Position

A Marshall Plan for Europe

Proposal by the DGB for an economic stimulus, investment and development programme for Europe
Imprint

Editor:
DGB Confederation of German Trade Unions
Executive Board
Department of Economic, Financial and Fiscal Policy
Henriette-Herz-Platz 2
10178 Berlin
www.dgb.de

Head:
Claus Matecki, Ressort 05

Written by:
Dr. Mehrdad Payandeh

Editorial:
Dr. Mehrdad Payandeh

Layout:
Pictures | Figures | Graphs: DGB

December 2012

Questions to:
Carina Ortmann
0049 (0)30-2 40 60 727
carina.ortmann@dgb.de

Information:
Flyer and information material are available at the online order service:
www.dgb-bestellservice.de

Order by mail for users without access to internet:
PrintNetwork pn GmbH · Stralauer Platz 33 – 34 · 10243 Berlin
<table>
<thead>
<tr>
<th>Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Summary</strong> .................................................................................................................. 4</td>
</tr>
<tr>
<td><strong>Long version</strong> ............................................................................................................. 13</td>
</tr>
<tr>
<td>1. <strong>Situation</strong> ................................................................................................................ 13</td>
</tr>
<tr>
<td>2. <strong>Making Europe fit for the future</strong> ............................................................................ 14</td>
</tr>
<tr>
<td>2.1 <strong>Promoting cooperation between the countries</strong> .................................................... 15</td>
</tr>
<tr>
<td>2.2 <strong>Measures to stabilise the economy</strong> ....................................................................... 16</td>
</tr>
<tr>
<td>2.3 <strong>Investments in Europe’s turnaround in energy policy</strong> ........................................... 17</td>
</tr>
<tr>
<td>2.4 <strong>Modernising the transport infrastructure</strong> .............................................................. 19</td>
</tr>
<tr>
<td>2.5 <strong>Accelerating the expansion of broadband networks</strong> ............................................. 20</td>
</tr>
<tr>
<td>2.6 <strong>Strengthening Europe’s industrial future</strong> ............................................................... 20</td>
</tr>
<tr>
<td>2.7 <strong>Investments in public and private-sector services</strong> .................................................. 21</td>
</tr>
<tr>
<td>2.8 <strong>Investments in education and training</strong> .................................................................... 22</td>
</tr>
<tr>
<td>2.9 <strong>Promoting infrastructures and housing suitable for the elderly</strong> ............................. 24</td>
</tr>
<tr>
<td>2.10 <strong>Promoting sustainable management of scarce water resources</strong> ............................ 25</td>
</tr>
<tr>
<td>3. <strong>Funding the Marshall Plan</strong> ...................................................................................... 27</td>
</tr>
<tr>
<td>4. <strong>Macroeconomic effects of the Marshall Plan</strong> ............................................................. 30</td>
</tr>
</tbody>
</table>
Summary

Europe has to face the challenges of the 21st century. In view of the scarcity of natural resources, social inequality, rising unemployment, demographic challenges and the increasing reliance on knowledge and technology in business, Europe has to reinvent itself and mobilise its strengths for a better, more socially equal, prospering, democratic and peaceful future.

But the economic situation in Europe, and in the euro zone in particular, is deteriorating more and more. The crisis management strategy adopted by the politicians, comprising austerity mandates and cuts in wages, pensions and welfare payments, has led to a downward spiral in economic terms. The recession threatens to spread across the entire continent and even impact on the global economy.

There is an urgent need to realign and find a new direction for the future and thus stabilise the economic environment. Europe needs a long-term path toward growth and modernisation that will equip our continent for the future, create the jobs for the 21st century and make wealth possible for everyone.

This requires investments in sustainable power generation, in reducing energy consumption, in sustainable industries and services, in training and education, in research and development, in modern transport infrastructures, low-emission cities and municipalities and in the efficiency of the public service. It will also require all social groups to have a fair share in a better future.

Europe’s ability to compete in the future hinges on investments made in the present. Europe has all the resources it needs for this: people, knowledge, innovative power, capital, modern infrastructures, intact public and private-sector institutions, highly developed industrial and service centres, social security systems, a common market and a common currency. All of these things unite Europe. We have to work together to bundle these strengths and use them to transform our societies.
This is the background to our developing a draft for a 'Marshall Plan' for Europe, which we are presenting as a basis for discussion to the European public, in particular to our European colleagues. In this draft, we examine the important areas for action in Germany, and appeal to the trade unions across Europe as well as to Europe’s political decision-makers to examine which country-specific measures are appropriate for their country. We are appealing especially to the social partners, politicians and to civil society to add their own specific suggestions to the Marshall Plan we have proposed. We invite them all expressly to face the challenges of the future and to work together with us to develop a programme for the future.
The trade unions in the DGB adhered to the principles below in developing the programme for the future. The programme must:

- ensure wealth as well as enough good and high-quality jobs with a future.
- be sustainable, designed so as to maintain the substance of European societies and adjusted to ecological, social and demographic challenges.
- be controlled democratically by the elected European institutions, headed up by the European Parliament, which in turn are supported by existing European institutions (e.g. the EIB) in exercising control.
- be seen as a pan-European supranational project rather than the sum total of the individual interests of the European countries.
- be forward-looking and independent of the current economic environment. This means that it must place measures necessary in the short term in the context of the long-term challenges and must continue even during an economic upswing.
- set out rules for the market and provide political orientation, thereby also steering private investment toward innovative projects for the future.
- be financed fairly and distributed equitably. Social classes with solid financial backing and economically stronger regions will have to contribute more to financing future investments than weaker groups or regions. This also applies to participation in such a programme.
- have robust financing and at the same time put the countries in Europe in a position to generate tax income for the provision of public services and the reduction of public debt.

Core elements of our Marshall Plan

Our ‘Marshall Plan for Europe’ is born out of the understanding that there is a close link between economic development in the short term and longer-term growth potential. We need a political strategy that takes both of these into account. The DGB Marshall Plan for Europe is designed as an investment and development programme for all 27 EU countries for a 10-year period (from 2013 to 2022).

The proposals we make are based on our experience. We are aware of the different framework conditions and starting points in our European partner countries. We propose a mix of institutional measures, direct public-sector investment, investment grants for companies and incentives
for consumer spending that will stabilise the economy. The latter serve to combat the crisis in the short term; most of those measures are temporary. By contrast, public-sector investment and investment grants take some time to have an impact, but serve to safeguard long-term growth and employment prospects in Europe by strengthening and promoting modern industries and services. Such measures are also suited to social initiatives in education, welfare and climate policy and support qualitative growth targets. The effects of such measures on growth and employment facilitate a better growth dynamic which then fuels itself.

Our proposals centre around the transformation and modernisation of our European national economies, with the aim of doing business in a manner that saves energy and resources, thus rendering ourselves independent of fuel imports in the long term while at the same time achieving huge reductions in CO₂ emissions in Europe. The EU member states have already undertaken to do this. For example, the EU wants to cut CO₂ emissions by 20% and increase the share of renewable energy sources used in electricity production to 20% by the year 2020. There is an aspiration to cut CO₂ emissions by as much as 80% to 95% from the 1990 level by the year 2050. The European Commission has presented an ‘Energy roadmap 2050’ for this purpose. With our proposal, we want to provide major support for such an energy roadmap for the next 10 years without overburdening business and society and in particular working households. With reference to the German roadmap for exiting nuclear energy, we call this ambitious programme ‘Europäische Energiewende’ (European turnaround in energy policy). Based on the ‘Energy roadmap 2050’, we are planning annual investments of EUR 150 billion for this initiative.

