



Toward a European New Deal

Questionnaire for DiEM25 Members

by Yanis Varoufakis and James Galbraith

The Future of Europe's Monetary Framework and the Euro

We take as a point of departure (a) that the Euro as presently designed and administered cannot endure, (b) that Europe nevertheless does need a common, integrated monetary and financial framework, (c) that the co-existence of more than one currency within the Single Market requires coordination between the relevant central banks that is now absent. So the question is, how best to achieve this objective? Specifically:

1. Europe has a number of currencies (the euro plus the currencies of non- Eurozone countries, plus the Swiss franc), which may increase in number if/as the Eurozone fragments. Does Europe need a formalised coordination mechanism involving all relevant central banks? E.g. a framework along the lines of Keynes' International Clearing Union (ICU) proposal at the Bretton Woods Conference? (See [here](#) for an up-to-date example.)
2. What should be the guidelines (a) for membership in a common currency; and (b) for membership in an ICU-like system that would be under common administration and supported by a central authority?
3. In any ICU-like system, should the currencies float freely versus the common currency or unit of account? Or should Europe opt for controlled adjustment of depreciating currencies (as was the case under Bretton Woods)?
4. What supportive monetary, credit, and fiscal transfer mechanisms are required to make a new European currency framework function, producing at least stable relative incomes across European countries and at best mild convergence of the relatively poor toward the relatively rich?
5. What is the role of capital controls in a well-functioning system and how can such controls best be administered and sustained? Correspondingly, what presumptive rights do citizens subject to capital control (and therefore to limitations on their access to credit and economic activity) have over non-citizens (and especially, non-residents) with respect to protection of their assets, and in such areas as bankruptcy, foreclosure, and so forth?
6. How can Europe best establish a new electronic payment and credit system that is public, democratically accountable, universal and inexpensive compared to the services of private banks, and therefore an effective competitive yardstick for bank performance?
7. In case of the Eurozone's fragmentation, how should the necessary but costly redenomination be managed? Should restrictions in the movement of cash across borders be used in addition to withdrawal & capital controls? What should the role of the ECB be in this? How should the Target2 liabilities and assets be managed?

Banking and debt.

An integrated, democratic Europe needs an integrated, diversified, competitive banking system under effective regulation at the European level, able to stabilise credit flows to all member countries, and an end to the toxic dependence of national governments on national banking systems, and vice versa. The question is, again, how best to achieve this? Specifically:

1. Should the large, universal European banks be broken up? If so, should they be broken by size or by function – as in the enactment of a European Glass-Steagall Act?
2. How should continental-level deposit insurance be implemented and with what regulatory powers for the insuring agency or department? How should new bank losses be handled in contrast to legacy losses?
3. What regulatory powers should be exercised on the markets for derivative instruments and credit default swaps?
4. How should an effective bank resolution system be designed and how should it differ to the current system under the ECB's SSM?
5. What should be the prudential limits on national private and public debts, and how can these be implemented and policed?
6. How can existing public debts be best restructured so as to make them manageable and sustainable?
7. How can public debt be best managed within the Eurozone given the debt-deflationary spiral afflicting many of its member-states?
8. What rules should apply to bank holdings of national debts?
9. What rules should govern financial relations between Europe, the United States, and other regions including Russia, China and the Middle East, so as to make European financial regulations effective and to preclude any repeat of the import of crisis from poorly-regulated jurisdictions, such as the United States proved to be in 2007-2009?

Investment

Europe needs a continental investment plan, a European New Deal, aimed at creating the conditions for sustainable living standards in a green economy under the stress of climate change, immigration and other factors. How to build this? Specifically:

1. What can monetary policy do to support green investment, for instance by routing quantitative easing solely through the purchase of EIB and other qualified investment bonds?
2. How can military budgets be converted to support a European Advanced Research Projects Agency for energy innovation, and a European Manhattan Project for the diffusion of sustainable technologies and the creation of Green Cities and a Green Countryside?
3. How to frame a regulatory structure and a credit/investment policy for the private sector, to foster environmental best practices, standards and green growth?

Social Insurance and Solidarity

Europe's most vulnerable people need relief and support, both to sustain them and to generate a new level of connection and allegiance between Europe's peoples and the European project. How best to achieve this? Specifically:

1. What are the roles and best-practice designs to implement the following at the European level?
 - a) Nutrition assistance and school lunches
 - b) Energy sufficiency
 - c) Unemployment insurance
 - d) Pension adequacy
 - e) Housing and foreclosure protections
 - f) Bankruptcy and debt relief
 - g) Minimum wages and topping-up of low-earnings
 - Should such programs be confined to the countries sharing the euro? Or should they be implemented EU-wide?
 - How should they be funded given that (i) there will be no federal budget for the foreseeable future, and (ii) different costs of living pertain in different countries?

2. Should there be a universal basic income grant to all Europeans and if so, who should be eligible, at what levels, how should it be designed and implemented, and how should it be financed?