



DiEM25's European New Deal

A summary

>> EUROPEAN NEW DEAL: A summary¹

The idea of Europe is in retreat and the European Union is at an advanced state of disintegration.

With Brexit, one great pillar of the European Union has already fallen. Others may follow – if not in this year's election cycle then perhaps in the next.

“I don't care what it will cost. We took our country back!” This is the proud message of Brexit supporters. It is also an aspiration that we begin to encounter everywhere in Europe, even amongst left-wingers advocating a return to the nation-state.

So, is Europe a lost cause? Can it be saved? *Should* it be saved?

DiEM25 believes that we, the peoples of Europe, must take our countries back. Indeed we need to take our regions back. We need to take our cities and towns back. But to take back our countries, our regions and our cities, we need to reclaim common purpose amongst sovereign peoples. And to do this we need an internationalist, common, transnational European project. We need a European New Deal. This document outlines just that.

¹ DiEM25's White Paper entitled 'European New Deal: An economic agenda for European Recovery' will be launched on the 25th March 2017 in Rome, in the context of the 60th anniversary of the Treaty of Rome. The full version of the White Paper will be made public before that event to prepare the deliberations that will take place in Rome.

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Section 1 – INTRODUCTION

1.1 The bitter fruits of austerity that drive Europe's crisis

Europe is facing the perfect storm of a nationalist international insurgency and of a deep establishment whose failed policies leads it to authoritarianism that, in a never ending circle, reinforces the crisis which feeds the nationalist international insurgency. Unless Europe's progressives act now, not only will the European Union dissolve but, even worse, it will be replaced by something uglier where permanent economic crisis will converge with irreversible authoritarianism and human despair.

While the origins of Europe's malaise are various and complex, the loss of hope lies at its heart. Hope evaporated when a majority of Europeans faced the spectre of *involuntary under-employment* now and in the future. For at least a decade millions of Europeans living in the more affluent countries have been restricted to the soul-destroying, precarious jobs that dominate an increasing segment of the labour market (e.g. in Germany). Meanwhile those living in Europe's periphery, especially the young and older people approaching retirement, are confined to the scrapheap. Thus the young migrate *en masse* to Europe's core where locals already in the clutches of discontent see them, mistakenly, as the root of their problems.

Europe is, therefore, disintegrating as a result of this perfect storm of *involuntary under-employment* and *involuntary migration*.

- *Involuntary under-employment* is the bitter price of austerity. It is the effect of ultra low investment, of a failure to generate the paid work that Europe needs to meet economic, social, human and environmental needs, and of the European economic stagnation that concentrates most of economic activity in a few regions but drains the rest.
- *Involuntary economic migration within the European Union* is the bitter harvest of austerity. The vast majority of Greeks, Bulgarians, Spaniards, Romanians, Portuguese and Poles moving to Britain or Germany do so because they must. With no jobs or prospects at

home, with a vast and growing income differential between European countries, what else can they do?

In this fog of under-employment and forced migration, a growing number of Europeans need to exert superhuman efforts to provide for themselves and their families. This reality engenders anger and breeds political monsters that are now exploiting the climate of fear and uncertainty.

Under-employment and migration are the two horsemen of the Nationalist International that is sweeping across Europe today. The Nationalist International proposes protection to create jobs. It proposes walls to block migration, a politics of fear, a state of siege to discourage, and even to evict, those who have already moved.

1.2 Protectionism and border fences are not the solution

Protectionism is not the solution!

Yes, it would have been better, had Europe sought to sustain and develop firms and industries in every country prior to the creation of the single market, rather than encourage the mass de-industrialisation of many countries and regions. But those horses have bolted; the industries that died when the borders came down have gone forever. They cannot be recreated by impeding trade now. If we tried to revive them through protectionist policies, the price will be a breakdown of the existing, integrated Europe, with trade wars inflicting vast new losses on our peoples. Anyone promising that the UK, Italy, France, Greece or Germany would be able to emerge from greater protectionism wealthier is peddling false hope.

Walls and electrified border fences are not the solution!

Yes, it would have been better if Europe had created conditions for Poles, Bulgarians, Romanians, Greeks etc. not to be forced out of their countries by the unavailability of living wages, housing etc. in their communities. But those birds have flown; these migratory waves have happened. And the

price of trying to reverse or to stop them will be a boon for racists, religious intolerance, national chauvinism, as well as a vast cultural impoverishment of Europe.

The promise that the Nationalist International is making, of restoring hope through taller walls that control the movement of people and goods, must be resisted fiercely by Europe's progressives.

1.3 Should Europe be saved?

Until very recently proposals to 'save' Europe aroused sceptics who would say, "that's all very well, but can what you propose be done?" Today the sceptics ask whether Europe is worth saving at all.