We want to prepare our cities and municipalities for an ageing society, promote training and education for people, modernise and expand public and private infrastructure and develop the industrial and service centres of the future. We see the modern welfare state as a productive force and wish to enhance innovation, research and development as the creative drivers of a new way of doing business.

Beyond that, our Marshall Plan focuses on different areas and methods. On the one hand, it strengthens European’s industrial value added and public services, helps to modernise the transport infrastructure and to accelerate the expansion of broadband networks, ensures more investment in training and education and manages our scarce water resources sustainably. In particular,
however, it will improve cooperation between the European countries, which can only master the huge challenges of designing the future and managing the crisis by joining forces.

Massive investments averaging EUR 110 billion per year will be needed across Europe in order for the modernisation offensive to include the whole of the EU. This results in total annual financing requirements of on average EUR 260 billion. This corresponds to just over 2% of Europe’s GDP.

Such an ambitious and long-term investment programme cannot be shouldered by one country alone. Particularly those countries currently in financial crisis will not be able to implement a modernisation initiative like this one on their own. This is why we need joint efforts and new European institutions with stable and solid sources of financing.

**Funding the Marshall Plan**

In view of the huge need for the modernisation of Europe, the DGB already set out a proposal in its 4-point programme from 2011 to set up a ‘European Future Fund’ and equip it with enough funding for it to finance investments across Europe and implement these investments in cooperation with the member states. Our goal is to make all of Europe fit for the future.

The European Future Fund needs European funding in order to be able to subsidise the necessary investments. In Western Europe, there are EUR 27,000 billion of cash assets on the one hand and a shrinking number of secure and profitable investment opportunities on the other. This situation poses a major opportunity to use Europe’s available capital for investments in its future. To this end, the European Future Fund would issue interest-bearing bonds – like companies or governments. We refer to these bonds as ‘New Deal’ bonds. This would finally provide investors with strong and secure investment opportunities, and the EU would ensure the funding of this modernisation offensive.

In this way the European Future Fund could cover the precise amount of annual investment requirements by issuing 10-year New Deal bonds that would incur annual interest. These interest obligations, the cost of which the Future Fund itself would have to cover, could be funded from revenue from a Financial Transaction Tax (FTT). We are aware that FTT will not be introduced overnight in all 27 countries. At present only 12 EU countries are planning such a tax. With our Marshall Plan, however, we are demonstrating to the still-sceptical governments of certain EU countries that the introduction of FTT would have economic and ecological benefits. This could raise the willingness of those countries to introduce the FTT and thus increase revenue. If certain EU states decide not to introduce Financial Transaction Tax despite these benefits, then FTT reve-
nue will be reduced, but investments will also be reduced by the share that would have been apportioned to those states.

Nevertheless, even starting on the basis of FTT in just 12 countries can demonstrate that it is possible to finance short-term measures to stabilise the economy in these countries and long-term measures to modernise their national economies. This model could inspire the other EU countries to join the economic stimulus, investment and development programme. For this reason, we have based our Marshall Plan on a long-term perspective and have developed a programme for use in the EU in its entirety. We based our calculations on annual revenue of between EUR 75 billion and EUR 100 billion if – as assumed in the Commission’s calculations – the FTT were to be introduced in all EU states. However, we have extended the assessment base to include foreign exchange trading and – unlike the European Commission’s proposal – have applied a uniform tax rate of 0.1% to all transactions. This allows the European Future Fund to finance the interest obligations incurred and also to reduce the annual funding requirements and thus the volume of the New Deal bonds issued.

In order to keep the interest rate on the New Deal bonds as low as possible, the European Future Fund has to be seen as a solvent debtor with a sound credit rating on the financial markets. Consequently the Future Fund would have to have sufficient equity even when it is first set up. Up to now, it has been solely the taxpayers and workers who have borne the chief burden of overcoming the crisis. Now, therefore, it is time for the wealthy and rich to participate in once-off funding to provide capital for the Future Fund. For Germany, we propose a once-off wealth levy of 3% on all private assets in excess of EUR 500,000 for single people and EUR 1 million for married couples. The form that this levy would take has yet to be specified. In Germany alone, this should result in a once-off figure of between EUR 50 billion and EUR 70 billion that would be collected for the European Future Fund. The other EU countries should introduce comparable measures for the wealthy and rich. In doing so, they can use the existing rules on wealth taxation in their countries as a guide, which go well beyond the scope of the German legal situation. A total of between EUR 200 billion and EUR 250 billion could be raised across Europe. This would provide the European Future Fund with enough equity to make it a first-class debtor on the market and pay low interest for its New Deal bonds. Until the money has been collected from the wealthy and rich, the ESM or the countries in the euro zone could provide advance payment in the form of guarantees.

As a new European institution, the European Future Fund should be under the strict control of the European Parliament. Following on from the proposals of nine Ministers for Foreign Affairs on the future of Europe, the European Parliament must approve all cash outflows from the Future Fund. The prerequisite for this is that the European Parliament is closely involved in all decision-making
processes. If not all EU states participate in the Future Fund from the outset, only MPs from the participating member states will be involved in the decisions taken.

**Macroeconomic effects of the Marshall Plan**

Our Marshall Plan shows that sustainability, growth, employment and wealth do not contradict each other. Moreover, they can also be financed. While we do have to burden the wealthy and rich with a once-off wealth levy, as outlined in our proposal for Germany, in return we will offer the investors a secure, interest-bearing New Deal bond. This will alleviate their investment problems. The main beneficiaries will be insurance companies, pension funds and public investors. On the other hand, the tax will apply in particular to highly speculative financial transactions, thus burdening the very financial market players that were chiefly responsible for the biggest financial and economic crisis of the past 80 years. As a result, the revenue from the Financial Transaction Tax will not only benefit the environment, employees, countries and the real economy, but also those investors who place their trust in secure investments and modest returns.

If the average annual costs of this ambitious programme are compared with the savings in fuel imports, the advantages include not only a cut in CO₂ emissions but also the important decoupling of Europe’s energy supply from fuel imports. This will allow Europe to make a significant contribution to reducing the impact of the global climate crisis and become a role model for other economic regions around the globe.

The DGB’s Marshall Plan contains decisive impetus for qualitative growth as well as new jobs with a future. The proposed investments and investment subsidies of EUR 260 billion annually comprise direct investment and investment grants of EUR 160 billion and ten-year low-interest loans to private investors of EUR 100 billion. This combination of long-term, low-interest loans and investment grants should kick-start additional private investment and thus promote wide-scale private modernisation measures. These in turn would lead to further private investment and annual additional growth impetus totalling EUR 400 billion. This would correspond to additional growth impetus of more than 3% of the EU’s GDP in 2011.

This considerable growth dynamic would also have positive spill-over effects for employment. By substituting oil and gas imports (which do not create many jobs domestically) with an energy supply low in carbon emissions (which provides much more employment), employment will increase over the long term, thus unburdening the budgets of the EU countries.

