Putting the Economic and Monetary Union on a sustainable footing: the Greens-EFA roadmap

Policy paper on the governance of the economic and monetary union and the challenges of further political integration

Introduction

The global financial crisis that hit the European Union, especially the Eurozone, has exposed the fundamental design failures of the monetary union, some of them having been instrumental in aggravating the crisis in certain Member States. Indeed, instead of a genuine socioeconomic convergence among regions/States joining the euro, a common currency with limited common fiscal and economic policies and with Member States unwilling to adapt their economic policies to what is needed in a common currency has exacerbated their disparities and divided the continent. Currently, some Member States are almost at full employment while others have record unemployment. Such situation, combined with the inability or unwillingness of the European leadership to address these shortfalls, have severely damaged the popular support for the idea of European political integration just when such support is most needed.

The EMU needs to be deeply transformed so as to make it both resilient and fit for purpose. There can be no monetary union without strong financial solidarity but there will also be no lasting solidarity without a renewed commitment to commonly adopted rules and without an equally strong sense of mutual discipline and responsibility, which effectively addresses moral hazard risks, among its members. The monetary union is not an end in itself. It is here for a reason: enabling all Europeans to share a sustainable prosperity. This in turn requires a rebalancing of the current policy-mix towards a Green New Deal, focused on overall resilience, sustainable investment, social justice and environmental sustainability. But the above will only become possible, acceptable and even desirable to our fellow citizens with a profound transformation of the EMU institutional set-up in order to ensure the strongest democratic legitimacy. Adopting a common currency managed by a common central bank has been a major step towards a united Europe. What is now required is to complete similar steps on economic, democratic, ecological and social, levels.

If we Europeans, who represent 7% of the global population, want to retain, actually to regain democratic power for our democracies, which is the ability to shape our own future and to meet the challenges of this century, and enhance our living standards we need to act together. In that perspective, we refuse to stand idle in front of the foreseeable break-up of the Eurozone which would occur if the fundamental issues affecting it would be left unaddressed. And such a break-up would, in our view, be the first step of the political disintegration of the European

Union. Conversely though, any enhanced political integration of the Eurozone should not lead to the crystallization of a two-speed Europe; it is necessary to democratise and reform the common economic governance system in the Eurozone, but this should not lead to an exclusion of any other EU Member State. Likewise, non-eurozone Members should not hold a final veto over urgently needed reforms of the Eurozone. However further European integration can only arise from a common project for the future of Europe based on a reinforced community method putting an end at the intergovernmental approach and at ambiguous shortcuts based on the establishment of new technical bodies. Hence, deeper coordination of public policies can only be the result of a democratic and transparent debate on the division of competences between EMU, national states and regional governments to discuss additional transfer of sovereignty to the EMU level.

The so-called “5-presidents paper”, while providing some interesting proposals, falls short of fixing the fundamental shortcomings of the Eurozone; even if fully implemented, it would not ensure the sustainability of the monetary union. But we strongly oppose those who claim that in order to build a socially just, carbon neutral, environmentally sustainable and a more democratic Europe, we first have to deconstruct the European Union and the Eurozone as we know them so as to be able to start from a blank sheet and within the remit of Nation-States. Not only is this unrealistic, but in our view, such a move would only strengthen the hand of those who bank on fuelling narrow-minded nationalism. We do not need a plan B for the Eurozone but a plan D for the democratic development of our common currency. Our choice is rather to make the most of the current debate to foster political majorities to structurally address the fundamental shortcomings of the Eurozone and work politically towards three main objectives: (1) to make the EMU more crisis resilient; (2) to democratise the institutions of the EMU and to enhance its legitimacy, particularly of the Eurogroup; (3) to promote the ecologic transformation of the EU economy going hand in hand with a revived and strengthened European Social model.

Why the Eurozone needs fundamental reforms

In our view, the economic and monetary union is not viable in its current form. In order to focus on what the Greens consider to be its main shortcomings and to facilitate the understanding and discussion of our arguments, the current state of EMU will be assessed from both a broad socio-economic perspective and a democratic perspective.

Main shortcomings regarding the broad socio-economic dimension

The EMU suffers from a set of interdependent socio-economic shortcomings which reinforce each other and exacerbate its overall fragility. Only a systemic response which would address jointly, but specifically these shortcomings would be able to generate the quantum leap required for creating a viable EMU.

From a broad socio-economic perspective, the justification that has been historically provided for establishing an economic and monetary union -as an extension of a single market built on grounds of the four fundamental freedoms enshrined in the treaties- is straightforward. Its added value lies in its potential to generate economies of scale, overall efficiency gains and more generally in the potential which the aggregation of diversity can deploy. Aggregation however can only generate such advantages in the long-term provided that a genuinely diversified ecosystem is preserved as diversity within a unified system is a necessary condition for both resilience and sustainability. Moreover, aggregation can only generate resilience and sustainability, if both its related benefits, but also its implicit and explicit costs are mutualized.

Lack of proper private and public mutualisation mechanisms for addressing economic shocks

A conventional mechanism by which countries adjust to economic crises is by means of devaluations of their exchange rates. Such policy does not *per se* solve crises but most usually it allows the adjustment process to happen more rapidly and smoothly. In a currency union, by definition the exchange rate cannot be an adjustment mechanism available for participating countries, if these are hit by a shock affecting a monetary union as a whole (such as the financial crisis) or by an asymmetric shock (i.e., such as a massive natural disaster or the burst of a real state bubble which affect one or a group of Member States). In the absence of such adjustment mechanism members of a currency union have no choice but to resort to other adjustment mechanisms to restore competitiveness relative to the other members of the currency union and the rest of the world.

In federal States adjustments take place by a combination of public and private risk sharing mechanisms which complement each other. Moreover and in contrast with the EMU such federal unions are characterized by relatively important labour force mobility.

Federal States have indeed established federally funded solidarity mechanisms such as fiscal transfers, including counter-cyclical investments and unemployment insurance schemes which mitigate the employment and social impact of crises. Moreover, a lender of last resort for regional entities and banks as well as a fiscal backstop for deposit guarantee schemes and banking resolution mechanisms prevent panic to spreading whenever a systemic crisis arises. On the other hand, private risk sharing mechanisms such as genuinely integrated credit and capital markets built on enforced rules require private owners and creditors to take losses first, whenever the solvency of companies (and more specifically banks) are at stake. Such private risk mechanisms when they work properly absorb in practice a very significant part of the shocks. This means in practice that the cost burden on the public can be reduced to manageable amounts[1]. In sum, such combined risk-sharing

[1] See a recent IMF research *Towards a Fiscal Union for the euro area* available at: https://www.imf.org/external/pubs/cat/longres.aspx?sk=40784.0

mechanisms mitigate the impact of crises and allow regions belonging to a federation to adjust more gradually.