DiEM25 answers: Yes! We have a duty to demonstrate that Europe can be saved and must be saved. Except that it will not be saved if its establishment continues to resist the policy interventions necessary to do so. Europe must be saved because the alternative is to impoverish *all* Europeans, in economic, social and cultural terms. The nationalist alternative is to divide, to foster distrust leading to violence and perhaps to war. The nationalist alternative would also endanger the wider world. The world needs a *unified* Europe committed to authentic democracy, to the peaceful resolution of conflicts, to social protections, to saving the planet, and to the on-going expansion of human freedoms.

DiEM25' New Deal offers a blueprint of how Europe can be saved. DiEM25' New Deal conceives of the necessary investment into people's communities like the Green movement conceives of climate change: a joint responsibility of peoples whose fortunes are intertwined.

1.4 Will Europe be saved? The unifying role of constructive disobedience

A lost decade and an intensifying crisis have made many Europeans feel

that Europe is a lost cause. That the European Union is beyond the point of no return. That perhaps it is better to let this neoliberal, authoritarian, incompetent, unappetising Europe collapse and then start again from scratch, once we have restored democracy in our nation-states.

DiEM25 does not contest the proposition that perhaps Europe is past the point of no return. However, DiEM25 staunchly contests the proposition that we should campaign to dissolve the EU, or that we should let it collapse, so as to start from the beginning. DiEM25 believes strongly that our struggle to save the EU, by putting forward practical proposals for democratising, civilising and rationalising it, will prove essential *even if we fail* and Europe disintegrates as a result.

This struggle, the work DiEM25 does across Europe, to produce the policy proposals that can save Europe builds up the transnational network of democrats that will prove invaluable if Europe ultimately fails. By inciting *constructive disobedience* (i.e. leading with moderate policy proposals while disobeying at every level the edicts of the clueless establishment) and getting Europeans from different national and party political backgrounds to struggle side-by-side to save Europe, we create the transnational Progressive International that will confront both the establishment and the Nationalist International, and will pick up the pieces if Europe collapses.

The narrative of “let this Europe disintegrate so as we can start again once we have recoiled into our nation-states” is only going to strengthen the Nationalist International. But DiEM25’s narrative “let’s stick together, put forward proposals for saving Europe while disobeying the establishment and preparing for Europe’s disintegration” is the greatest enemy of both the Nationalist International and Europe’s culpable establishment. It is also the cement and the glue of the transnational European movement that will oppose barbarism after Europe’s collapse.

1.5 Stabilisation, recovery and greater national sovereignty must come first

In response to the crisis, the liberal establishment proposes “more Europe” – a *federation-lite* with yet more powers to the bureaucrats of Brussels, with some central economic functions, but also with highly restrictive controls demanded by the Germany Ministry of Finance, the European Central Bank, and the least enlightened parts of the European Commission. Inevitably, under present economic conditions, a federation-lite would deepen austerity and advance the destruction of the European social model.

A federation-lite is not the solution! Had it been established back in 2000 when the euro was born it might have taken the edge of the crisis that followed in 2008. But now, it is too little too late. The tiny federal budget that is proposed in exchange for political union will turn Europe into a permanent Austerity Union. Rather than avert the path to dissolution it will speed it up and maximise the human costs.

Today, Europe needs practical steps that can be taken tomorrow morning to end the free fall, stabilise local and national economies, heal the fault lines between surplus and deficit countries, re-balance the Eurozone and achieve coordination between the Eurozone and other economies falling geographically within greater Europe (e.g. the UK, Switzerland, Serbia, Norway, Turkey, Iceland). These steps need to be taken quickly and thus within the existing institutional arrangements. Any moves to ‘more’ Europe now will not only produce a permanent Austerity Union in continental Europe but will also be outpaced by the galloping crisis which will ensure that there will be nothing left to unite or federate.

DiEM25’s European New Deal proposed policies within existing institutional arrangements that will bring stabilisation. Stabilisation will bring greater national sovereignty. Once investment flows have been restored, public debt management has been coordinated, the bankers have been restrained and abject poverty has been addressed at the European level, national governments will suddenly be endowed with more degrees of freedom – proof that the europeanisation of the solution to basic, common problems, does not require further loss of sovereignty. Quite the opposite: europeanising the solution to, e.g., investment flows and public debt unsustainability gives back to national parliaments and regional

assemblies greater powers.

In the longer term, once this stabilisation is achieved, and the elixir of hope returns to Europe, Europeans must then address the crucial question: How do we envisage Europe in, say, twenty years?

- Do we want gradually to deconstruct the EU, plan for a smooth, low-cost velvet divorce and rely more on nation-states?
- Or do we want to build and maintain an open, continental, federal pan-European democracy in which free men and women can live, work and prosper together, as they choose.