Our investment offensive in a fundamental overhaul of European national economies in terms of energy policy could yield between 9 and 11 million new full-time and innovative jobs in the long
term. Jobs that will have a place in the future are the best way to combat unemployment, particularly youth unemployment.

Quantitative growth and a high level of employment also create the best basis for reducing debt levels and budgeting sustainably. Our programme will benefit the EU countries twice over. Firstly, the investments will not burden their budgets. Instead, they will receive additional impetus for growth and employment and can use this to generate significantly higher direct and indirect tax revenue from income tax, VAT, company and corporate taxes as well as social security contributions and to cut the cost of unemployment.

This would mean that the EUR 400 billion of additional GDP would result in EUR 104 billion of additional taxes. The growth would generate EUR 56 billion in additional social security contributions. There would also be savings of EUR 20 billion from lower unemployment costs. A total of EUR 180 billion could be generated in additional revenue and savings, which would flow solely to the EU countries.²

We see this programme as the best impulse for business that uses resources sparingly while at the same time promoting growth. It also makes it possible to cut public-sector and private debt in Europe. The following provides a more detailed explanation of how the individual figures were derived.

---

² Multiplier effects were calculated in accordance with the methods approved by the European Commission (see EUROPEAN COMMISSION DIRECTORATE GENERAL ECONOMIC AND FINANCIAL AFFAIRS: NEW AND UPDATED BUDGETARY SENSITIVITIES FOR THE EU BUDGETARY SURVEILLANCE (Information note for the Economic and Policy Committee), Brussels, 30 September 2005)
Table 1: Long-term average costs and benefits of the Marshall Plan per year for EU-27

<table>
<thead>
<tr>
<th>Costs of the Marshall Plan</th>
<th>EUR</th>
<th>billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average annual investments in European turnaround in energy policy</td>
<td>150</td>
<td></td>
</tr>
<tr>
<td>Further investments</td>
<td>110</td>
<td></td>
</tr>
<tr>
<td><strong>Total annual investments</strong></td>
<td>260</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benefits of the Marshall Plan (growth, jobs, revenue, savings etc.)</th>
<th>EUR</th>
<th>billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional growth in Gross Domestic Product</td>
<td>3</td>
<td>percent</td>
</tr>
<tr>
<td>Additional growth impetus</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td>Additional full-time jobs</td>
<td>9 to 11 million</td>
<td></td>
</tr>
<tr>
<td>Additional tax revenue for EU countries</td>
<td>104</td>
<td></td>
</tr>
<tr>
<td>Additional income from social security contributions</td>
<td>56</td>
<td></td>
</tr>
<tr>
<td>Additional savings in unemployment costs</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Average annual savings on fuel imports</td>
<td>300</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funding and repayment of the Marshall Plan</th>
<th>EUR</th>
<th>billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average annual issue of New Deal bonds</td>
<td>180</td>
<td></td>
</tr>
<tr>
<td>Income from Financial Transaction Tax</td>
<td>75-100</td>
<td></td>
</tr>
<tr>
<td>Repayment of the loans to private and public-sector investors</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>
A Marshall Plan for Europe
Proposal by the DGB for an economic stimulus, investment and development programme for Europe

Long version

1. Situation

Europe has to face the challenges of the 21st century. In view of the scarcity of natural resources, social inequality, rising unemployment, demographic challenges and the increasing reliance on knowledge and technology in business, Europe has to reinvent itself and mobilise its strengths for a better, more socially equal, prospering, democratic and peaceful future.

There is also a need to successfully overcome the current crisis in Europe and in the euro zone in particular in its entirety. This is not just a crisis relating to sovereign debt and the banking system. It has now also become a threatening economic crisis. The economic situation in the whole of the EU is increasingly deteriorating. The crisis management strategy adopted by the politicians, comprising austerity mandates and cuts in wages, pensions and welfare payments, has in some countries led to a dramatic downward spiral in economic terms, and shockwaves have sent demand plummeting around Europe and the world. The recession threatens to spread across the entire continent and also have very severe consequences for the global economy. Europe is threatening to hamper growth instead of acting as a growth driver for the other regions around the world.

Europe has to use its own strength to combat its crisis. Europe has everything it needs to do this: well-educated people, a strong industry base, functioning public and private-sector services, innovative research and educational institutions, a healthy crafts and trades industry, very well-developed constitutional and welfare state systems, cultural diversity, a large and integrated common market and last but not least a stable common currency. Europe can use these to create wealth and employment for everyone. Yet the potential for such a strategy is unevenly distributed in Europe, with the different countries still developing at different speeds socially, economically and ecologically. Many countries in crisis are unable to adopt such a strategy without outside assistance. In a process informed by solidarity, knowledge has to be transferred, know-how provided and institutional reforms supported.

Beating the recession

The reasons for the present recession in Europe lie in the uncertain prospects for the countries currently in crisis. Up until now, the crisis management policies adopted have exacerbated this uncertainty instead of allaying it. The Gross Domestic Product (GDP) free fall in Greece, Portugal, Spain and now also in Italy has to be stopped in its tracks. In addition, state finances have to be secured
for the long term. In the past two years, the DGB has proposed measures that would guarantee long-term stabilisation of state finances. The banking system also has to be put on solid footing. This is the only way to foster trust in the ability of the politicians to act expediently.

With our proposals, we want to help the governments to be able to govern again. Because, with their present crisis management strategy, they risk losing the trust of the people in Europe in the ability of the politicians to govern.

**Crisis management has reached an impasse**

The current policy to combat the crisis is based primarily on restoring the competitiveness of the countries in crisis by decreasing wage costs and government spending. However, sticking with this policy will intensify the downward spiral of wage deflation and growing mass poverty that has already commenced in those structurally weak countries. It weakens demand by removing purchasing power and encourages the collapse of the local markets. This would also endanger the supply of the population with public services and private goods. Unemployment would rise even higher than the already excessive levels, without any effective increase in international competitiveness.

To prevent the recession from developing into an all-out depression, we are pleading for politicians to break the impasse and initiate a long-term investment and development programme for Europe. The programme needs to provide impetus for lasting qualitative growth and more employment. Such a programme would also contribute to modernising the national economies of Europe’s less-developed countries and raising their productivity.

2. **Making Europe fit for the future**

Making Europe fit for the future and internationally competitive means structuring our economy and society to be gentle on resources, efficient, sustainable, innovative and resistant to poverty, and to respond to the needs of an ageing European society. This requires investments in power generation, in reducing energy consumption, in sustainable industries and services, in training and education, in research and development, in modern transport infrastructures, low-emission cities and municipalities and in the efficiency of the public service etc.

A prerequisite for Europe’s ability to compete in future is an integrated system of centralised and decentralised generation of renewable energy across the whole of Europe which would lower consumption of fossil fuels and thus reduce dependency on imported energy without compromising the use of domestically produced fuels such as hard coal, brown coal and natural gas that is supported in the respective member states and by the trade unions based there. The hard coal, brown
coal and gas domestically produced in Europe will only be needed in the European Union until it is possible to meet all energy needs using renewable energy sources.