Critical steps such as the non-conventional policies implemented by the ECB, the establishment of the ESM and the building up of a limited form of a banking union have avoided so far the implosion of the EMU during the most acute phase of the crisis and have stabilized the situation. These constitute *de facto* limited mechanisms of risk sharing. However, In its current state, the EMU does not have 'fit for purpose' risk sharing mechanism (both public and private) at the Eurozone level which would on a one hand avoid unnecessary costs for the society as a whole and particularly for the most vulnerable part of it while facilitating a genuine recovery in the aftermath of the global financial crisis. And on the other hand which would allow the EMU to cope with the unavoidable crises to come and more particularly the climate crisis. As a consequence, Member States are left with no choice but to resort to socially disruptive and to a large extent self-defeating frontloaded internal devaluation processes consisting of a combination of public expenditure cuts and anti-redistributive tax increases, combined with cuts to wages, pensions and social security related expenditures, as well as other far-reaching structural reforms aiming at increasing cost-competitiveness and, in some Member States, a restriction of the role of social dialogue.

In addition to these crucial shortcomings for its functioning, the economic and monetary union faces three overarching macroeconomic challenges.

A severe debt overhang

The EMU needs to address a severe debt overhang - both in the public and the private sector - paradoxically combined with a drastic shortage of productive investment. This is a result of the quarter-century of debt/credit-driven growth which has mainly fuelled short-term consumption, excessive speculation and unproductive investments which led to the accumulation of large systemic risks as the monetary and financial regimes in place failed to restrain the build-up of unsustainable credit and asset price booms.

Unsustainable internal and external imbalances

The EMU is trapped with unsustainable internal and external economic imbalances. While mainstream thinking has blamed deficit countries as the responsible for the euro-crisis, there are symmetrical arguments to blame surplus countries as no external deficits can exist without symmetrical surpluses. And no debts can exist without symmetrical credits. In fact, within a common currency a lower public investment and/or a lower wages growth in a given country become a de facto beggar-thy-neighbour policy. This was the case for some Member States including mainly Germany, which allowed nominal wages to grow below the euro area average and well below the growth of their productivity levels during many years ahead of the financial crisis. Such policy, combined with the accumulation of credit bubbles and unproductive investments in" deficit' Member States has led to the accumulation of large inflation differentials and hence of divergences regarding the effective exchange rate developments between euro area Member States which were reflected in large current account imbalances. Such process of diverging inflation differentials across the EMU was exacerbated by the abovementioned failure to restrain the build-up of unsustainable credit and asset prices booms. Large real effective exchange rates divergence dynamics cannot remain indefinitely as they go along with growing current account divergences and hence growing levels of net external debt. This is particularly the case in the absence of permanent fiscal transfers which allow certain poor regions of a federation to sustain such gaps for long periods. Ultimately when unsustainable capital flows reverse, the burst of the bubble involves a process of debt liquidation which triggers deep recessions in the most affected countries. Such process can only be exacerbated if those Member States whereby wages have grown more slowly than productivity do not adjust upwards as it is currently the case in the euro area. If 'surplus' countries continue experiencing very low inflation rates it implies that deficit countries will need to experience even lower inflation rates for improving price-competitiveness, requiring deep internal devaluation measures which in turns lead to a self-defeating increase of their nominal debt burden.

As such exacerbated internal devaluation involves frontloaded austerity measures and unbalanced structural reforms while competition is the name of the game on the fiscal and social fronts, this almost mechanically led to large social imbalances. Such social imbalances were already growing before the crisis and have since intensified. This is evidenced by a substantial increase in precariousness, poverty and inequality as revealed by the fact that most EU member states will fail to achieve the targets on poverty reduction and employment, which lie at the heart of the EU's 2020 objectives, which in turn will and in practice has already severely undermined the public support of the European construction.

A non resilient and non diversified productivist model

Our collective capacity to cope with the long-term existential challenge created by the climate change and the exhaustion of natural resources will require a radical reconfiguration of the EMU framework at both the level of its institutions and its underlying productivist economic model. Global use of materials has increased ten-fold since 1900 and it is set to double again by 2030. Indeed, during the last decade, global resource extraction has been increasing faster than GDP growth. Moreover, Between 60-80% of coal, oil and gas reserves of publicly listed companies are 'unburnable' if the world is to have a chance of keeping global warming well below 2°C and as closely as possible to 1,5°C as agreed at the COP 21 in Paris. This means in practice that a very substantial source of global systemic risks as the corollary of a massive carbon bubble is currently embedded within the EU and global market economies, meaning that in practice the business model of the 'carbon economy' as a whole depends on rent extraction and ultimately of implicit subsidies. Such state of play can only exacerbate in future the turmoil and disruptions that we have witnessed over the current crisis. Therefore, without a genuine capacity to generate, channel and coordinate the investments required for decarbonising our economies on a one hand, and to gradually remove systemic risks and rent extracting activities embedded in our economies the EMU will not be in a position to tackle these inevitable shocks to come, even if it manages to address the other challenges identified above.

This implies in practice that 1.5 to 2% of EU GDP should be invested to finance an energy transition scenario that is consistent with an ambitious reduction target of greenhouse gas emissions by 2030.
Also, the EU should screen and reconsider most of the numerous pieces of legislation based on the now outdated goal of staying on the +2°C path. In particular, Directives and Regulations related to the Eurozone must not escape such a deep review.

Main shortcomings regarding the democratic development of the EMU

The reinforcement of the Eurozone economic governance has not gone hand in hand with increased democratic accountability. This holds true for the ordinary institutions such as the Council or the Commission and for the European semester, but even more for hasty institutional set-ups such as the infamous Troïka, which set the policy conditions for the emergency assistance programs. The two European arms of the Troika, though being community institutions, operated under the aegis of the Eurogroup, which lacks solid democratic oversight at the European level.. Indeed, according to the treaties the Eurogroup is an “informal body” which is not even bound by internal rules of procedure and it is not accountable to other EU institutions, while actually giving instructions to one of them, the European Commission!.

The outcome of the last negotiations from mid-July with the Greek government illustrate well the drift to which are conducive unaccountable institutions. Such outcome is indeed a disaster from a social and a democratic point of view, since new austerity measures, even for the poorest were enforced and the Greek government will have to consult and agree with the Troika on all relevant draft legislation well before submitting it for public consultation or to its parliament. These are striking examples that increasingly, major choices affecting not just economic but social policy are being made far from the eyes of our citizens, without real public deliberation and at times by people who have no or little democratic accountability.