DiEM25 is committed to the latter: Once Europe is stabilised by means of the modest policies outlined below, a real democracy can be built at a transnational European level. This will, naturally, require a European democratic constitutional process underpinned by policies for democratising economic life, breaking down the capital-labour division, enshrining shared green prosperity into Europe's institutional make up, and eradicating all forms of institutionalised discrimination.

1.6 DiEM25's European New Deal: An integrated program for civilising Europe complete with an inbuilt mechanism for containing the costs of a potential disintegration

DiEM25's European New Deal offers that which the European establishment has failed to offer: a Plan A for Europe. It maps out ways by which Europe will:

- fund its present and future innovators, whose R&D will be the foundation of the Green Transition to Prosperity Without Growth that we need
- back its maintainers, people who do the multitude of work needed to maintain communities and existing infrastructure (e.g. nurses, carers, teachers, sewer and electricity grid repairers)
- restore the dream of shared prosperity in an era of automation and inequality that undermines humanism if left unchecked

- enable democracy at the local, regional, national and pan-European levels.

To fund the above, DiEM25's European New Deal proposes financial mechanisms that will not only minimise the probability of disintegration but that will also minimise the costs of containing a possible disintegration of the existing European Union.

This is crucial: Unlike those who argue that the current European Union is 'finished' and thus support a Plan B for its dissolution, DiEM25's European New Deal proposes a Plan A whose implementation will save Europe (by stabilising and civilising it) but also deal optimally with the fallout from a collapse of the Eurozone and possibly of the European Union itself (see section 2.5 below).

Section 2 – EUROPEAN NEW DEAL: AIMS & MEANS

2.1 INTRODUCTION: Four principles and six aims of a New Deal for the whole of Europe, independently of membership of the Eurozone or the EU

The German philosopher GWF Hegel argued that no one can be truly free if others are in chains.² Similarly, no European nation can truly prosper while others languish in permanent depression. This is why Europe needs a New Deal.

DiEM25's European New Deal is based on four simple, motivating principles:

- A. *BASIC GOODS PROVISION: All Europeans should enjoy in their home country the right to basic goods (e.g. nutrition, shelter, transport, energy), to paid work contributing to the maintenance of their communities while receiving a living wage, to decent social housing, to high quality health and education, and to a sustainable environment.*
- B. *TURNING IDLE WEALTH INTO GREEN INVESTMENT: Europe's future hinges on the capacity to harness the wealth that accumulates in Europe and turn it into investments in a real, green, sustainable, innovative economy. What matters is not the boost of one European country's 'competitiveness' in relation to another European country but the rise of productivity in green sectors everywhere*
- C. *SHARING THE RETURNS TO CAPITAL: In the increasingly digital economy, capital goods are increasingly produced collectively but their returns continue to be privatised. As Europe becomes more technologically advanced, to avoid stagnation and discontent it must implement policies for sharing amongst all its citizens the dividends from digitisation and automation.*
- D. *MACROECONOMIC MANAGEMENT CANNOT BE LEFT TO UNELECTED TECNOCRATS: Europe's economies are stagnating because for too long macroeconomic management has been subcontracted to unaccountable 'technocrats'. It is high time macroeconomic management is democratised fully and placed under the scrutiny of sovereign peoples.*

² A line put to song by Solomon Burke: 'No one is free'

The task is to begin making a reality out of these four principles today. This means that we must begin our work without the tools of a functioning European federation. We must thus make a start by using the existing institutions and work, as far as possible, within existing European Treaties in a manner that *simulates* the federal institutions we lack. In this regard, DiEM25 is focusing on six aims

1. Taming finance: Regulating banking and establishing a new public digital payments platform that ends the monopoly of banks (private and central) over Europe's payments – see section 2.2
2. Dealing with the Eurozone crisis: A plan to save the Eurozone by ending self-defeating austerity within the existing 'rules', restoring much of the lost national sovereignty *and* minimising the cost of its disintegration in case of an 'accident' – see section 2.3
3. Green investment-led recovery: Linking central banking operations with public investment programs and the new public digital payments platforms – see section 2.4
4. Backing the maintainers in their own communities to stem forced migration - – see section 2.5
5. Pan-European coordination of monetary, fiscal and social policies between Eurozone and non-Eurozone to maximise Europe's recovery and end involuntary migration – see section 2.6
6. Planning for a post-capitalist Europe that is authentically liberal and open: Democratising the economic sphere and the role of a Universal Basic Dividend – see section 2.7

2.2 Taming finance and establishing a new public digital payments platform that ends the monopoly of banks over Europe's payments

The banking crisis of 2008-2009 was the moment when the European project started to come apart, the flawed design of the Eurozone and its consequences becoming fully apparent. The public debt crisis that drove austerity programs was a direct result of transferring banking losses to the weakest taxpayers.