Investments in education and modern social services offer future generations good professional opportunities and lay the foundations for the innovations of the future. Social services span the entire life cycle and are an essential additional productive force in modern societies. Public-sector investment constitutes a major market for private industry and services in which many small and medium-sized companies can participate. This promotes investment, innovation and jobs in the private sector, which in turn spurs further investment and innovation. Public and private-sector investment complement each other perfectly.

To promote a long-term strategy for a Europe with future, we propose the following measures:

2.1 Promoting cooperation between the countries

The prevailing policy introduced to overcome the crisis calls for structural reforms. This generally means cutting costs for companies at the expense of the employees - taking away employee rights and decreasing wage costs. The pension age is to be increased. We do not agree with ‘structural reforms’ like these which target employees, pensioners and vulnerable groups in society. They also choke demand and growth and do not lead to sustainable growth, even in the long term.

Nevertheless there is a need for structural and institutional reform in Europe. There are still inefficient structures, corruption, complicated regulations and a lot more besides. In the interest of the broad social classes, these have to be eliminated. Meaningful structural reforms in the right places can certainly promote growth, efficiency and productivity in the economic system, the public service and the political system. A public service that has an open approach to its citizens should ultimately constitute a noticeable improvement for society, but also for workers. Also, public institutions and social security systems have to be put in a position where they can guarantee people a minimum level of social security in the event of economic and social upheaval.

The following proposals constitute measures that can increase growth and wealth – to a differing extent and with different structures depending on the country in question.

- It is necessary to combat tax evasion and corruption comprehensively by means of automatic data transfer and close cooperation among national tax authorities across state borders. Cooperation in building up IT capacities as well as close cooperation at a European level between specialist public prosecutors for tax evasion, white-collar crime and money laundering help to improve state revenues. The costs of
these measures will be low and can be funded from the running EU and national budgets.

- The EU could promote cross-border cooperation among authorities, the public service and government departments with an exchange programme lasting at least 10 years for civil servants, accompanied by intensive professional and linguistic preparation and support measures. An extensive exchange programme – an ERASMUS programme – for civil servants and public-sector and government employees could promote long-term modernisation of the public sector.

- The social partners can be involved to exchange experience of co-determination, company training, labour market policy tools, working time accounts, reduced working hours etc. Where appropriate and helpful, corresponding new structures and tools can be developed and established. An EU-funded ERASMUS programme could also be introduced in this area. The positive experience of the ESF programme on the social partner directive on training (‘Sozialpartner-Richtlinie Weiterbildung’) could be used as role model here.

The measures to promote cooperation between the countries can be funded from the running EU budget.

2.2 Measures to stabilise the economy

Even the best institutional reforms are to no avail while cost-saving measures and cuts destroy functioning economic structures and local markets and jeopardise social cohesion by way of unemployment, poverty and homelessness. Consolidation measures that intensify the crisis have to be halted. In general, the consolidation of government budgets should take place in stable economic phases. It has to be socially equitable and generally be based on increasing revenues rather than cutting expenditure.

A Marshall Plan for Europe will have to be based on existing structures and promote and enhance existing growth potential. This potential has to be made more modern and more productive and given an ecological gearing.

Europe’s shrinking economic output is also attributable to weak consumer spending by private households. This slack demand can be countered by stabilising the development of wages and salaries. To do this, atypical and precarious forms of employment such as the low-wage sector have to be suppressed and ultimately gotten rid of.

The incentives proposed below to fuel consumer spending in private households are not intended as a substitute for the labour market and wage policy prerequisites needed for strong demand
from private households. They serve to stop the free fall on the markets. This is because the current situation is characterised by the fact that the weak demand is also due to pessimism. This pessimism has spread not only to lower-income groups but also to social classes with medium income levels, encouraging them not to spend money. This pessimism has to be conquered using measures to reassure consumers.

- The interest burden is particularly tough for a country in crisis that is struggling with a contracting national economy, the resulting drop in tax revenues and the growing expenses due to unemployment and companies going bust. For this reason, we propose extending the term of the bilateral and multilateral loan agreements in place with crisis states such as Greece and cutting the interest rates on those loans substantially. An annual figure of EUR 1 billion has been calculated for reducing the interest rates.

- Private households receive an ‘environmental bonus’ of 10% of the purchase cost if they exchange their household appliances that are at least 10 years old and have a poor energy rating with energy-efficient appliances with the best energy rating in each case. In addition to fuelling the domestic economy, this would also increase the pace of ecological change. Additional subsidies of a further 20% of the purchase cost could be granted to low-income households. The total maximum subsidy amounts to EUR 300 per household or EUR 600 for low-income households. The cost for the two years is limited to EUR 8 billion per year.

- In numerous European countries, buying your own home is often the way to acquire living space. In many cases, when people lose their jobs and thus their income, families can no longer repay their mortgages and are permanently in arrears. There is a threat of eviction and homelessness as a result. Suitable measures have to be introduced to prevent this from happening.

The total expenses for measures to stabilise the economy should amount to EUR 10 billion.

2.3 Investments in Europe’s turnaround in energy policy

The EU member states have agreed to cut CO$_2$ emissions by 20% and to increase the share of renewable energy sources used in electricity production to 20% by the year 2020. There is an aspiration to cut CO$_2$ emissions by as much as 80% to 95% from the 1990 level by the year 2050. At the moment, however, many EU countries are slashing their subsidy systems for renewable energy or are imposing moratoriums to cut costs for their government budgets or allocation systems.

We know that the challenges facing European countries in mastering a turnaround in energy policy are similar in some cases but very different in others. We invite all Europeans, especially our
colleagues in the other countries, to make their voices heard with suggestions for this turnaround in energy policy in their countries. Only together can we implement this turnaround at European level. But one thing is clear: it has to be possible to finance a sustainable energy supply for Europe without overburdening business and society at large, particularly working households.

In Germany, we consider the following to be important measures in realising the turnaround in energy policy:

We need investments in renewable energy and an increase in energy efficiency. We also need to expand the grid and gas and coal-fired power stations and extend decentralised combined heat and power (CHP) plants, mini block-type thermal power plants and virtual power plants.

In order to maintain a secure power supply for Europe and ensure massive expansion of renewable energy sources, it is necessary to invest in both the transmission networks and the distribution supply networks. The transmission networks have to be enhanced and extended in order to facilitate large-volume transportation of electricity and electricity exchange in Europe. To guarantee a secure power supply in Europe, in particular when conversion work is being carried out on critical infrastructures, we need to invest not only in technology but also in people. This urgently involves putting in place training structures for Transmission System Operators (TSOs) and inter-TSO employee training sessions for managing networks and systems, critical network situations, grid restoration operation and isolated operation based on uniform EU standards. In addition to expanding the grid, there is also a need to promote energy reserves.

But it is not just energy generation that has to be organised sustainably. It is also essential to reduce energy consumption without lowering living standards. This requires in particular the wide-scale renovation of buildings in terms of their energy efficiency. Minimising energy consumption necessitates measures to insulate the shell of the building (against cold and heat), to upgrade the windows and doors and building technology etc. Governments could lead by example by renovating their civic buildings in terms of their energy efficiency (state offices, schools, sports halls, care homes etc.).