A second outstanding example is the ECB. As EU policy makers entrusted with a democratic mandate did not take responsibilities according to circumstances, the ECB was pushed into a role of a ‘fire brigade’, which implemented urgency measures to stabilise the EMU going beyond the remit of monetary policy and well within the boundaries of economic and fiscal policy. This substantial gap of the ECB between important decision-making and democratic accountability endangers the very legitimacy of the EMU.

Furthermore, a political style that argues along national lines and selfishly overemphasises purportedly national interests is becoming an increasingly prevalent mode in European politics. Last but not least: In Member States which are politically still on the way towards joining the last stance of the EMU, worries are increasing to be politically marginalized by the majority of 'Eurozone' in all bodies of the EU.

Scope and structure of the paper

This paper is structured along the lines of the above presented perspectives which will be declined in three time horizons requiring specific measures for addressing the shortcomings as identified: (1) the immediate response to the current crisis, (the first 24 months), (2) beyond two years and (3) at the latest by 2025. <u>Importantly, from an institutional perspective, we want to stress that all proposals made below should obviously encompass all Eurozone member-states but also be open to any non-Eurozone states who would choose to join, in the same spirit as the banking union. We will therefore use the Eurozone+ expression to describe this concept. We always have a look at the EU as a whole bearing in mind that we do not promote a "two-speed-Europe". This would be the wrong way in view of the given disintegration tendencies and the crisis we are facing. It is important to strengthen transparency and protect the cohesion of the Union.</u>

Horizon 1

- Starting the required future oriented reforms

Measures to be taken in the next 24 months

Addressing the severe debt overhang and Addressing EMU's unsustainable internal and external imbalances

- **Reform and enhance the macro-economic imbalances procedure (MIP).** As a part of the new set of rules shaping the economic governance that were adopted in 2011 (the so-called "six-pack") and 2013 (the "two-pack"), the MIP should be modified with a view of triggering a shift from the current main focus on external competitiveness and budgetary discipline towards a broader and more balanced scope. The six-pack allows for such a change at the Commission's discretion as it can modify the scoreboard for macroeconomic imbalances without resorting to a legislative revision. The Commission should include a broader set of indicators in the MIP scoreboard on households' disposable income, poverty, youth unemployment, capital unit costs as well as investment in environmental sustainability and innovation with respective alert thresholds signalling the building-up of imbalances. A rebalancing of the MIP should hence be achieved by taking into account aspects such as social justice and environmental sustainability to avoid that the recommended policy mix would just be directed to improve external competitiveness by internal devaluation policies. For this purpose an ex-ante and ex-post analysis of the link between the recommended policy measures and both the MIP scoreboard and the indicators of the Scoreboard of Key Employment and Social Indicators included in the "Joint Employment Report" should be part of the annual National Country Reports produced by the Commission. Likewise, the European Environment Agency should be involved in ex-ante and ex-post assessments of Member -States so as to facilitate the Commission to formulate recommendations to Member States in this domain. In particular, inefficiencies in energy and resource usage should be targeted since they may deteriorate significantly the current account balance and competitiveness. Such broadening of the scoreboard should go hand in hand with a more diligent and proactive stepping up of the procedure itself. This would increase the visibility of the challenges in those essential domains. In the same rationale, the current account thresholds should be adjusted so as to apply a strict symmetry between surpluses and deficits. It has to be ensured that especially Member States with strong current account surpluses, such as Germany, are subject to the scaling up into the MIP procedure and eventually to sanctions, if they do not apply appropriate measures to reduce their excessive current account surplus. Thus this exercise will also contribute to reduce moral hazard in a deepened Eurozone+/EU.

- **Focusing on common and symmetric EMU policy challenges and avoiding 'beggar thy neighbour-policies'.** The Commission should include in the Annual Growth Survey an analysis of the fiscal and structural stance for the EMU as a whole focusing on EMU' overall deficit, current account balance and demand components. The Commission should make a proposal on the optimal allocation of these indicators among Member States and should promote mechanisms for wage coordination, which ensures a key role for the social partners and specifically avoids 'beggar thy neighbour-effects'. This would stress the need for a cooperative approach where countries with lower deficit, low sustainability risks and current account surpluses should increase their internal demand to contribute to the overall stance in the EMU. Moreover, the current mainstream process favouring internal devaluation whereby wages grow below productivity must be reverted and at the very least be comprehensively reassessed as such process has significant spill-over effects including on the sustainability of pension schemes. The role of social partners, which includes both national practices and systems for wage formation, must be respected.

- **Establish a Financial Transaction Tax (FTT)**. For more than two years, 11 member-States have been busy discussing the potential implementation of an FTT which should force the financial sector to pay its fair share to the crisis it caused, curb the unproductive short-term speculative activities and to raise additional revenues to answer the present social, environmental and economic challenges. Now, in the last stage of the enhanced cooperation, some Member States are gutting out the unambitious original proposal of the UE Commission, postponing its entry into force and reducing the scope of the FTT to the very minimum. We believe that the gist of that proposal, extended to currency transactions as proposed by the European Parliament, should be preserved and implemented as from 2016 by the participating Member States and open for more countries to join.

- **Make first steps of an enhanced common approach to corporate taxation.** As amply demonstrated by the OffshoreLeaks and LuxLeaks scandals, competition between Member States in the corporate tax domain has caused major damages to their financial resources, created major distortions of competition at the expense of small and medium enterprises and provided major opportunities for tax evasion. Now is the time to act. An increased transparency created by the obligation of country-by-country reporting by all multi-national companies will help raising the reputational price of sweetheart tax deals both for the governments who extend them and for the companies who receive them. Beyond this, a comprehensive overhaul of the current taxation legislation should be swiftly undertaken with a view of closing loopholes for tax evasion and fraud and for the elimination aggressive tax planning. Furthermore, a common consolidated corporate tax base, with an apportionment among member-States based on objective criteria combined with a minimum tax rate will make most efforts at base erosion and profit shifting void and force major corporations to pay their fair share. Finally we need to start a far reaching tax shift from labour to environmentally harmful activities as there is large room for increasing and enhancing environmental taxation in all Member States.

- **Convene an EU-wide conference on debt.** The Greens/EFA group is fully conscious of the high level of the public and private debt in the European Union, which carry strong sustainability concerns. In such a context we call on the European Commission to urgently convene an EU conference on the debt which should openly discuss the issue of overall debt sustainability in the EMU and explore methods for addressing the debt overhang. Furthermore, an European Rating Agency should be created as an independent foundation with a view of focusing on the quality of debt without conflict of interest with either issuers or sovereigns.