DiEM25 proposes a regulatory regime consistent with viable, sustainable and accountable banking and financial system. Moreover, DiEM25

highlights the links between macroeconomic rebalancing and bank regulations: to raise investment to the level of existing savings, the original New Deal's aspiration, Europe needs to democratise the governance of banking. To this effect, the final European New Deal White Paper will present concrete proposals for banking regulations that include:

- The management of non performing assets & a recovery-resolution framework (NPA/RRP)
- A transitional capital charges and risk regime
- A new macroprudential framework
- Ending the regulatory monopoly of banks and promoting institutional pluralism in financial intermediation

Turning now to payment systems, DiEM25 will propose a public digital payments system for every European country. Technically, its creation is very simple: A reserve account for each taxpayer is created automatically (one per tax file number) on the tax office's web interface. Tax file number holders are then to be provided with a PIN that allows them to transfer credits from their reserve account to the state (in lieu of tax payments) or to any other tax file number reserve account. The purpose of this payments' system is to:

- Allow for multilateral cancellation of arrears between the state and the private sector using the tax office's existing web-based payments platform
- Introduce a low cost alternative for digital payments to the existing private bank network, especially once payments using that system can be effected via smart phone apps and debit/ID cards issued by the state
- Permit states to borrow directly from citizens by allowing them to purchase credits from the tax office's web interface, using their normal bank accounts, and to add them to their reserve account. These, digitally time-coded, credits could be used after, say, one year to extinguish future taxes at a significant discount (e.g. 10%)
- Reduce the redenomination costs in case of either bank closures effected by the ECB (in the case of Eurozone member-states) or in the case of the euro's disintegration.

In summary, the proposed public payments' system affords national governments more fiscal space, allows for the multilateral cancellation of

debts, enables states to borrow directly from citizens (without going through the bond markets), has the potential of creating new sources of investment funding (see section 2.3 below), reduces the power of the ECB over member-states (thus boosting national sovereignty) and, lastly, acts as an insurance policy in the case Eurozone is dismantled.

In summary, public payments' systems used for public purpose and utilising digital technologies will give Europeans a radical opportunity to take back the direction of their economies from the 'independent' central banks and the large private banks that presently dominate European economic life – and whose malpractice is a fundamental cause of the European crisis.

2.3 Green investment-led recovery: Linking central banking with public investment vehicles and the new public digital payments platforms

The European economy is in the doldrums and Europeans are feeling the pain for one main reason: Ultra low investment and the largest savings-to-investment ratio in post-war European history. Even in economies like Germany, where there is some modicum of growth, productive capital is still being eroded at an increasingly rapid pace. At the same time, corporate profits are high, and enterprises are awash with idle cash that does not get invested in productive resources. As an absolute priority, needed to reverse attrition of productive capital, DiEM25 policies propose a large-scale public investment program.

The principle is simple: In the absence of reflation and reorientation towards sustainable growth by private enterprises that is due to excessive risk aversion and preference for shareholder 'value', the public sector must lead the way, creating the conditions for investment by all types of economic organisations to 'crowd-in' behind the public programs. However, this must be done in a way that does not involve greater taxation of the exhausted working and middle classes or government deficits.

The proposed investment-led recovery, or New Deal, program hereby proposed can be financed easily via public bonds issued by a public investment bank (e.g. the new investment vehicle foreshadowed in countries like Britain, the European Investment Bank and the European Investment Fund in the European Union, etc.). To ensure that these bonds do not lose their value due to over-supply, the central banks (in whose jurisdiction the investments will be made) announce their readiness to purchase them if their yields rise above a certain level. In other words, DiEM25 is proposing a re-calibrated real-green investment version of Quantitative Easing that utilises the central banks' balance sheet to crowd in idle private cash into real, green investments.

Additionally to the alliance between public investment banks and corresponding central banks, DiEM25's European New Deal envisages further investment funding that should be sourced at nation-state level from the public digital payments' system outlined in section 2.2 above. If, for example, a national government wishes to use some of the excess liquidity from its public digital payments' system, it can do so once the central bank insures these invested reserves – e.g. through the issue of special central bank bonds (instead of monetising).

Turning to the institutional design via which financial resources will be made available, and how they should be treated from a debt financing perspective, one thing is clear: the institutional and financial infrastructure that has been built should be used for what it is intended, channelling *existing financial resources* towards productive investment that allows for Europe to grow out of public debt and private non-performing loans by producing goods and services consistent with sustainable development.