To achieve the implementation of such a turnaround in European energy policy, it is necessary to expand services for the development, application and use of renewable energy, for energy saving and energy-related building renovation, for waste management and recycling/supply and disposal, for water management, for environmentally-friendly transport services but also for environmental awareness and consumer protection (information, transparency, training, integration in school curriculums, development of further training institutes at universities of applied sciences and universities). To improve the transfer of know-how, cooperation between universities and educational institutions in the field of energy technology, renewable energy and energy efficiency has to be expanded across the EU. For example, such cooperation could take the form of exchange pro-
grammes and collaborative projects in applied research. Similar to the ERASMUS programme for civil servants, this measure could be funded from the EU budget.

A long-term European turnaround in energy policy would have positive effects on industry, services and trades and would ensure growth, new jobs and innovation. In particular, this would reduce our dependency on fuel imports and thus also cut import costs in the long term. The turnaround in energy policy would also give the public sector more fiscal scope. The calculations by the DIW ["Deutsches Institut für Wirtschaftsforschung": German Institute for Economic Research] show that a European turnaround in energy policy “will reduce the annual cost of fuel imports by around as much as EUR 300 billion, as a result of which the costs for using energy will even fall overall” (DIW weekly report no. 25/2012 (in German only), our emphasis).

The total expenditure for the European turnaround in energy policy should amount to EUR 150 billion annually and comprise direct investment and investment grants as well as low-interest loans.

2.4 Modernising the transport infrastructure

Europe’s ‘fitness’ and competitiveness in the future hinges on functioning and high-performance transport networks. In order to realise the mobility of persons and goods under conditions that are as socially and environmentally compatible as possible while using resources efficiently, it makes sense to develop and expand a modern integrated multi- and intermodal trans-European transport network. In addition, this would create jobs and generate economic growth.

Despite some success stories, parts of Europe are suffering from insufficient infrastructure. There are still bottlenecks and technical obstacles to overcome. This is why we want to promote investments in the systematic ecological improvement and the expansion of transport infrastructures and transport services – from the trans-European transport network (TEN transport) to long-distance transport and local public transport. A Europe-wide programme is needed to promote investments in the preservation and renewal of the transport infrastructure.

In Germany, there is a huge need for renewal in municipal transport infrastructures alone – both for local public transport and for railroads, roads, bridges and tunnels. KfW [‘Kreditanstalt für Wiederaufbau’: German development bank] estimates that the investment bottleneck for German municipalities amounts to EUR 24.6 billion. Here, too, we are aware of different needs in other countries and invite joint discussions on a European transport infrastructure that is fit for the future.
The total expenses for modernising the European infrastructure should amount to roughly EUR 10 billion per year.

2.5 Accelerating the expansion of broadband networks

In order for Europe to remain competitive in future, it will have to a gapless broadband network based on glass-fibre technology. The wide-scale expansion of broadband could improve the integration of structurally weak regions and avoid the threat of a deepening digital divide. It would also improve opportunities for social inclusion as well as access to education. This would create new jobs.

However, the European information and telecommunications industry is losing competitiveness at an international level. Asia and the USA have a growing investment lead, and this gap in development needs to be closed quickly. Because without investments in future access networks, there is a risk that revenue will collapse in the information and telecommunications industry.

The total expenses for Europe-wide investments in expanding the broadband network should come to EUR 10 billion annually and would be provided by the European Future Fund.

2.6 Strengthening Europe’s industrial future

Europe has to have strong, innovative industry that is geared toward the future. This is the basis for creating value added and for good jobs in Europe as well as for realising climate and environmental policy targets. It also simplifies the processes in all value added chains. But investments need stable markets with strong purchasing power.

The single European market plays the central role as the home market for European industry. This is why public and private investments have to be increased and private demand needs to be stabilised. If the demand for investment were to shrink, this would also entail huge revenue losses for European industry. The existence of certain companies and existing value added chains would be jeopardised. This is why the measures proposed in this programme should stabilise the single European market for the long term.

Europe’s common future as an industrial location lies in a modernisation offensive that strengthens innovation centres and eliminates the development deficits of industrially and structurally weak regions. For this reason, based on our experience and our tried-and-trusted tools, we propose the following measures to safeguard Europe’s future as a location for industry:
To cut the consumption of energy and resources and foster competitiveness at the same time, investments in energy efficiency and efficient use of resources in industry and in small and medium-sized firms should be subsidised with an investment grant. The more environmentally and resource-friendly the investments, the higher the grants should be. In addition, an advisory structure for efficient use of energy and resources needs to be put in place as a model for small and medium-sized companies. This would benefit the environment, technological modernisation, the fostering of competitiveness, know-how transfer and the export business of economic centres. A modernisation campaign like this one could be subsidised with an annual figure of EUR 20 billion from the European Future Fund.

As a further measure, low-interest loans could be granted for long-term investments in addition to investment grants in order to offer a large number of companies a solid financing base for long-term investments that is independent of market volatility. This could involve more participation than in the past on the part of various public-sector financial institutions and development banks such as the European Investment Bank (EIB) or the European Bank for Reconstruction and Development (EBRD) as well as national development banks such as KfW in Germany, CDC in France, ICO in Spain or CDP in Italy.

To support small industries in particularly structurally weak regions in the EU, long-term loans could be granted to those investors who would wait for 5 or 10 years for the repayment of interest and loans to commence. These loans could also be structured such that they can be provided as collateral when taking out loans from banks. This could create greater leverage to mobilise even more capital for investment projects. The funding can be organised via the European Investment Bank (EIB).

Lending has to be kick-started in the crisis states (especially in Greece). A microcredit programme could be introduced that allows SMEs to process orders. Microloans could also be used to incentivise business start-ups after individuals have received further training or have retrained (e.g. as an energy consultant). These microloans could also be funded by the EIB or the national development banks.

The total expenses for promoting Europe’s industrial future should amount to EUR 30 billion per year.

2.7 Investments in public and private-sector services

A society that is fit for the future needs a state that is able to govern and that guarantees, develops and provides adequate funding for its public infrastructure and the participation opportunities of its citizens. Citizens must have equal, non-discriminatory and reasonably priced access to the
services required to maintain and provide for their existence. Reducing state activity to supposed core tasks by removing funding worsens the living conditions and development potential of millions of people. This is not only a problem from an individual’s perspective but also a waste of resources from the perspective of society as a whole. In view of demographic changes and the challenges these pose, no member state can afford to waste its resources in this manner.

Security creates growth: only a functioning welfare state can safeguard against the risks associated with individuals’ lives, thus allowing people to be curious, to try out new things and thus to use their skills and talents to drive societal advancement.

All European countries have to provide a minimum level of social services. The member states need different amounts of funding, e.g. for modernising and redeveloping hospitals, for investing in care of the elderly, youth work and social work. It would make sense for such services to be provided by the public sector. This is why state spending on social services has to be increased significantly in Europe. In view of the demographic change, Europe’s welfare state should be expanded rather than cut back, in order to develop its potential as an additional productive force behind the European economy. Investments in social services in the member states will be subsidised with investment grants.

High-quality public and private-sector services are essential both for designing a modern welfare state and for dynamic and innovative industry. Innovations in services often act as a driver for technological innovations. This necessitates stronger interlinking of the development of technology and services. For this reason, it makes sense for Europe to promote research in this area and research into services in general. The cornerstones of sustainable investment policy include the health sector, services related to demographic change (nursing care, but also appropriate services for the elderly), education (in particular crèches, schools, universities), the creative industries, local public transport systems/mobility, ecological services and financial services, the quality of which has to be considerably improved for consumers, for example by stepping up research funding.