- **Restructure urgently the Greek debt** in order to make the Gross financing needs to be manageable while simultaneously ensuring that measures to strengthen the capacity of the Greek state to raise tax revenues are implemented. The restructuring should be carried out in accordance with the UN sovereign debt restructuring mechanism and as promised by the Greek creditors during the last agreement between them and the Greek government. In this context, approaches which could bring the positions of creditors and debtors closer together in the short term should be explored as a first step to tackle the debt overhang problem. [2]

- **Devise a roadmap for partial mutualisation of public debt between the Eurozone countries.** The above arrangement should over time be substituted by partial debt mutualisation mechanisms such as Euro-bills or Euro-bonds for new debt and a redemption fund for legacy debt. As per the first point in this section, a similar high level group would be established to identify the modalities, conditions, and the institutional setup of these instruments and

[2] Positions of creditors and debtors could be brought closer together, e.g. through establishing a contingency between debt relief and socially fair and sustainable green structural reform implementation. This could mean achievements in terms of structural reforms could be rewarded in terms of e.g. longer grace periods or lower interest rates. In this context, definition and measurement of structural reforms will be key. From a Green perspective, structural reforms should not merely promote growth, but also stimulate renewable energies and resource efficiency. Furthermore, appropriate accountability of the body, which monitors Greece's efforts in terms of structural reforms must be ensured, see also the proposal: http://www.voxeu.org/article/breaking-greek-debt-impasse

prepare the treaty revision and new pieces of legislation required or changes to existing ones.

- **Efficient monitoring of the implementation of the Youth Guarantee and regular publications on Member States progress reports.** The challenges that have already been identified in the 2014 Country Specific Recommendations, regarding the quality of job offers, the lack of active outreach to NEETs, the administrative capacity of public employment services and the lack of effective engagement with all relevant partners must be fully monitored. The experience from the Youth Guarantee shows that employment measures are only effective when there is a strong cooperation between all stakeholders, including civil society. Furthermore, the expertise from youth organisations can play a vital role, particularly in reaching out to those furthest from the labour market.

- **Establish a social protection scheme to fight energy poverty and severe food deprivation**, partially financed by the EU budget and, in application of the subsidiary principle, also covered by the National Budget. The beginning could be an important increase of the Fund for European Aid to the Most Deprived (FEAD) which supports EU countries' actions to provide material assistance to the most deprived (with a current budget of €3.8 billion)

- **Promote voluntary labour mobility as a contribution to tackle the unemployment problem in the crisis-ridden countries.** Measures to improve voluntary labour mobility, for example improved recognition of professional qualifications and of contributions to social security systems as well as its benefits, should be fostered to contribute to increase employment.

- **Devise a roadmap towards the establishment of automatic stabilizers such as unemployment (re)insurance scheme.** Such mechanisms are essential to allow member - States to face asymmetric shocks without entirely resorting to internal devaluation. A high level group mixing members of national and European parliaments, representatives of Member States, competent experts in the social and territorial cohesion fields, and European social partners should be established. It would identify options as to the activation criteria, the institutional shape and the functioning provided it is transparent and accountable and accordingly the new pieces of legislation required or changes to existing ones.

- **Take advantage of the debate on the Capital Markets Union (CMU) to promote proportionality, sustainable investment and avoid deregulation:** In order to contribute effectively to the functioning of EMU, the CMU should foster diversity of banks in Europe and enhance the stability of the financial system. The CMU project must not be a smokescreen for a wave of deregulation for finance markets. Europe's Capital Markets Union must work for the people rather than financiers. To do this, it must aim at closing loopholes, stopping unfair competition between financial institutions and dismantling over-complex regulation. The Commission´s proposal to assess the development of the 'green bonds' market and strengthen transparency is a first step in the right direction. This can help the emerging market segment but it is important that social and environmental factors are taken into account through the capital market and not just in a few specific products. The CMU should be exploited to promote banks and credit institutions that are focused on goals other than share price and have strong local and regional connections is important for stimulating credit to small and medium-sized enterprises in the real economy. Moreover, small and sustainable credit institutions need to be exempt from complex financial rules and instead subject to strict but non-bureaucratic rules. The CMU must also address the issue of making carbon risks transparent and of deflating the carbon bubble. The CMU should foster green finance and curbed sustainability as a key principle.

Tackling a non-resilient and non-diversified productivist model

The European Commission has rightly diagnosed a severe lack in investments as one of the root causes of the EU economic troubles. However, the policy responses thus far - the so-called Juncker plan, the quantitative easing programme and the capital markets union fail to substantially address the challenge while going some steps in the right direction. These measures leave intact other policy instruments such as the EU budget which are insufficiently geared towards future-oriented investments. Therefore we propose to:

- **Mobilize the EU budget by making use of its flexibilities** current available margins could generate between two and four billion € of additional EU budget related resources. Complementary, some immediate legislative actions must be taken in order to clarify in the national accounts that EU own resources are not Member States contributions but genuine EU resources even though they are collected by the Member States.

- **Build upon the Juncker investment plan (EFSI) to launch an EU-wide Green Investment Plan**. Back in January 2015 (insert exact date and doc reference), the European Greens have presented a strategic investment plan (which include specific measures to be implemented in the short-term) which makes the social and ecological transition of our economies, and in particular of our energy mix, the core of the EU's investment strategy. Promoting renewable energies and efficiency, putting a price on carbon, phasing out of fossil fuel subsidies divesting from fossil fuels as well as using innovative fiscal instruments such as deferred tax credits have a potential to enable and catalyse public and private investment in a credible way and at a scale that goes beyond the Juncker plan.

- **Reorient the ECB quantitative easing program.** The ECB has engaged into a major quantitative easing program, which has eased the financing conditions both for public and private actors, with a risk of creating asset price bubbles and misallocation of capital. We believe that a fruitful cooperation between the European Investment Bank that should be eligible to the ECB QE programme, other EU institutions and Member States should help reorienting this program towards funding investments in the social and ecological transition of our societies[3]. The ECB shall refrain from asking Member States in financial distress to apply first to the ESM as a pre-condition to triggering the purchase of sovereign assets and more generally the ECB shall not link its support measures to the implementation of conditionalities by Member States.