Complementing this top-down view is a bottom-up initiative on the eligibility or priority of projects within the framework of the program. It is clear that certain types of projects – especially in the 'brown capital' range – should not be eligible. But the moment when two good projects present themselves, how to choose one over the other? These very concrete and legitimate questions will be asked and it is important to have elements of an answer. The energy transition is the utmost priority, independently of

international agreements. DiEM25 will devote a separate White Paper to the question of funding the green transition.

In conclusion, the investment-led recovery that DiEM25 promotes is predicated upon a simple point of economics and politics that Europe has neglected for too long: The resources of society are multiplied when they are used to support work; they are diminished, even destroyed, when they are passed on to oligarchs, squandered by bankers, or given over to maintaining a large population in idleness or working for a pittance in precarious mini-jobs.

2.4 Backing the maintainers in their own communities to stem forced migration

The Green Investment Program will benefit the innovators and lift all other boats to some extent. Nevertheless, this is not enough as it would leave behind many of society's neglected maintainers – the people who do unfashionable but crucial jobs, like caring for the elderly, repairing sewers and telephone grids etc. It would also leave behind Europeans whose skills are obsolete or who live in areas lacking jobs altogether. For them DiEM25 proposes three programs: An Anti-Poverty, a Social-Housing and a Jobs-Guarantee Program.

The Anti-Poverty Program

This solidarity program for Europe has two goals. First, it must relieve some of the most serious hardship inflicted on Europeans since the crisis. Second, it must begin to rebuild the stable, well-supported communities that must underlie Europe's future. A solidarity program therefore complements – and cannot replace – a program of jobs and investment. It must be kept within limits, as a share of economic activity, and act in support of economic stabilisation and recovery, including a vibrant private sector. But such a program is nevertheless essential, both for immediate human and social effect, and for the rescue of Europe as a political project.

DiEM25's European New Deal proposes a common European fund for fighting poverty, in particular for nutrition assistance. This would be modelled on the US Food Stamps program, and on the Greek nutrition assistance program introduced by the first Syriza government, providing support for the most vulnerable Europeans. It is a model based on debit cards with restricted uses that may soon include the cards of the digital public payments' system outlined in section 2.2. At a later stage, it will be extended to unemployment insurance and to 'top up' the lowest pensions – creating the foundation for a European Pension Union – eliminating destitution among the old.

In the absence of a transfer union between European countries, DiEM25 proposes two sources of financing the anti-poverty drive measures: First, the accumulating seigniorage profits of Europe's central banks, e.g. their profits from Quantitative Easing operations, the ECB's Target 2 account etc. Secondly, the fiscal space made available by the introduction of the digital public payments' system outlined in section 2.2.

The Housing Program

DiEM25's European New Deal further proposes that European countries, both EU and non-EU members, come to a multilateral agreement to *fund and guarantee* decent housing for every European in their home country, restoring the model of social housing that has been destroyed across Europe. This is our longer-term goal, which will take time, planning and new investment and construction.

However, there is something that can be decided immediately with effect across Europe: DiEM25 proposes immediate protection of homeowners against eviction, in the form of a right-to-rent rule that would permit those who are foreclosed-upon to remain in their homes at a fair rent set by local community boards. This moratorium would encourage lenders to renegotiate mortgages rather than to foreclose, stabilising communities otherwise ravaged by blight and neighbourhood effects.

The Jobs Guarantee program

A jobs guarantee rests on DiEM25's principle that: *All Europeans should have the right to a job at a living wage in their community.* To make this right operational, funding sources need to be determined. However, this determination must take into consideration the following macroeconomic facts: Unemployment cripples the capacity of the welfare state. By cutting incomes it cuts public revenues, and it adds to the burdens of the state for health care, unemployment insurance, disability payments, food assistance and every other public function. Further, private employers hire the employed; if there are alternatives they do not normally hire the unemployed and especially not the long-term unemployed. Hence unemployment is self-perpetuating, destructive to persons, to families, and to society as a whole. The cure for joblessness is jobs. People with jobs pay taxes. They do not collect unemployment benefits. Their skills and usefulness increase. And they produce what other people want.

DiEM25's European New Deal proposes that European countries, both EU and non-EU, come to a multilateral agreement to *fund and guarantee jobs for every European in their home country.* Such jobs would be created in the public and non-profit sectors, by European states, at the local levels. They would be paid at a common, modest living wage rate at national scale. *They would be available on demand for all who want them in conjunction with city and local councils, thus strengthening democracy at the local level where it is most direct.*

The guaranteed jobs proposed could not be used to replace civil service jobs. Nor would they carry tenure. But they would provide jobs and incomes for those willing to take them, in their home communities, and thus provide an alternative option to the cruel dilemma between unemployment and emigration. Those in the job guarantee pool would

gain incomes, pay taxes, and come off of public assistance, saving state funds while producing goods and services and social investments. As the private economy improves, those in the pool with good work records will be hired away. The *net* cost, therefore, would be much, much lower than it seems.