The total expenses of the European Future Fund for investments in public services should amount to EUR 20 billion per year.

2.8 Investments in education and training

Europe’s most valuable capital is its people and their skills. This is why the terribly high levels of youth unemployment in parts of Europe are the greatest evil resulting from the current crisis. Young people need prospects again. A Europe that is fit for the future can only be realised by striving for higher levels of education in the medium term. But the policy of austerity, which is manifesting itself in cuts in the areas of training and education in particular, reduces the educa-
tion policy objectives set out in the *Europe 2020* strategy “to ensure efficient investment in education and training systems at all levels (pre-school to tertiary)” to absurdity and has to be ended immediately. More urgently than ever, we need a change in direction in education policy. In some countries we also need to change how people think to ensure that vocational training is not seen as inferior to a degree. For this reason we propose the following:

- The dual education system in Germany could also be beneficial to other countries in certain circumstances – and coupled with a comprehensive right for young people to education. We invite our European partners to examine this model. The social partners have to participate in developing such systems. Special EU education programmes also make sense in this context. The costs could be covered by the EU’s existing initiatives.

- To combat youth unemployment, we need job creation measures and further training measures for a period of at least a year until growth has been reactivated. The costs of fast retraining and further training can be funded from the EU and national budgets.

- We are appealing for an increase in the number and quality of state-funded childcare facilities, all-day schools and universities. Germany can learn much in this area from other European countries, which are miles ahead of us in terms of providing all-day childcare facilities and schools. It is only by continuously improving the financial and personnel resources of education institutions that we can train the skilled staff needed for the future of a highly developed industrial and service-based society. In the medium term, the governments of all EU countries should be spending at least 7% of GDP on education. We want to make a contribution to this development and provide additional impetus. We thus propose that the European Future Fund subsidises state programmes and concepts for the quantitative and qualitative expansion of the educational system with investment grants of up to EUR 30 billion annually. The amount of the investment grant would depend on regional aspects as well as on the overall concept.

- In order to create synergy effects in all EU countries by exchanging experience and to achieve better comparability and thus easier recognition of qualifications, European cooperation in the education sector needs to be enhanced. An EU-funded exchange programme could also be developed for staff in education.

The total expenses for additional investments in state-funded education and training should amount to EUR 30 billion per year.
2.9 Promoting infrastructures and housing suitable for the elderly

Of all of the world’s continents, Europe has the smallest share of young people and the largest share of old people. The percentage of over-65s in the EU will climb to almost 29% of the population by 2050. The percentage of those over 80 years of age is likely to even account for a considerable 12% of the total population of the EU-27 by 2060. Part of making Europe fit for the future involves preparing our cities and municipalities, our public infrastructure, our housing and our social security systems for ageing European societies by means of massive investment.

Despite the imminent shift in the EU’s age structure, investment in increasing and subsidising housing and public infrastructure to make them suitable for the elderly has been insufficient in the past. Our European societies are not properly prepared for the challenges of demographic change. It is still the case that many places lack local public transport and long-distance transport systems as well as public and private buildings or wheelchair-friendly housing that are suitable for use by elderly people.

There are significant shortcomings in Germany in this area. For example, ‘multi-generational buildings’ are still not available across the country, while a maximum of 1% of apartments, i.e. fewer than 400,000 rented or owner-occupied apartments, are suitable for use by older people. Based on current requirements, at least a further 800,000 apartments will have to be converted or built to cater for the needs of the elderly by 2020 for home nursing care purposes alone.

Findings have also shown that this will even lead to major potential savings for German society if older people can live in their own home for longer and do not have to move to nursing homes. Studies show that, by extending the offering of low-barrier apartments, the ratio of persons requiring nursing care who reside in nursing homes can be reduced by 5% from 32% to 27%. This would result in savings of almost EUR 3 billion annually from 2025, for nursing care insurance in particular. This would financially benefit companies and employees alike. Nevertheless, existing subsidy programmes like the KfW development programme “Altersgerecht Umbauen” (a programme to convert buildings to make them suitable for use by the elderly) often fail because the terms and conditions are not very attractive and the subsidy programmes are largely unknown and there is a lack of advice and transparency.

The situation in the other EU countries is similar to in Germany. In some cases it is even worse. Across Europe, the need for housing for older age groups is even far higher than the overall need for new builds. In order to drive on these modernisation measures, we propose subsidies for investments in infrastructural measures for the elderly (and if possible also for the disabled), investments in new buildings and the corresponding renovation of older buildings using low-interest loans, investment grants and tax incentives.
We are calling on politicians, social partners and national authorities in the respective countries to develop specific proposals for their country in order to be prepared for the consequences of demographic change everywhere in Europe.

The total expenses for investments in renovating infrastructures and housing to cater for the needs of the elderly should amount to EUR 7 billion per year.

2.10 Promoting sustainable management of scarce water resources

We want to use investments and investment grants to promote sustainable water management. This should be adjusted to local circumstances. Technical solutions, tried-and-tested know-how on the part of operators and the professional expertise necessary are all on hand. However, it will only be possible to remedy water scarcity with the dedication of all of the relevant players as well as strong impetus from the municipal authorities. It is up to the public in the respective EU country to pinpoint the areas for action and to propose solutions.

Water is a resource that not only satisfies people’s basic needs, but also forms the basis for our wealth through agriculture, commercial fishing, electricity generation, industry, transport and tourism. As if that weren’t enough, water is essential for all of the planet’s eco-systems. And these are threatened because of a global water crisis. At first glance, this does not seem to apply to Europe. In Europe, we are not suffering from a water shortage. However, the quality of European waters and European water management are nowhere near satisfactory. A report from the European Environment Agency (EEA) from 2009 confirms\(^3\) that the use of water in many parts of Europe is not sustainable, and provides recommendations for a new approach to managing our water resources.

In Europe, 44% of water is used for energy generation, 24% for agriculture, 21% for the public water supply and 11% for industry. In the south of Europe, 60% of all water is used for agriculture – in some regions this figure even reaches 80%. We need an economy that is energy-saving but also water-saving. As a consequence, it is necessary to reduce water consumption by means of intelligent water management and to protect natural water sources while at the same time recycling waste water. Sustainable energy generation in the future would result in a huge drop in water consumption. But efficient water usage also means raising the performance of supply networks and reducing to a minimum any water losses that take place between the drinking water purification plant and the consumer’s tap. In some parts of Europe, water lost through leaks ac-

\(^3\) See European Environment Agency (EEA), Report No. 2/2009 Water resources across Europe – confronting water scarcity and drought, Copenhagen 2009
counts for more than 40% of total water consumption. Such losses can be avoided by using modern electronic instruments for more efficient detection of leaks.

There has been a drop in water consumption in Europe. Nevertheless there is still a substantial need for action in many cities and municipalities. There is also major savings potential in the areas of irrigation management, e.g. by the spread of drip irrigation. Last but not least, private households and commercial customers can get better control of their water consumption by using electronic devices.