- **Establish a fund for the future within the EU budget** financed by an European tax agreement. A fixed share of additional revenue made by an European tax agreement could be paid into the EU budget by the EU member states within the framework of enhanced cooperation, and could be used in a targeted manner to promote public investments for the future beyond the existing cohesion policy. The aim of the fund for the future would be to initiate public investment in different regions of the EU and to connect the most underdeveloped regions to the EU through structural policies for support. However, only regions and municipalities in the member states that take part in the implementation of the tax agreement within the framework of enhanced cooperation are to benefit from funding. The allocation of subsidies from the fund should be made contingent on the quality of the projects and the need for investment to reach the Europe 2020 targets. Control of the funds would rest with the European Parliament as the body which legislates on the EU budget.

- **Mobilise private investment through a conducive policy framework**. Industry is sitting on over €7 trillion in cash that are not being invested. We want to incentivise investment in

[3] See notably the proposal by M. Aglietta et al.: http://www.strategie.gouv.fr/sites/strategie.gouv.fr/files/atoms/files/bat_notes_danalyse_n24_francais_12_mars_17h_45.pdf

areas such as renewables, energy and resource efficiency, digital innovation, advanced manufacturing and health R&D.

- **Build up a European venture capital fund.** Such measure would help counterbalancing economic and political obstacles in Member States to equity finance and to promote innovative sustainable economic development. Drawing on already existing legislation, this could be an important contribution to ensure access to finance for entrepreneurial ideas linked the social economy and the decarbonisation of European economies.

Addressing the lack of proper mutualisation mechanisms for responding to economic shocks

- **Initiate an interest-rate mutualisation system for the Eurozone+**. Member States perceived as a safe harbour and who benefited from capital flights from other Member States suffering from an asymmetric risk have enjoyed abnormally low interest rates over the last years and in particular during periods of financial turmoil. Hence, in order to alleviate the budgetary consolidation efforts of the Member States facing financial difficulties, we propose that Member States with especially low interest rates transfer to a common fund part of the difference between their current rate and the rate they would face under normal circumstances (for instance, the pre-crisis 5-year average of interest rates). In the short term, Member States would define in an intergovernmental agreement (or an agreement under Article 352 TFEU) the modalities of such a scheme until Treaty change occurs. Strong provisions to tackle moral hazard, e.g. the condition to fight tax evasion and tax dumping should be a crucial feature of this mutualisation scheme.

Addressing the lack of proper democratic accountability and ownership

The Greens/EFA acknowledge that any -and needed- change in the current legal framework requires time and, at a certain stage, a treaty change. Consequently while it is unthinkable to wait for a treaty change to start the required future oriented reforms, we propose to put forward a certain number of policy reforms which would help improving the democratic foundations at the EU level to rebuilt trust among the European citizens and between them and the European project.

- **Increase the role of the European Parliament in the economic governance so as to increase transparency and accountability**. The economic policy orientations of the European Commission, as outlined notably in the ill-named Annual Growth Survey should be debated and adopted in the European Parliament. The European Parliament shall be involved in the key stages of the European Semester, in particular in the adoption of Country-specific recommendations (CSRs), Economic Partnership Programmes (EPPs), corrective action plans (CAPs) and sanctions. Also, inter-governmental structures such as the Eurogroup (the meeting of the 19 Eurozone finance ministers) and the European Stability Mechanism should be regularly and publicly heard in the European Parliament. Practical interim arrangements should be established to that end by means of an interinstitutional agreement. Finally, existing legal provisions, enshrined in the so-called "two-pack" should be made operational so as to involve the European Parliament in the monitoring of what happens in Member States in difficulties. The objective should be to make European Parliament the key body to investigate major shortcomings on democracy and accountability in the Eurozone, such as the role of the ECB in the adjustment programmes. We commit to investigate the role of the Eurogroup, the ECB including its supervisory arm up to the mid-July negotiations with the Greek government, which lead to an inacceptable restriction of national sovereignty through the legal grey zone practices of the Eurogroup.

- **Enhancement of the role of the interparliamentary conference foreseen in the Treaty on Stability, Coordination and Governance (TSCG).** Such should be equally composed by MEPs elected in Eurozone+ countries and members of Eurozone+ national parliaments.

- **A double hat for the Commission's vice president for the euro as the head of the Eurogroup** would reconnect the unaccountable Eurogroup body to some form of EU level parliamentary scrutiny. Given the informal character of the Eurogroup such a change would not need more than the election by the Finance ministers while it would send a powerful signal of committing to more transparency and democracy. In the same spirit the Eurogroup should adopt rules of procedure, write and publish minutes. In practice, the Eurogroup should become a quasi-formation of the Council, submitted to the Rules of procedure of the Council, including the voting procedures, publication of minutes, results and explanations of votes, etc. This could be done by a modification of the Rules of procedure of the Council. Its deliberations should be public in order for national parliaments (and media) to openly discuss policy options with their ministers before and after eurozone meetings.

- **Increase transparency and accountability at Member State level.** It should be stressed that the democratic deficit is not only rooted in Brussels but also stems from Member States governments which negotiate or agree on Commission's proposals in Bruxelles but never endorse the political responsibility in their own capital. All government should therefore 'comply or explain' its position on decision agreed in Bruxelles, in particular regarding the country-specific recommendations related to the (non)-implementation of the EU2020 strategy objectives. To strengthen the democratic accountability and the multilevel democratic scrutiny, the national Parliaments should formally debate and vote the reform programmes and/or the convergence programmes fitting the political agreement made in Bruxelles. Awareness of European economic governance should be increased in national decision making for instance by more systematic exchanges between Commissioners and national parliaments.

- **Increase transparency of the European Central Bank.** As another step toward a more democratic and transparent EU the Greens/EFA advocate for the full publication of the minutes of its European Central Bank (ECB) governing Council meetings. This symbolic decision will show to the EU citizen that the ECB has nothing to hide and is under the democratic control of the people.

- **Increase the involvement of social partners.** In order to strengthen the role of the social partners, we defend a greater involvement of the tripartite summit at both the EU and Member State levels during the European semester. In general terms, no action taken under the EU economic governance should infringe upon the rights of the social partners and social dialogue as enshrined in national law. Wage coordination at the eurozone level by social partners should be enhanced in order to prevent imbalances and a race to bottom.

- **Improve the institutional strengthening by making use of the flexibilities of the Treaty. F**urther EU integration makes sense when our objectives cannot be pursued in a satisfactory manner under the current framework. The Greens are therefore in favour of the adoption of a comprehensive “passerelle clause’’ package for a switch of the voting procedures in the Council which require unanimity to qualified majority, notably taxation issues and own resources for the EU budget. We also call upon the adoption of a comprehensive 'enhanced cooperation' package more specifically targeted at the Eurozone+. This package should be focussed mainly on further fiscal harmonization and further socio-economic convergence within the EMU and the EU.