How will this net cost be met, however small, in the absence of a federal European budget? DiEM25 proposes a special tax (to be introduced across Europe on the basis of the multilateral agreement between EU and non-EU countries) on the market value of land used by corporations (except agriculture) that is a decreasing function of the corporation's waged employees – i.e. a tax to be paid primarily by firms occupying large, expensive buildings in which few workers are employed.

Why restrict these jobs to the home country? The answer is, that DiEM25's objective is to stabilise each European country. Without restricting the jobs guarantee program to citizens it would be *destabilising* rather than *stabilising*. Clearly, if every European had a guaranteed job in Germany or France at the German and French pay scales, migration would increase! And the German authorities would have the burden of coming up with the jobs for non-Germans – which is something they could never accept. This is not desirable. European countries should provide jobs for Europeans in their own communities, jobs administered by each European country in their own languages, giving a safe and productive employment option to the peoples of all European countries, while preserving the right to migrate and the right to work for any and all who are motivated by opportunity rather than compulsion.

For this reason, the pay scales should be national, not uniform across Europe. But the pay scales should be common – a modest living wage, better than welfare, but not a substitute for civil service or other professional employment. Europeans will therefore take these jobs when they need them, and move on to better jobs when the occasion presents.

From an economic standpoint, the jobs program would provide exactly what Europe most needs and presently lacks: an automatic stabilisation

program geared to ensure the economic and social stability of each European country (EU and non-EU). Such a program is a solvent of the inherent dynamics of instability and ensuing political upheaval that is now reinforcing the Nationalist International.

2.5 Dealing with the Eurozone crisis: A plan to save the Eurozone that simultaneously civilises the euro *and* minimises the cost of its disintegration

The Eurozone crisis is unfolding on four interrelated domains: Banking, Public Debt crisis, Ultra-low Investment, and Increasing Poverty. Years of harsh austerity have taken their toll on Europe's peoples and are now causing Europe's fall from grace and, inevitably, disintegration. DiEM25's European New Deal proposes that, in the first instance, existing institutions be used in ways that remain within the letter of European Treaties but allow for new functions and policies. In particular, we propose five policies:

Policy 1 – The digital public payment system

The innovative new payment system proposed in section 2.2 can be introduced tomorrow morning by every member-state to enhance fiscal space, finance investment/social programs and, crucially, give Eurozone countries a means to reduce substantially the economic costs of the Eurozone's disintegration or the country's eviction from the Eurozone. (Nb. Once in place, this digital public payment system can be redenominated from euros to a national currency at the touch of a button.)

Policy 2 – Case-by-Case Bank Program

Banks in need of recapitalisation from the EU's 'bailout' fund (the European Stability Mechanism – ESM) can be turned over to the ESM directly – instead of having the national government borrow on the bank's behalf. The ESM, and not the national government, would then restructure, recapitalise and resolve the failing banks. DiEM25's proposal is

that a failing bank should be removed from its national jurisdiction and moved to a new, dedicated Eurozone jurisdiction. The ECB appoints a new board of directors with a view to resolving or recapitalizing the bank. In the latter case, the ESM provides the capital and shares equivalent to the needed capital injection will pass to the ESM. Restructuring of the bank may entail a merger, downsizing, even a full resolution of the bank, with the understanding that steps will be taken to avoid, above all, a haircut of deposits. Once the bank has been restructured and recapitalized, the ESM will sell its shares and recoups its costs.

POLICY 3 – Limited Debt Conversion Program

The Maastricht Treaty permits each European member-state to issue sovereign debt up to 60% of its national income. Since the crisis of 2008, most Eurozone member-states have exceeded this limit. DiEM25 proposes that the ECB offer member-states the opportunity of a debt conversion for their Maastricht Compliant Debt (MCD), while the national shares of the converted debt would continue to be serviced separately by each member-state. In effect, the ECB would orchestrate a conversion servicing loan for the MCD, for the purposes of redeeming those bonds upon maturity.³

The conversion loan works as follows. Refinancing of the Maastricht compliant share of the debt, now held in ECB-bonds, would be by member-states but at interest rates set by the ECB just above its (ultra low) own bond yields. The shares of national debt converted to ECB-bonds are to be held by it in debit accounts. These cannot be used as collateral for credit or derivatives creation. Member states will undertake to redeem bonds in full on maturity, if the holders opt for this rather than to extend them at lower, more secure rates offered by the ECB.