But saving alone is not enough. Using rain water may be an alternative for commercial use. For private households, however, this option requires the complete and reliable separation of domestic water pipes and drinking water pipes. In addition, desalination is a very promising technology for the production of drinking water. This is because 40% of the Earth’s population lives less than 70 km from a coast. New desalination plants are thus an important additional option in areas where water is scarce. The future development of desalination plants will depend, however, on whether industry and the plant operators succeed in desalinating brackish water and sea water at competitive costs while adhering to sustainability targets. Nevertheless the repeated use of waste water remains the solution for the future for areas that do not have a lot of water. Waste water recycling allows the water cycle to be multiplied. The method of using waste water repeatedly is appropriate for agricultural irrigation, industry and even for producing drinking water.

The total expenses for promoting sustainable water management are estimated at EUR 2 billion per year.
3. Funding the Marshall Plan

In view of the huge need for the modernisation of Europe, the DGB already set out a proposal in its 4-point programme from 2011 to set up a ‘European Future Fund’ and to equip it with enough funding for it to finance investments across Europe and implement these investments in cooperation with the member states. The aim is not to set a quota for subsidies for each country, but to make all of Europe fit for the future. As a new European institution and in view of the funding volume involved, the European Future Fund should be under the strict control of the European Parliament.

We will use the Future Fund to fund our Marshall Plan, which is a ten-year programme for a modernisation offensive between 2013 and 2022.

The European Future Fund needs European funding. In western Europe, there are EUR 27,000 billion of cash assets on the one hand and a shrinking number of secure and profitable investment opportunities on the other: governments are repaying their debt. Private households are becoming more and more uncreditworthy due to increasingly precarious forms of employment. Companies hold back on investments during a recession, which means that they also need fewer loans. In such an environment, secure and long-term investment opportunities are attractive even if they bear very low interest rates. This situation poses a major opportunity to use Europe’s available financial capital for investments in its future. To this end, the ‘European Future Fund’ would issue interest-bearing bonds – like companies or governments. We refer to these bonds as ‘New Deal’ bonds. This would provide investors with strong and secure investment opportunities, and the EU would ensure the funding of this modernisation offensive.

In this way the European Future Fund could cover the annual investment requirements by issuing 10-year New Deal bonds that would incur annual interest. These interest obligations, the cost of which the Future Fund itself would have to cover, could be funded from revenue from a Financial Transaction Tax (FTT). The European Commission estimates the annual revenue from an EU-wide Financial Transaction Tax at EUR 57 billion if – as proposed in its draft legislation dated September 2011 – shares and bonds are taxed at 0.1% and derivatives at 0.01% from 2014 onward. However, the draft legislation does not take foreign exchange trading into account, some of which is highly speculative. This means that the revenue from the FTT is substantially lower than the figure contained in the proposal by the European trade unions, in which all transactions, including trade with derivatives and foreign exchange, would be taxed using a uniform tax rate of 0.1% in all EU countries. Revenue of up to EUR 320 billion could even be generated in this area. Despite this revenue potential, we based our calculations on annual revenue of just EUR 75 billion to EUR 100 billion if – as assumed in the Commission’s calculations – the FTT were to be introduced in all EU states but subject to our terms and conditions. This allows the European Future
Fund to finance the interest obligations incurred and also to reduce the annual funding requirements and thus the volume of the New Deal bonds issued.

We are aware that the FTT will not be introduced overnight in all 27 countries. At present only 12 EU countries are planning such a tax. With our Marshall Plan, however, we are demonstrating to the still-sceptical governments of certain EU countries that the introduction of FTT would have economic and ecological benefits. This could raise the willingness of those countries to introduce the FTT and thus increase revenue. If certain EU states decide not to introduce Financial Transaction Tax despite these benefits, then FTT revenue will be reduced, but investments will also be reduced by the share that would have been apportioned to those states.

The revenue from Financial Transaction Tax would fund the interest burden. But in order to keep the interest rate on the New Deal bonds as low as possible, the European Future Fund has to be seen as a solvent debtor with a sound credit rating on the financial markets. In addition to secure revenue, this requires sufficient liable capital. The Future Fund has to be equipped with sufficient equity. Up to now, it has been solely the taxpayers and workers who have borne the chief burden of overcoming the crisis. Now, therefore, it is time for the wealthy and rich to participate in once-off funding to provide capital for the Future Fund.

We are aware of the different rules concerning wealth tax in Europe, which have to form the basis for further measures. For Germany, we propose a once-off wealth levy of 3% on all private assets in excess of EUR 500,000 for single people and EUR 1 million for married couples. The form that this levy would take has yet to be specified. In our view, this is a fair and socially and economically viable option. In Germany alone, this wealth levy would result in a once-off figure of between EUR 50 billion and EUR 70 billion that would be collected for the European Future Fund. The other EU countries should introduce comparable measures for the wealthy and rich. In this way, between EUR 200 billion and EUR 250 billion could be raised across Europe. This would provide the European Future Fund with enough equity to make it a first-class debtor on the market and allow it to pay low interest for its New Deal bonds. Until the money has been collected from the wealthy and rich, the ESM or the countries in the euro zone could provide advance payment in the form of guarantees.

With this equity, the fund can raise fresh funding of at least EUR 2,500 billion to EUR 4,000 billion or more in accordance with the strict regulations for banks and investment funds. The investors benefit from the secure investment opportunity, while the fund benefits from reliable and low-cost funding for its expenses. This would allow the European Future Fund to mobilise extensive funds for investments in Europe by issuing the New Deal bonds. The money raised can feed investments in two different ways: it can either be offered as a low-interest loan to investors or invested directly. In the former case, the lender must make interest and principal re-
payments to the fund. In the latter case, the fund has to itself fund the interest obligations and principal repayment from the revenue generated by the financial transaction.

For our proposal, we have provided for two consecutive financing and repayment phases, each of which has a duration of 10 years:

- Between 2013 and 2022, investments will be financed by issuing New Deal bonds during a 10-year financing phase. The revenue from the Financial Transaction Tax, estimated at between EUR 75 billion and EUR 100 billion per year, will be used entirely for the interest payments and for limiting the credit requirements. This will restrict the average borrowing amount in this phase to just over EUR 180 billion, although our Marshall Plan provides for annual investments of EUR 260 billion. It should be noted that EUR 100 billion of our expenses would be passed on to private and public-sector investors in the form of low-interest loans, so that the resulting interest obligations and future repayments would be borne by the debtors. The remaining obligations would be funded from the ongoing revenue from the Financial Transaction Tax.

- The repayment phase takes place between 2023 and 2032. During this 10-year period, the revenue from the Financial Transaction Tax is used for the interest burden and principal repayment, which decrease from each year to the next. From 2024 onward, the revenue would even exceed the annual costs incurred. As a result, a capital stock of more than EUR 700 billion would accrue by the time repayment has completed in 2032. This could be used together with the Financial Transaction Tax for future investments.

- Funding from various public-sector financial institutions and development banks such as the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) or national development banks such as KfW in Germany, CDC in France, ICO in Spain or CDP in Italy should be stepped up by EUR 100 billion per year. This could be used to top up the equity of the development banks and to thus give the banks greater leverage in order to grant higher loan amounts to investors. In particular to fund projects in the field of renewable energy, the established programmes of the European Investment Bank should be made permanent and expanded.