- **Initiate an open convention to prepare the necessary treaty changes.** The Greens call upon EU leaders to initiate the process of an open convention to overhaul the whole institutional setting to accommodate the new objectives of the EMU and to improve its functioning. Based on the model of the European Convention on the Future of Europe and drawing the lessons of this platform, the new convention will involve Members of European and National Parliaments as well as stakeholders from the civil society in the process of Treaty change. This European Convention should be organised under the leadership of the European Parliament, with the participation of the European Commission, the national governments and parliaments, organized civil society and social partners and should discuss the necessary treaty revisions in a public, democratic and citizen-friendly process with a clearly specified mandate and timeframe, and should work out recommendations for the conference of representatives of the governments in accordance with Article 48 of the TEU. Given the time needed to agree on the composition of the convention and its working method to craft a consensus between all parties and to achieve the desired outcome in terms of concrete political proposals, the convention should start well before the next European elections in order to prepare smoothly the debate on the issues presented under our Horizon 3. Also, by analogy to the process leading to the adoption of the euro, a participative EU Convention could define a deadline for achieving a medium to long-term roadmap regarding a certain number of convergence standards as pre-conditions for establishing the foundations of common social security mechanisms.

- **No negotiating role for the ECB in financial assistance programmes.** The ECB should withdraw from the troika and have at most a role of silent observer during the negotiations of financial assistance programmes.

- **The European Agency for Fundamental Rights should be involved in both ex-ante and ex-post assessments of the reforms** that are put as conditionality to Member States that request financial assistance with a view of facilitating the European Commission to deliver specific policy recommendations aimed at addressing e.g. rising inequalities and poverty which are factors of poor economic

Horizon 2

Establishing the necessary conditions for a sustainable EMU

Measures to be taken in the medium term, beyond two years

Addressing the severe debt overhang & the EMU's unsustainable internal and external imbalances

- **Making social and environmental targets more binding.** The Greens want to correct the missed opportunities in 2011 (six-pack) and 2012 (two-pack) to set out a fair and comprehensive economic governance framework for the EU. Such framework has to be rebalanced by the long-term goal of putting the EU's goals (some enshrined in the Treaty itself) in education, employment, research, social cohesion and justice as well as resource efficiency (aiming at an absolute decoupling between economic growth and ecological footprint), the fight against climate change and the restoration and improvement of biodiversity on an equal footing with fiscal consolidation. Concretely, that implies a specific monitoring, preventive and corrective mechanisms related to the pluriannual targets adopted by the Member States in the framework of a revamped EU2020 Strategy and thereby requires a reframing of Country Specific Recommendations that goes in line with a fundamental policy change of fiscal policy with a view of providing result oriented recommendations linked to the achievement of these targets. All these measures should help avoiding that the heaviest burden of meeting the Stability and Growth Pact objectives are put on the most vulnerable and on future generations. In the process of its integration within the community legal framework, the TSCG should be amended to reflect this rebalanced approach or alternatively be abrogated.

- **Providing for a qualified treatment of sustainable investments and modifying the debt rule.** The fiscal rules adopted with the "Six Pack", beyond being extremely complex and non-transparent, have not led to an improvement in public finances. In many cases they have gone along a hasty reduction of public deficit with a strong impact on economic growth and employment, finally leading to larger public debt. The latter is ultimately the crucial variable for assessing the sustainability of public finances. The debt rule introduced by the "Six-Pack" defines a debt reduction path which is in practice very difficult if not impossible to achieve for several Member States. This entails low credibility about its ability to trigger a concrete reduction of public debt in a sustainable manner. We propose to replace it by 5 years national debt reduction targets, to be established on the basis of an analysis of the sustainability risks, the growth forecast and on assumptions over the magnitude of the fiscal multipliers. Credibility, national ownership and the binding nature of such targets would be ensured by the possibility to revise them ex-post, (after two/three years), to take into account factors outside the control of the government, such as actual growth and ex-post estimations on fiscal multipliers, including the possibility of making the debt targets tighter, in case of better than expected outcomes. Such a debt rule would supplement a reviewed deficit rules of the six-pack so as to provide for a qualified treatment of Green investments.
  Sustainable investments eligible under a strict EU legal framework and which would in particular reduce negative externalities or increase positive externalities in a measurable way would be spread over the life horizon of the capital formation by means of the amortized cost accounting methodology as it is common practice in the private sector. The recourse in that context to unobservable and model dependent variable (the Potential GDP) should be framed in a precise legal framework subject to co-legislators scrutiny whereby theoretical diversity and a clear procedure would underpin the estimations retained.
  Finally, the smart and genuinely symmetric countercyclical flexibility provided by the abovementioned reviewed measures should go hand in hand with a strict enforcement of the reviewed framework as a counterparty so as to ensure the credibility of the rules.

- **Establish binding EU minimal social standards.** Combined with country-specific targets, we call for a European framework directive setting ambitious minimum social standards, which would help curbing downwards competition between the member-States social protection systems. In particular, it should provide for an adequate minimum income that establishes common principles, definitions and methods for minimum income schemes in the Member States, combining income support with active inclusion and access to quality services.] . [At European level we must ensure that national social systems refer to a country's level of income. This could be 60 percent of the average wage for the minimum wage; 60 percent of the net-replacement rate of unemployment benefits, at least 60 percent of the earned income over lifetime for pensions and needs-oriented social security provision for all.

<u>Addressing the lack of proper mutualisation mechanisms for responding to economic shocks</u>

- **Devise a roadmap towards the establishment of Eurozone+ automatic stabilizers.** Within such framework different options would be explored such as unemployment (re)insurance scheme or a rainy days fund providing countercyclical budgetary support during asymmetric shocks. Such mechanisms are essential to allow member -States to face asymmetric shocks without entirely resorting to internal devaluation. The European Commission should – after a public consultation – present legislative proposals A high level group mixing members of national and European parliaments, representatives of Member States, competent experts in the social and territorial cohesion fields, and European social partners should be established. It would identify options as to the activation criteria, the institutional shape and the functioning provided it is transparent and accountable and accordingly the new pieces of legislation required or changes to existing ones.

