

**Conference of speakers of the EU Parliaments in Vilnius, "Role of Parliaments in
Tackling the Consequences of the Economic Crisis"**

**Mr Miguel Angel MARTÍNEZ MARTÍNEZ, Vice-President of the European Parliament on
behalf of H. E. Mr Martin SCHULZ, President of the European Parliament**

Vilnius, 6–8 April 2014

Ladies and Gentlemen,
Dear Colleagues
and, above all, dear friends,

Let me first of all excuse Martin Schulz, President of the European Parliament who regrets very much not to be able to be among us. I shall therefore assume the responsibility of bringing to you all the address which I make representing our Chamber. By the way, I am going to convey you my message with deep feelings of privilege and emotion, as this is not the first time that I take the floor in the Parliament of Lithuania where I have spoken on several occasions. The first one was particularly significant, as I came here in my capacity of President of the Parliamentary Assembly of the Council of Europe, precisely when Lithuania was accepted as a full Member of that body, as its first step towards a long journey, which would conduct this country to its full integration in the European Union.

The crisis that hit the European Union nearly six years ago was a game changer. It shook the economic foundations of the Union and modified political realities in all Member States. It toppled several governments. It threw millions of people into unemployment and poverty, undermining the faith in democracy and commitment to European integration. It fuelled populism, demagoguery and xenophobia. It showed the potential for destructive power of financial markets. Finally, the crisis exposed weaknesses in our democratic institutions' ability to handle extreme economic difficulties. To some extent, we witnessed a crisis of democracy.

It is therefore very fitting that this Conference of Speakers of the Parliaments of the European Union is partly devoted to the way our legislative bodies tackled the crisis. It is an excellent opportunity to sum up achievements and failures to map out the way towards sustainable growth and stable political systems in which the citizens have faith.

What were the origins of the crisis? To a large degree, it is the deregulation and liberalisation of financial markets, which started in the 1980s, coupled with the development of new technologies that allowed ultra-fast transfer of capital and goods.

The astonishing speed with which the crisis engulfed the whole world after the bankruptcy of Lehman Brothers showed that the governments, even the most powerful, can be at the mercy of financial markets.

The crisis forced decision-makers to act within days, if not hours. The process was hasty and untransparent. Many decisions were taken in early hours of the morning after exhausting bargaining, and there were often far from optimal. In the traditional democratic process, parliaments need weeks if not months for proper scrutiny.

At the same time, people in many countries were frustrated when they went to elections to vote for a policy change, but nothing in fact changed. Tough reforms and austerity measures were perceived as unfriendly diktats from Brussels while the troika of the European Commission, the European Central Bank and the International Monetary Fund is often regarded as an alien, hostile force. Why is it the case? It is partly because this whole decision-making system lacks democratic supervision and accountability. The euro zone's bailout fund, the European Stability Mechanism, was created outside European Union institutions, preventing the European Parliament from overseeing it.

Fortunately, the picture is not entirely gloomy. The European Parliament did have important achievements in the fight against the crisis. First of all, we improved crucial legislative acts, including on bank capital rules, short-selling, derivative trade, hedge funds, financial supervision, late payments and many others. It is thanks to the European Parliament that a cap on banking bonuses was introduced. The most recent example is the single resolution mechanism, which is a pillar of the banking union. Thanks to our intervention, the decision-making process involved in closing down or restructuring a bank is simpler and faster. Thanks to us, the fund helping banks facing problems will be set up faster. Thanks to us, the link between sovereign and bank debts is broken. Thanks to us, tax payers' money should not be used to save financial institutions any more.

Speaking of the banking union: it was the European Parliament which first proposed the idea two years before the European Council decided to create it.

National parliaments also played an important role in tackling the crisis, but I would like to leave this subject to other speakers. Let me just emphasise, that national parliaments won significant new powers with the Lisbon Treaty. They are now the guardians of the subsidiarity principle through the Early Warning System.

Some debate how to increase further the power of national parliaments in the EU legislative process. I welcome this debate. I remain convinced that the best way for a national parliament to influence the EU legislative process is by having a tight grip on its executive.

Let me stress this clearly: the European Parliament and national parliaments are partners, not competitors in their efforts to ensure a more democratic and legitimate EU. Our common efforts to streamline economic coordination while ensuring democratic accountability of the executive are a good illustration of this partnership. I would like to use this occasion to thank the numerous Members of national Parliaments who came to Brussels in January to exchange the views with us. The debate was extremely fruitful and paved the way to a better democratic accountability of economic governance.

We all did what we could, but in my view, fundamental changes are still needed to ensure that anti-crisis measures do not bypass the democratic process. We need to restore the primacy of politics over financial markets through proper regulation. Economic decisions affecting the whole nations need to be properly scrutinised by parliaments. Elected bodies must hold executive decision-makers accountable.

The worst may be over the euro zone, but we would be making a huge mistake if we deny the European Parliament and national parliaments a proper democratic control over new anti-crisis institutions.

But parliaments and political parties must act responsibly. If a bipartisan consensus is needed to combat the crisis, it should be reached. Parties should avoid scoring political points on the back economic difficulties.

Thank you.