

A European 10-point plan as an economic response to Corona

The Corona pandemic, Eurobonds, financial crisis: In recent years, Europe and its citizens have had to recognize that the European Community quickly reaches the limits of its capacity to act, especially in critical situations. In addition, the EU is repeatedly limited in its effectiveness by national authorities, as the latest ruling of the German Federal Constitutional Court shows, for example.

Does Europe only function in good times, but always fails when it really matters? This is not a question of judgement, but rather a question of personal, social and economic well-being. Europe should continue along the path of deeper integration more consistently, because this is the only way to regain the necessary European capacity to act. With this in mind, we propose a 10-point plan to move Europe forward in the face of the Corona crisis.

The reaction pattern too often is simple: If something does not work in the EU, it is usually "Brussels' fault". Dumping responsibility in Brussels is a well-practiced ritual and almost a political business model.

The responsibility for this behaviour should not only be sought in politics - even if one may well criticise when the blame is dumped in faraway Brussels in order to increase one's own election chances at home. What matters most is the citizens of Europe. They are the ones who must demand that the political class in the nation states return to the path of deeper integration in Europe.

The fact that Europe is reaching its limits has recently been demonstrated by the discussion about the so-called coronabonds or the creation of Eurobonds. People associate them with the hope of acting in solidarity in the EU and thus falling financing costs for a large part of the nation states in Europe. As desirable as both may be, the current legal situation and political reality stand in the way of this. It is precisely because the citizens of Europe rejected a Europe-wide budgetary and economic policy when the euro was introduced that Eurobonds cannot be issued at the present time.

On the other hand, one cannot wish for the benefits of a single currency without being ready for the next logical step of a single budgetary and economic policy and thus, for the abandonment of important national sovereign rights.

The road to a closer European community is a long one, and it will have to be taken in many small but purposeful steps. We can begin this path out of the current crisis. The German Council Presidency in the next six months, which begins in less than a month, offers an opportunity for this - and the challenge posed by Corona offers the German Presidency a great opportunity.

Sceptics outside Europe believe that the probability of a European financial crisis 2.0 is anything but low. We see it differently, and that is why we are proposing our 10-point plan for Europe in response to Corona. Standing still or muddling through are not convincing options.

I. ESM instead of Corona or Eurobonds

European politicians have already taken the first step. They have recognised that Corona or Eurobonds are not enforceable for financing the consequences of the pandemic. It would take at least a year to create the contractual basis for such new, community based bonds. Moreover, all nation states without exception would have to agree to this step - an almost hopeless undertaking. And one that is simply incompatible with many constitutions. Corona or Eurobonds are therefore a long and uncertain path. Taking advantage of the European Stability Mechanism, the ESM, more than 400 billion euros are available, which can be issued in a timely manner and with only a small amount of stipulations. This is a pragmatic, feasible and, above all, goal-oriented approach to show solidarity and provide rapid help in the corona crisis.

II A European Marshall Plan à la Macron and Merkel

All EU countries are facing a sharp recession this year due to Corona. In many places, the shutdown of daily life has put a heavy strain on the economy. But even before the pandemic, European companies were either not competitive or only partially competitive in important areas and were lagging behind in many key industries and technologies of tomorrow. In the current crisis, it is now appropriate to focus the proposal by President Macron and Chancellor Merkel in the package with the next EU budget on the sustainable reconstruction of the European economy. Climate protection, a fundamental technological renewal and a new entrepreneurial mentality with targeted support for young companies in particular offer the opportunity for a new social and economic awakening in Europe. The current opposition of the so-called "Thrifty Four" - i.e. Denmark, the Netherlands, Austria and Sweden - to the subsidies proposed by Germany and France could lead to a situation where such subsidies are not spent inefficiently at the discretion of national governments but are used for this important new start under clear and ambitious targets. As a compromise, grants should be implemented against clear and verifiable conditionality. As Winston Churchill so aptly said: "Never waste a good crises".

III. Making greater use of the EIB

Good policies and courageous administrative decisions are not worth much if they cannot be put into practice in the economy with credit programmes. A strong investment bank is an important asset, especially in times of crisis - but not only then. In Germany the KfW has been assuming this role very successfully for many years, because German policymakers repeatedly use it to implement their decisions. In Europe, the EIB, i.e. the European Investment Bank, can and must be allowed to play this role even more than in the past - especially in those countries that have so far lacked a national investment bank. And it is right to use the EIB, in addition to the ESM, as a second anchor point in post-Corona reconstruction and as a clever alternative to Eurobonds.