- **Completing the Banking Union: establishing a common deposit guarantee reinsurance scheme for the Eurozone+.** A fully-fledged banking union is the key mechanism to ensure a strong financial integration in the private sector, which itself can help dampen the effect of asymmetric shocks. While a common supervision and a gradually common crisis management system have been established, twenty years after the adoption of the Directive on deposit-guarantee schemes at the level of each member state, we still lack a common deposit-guarantee scheme that would act as a reinsurance scheme. As a key feature, such a scheme should avoid moral hazard and implicit subsidies between different business models with different risk profiles. This common deposit guarantee reinsurance has to reassure depositors that there is an Eurozone+ level backstop that effectively removes dependence on their own sovereign. Contributions to domestic deposit insurance schemes should depend on the risk profile of the insured institutions while contributions to the EU reinsurance scheme should cover residual systemic risks not related to specific risks taken by the institutions contributing to the domestic schemes. In the event of a new European crisis, a joint guarantee would limit the flight of deposits from EU banks and the GDP loss, the cost of "non-Europe" in this area being estimated at 0.25 % to 0.49 % of GDP if a sovereign or a financial (respectively) crisis arises.[4] EU banking regulatory framework should be substantially strengthened with a view of delivering an effective limitation of the banks-States link by limiting the exposures to one sovereign and ending national most of the national special rules. Furthermore, a structural reform of the EU banking sector should be implemented, meaning a full legal, organisational and operational separation of the deposit taking 'boring banks' (safekeeping of cash and assets, payment services and prudent lending and which are critical to the smooth functioning of the economy and indeed daily life), from the more volatile capital markets based activities (underwriting stock issues, brokerage,

4

http://www.europarl.europa.eu/RegData/etudes/STUD/2014/536365/EPRS_STU%282014%29536365_EN.pdf market making and outright trading). Investment banking will continue to generate and transmit problems of its own that can only be mitigated by drastically limiting their size and interconnectedness to each other and shadow banks, but their threat to the critical banking services we all rely on would be removed. The boring banks will thus be encouraged to focus on meeting the needs of the real economy and in exchange for a simpler business model they will get simpler rules.

Tackling a non-resilient and non-diversified productivist model

- **Increase the EU budget up to the own resources ceiling**. The money made available under such increase would be used to support the implementation of the Green New Deal as additional investments in the sustainable sectors and in the job-intensive sectors and in the reduction of regional disparities.

- **Reorient the EU budget so as to fully exploit its potential to reduce inequality and our consumption of global natural resources.** The EU budget, and cohesion policy, especially the European Regional Development Fund, the European Social fund and the Cohesion Funds and the rural development fund, should become more ambitious so as to finance a real sustainable economy that allows us to live well within the earth's biophysical boundaries, creating decent and green jobs and aiding those most deprived out of poverty. Moreover all room of manoeuvre, such as unused or underspent funds and the existing flexibilities in the EU budget, should be fully mobilized to foster long-term, low-consumption, job-rich sustainable economic recovery. Such reorientation should finance SMEs, research and development, education and university research. Simultaneously, the quality of the spending should be improved by applying the partnership principle and genuinely implementing the Code of Conduct on Partnership. In time of scarce financial resources, we should use the EU taxpayer money in a more efficient and effective manner, as regularly stated by the European Court of Auditors.

Horizon 3

Reforming the Treaty so as to make the EMU viable and geared towards social and environmental sustainability

Measures to be taken in the long term, beyond two years at the latest by 2020

I. Addressing the lack of proper mutualisation mechanisms for responding to economic shocks

As pointed out in the introduction, the need to cope and develop insurance and reinsurance capacities against unavoidable and repeated systemic shocks affecting part of the EMU (asymmetric shocks) or its totality (symmetric shocks) will require pooling extra public and private resources as otherwise a monetary union becomes a vector and even an amplifier of negative externalities under adverse scenarios. The gradual development of an EMU specific Fiscal Union enshrined in the Treaties is therefore required with a view of creating the necessary conditions of a viable and resilient EMU capable of tackling the social and ecological challenges ahead.

- **A fully integrated fiscal and economic union as a long-term goal including Eurozone+ automatic stabilizers**. A fully integrated fiscal and economic union needs to be should go hand in hand with a meaningful fiscal capacity which would include Eurozone+ automatic stabilizers such an unemployment reinsurance scheme. Such capacity which would represent the outcome of the roadmap established in the first part of this paper should include possibility to issue debt instruments that would be eligible for eurosystem purchases. Establishing such capacity would require that sovereign rights be transferred to the community level– which would imply not only an amendment to the European Treaties, but also potentially to some National constitutions. The fiscal capacity should cover stabilisation instruments aiming at adjusting against asymmetrical shocks and common cyclical developments as well as promoting far reaching reforms required for the green transformation of the European economy. It should thereby be linked to result oriented policy conditions and targets (more specifically to the specific targets defined and adopted within the EU sustainability and prosperity pact as outlined below). In good economic times, such capacity should be articulated with mechanisms for ensuring fiscal consolidation, and in times of economic downturn it would provide additional financial support measures by financing on a concessional basis Green qualified investments delivering a substantial reduction of negative externalities or generating positive externalities. Such a capacity would function as an insurance system through which the risks of economic shocks would be borne by all Member States. The fiscal authority should be developed within the EU budget under the full control of the EU budgetary authority, and should be managed through an EU Treasury established within the European Commission. One part of this system could be a European basic unemployment insurance system.

- **Substantially increase the EU budget** in order to reflect the new EU's objectives and targets (post EU2020 strategy) and the future EU's international commitments (for instance post COP21, post MDG...) and transform the Cohesion policy into the main EU instrument supporting full employment all over the EU and fighting against regional disparities. The new European structural and Investment Funds should particularly be used for this. Potential additionally provided financial resources would have to be a component of the EU budget and be placed under the control of the European Parliament.

- Finance the EU Budget only by own resources co-decided by the European Parliament and flowing from the FTT, revenues coming from the EU-wide Consolidated Corporate Tax and from other taxations according to the recommendations issued by the High Level Group on Own Resources (HLGOR).

- **ECB as lender o last resort for Member States.** The ECB should be given the possibility to act on the primary market for the sake of financing future-investments of the member states.

- **Partially and gradually mutualize public debt.** A gradual mutualisation of sovereign debt instruments should be implemented (starting with a Green Redemption fund for the debt outstanding and Eurobills and at the end of the roadmap Eurobonds) which will allow a gradual reduction of debt to GDP ratios and more broadly the compliance with binding social and environmental specific targets in the framework of an enhanced and refunded economic governance legal framework (EU sustainability and Prosperity strategy (see below)).

- **Turn the ESM into a European Monetary Fund.** The transformation of the ESM into a proper EMF established as a community instrument would provide support for Member States and cross-border sectors under severe difficulties. This has to be accompanied by shifting from austerity measures towards sustainable economy and socially sound and democratically legitimate measures. Such new institution shall include a debt restructuring settlement mechanism consistent with the recently adopted UN principles. An EMF directly accountable to the European Parliament and whose financial assistance programme would be submitted to a consent vote by this institution would require transferring the financial resources of the ESM from the national level to the European level.

