columbia University. Comparing the great depression of the 1930s to the recent crisis, she concluded that despite differences both events had proved that Keynesianism works: we have emerged from the crisis due to strong counter-cyclical measures.

The question is now what kind of financial sector we need to underpin economic recovery. "What we do not want is a system that creates crisis", said Professor Griffith-Jones, arguing instead that we need a financial system which is sustainable and able to withstand future shocks. This means better regulation and simple rules, Professor Griffith-Jones said, listing hedge funds, derivatives and off-balance banking sheets as areas which should be examined.

MEPs take the floor

In response, special committee rapporteur Pervenche Berès (S&D, FR) raised the question of the long-term perspective: "The Basel agreement does not mention long-term investments. The G20 does perhaps, some say?" Professor Griffith-Jones agreed that the Basel agreement was probably too narrow and suggested involving pension funds, trade unions and SMEs in reflections on innovation of the institutional system to counterbalance the short sightedness of financial markets. "We cannot leave this up to banks", she said.

Thomas Mann (EPP, DE) suggested "it would help if the US were also to control hedge funds". This led Professor Griffith-Jones to caution against a Catch-22 situation, with Europe refraining from legislating on this issue because the US hadn't already done so, and vice versa.

"Personally, I believe in a global regulatory system, and as soon as possible", said Professor Griffith-Jones, adding that in the meantime Europe should lead the way: "We are now at a moment when people like you have the possibility of playing a major part", she told MEPs.

Restructuring the banking sector

The hearing on Economic Exit Strategies, the 7th and last of a series of hearings organised by Parliament's CRIS Committee, also included two panels on "Financial and Monetary Aspects" and "Job Creation, Internal Market, Innovation and Sustainable Green Growth".

On the first panel, William Nicholas Hutton from The Work Foundation argued that instead of looking into hedge funds we should be looking at German, French and British banks with a view to better regulation, while Mrs Reichlin from London Business School, focused on differences in interest rates between the Federal Reserve, Bank of England and the European Central Bank during the crisis.

Press release

Challenges to job creation

The last panel of the day was devoted to the question of job creation and gave a broader view of the crisis, discussing social and psychological factors influencing recovery. Securing social cohesion and education for all, life-long-learning and how to encourage women to participate in the labour market were the main issues discussed during this part of the debate.

The first panellist, Professor Maria Joao Rodrigues, Lisbon University, pointed to the health and nursing sector and green innovation as areas for future job creation, while Professor Nicola Fuchs-Schündeln, from the Goethe University in Frankfurt, dedicated her speaking time to the importance of trust as a precondition for recovery. Committee chair Wolf Klinz (ALDE, DE) expressed concern that we teach students skills that are too specific instead of educating them to take on the challenges of an innovative and knowledge-based job market. He asked "Does the Bologna process actually help create the skills we need?".

Next steps

After further discussions, the committee is scheduled to adopt its draft report on 13 July. The report then will be put to a vote by Parliament as a whole at the September II plenary session.

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