- In order to fund the long-term modernisation of the public sector, ERASMUS programmes for employees and civil servants etc., a long-term top up is needed for the EU budget too.
4. Macroeconomic effects of the Marshall Plan

Our proposal shows that sustainability, growth, employment and wealth do not contradict each other. Moreover, they can be financed. The wealthy and rich would be charged a wealth levy. At the same time their investment problems would be mitigated thanks to a secure, interest-bearing New Deal bond. This would also benefit insurance companies, pension funds and public investors. On the other hand, the tax will apply in particular to highly speculative financial transactions, thus burdening the very financial market players that were chiefly responsible for the biggest financial and economic crisis of the past 80 years. As a result, the revenue from the Financial Transaction Tax will not only benefit the environment, employees, countries and the real economy, but also those investors who place their trust in secure investments and modest returns.

This programme would, however, only benefit those EU countries that have already introduced a Financial Transaction Tax (FTT).

Regardless of this, if the average annual costs of our programme are compared with the savings in fuel imports, the advantages include not only a cut in CO₂ emissions but also the important decoupling of Europe’s energy supply from fuel imports. This will allow Europe to make a significant contribution to reducing the impact of the global climate crisis and become a role model for other economic regions around the globe.

Calculations by the DIW [“Deutsches Institut für Wirtschaftsforschung”: German Institute for Economic Research] confirm that “a change from the reference scenario with current policy initiatives to scenarios with lower CO₂ emissions […] will reduce the annual cost of fuel imports by around as much as EUR 300 billion, as a result of which the costs for using energy will even fall overall” (DIW weekly report no. 25/2012 (in German only)).
The DGB’s Marshall Plan thus contains decisive impetus for qualitative growth as well as new jobs with a future. This is because the proposed investments and investment subsidies of EUR 260 billion annually comprise direct investment and investment grants of EUR 160 billion and ten-year low-interest loans to private investors of EUR 100 billion. This combination of long-term, low-interest loans and investment grants should kick-start further additional private investment and thus promote wide-scale private modernisation measures. These in turn would lead to further private investment and annual additional growth impetus totalling EUR 400 billion. This would correspond to additional growth impetus of more than 3% of the EU’s GDP in 2011.

This considerable growth dynamic would also have positive spill-over effects for employment. By substituting oil and gas imports (which do not create many jobs domestically) with an energy supply low in carbon emissions (which provides much more employment), unemployment figures will fall over the long term, thus unburdening the budgets of the EU countries. The long-term employment effects of investments in an energy supply low in carbon emissions are six to seven times higher than the expenses for oil and gas imports (see Table 2). Particularly infrastructural measures and energy-related building renovation or energy-efficient buildings are especially labour intensive.
Table 1: Employment effects of oil and gas import compared to an energy supply low in carbon emissions

<table>
<thead>
<tr>
<th>Full-time jobs per EUR 1 million of expenditure for *: (direct and indirect effects)</th>
<th>Low carbon emissions energy supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and gas imports</td>
<td>Oil</td>
</tr>
<tr>
<td></td>
<td>Gas</td>
</tr>
<tr>
<td></td>
<td>Transport infrastructure</td>
</tr>
<tr>
<td>Total number of full-time jobs (oil/gas imports)</td>
<td>6</td>
</tr>
<tr>
<td>Total number of full-time jobs (low carbon emissions energy supply)</td>
<td>43-47</td>
</tr>
</tbody>
</table>

*Note: Calculated as an example for France 2009, approximately corresponds to the average for the EU 27*

Source: DIW, weekly report no. 25, 2012

Our investment offensive in a fundamental overhaul of European national economies in terms of energy policy would yield between 9 and 11 million new full-time and innovative jobs in the long term. Jobs that will have a place in the future are the best way to combat unemployment, particularly youth unemployment.

High growth and a high level of employment also create the best basis for reducing debt levels and budgeting sustainably. Our programme will benefit the EU countries twice over. Firstly, the investments will not burden their budgets. Instead, they will receive impetus for growth and employment and can use this to generate significantly higher direct and indirect tax revenue from income tax, VAT, company and corporate taxes as well as social security contributions and to cut the cost of unemployment.

This would mean that the EUR 400 billion of additional GDP would result in EUR 104 billion of additional taxes. But that’s not all: the growth would generate EUR 56 billion in additional social security contributions. There would also be savings of EUR 20 billion from lower unemployment.
costs. A total of EUR 180 billion could be generated in additional revenue and savings, which would flow solely to the EU countries. The additional growth and the additional tax revenue would reduce the debt levels of the EU countries – provided that the additional tax revenue is not used to cut taxes for the rich and wealthy. The EU countries can agree to this contractually.

We see this programme as the best impulse for business that uses resources sparingly while at the same time promoting growth. It also makes it possible to cut public-sector and private debt in Europe. The following provides a more detailed explanation of how the individual figures were derived.

---

4 Multiplier effects were calculated in accordance with the methods approved by the European Commission (see EUROPEAN COMMISSION DIRECTORATE GENERAL ECONOMIC AND FINANCIAL AFFAIRS: NEW AND UPDATED BUDGETARY SENSITIVITIES FOR THE EU BUDGETARY SURVEILLANCE (Information note for the Economic and Policy Committee), Brussels, 30 September 2005)
Table 2: Long-term average costs and benefits of the Marshall Plan per year for EU-27

<table>
<thead>
<tr>
<th>Costs of the Marshall Plan</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average annual investments in European turnaround in energy policy</td>
<td>EUR 150 billion</td>
</tr>
<tr>
<td>Further investments</td>
<td>EUR 110 billion</td>
</tr>
<tr>
<td><strong>Total annual investments</strong></td>
<td><strong>EUR 260 billion</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benefits of the Marshall Plan (growth, jobs, revenue, savings etc.)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional growth in Gross Domestic Product</td>
<td>3 percent</td>
</tr>
<tr>
<td>Additional growth impetus</td>
<td>EUR 400 billion</td>
</tr>
<tr>
<td>Additional full-time jobs</td>
<td>9 to 11 million</td>
</tr>
<tr>
<td>Additional tax revenue for EU countries</td>
<td>EUR 104 billion</td>
</tr>
<tr>
<td>Additional income from social security contributions</td>
<td>EUR 56 billion</td>
</tr>
<tr>
<td>Additional savings in unemployment costs</td>
<td>EUR 20 billion</td>
</tr>
<tr>
<td>Average annual savings on fuel imports</td>
<td>EUR 300 billion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funding and repayment of the Marshall Plan</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average annual issue of New Deal bonds</td>
<td>EUR 180 billion</td>
</tr>
<tr>
<td>Income from Financial Transaction Tax</td>
<td>EUR 75-100 billion</td>
</tr>
<tr>
<td>Repayment of the loans to private and public-sector investors</td>
<td>EUR 100 billion</td>
</tr>
</tbody>
</table>
Order at the DGB online order service: https://www.dgb-bestellservice.de

Order by mail for users without access to internet:
PrintNetwork pn GmbH
Stralauer Platz 33 – 34
10243 Berlin
Apply for our regularly published newsletters „klartext” and „standpunkt” (German language) at:
http://www.dgb.de/service/newsletter