IV. Banking Union - Yes we can

The European sovereign debt crisis has shown us all how important a genuine common banking market in Europe is. Too many national rules still prevent the formation of a genuine banking union in Europe despite significant regulatory progress. The way to achieve this has been shown with a single European banking supervisory authority and a single European bank settlement system - but now Europe must also vigorously pursue this path. All participants in this market have formulated their ideas and demands, and politicians must act now and make timely decisions, even if they cannot please everyone. We need a clear roadmap for the completion of the banking union. European deposit insurance is the objective here, and the road to this should include further risk reduction and an innovative reinsurance system. Public debt must be recognised as a risk factor.

V. Financial stability - Whatever it takes?

At least since the last financial crisis it has become clear that Europe needs to make its financial and banking markets much more weatherproof. After all, the crises of individual banks, states or institutions must not endanger the stability and workability of the entire market. But how can the financial market be helped to become more stable? In this context, some people are talking about a European "bad bank" in order to book non-performing loans there in future and thus take them off the banks' books. This is not a viable option if risks were to be communalised. Instead, we are proposing a mechanism that will enable banks to recapitalise quickly in an emergency - following the successful US government's 2008 approach.

VI. Tailwind for a European capital market union

In view of Brexit this is more important than ever: Europe needs a capital market union as soon as possible in order to effectively take its position on the capital markets. This project, originally introduced by EU Commissioner Jonathan Hill, has been pushed into the background because of Covid-19. After important

preparations have already been made by Germany and France, we believe that the Capital Market Union should now be vigorously advanced as quickly as possible. The German Presidency is an excellent opportunity to do so. In this context, we propose that the European financial market integration should be set as a key objective for this decade, as it is an important prerequisite for the creation of pan-European financial institutions and the growth of European companies. It is just as important to continue to promote the building of equity capital, for example by the overdue reduction of tax disadvantages compared with debt capital.

VII Reinsurance for the labour market

Europe has traditionally attached greater importance to securing employment than to securing dividends in comparison to other major economies, and especially the US. The trade-off between labour and capital as a central characteristic of a European social market economy, as expressed in this, should also be applied in this crisis. It is therefore right for the European Union to take steps towards reinsurance for national employment insurance under the heading of SURE. In this way, European solidarity will be practised at a central point which can be directly experienced by European workers. The reinsurance arrangement also provides the right incentives for the Member States to improve and better equip their own systems.

VIII. Made in Europe - Made for Europe

The corona pandemic has shown painfully that: we live in a truly globalised world economy. Globalisation has led to welfare gains worldwide. In crises, however, supply chains can also break apart with considerable negative consequences for production. Existing disruptions in European supply chains must therefore be lifted immediately and with great urgency. Europe should therefore promptly develop a fundamental strategy to ensure the provision of critical goods such as protective masks and medicines and to provide its own critical infrastructure - for example servers for video conferences.

IX. Europe supports each other

Actually, it goes without saying: Germany provides intensive care beds for French and Italian patients suffering from corona. But in the public perception in Italy, the support from China and Russia is viewed positively, while Germany is viewed negatively. In the crisis it does not matter that each EU member state is responsible for its own health system. This is why it is clear to us that Europe urgently needs to organize and expand concrete support for medical care across national borders. Germany could take advantage of our current favourable medical situation with a sufficiently large number of intensive care beds to offer these to other countries on an even larger scale. Medical research should be given even more weight at European level, possibly by specifically strengthening

corresponding ERC funds. This applies not least to research into an effective vaccine against the virus and the further expansion of testing capacities.

X. If they go low, we go high

And last but not least: the German Presidency should send a clear, strong and unified signal for European unification. This is urgently needed, not least because of the Corona crisis which is making people and the economy so insecure. We hope that the results of the German Presidency's summit will be praised as a success and breakthrough by the national audiences and that they will not be talked down again immediately. Many small, realistic steps will take Europe forward and not big promises that can only disappoint the public if they are inevitably not fulfilled. In this way, Europe can grow together and integrate itself more deeply - with the acceptance of all and for the good of all.

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