

Speaking notes for the attention of Mrs Marie de Belém Roseira for the opening session of the Moscow Conference (26 February)

First, please convey the best wishes for success to the organisers (the General Directorate of Social Cohesion of the Council of Europe & the Russian government) on behalf of the President of the Parliamentary Assembly,

Social cohesion is at the core of the European project. In other terms, the European social model reflects a common set of values, based on the preservation of social peace and justice, the promotion of freedom and democracy and respect of human rights. Although European States have implemented these values in different ways, they commonly aimed to attain a **balance** between economic growth and social solidarity. And indeed, in the last 60 years this set of common values has allowed a growing Europe to successfully become an area of greater economic prosperity and social justice.

Although applied in various guises, these social systems share a number of common characteristics: they all involve government intervention to reduce poverty and social exclusion, redistribute income more fairly, ensure high levels of social security and promote equal opportunities – and relatively high taxes to finance these policies. It is fair to say (and important to remember at present) that the European social model has also been a method of **social engineering** and that of managing social conflicts.

At the same time, it is obvious that today a **new vision** of the purpose of social policy is needed. The global financial crisis has plunged the Council of Europe member states and the industrialised countries in general into a severe recession, with its daily litany of alarming statistics about falling consumption, production and investment and rising unemployment.

It has now become a commonplace to say that we are probably facing the greatest economic crisis since the 1930s. We all know what happened in the 1930s and afterwards, and this economic crisis may well have political implications. It is up to us to ensure that we withstand the crisis and that our economies and societies come out of it stronger, not weaker.

For the Council of Europe, the most important thing is that the economic crisis will lead to fairly high unemployment among our populations. People will lose their hard-won income and assets. The main duty of the Assembly is to remind people that the governments of our member countries must take responsibility and protect our citizens, especially their social and human rights, even in this crisis.

Hence the need for concrete programmes which promote social cohesion and prevent any watering down of the already agreed human rights standards. These include obviously economic and social rights as enshrined in the Universal Declaration of Human Rights, the 1961 European Social Charter and the 1996 Revised European Social Charter of the Council of Europe - which still remains to be ratified by 22 member states.

Looking forward, a critical issue is the extent to which the current crisis may affect disproportionately low-income groups. This is all the more relevant given that, as recent ILO studies have shown, during the high-growth period, **income inequality** increased in the majority of countries, which in turn damaged the social fabric.

In my view, the current crisis and its dramatic scale are largely the result of the **predatory behaviour** of the economy towards individuals and the result of the absence of codes of conduct applicable to enterprises and decision-makers which ought to prevent the disruption of our values and priorities.

We need therefore first and foremost a new culture of responsibility. Responsibility and shared ethics should be the basis of a lasting solution and they should be the basis of society.

We see our governments nationalising banks within days. Yet, governments are not very good bankers. Or as Adam Smith put it, “the state cannot be very great of which the sovereign has leisure to carry on the trade of a wine merchant or an apothecary”. That is true for the banking trade, too. Let us ensure that we have a new form of banking, but not ‘government banking’. Let us have socially responsible banking instead. It should be different from government banking and different from what we had thus far in the private sector.

Indeed, the new financial regime for market economies must support, not undermine, fairness in society and the importance of sustainable enterprises and decent and productive work to stable, peaceful communities. We need financial policies that promote productive investment, restrain speculative behaviour, ensure transparency and rebuild credibility in the system.

Social cohesion should not be the first victim of the unfolding crisis. In other words, it is essential that the effects of the crisis are wisely managed and that governments and banks respond by doing everything possible in a co-ordinated fashion to alleviate its effects. Measures should be taken to extend social protection, facilitate training, and provide emergency employment schemes. It is especially important to protect those who are most exposed in the labour market, such as young men and women who do not yet have jobs. Otherwise, they will face serious problems and even become a lost generation.

On the consequences for democracy and democratic institutions, voters can see for themselves that governments are culpable, in part at least, for what has occurred. In the United States of America, the sub-prime scandal was a result, in part, of a government policy to encourage lending to low-income households. A legal requirement was introduced in 1999 not to discriminate against low-income families. In Britain, the change in the regulatory framework for the supervision of banks and financial services, introduced in 1997, has failed catastrophically. All of that has eroded public trust and confidence in the political process.

Politicians and parliamentarians face a massive challenge if they are to rebuild trust, and it is for us to take decisions that will re-establish the long-term stability of our economic system. There are no easy answers, but an honest recognition of the

seriousness of what we face and the need to make hard choices for the future is a prerequisite to making the right decisions in the long run.

Public trust in our political institutions is also being severely tested. The euro zone faces huge pressures from a one-size-fits-all monetary policy, and there may be further shocks in the system to come. On the rule of law, we have already seen some public unrest as a result of falling living standards and the loss of jobs and opportunity. There are renewed pressures and tensions relating to migration, and protectionist tendencies are also on the rise. Yet, I believe that the 'beggar thy neighbour' approach is simply not a solution.

In conclusion may I stress again that one of the greatest casualty in all of this has been trust. However, trust is fundamental to the strength of the democratic process. It has taken a battering and the blame culture is omnipresent, where blame is not only directed at financial institutions and regulators, but at governments. Public confidence in the functioning of the economy has been undermined, and dissatisfaction with worsening living conditions has given rise to social unrest. The credibility of governments is at stake. All of us have to do our best in our countries and communities to rebuild that trust.

My judgment is that the current crisis will bring new challenges to the Council of Europe, and we need to recognise that our continent is fundamentally different from how it was 60 years ago when this body was founded. The problems have changed, but the aims and objectives of our founding fathers for a more cohesive and prosperous Europe for all our people are as valid as ever.