- **Complete the Banking Union and establish a Common fiscal backstop to complement a fully independent SSM,** where the funds backing the SRM and common network of mutualised DGSs prove insufficient, in a severe crisis, to contain losses within the banking system. Such a common backstop must only be an absolute last resort and should be funded in such a way as to limit the risk to public funds. This whole system can only be credible if the banking system itself is radically reformed to make it substantially leaner, less interconnected and simpler. This would then permit correspondingly simpler but strictly enforced rules that can limit the wider social, financial and economic spillover effects of bank failures. To complete the framework, the European Systemic Risk Board should be given real powers to detect and deflate credit bubbles and more general macroprudential risks**.**

Addressing the severe debt overhang, the EMU's unsustainable internal and external imbalances and tackling a non-resilient and non-diversified productivist model

A functional and viable EMU goes hand in hand with an enhanced and binding roadmap for social, economic and environmental convergence in the form of a 'EMU sustainability and prosperity pact' as an updated and reviewed economic governance framework. The roadmap set by the open convention (see Horizon 2) and its monitoring and implementation mechanisms shall be codified in the Treaties and will define binding social, economic and environmental pluriannual targets on the basis of indicators beyond GDP for EMU Member States as well as for the EMU as a whole. It will include specific monitoring and corrective mechanism as well as specific incentives for compliance such as an access to the budgetary capacity under preferable/favourable conditions.

The Greens/EFA support the adoption of an EU Social Progress Protocol annexed to the EU Treaties, explaining the spirit of social articles of the Treaties as well as clarifying the hierarchy of norms in case of a conflict between several Community instruments by affirming that fundamental social rights take precedence over economic freedoms.

II. Addressing democratic accountability and ownership gap

A certain number of democratic reforms requiring a Treaty revision represent against this backdrop some of the institutional necessary conditions for building up a resilient EMU geared towards sustainability:

- **Revise the Treaties in order to allow real choices in economic policy.** In particular TFEU has to be reviewed in order to allow democratic choices to be made on the European level rather than to bind the EU to specific policies. Furthermore, restrictions to majority vote in Council and to parliamentary co-decision powers should be lifted in all areas of economic and financial policy.

- **Increase the parliamentary powers and the community method.**
  1. All EU legislative policies shall be subject to a generalized and revised co-decision procedure by which the two legislative branches of the EU will be put on strict equal footing.. Along with the Council, the European Parliament should among others co-decide if the Annual Growth Survey and the Country-Specific Recommendations within the framework of the European Semester are to be concluded, if an excessive deficit or a macroeconomic imbalance will be determined within the framework of the Stability and Growth Pact. [The European Parliament shall also give its consent if loan and reform programmes for so-called crisis countries are to be formed within the framework of a future European monetary fund. Until such a fund is created, the democratic control of the institutions (formerly the Troika) needs to be strengthened considerably. Above all, the European Commission should answer to the European Parliament more than has been the case to date.
  2. The currently existing intergovernmental mechanisms and legal frameworks shall be comprehensively revised and integrated in the community acquis.
  3. The two legislative arms of the EMU shall provide their consent for all major EMU related procedures such a procedures regarding excessive deficits and imbalances, non-compliance with targets decided in the framework of a future oriented 'EMU sustainability and prosperity strategy' (see below) or with any assistance programme to a Member State or a specific transnational and cross-border sector in crisis to be provided by a transformed and enhanced ESM (see below).

- **A special committee on Euro issues within the European Parliament**. The European Parliament could establish a special committee on euro-related issues with special information rights regarding the Council and the European Commission. All MEPs coming from Eurozone+ countries, however, should be eligible to be posted to this committee, with the European Parliament and its parliamentary groups ensuring a suitable presence of MEPs from euro countries within the framework of the rules of procedure. This special committee alone, however, would still not attain democratic legitimacy and oversight of European decisions. This is a responsibility that only the entire European Parliament can assume. Rather, the committee would make a major contribution to greater efficiency and better ability to act by preparing the necessary stronger rights of codecision of the European Parliament on euro-related issues.

- **The Eurogroup shall become a Council committee/formation** and shall be submitted to explicit rules of procedure. It will be fully accountable to an EMU committee of the European Parliament, composed of Eurozone+ MEPs which will be the budgetary authority for the Fiscal Union within the EMU / the EP. The Eurogroup as a Council formation shall not have executive powers.

- **A strong European Commissioner on the Economic and Monetary Union** should streamline the powers of the European Commission in the areas of economics, finances and budgeting. It should be placed at the head of all economic and budgetary governance procedures, and should be subject to the particularly strong parliamentary scrutiny and control of the European public. The Commissioner should be conferred with the right – after the assent of the European Parliament and the Eurogroup – to reject Eurozone national draft budgets and to request that the government of the affected member state adapt the draft if it infringes the European agreements within the European Prosperity Pact (the reviewed framework of the Stability and Growth Pact or the Europe 2020 strategy).

  The Commissioner should be individually elected by the European Parliament and subject at any time to being voted out of office.

- **Stronger national parliaments**
  So that national parliaments can better oversee the actions of their government in the Council and in order to strengthen dialogue with the European Commission, Article 12 of the European Treaties should be amended and a minimum standard for information rights for national parliaments towards their respective national government and the European Commission should be defined. Firstly, all national governments should be committed to provide certain information rights to their national parliaments. Secondly, the national parliaments should be granted a limited right to ask the European Commission questions regarding country-specific matters and, conversely, the European Commission's own possibilities for communication with national parliaments should be opened up (attending committee and parliamentary sessions). Thirdly, the early warning period for subsidiarity control should be lengthened and vetoes in the legislative process (red card) for specific national parliaments should be rejected.

- **Reform the status and the modus operandi of the ECB and the Eurosystem**. The Treaty based mandate status shall be reviewed with a view to strengthening its democratic democratic accountability and its strict separation with the EMU Single Supervisory Mechanism. The fundamental principle of 'no taxation or provision of public subsidies without representation' should be enshrined in such mandate and therefore a permanent scrutiny mechanism will be established so as to ensure a strict separation between fiscal and monetary policy and hence for preventing and correcting the provision of implicit subsidies by the monetary authority and for ensuring that in the medium term the monetary policy does not entail distributive effects. Moreover, the provision of Emergency Liquidity for significant banks shall be Europeanised so as to establish a symmetry to the supervisory level and its conditions should be reviewed so as to limit the wide level of discretion by which emergency liquidity is provided under the current legal framework.