³ For a member state whose debt to GDP ratio is 90% of GDP, the ratio of its debt that qualifies as MCD is 2/3. Thus, when a bond with face value of say €1 billion matures, two thirds of this (€667 million) will be paid (redeemed) by the ECB with monies raised (by the ECB itself) from money markets through the issue of ECB bonds.

To safeguard the credibility of this conversion, and to provide a backstop for the ECB-bonds that requires no ECB monetisation, member-states agree to afford their ECB debit accounts super-seniority status, and the ECB's conversion servicing loan mechanism may be insured by the ESM, utilising only a small portion of the latter's borrowing capacity. If a member-state goes into a disorderly default before an ECB-bond issued on its behalf matures, then that ECB-bond payment will be covered by insurance purchased or provided by the ESM.

POLICY 4 – An Investment-led Recovery and Convergence Program

This is a straightforward application of the Green Investment Program above (see section 2.3) to the case of Eurozone member-states. More precisely, DiEM25 proposes that:

1. The European Investment Bank (EIB) and the European Investment Fund (EIF) to embark upon a pan-Eurozone Investment-led Recovery Program to the tune of 5% of the Eurozone's GDP, with the EIB concentrating on large scale infrastructural projects and the EIF on start-ups, SMEs, technologically innovative firms, green energy research etc.
2. The EIB/EIF issue bonds to cover the funding of the pan-Eurozone Investment-led Recovery Program *in its totality*
3. To ensure that the EIB/EIF bonds do not suffer rising yields, as a result of these large issues, the ECB steps in the secondary market and purchase as many of these EIB/EIF bonds as are necessary to keep the EIB/EIF bond yields at their present, low levels.

POLICY 5 – An Emergency Social Solidarity Program to fight against the rise of poverty

This is an application of the Anti-Poverty (see section 2.4) to the Eurozone. DiEM25 proposes that the EU embark immediately on an Emergency Social Solidarity Program that will guarantee access to nutrition and to basic energy needs for all Europeans, by means of a European Food Stamp Program modelled on its US equivalent and a European Minimum Energy Program. These programs would be funded by the European Commission using the interest accumulated within the European system of central

banks from the profits of the ECB's Quantitative Easing Program, TARGET2 imbalances, profits made from government bond transactions and, in the future, other financial transactions or balance sheet stamp duties that the EU is currently considering.

2.6 Coordination between Eurozone and non-Eurozone monetary and fiscal policies to maximise Europe's recovery

Brexit happened to a large extent because of the massive EU-migration wave into the UK. In turn this occurred because between 2008 and 2012 the Bank of England was practising massive quantitative easing (i.e. extremely loose monetary policy) while the ECB was not. Clearly, Europe's central banks, government and the European Commission must coordinate fiscal, monetary and social policy so as to optimise the economic and social outcomes across Europe. DiEM25's European New Deal will be making specific proposals on the nature of this coordination process.

2.7 Planning for a post-capitalist, authentically liberal and open Europe: democratising the economic sphere and the role of a Universal Basic Dividend

DiEM25 is convinced that capitalism is impossible to civilise in the long term, primarily due to its inimitable capacity to undermine itself through technological innovation that engenders excess capacity, inequality and insufficient aggregate demand for goods and services. Automation and the Rise of the Machines is a clear and present danger in this direction, 'promising' to deliver the next crisis even before Europe manages to resolve the current one.

Some propose a universal basic income (UBI) as the remedy. DiEM25 rejects the idea of a universal minimum income as long as it is to be funded by taxes. A tax-funded UBI would undermine the existing welfare state and sow the seeds of antagonism between the working poor and the unemployed. However, DiEM25 is proposing a different scheme – a

universal basic dividend which encapsulates the following three propositions: taxes cannot be a legitimate source of financing for such schemes; the rise of machines must be embraced; and a basic unearned payment is a contributor to basic freedom. But if the scheme is not funded by taxation, how should it be funded? The answer is: From the returns to capital.

A common myth is that capital is created by capitalists who then have a right to its returns. This was never true. It is far less so today. Every time one of us looks something up on Google, she or he contributes to Google's capital. Yet it is only Google's shareholders that have a right to claim the returns to this, largely socially produced, capital. Moreover, automation, digitisation and the role played in capital formation by government grants and community contributions to the stock of knowledge make it impossible to know which part of a corporation's capital was created by its owners and which by the public at large.

DiEM25 proposes a simple policy: That legislation be enacted requiring that a percentage of capital stock (shares) from every initial public offering (IPO) be channelled into a Commons Capital Depository, with the associated dividends funding a universal basic dividend (UBD). This UBD should, and can be, entirely independent of welfare payments, unemployment insurance, and so forth, thus ameliorating the concern that it would replace the welfare state, which embodies the concept of reciprocity between *waged* workers and the unemployed. For Europe to embrace the rise of the machines, but ensure that they contribute to shared prosperity, it must grant every citizen property rights over the monetary returns they produce, thus yielding a UBD.

