

## A federal step forwards to end the eurocrisis

*The principles that underpin the Spinelli Group are to oppose the current tendency to increasingly resort to intergovernmentalism in European decision making which amounts to nothing more than bargaining between national interests. We believe that the only real way forward is by making decisions based on the common interests of the European Union and its citizens.*

The Spinelli Group is deeply concerned about the current situation and the lack of leadership on how to exit the eurocrisis, which has now been going on for nearly two years.

We believe that a quantum step forwards needs to be taken if the euro and the Union are to surpass the crisis.

### **The Process**

Such a path forwards has to be based on the community method. This method has been tried and tested since the inception of the Union and is the only way of guaranteeing both fair treatment between Member States and appropriate democratic oversight.

It means that the Commission has to be the initiative engine and produce proposals which only it - as guardian of the Treaties and representative of the general interest - can do effectively and independently. We should avoid duplication Council/Commission which confuses the citizens and our foreign partners.

Such a process also involves the European Parliament and the Council agreeing on legislation and crisis tool boxes (including defining *ex ante* who would be in charge) thereby given appropriate democratic scrutiny and legitimation.

In the current context we do recognise the positive signs by the Commission and believe that it must continue with its initiatives and not let the Member States and the European Council fill the space by themselves and attempt to produce their own solutions.

### **The Plan**

An ambitious plan is required which sets out the points below in a structured and timely way. We suggest our own timeframe below.

- (1) The eurozone should be complemented by an economic and fiscal union and eventually evolve into a political union with strong institutions democratically legitimised. The process of economic and monetary union is irreversible. Member States join permanently in the process and must apply and respect the rules, procedures and discipline of the system.
- (2) A reorganisation of the Commission to nominate a senior member as the Euro Finance minister who would chair the Eurogroup and head a group of commissioners charged with implementing economic governance at least within the eurozone. A reorganisation of the DG ECFIN in order to have, inside the COM, an independent expertise, as is the case in the Competition services.
- (3) The Euro finance minister would also be the sole external representative of the euro, as legally provided by Article 138 of the TFEU..
- (4) The communitarisation of the EFSF and subsequent ESM including the introduction of majority voting. Such a method could be based on the IMF system where votes are weighted inline with the Member State's contribution to the fund. Furthermore, the size of the fund must also be dramatically increased - or leveraging should be exploited.
- (5) The launch of a eurobond market which enables the mutualisation of government debt up to a level of sixty percent, as foreseen in the Maastricht Treaty. Such a system would reduce the average rate currently paid, increase the market and provide greater liquidity and stability. The differentiation between debt above and below sixty percent of GDP would build in discipline and compliance.
- (6) A European Federal Reserve to manage Eurobonds and oversee the fiscal convergence of Member states.
- (7) A European plan for the recapitalisation of European banks in order to restore trust between banks, free up interbank lending and guaranteeing savers from dangerous collapse. Such a recapitalisation should also serve to foster non-speculative and socially responsible behaviour that benefits the real economy. This is should be complemented by a crisis resolution in order to avoid disorderly failure of a bank.
- (8) A credible European action plan for tackling bank secrecy, tax avoidance and tax evasion at least within the Common market. Freezing the assets placed in tax havens by nationals of Member states whose budget is endangered by massive fraud for assessment of their actual legality.
- (9) A reshuffle of the adjustment plan imposed on Greece, with more realistic targets, timeline and burden sharing, in order to ensure the ability of the Greek society to cope with the shock including a possible greater contribution from hitherto protected segments of the society

- (10) A growth and investment plan that uses project bonds and the reallocation of unused structural funds with lower co-financing requirements. Such plan would primarily contribute to exit the decade-long recurring cycle of crisis by providing for the modernisation and the ecological transformation of the European economy. It should particularly emphasize education, transport links (rail, road or water), energy infrastructure (smart grids, broadband networks), and large-scale research and scientific projects. Investments to save energy and to boost the renewable energy sector should also be a priority.
- (11) A Community Act for Growth and Convergence. Such an act would build on mandatory convergence between Member States on high levels objectives in fields such as labour and wage-policy, taxation, pension systems, investment and policies for social cohesion – on linking wages with productivity developments in agreement with the social partners and on a common tax base (CCCTB). This Act would be adopted through co-decision to respond to the need for democratic accountability.
- (12) A Union budget that is financed by own resources, including a financial transaction tax (FTT), thereby providing greater autonomy to the Union. The Union's Structural Funds should be used in a more efficient way to promote cohesion, convergence, growth, competitiveness and employment across the European Union.

### ***Treaty change***

The installation of economic government will undoubtedly require a revision of the Treaty of Lisbon. In particular, the relationship between the eurozone and the non-euro members needs careful institutional management if the cohesion of the Union as a whole is to be assured.

In order to prepare this process - which will have to be undertaken by a Convention - the Spinelli Group will draft for its next Shadow Council in December and on the tenth anniversary of the Laeken Declaration and new declaration outlining the areas open for reform.

### ***The Timeframe***

A concrete timetable has to accompany this comprehensive plan as it is the only way to rebuild trust in the market for the euro.

#### **October 2011**

- Proposal on nomination of European Finance minister.

- Proposal for single representation of the euro by this Finance minister; in parallel merger of the Eurozone seats in the IMF.
- Internal reorganisation of the Commission.
- Presentation of the Community Pact for growth outlined above.
- Presentation of the Bank resolution scheme

#### **November 2011**

- Presentation of a legislative proposal for project bonds.
- Start of recapitalisation of banks.

#### **December 2011**

- Proposal on modification of ESM to communitarise the mechanism.

#### **January 2012**

- Presentation of a legislative proposal on eurobonds.
- Euro Finance minister starts chairing eurogroup.