A universal basic dividend allows for new understandings of liberty and equality that bridge hitherto irreconcilable political blocs, while stabilising society and reinvigorating the notion of shared prosperity in the face of otherwise destabilising technological innovation. Disagreements of course will continue; but they will be about issues such as the proportion of company shares that should go to the Depository, how much welfare support and unemployment insurance should be layered on top of the UBD, and the content of labour contracts.

Additionally, DiEM25 proposes that, in good time, the governance of financial institutions (especially those backed by taxpayers) and other corporations be democratised, with increasing participation in their boards of directors of representatives of local, regional and national communities.

Section 3 – TIMELINE: POLICY IMPLEMENTATION IN THE VERY SHORT TERM, THE SHORT TO MEDIUM TERM AND THE LONG TERM

3.1 The very short term

In the very short term DiEM25 is proposing policies that can be implemented tomorrow morning, by recalibrating existing institutions without the need for bilateral/multilateral agreements or EU Treaty changes.

Examples include:

- The new public digital payments platform that ends the monopoly of banks over Europe's payments – see section 2.2
- Green investment-led recovery: Linking central banking with public investment vehicles and the new public digital payments platforms – see section 2.3
- The Anti-Poverty Program and the moratorium on evictions that is part of the Housing Program – see section 2.4
- The four policies for dealing with the Eurozone crisis – see section 2.5

3.2 The short to medium term

In the short to medium term DiEM25 is proposing policies that need bilateral/multilateral agreements between governments but do not require EU Treaty changes

Examples include:

- The complete gamut of bank regulations mentioned – see section 2.2
- The Jobs Guarantee Program – see section 2.4
- Coordination between Eurozone and non-Eurozone monetary and fiscal policies to maximise Europe's recovery – see section 2.6

3.3 The long term

DiEM25's long term policy proposals are the ones that require deep institutional changes within nation-states and across Europe and the EU.

Examples include:

- The universal basic dividend – see section 2.7
- Policies to democratise the economic and financial spheres

Section 4 – CONCLUSION

The idea of Europe is subsiding under the combined weight of a *denial*, an *insurgency* and a *fallacy*. The continental establishment's *denial* that the European Union's economic architecture was never designed to sustain the banking crisis of 2008 has resulted in a sinister economic dynamic which delegitimised the European project everywhere. The predictable reaction has been the *insurgency* of a [Nationalist International](#) across Europe that seeks Brexit for... all. And the establishment's reaction to this insurgency has been the *fallacy* that either business-as-usual or the vision of federation-lite can stem the nationalist tide.

The answer to neoliberalism's Waterloo cannot be either the retreat to a barricaded nation-state or to greater centralisation of illegitimate power in Brussels. The answer to Europe's woes cannot be either a vulgar rendition of free-market ideology or an equally vulgar version of pseudo-Keynesian stimulus tax-and-spend programs. Huge fiscal transfers and capital flows between Europe's core and periphery have already been practised – with detrimental effects. For years they financed the periphery's oligarchs and the core's bankrupt bankers. Europe went from its pre-2008 Ponzi growth phase to its post-2008 Ponzi austerity phase. Both cost Europe dearly.

- The answer now can only come from DiEM25's pragmatic New Deal agenda that works equally for surplus and deficit, EU and non-EU European countries, and which demonstrates to Europeans how and why Europe can be saved.
- The gist of the policies DiEM25's European New Deal proposes is not 'economic stimulus' but a rebalancing (primarily between savings and investment as well as deficit and surplus regions) that is conducive to economic stabilisation, societal recovery and democratisation at all levels: regional, national and pan-European.
- DiEM25's European New Deal is not predicated on the *assumption* that Europe will be saved. It is predicated on proposals that can (i) make Europe worth saving, (ii) create the conditions for a calm and rational debate on what kind of democratic Europe Europeans want to build after stabilisation is achieved, and (iii) minimise the costs of the EU's and the euro's disintegration if it proves unavoidable.

In summary, only a pragmatic but also radical European New Deal can stem Europe's disintegration and revive the sovereignty of its people. Each and every European country must be stabilised and made to prosper. Europe cannot survive as a free-for-all, every-one-for-one's self, or as an Austerity Union built on de-politicised economic decision-making with a fig leaf of federalism in which some countries are condemned to permanent depression and debtors are denied democratic rights.

To "take our countries back" we need a European New Deal that reclaims common decency, restores common sense across Europe and affords Europeans an opportunity to debate democratically what kind of shared future we want.