

# What should the EU do NOW: DiEM25's 3-Point Plan for averting a Covid-19 Depression

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- Step 1:
  - Issue €1 trillion ECB-Eurobond
- Step 2:
  - Inject a €2000 European Solidarity Cash Payment
- Step 3:
  - Introduce a European Green Recovery and Investment Program

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**With Lives, Livelihoods and the Union on the brink, the COVID-19 pandemic is the greatest test of the European project in the history of the Union — and *we are failing*.**

Solidarity was meant to be a foundational principle of the EU. ***But solidarity is missing at the moment it is most needed.***

COVID-19 has revealed a fundamental truth: Europe is only as healthy as its sickest resident, only as prosperous as its most bankrupted.

***But the EU's leadership is paralysed by its beggar-thy-neighbour – and now sicken-thy-neighbour – mindset.***

The price of this failure will not merely be **lives lost and livelihoods destroyed**. It will be the ***disintegration of the Union itself***.

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#### **DiEM25's 3-Point Plan for the COVID-19 Pandemic**

- **Step 1:** Issue €1 trillion in ECB-Eurobonds
  - **Step 2:** Inject a €2000 European Solidarity Cash Payment
  - **Step 3:** Introduce a European Green Recovery & Investment Program
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In line with its Green New Deal for Europe, DiEM25 offers a 3-point plan to protect all European residents, avert an economic depression, and prevent the collapse the Union.

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Watch Video At: <https://youtu.be/jm97g0RqYGM>

## **Four Facts**

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Our plan is premised on four basic facts.

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1. **Public debt will, and must, rise:** The precipitous fall in private sector incomes must be replaced by government expenditure. If not, bankruptcies will destroy much of Europe's productive capacity and, thus, deplete the tax base even further.

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  2. **The wholesale rise in public debt must not divide us:** The last euro crisis wrecked some member-states' fiscal position while improving the fiscal position of others. The results are wildly different fiscal absorption capacities across the eurozone. If the rise in public debt is not a shared burden, the new euro crisis will destroy the last chance to hold the European Union together once the virus itself has been defeated.

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  3. **A Eurobond is essential, but the devil is in its details:** Nine eurozone governments have rightly demanded the issue of a Eurobond so that the burden of rising public debt is shared. But the most important questions remain: Which institution should issue it? And who will back it? DiEM25 believes there is only one answer: an ECB-Eurobond backed solely by the ECB.

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  4. **A Eurobond is essential, but it is not enough:** Two more interventions are needed. During the pandemic, ***Europe must inject directly cash into every citizen's bank account immediately*** so as to prevent as many bankruptcies and lost livelihoods as possible. Once the pandemic recedes, ***Europe must embark upon a sizeable, effective and common green investment program*** so as to improve Europe's overall capacity to bounce back.
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## Three Steps to Unify Europe & Avert a COVID-19 Depression

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### Step 1: The ECB must issue €1 trillion ECB-Eurobonds

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Those calling for a Eurobond are right: it is the only way the rise in public debt can be shouldered without breaking the Union. The question is: Who should issue it? And, who will back it?

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Europe has three institutions that could issue the much-needed Eurobond: The European Stability Mechanism (ESM). The European Investment Bank (EIB). And the European Central Bank (ECB). However, two of these institutions are ill-suited to the urgent task at hand.

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- **European Stability Mechanism:** The ESM should not be the issuing institution for two reasons. First, its charter insists that all lending must come with conditionalities that no government will accept. Second, even if these conditionalities are waived, the ESM's 'synthetic' bonds contain the seeds of Europe's fragmentation.
- **European Investment Bank:** The EIB should be used to issue investment bonds, not Eurobonds for shouldering public debt. (See Step 3 below)

We are left with the *ECB: The only EU institution able to issue non-synthetic, therapeutic Eurobonds.*

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In view of the above, DiEM25 proposes that:

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***The ECB issues a long-maturity, 30-year, Eurobond for €1 trillion euros solely backed by the ECB, with the possibility of further issuance in needs be.***

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***The €1 trillion collected by the ECB will then be used to replace national debt, in proportion to the coronavirus-induced national recessions & public health costs.***

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Given the three-decade maturity of these ECB-Eurobonds, the EU will have three decades to decide how to reimburse its central bank. DiEM25 believes that only a democratically elected federal government in Europe can make these decisions. Without it, the ECB's emergency measures only deepen Europe's democratic deficit, threatening the survival of the Union all over again.

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**Step 2: The ECB must inject a €2000 European Solidarity Cash Payment to every European resident**

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Countless Europeans are currently locked up without a capacity to earn. They need cash ***immediately***, not loans or benefits that involve excessive bureaucracy.

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For this reason, ***we call upon the ECB to fund immediately Europe's commercial banks with €2000 per European citizen to be credited directly into their account.***

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As for the unbanked, ***the ECB must provide cash to one bank per member-state that issues numbered, anonymous debit cards to be disbursed by local and national authorities to all residents without bank accounts.***

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- ***Let no one tell you it can't be done!*** In response to COVID-19, Hong Kong authorities credited US\$1250 to the account of every resident. In response to the 2008 financial crisis, the Australian government did the same, sparing the country the same recession that spread viciously through Europe.
- ***Let no one tell you we cannot pay for it!*** The total cost of the €2000 European Solidarity Cash Payment to every European citizen will cost the ECB €750bn – precisely the sum that the ECB just announced will go to more quantitative easing: the same quantitative easing that failed, prior to the pandemic, to help Europe exit its stagnation.
- ***Let no one tell you it is not 'sustainable'!*** At the end of the year, states can tax individuals in proportion to their overall income, recouping some of those cash payments, if the needs be.

***Europe cannot afford to waste this crisis as it did the last.***

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### **Step 3: The EU must create a European Green Recovery & Investment Program**

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When Europe's lockdown ends, entire industries will be facing bankruptcy, in desperate need of re-investment and re-orientation.

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***Europe cannot afford to waste this crisis as it did the last.***

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The euro crisis left Europe with a lower green growth potential and with less capacity to compete with China and the United States on the technologies of the future. We cannot afford to respond to this crisis *with more austerity, stronger divergence, less investment, and a dearth of quality jobs.*

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That is why the European Union needs a **permanent post-pandemic European Green Recovery & Investment Program, funded by an alliance of the EIB and the ECB and implemented by a new European Green Recovery Agency.**

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***Europe will unify.  
Or it will perish!***

DiEM25 proposes that the European Council:

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- **Directs the European Investment Bank (EIB), and its subsidiary the European Investment Fund (EIF), *to issue EIB-EIF bonds approximately equal to 5% of the EU's GDP, to be backed in the bond markets by the ECB.***
- **Establishes the European Green Recovery Agency (EGRA) with a remit to *direct the funds raised by the EIB-ECB alliance toward the green energy union and the provision of public health, public education and other public goods across the Union.***

***Conclusion: Europe will unify or it will perish.***

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The creation of the euro set the EU on a forked path that led either to unification or disintegration. No third endpoint ever existed.

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The euro crisis was put on ice, but never cured, by the interventions of the ECB. But the COVID-19 emergency now makes it impossible for the euro crisis to remain frozen.

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***The EU will either unify to confront this unprecedented crisis, or it will perish.***

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DiEM25's 3-Point Action Plan offers the only path toward unification. The three policies we propose are immediately implementable and consistent with the letter of the EU Treaties.

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They promise:

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- *To share* the debt burden between EU member-states
- *To deliver* the large discretionary stimulus Europe needs
- *To correct* the EU's category error in mistaking a crisis of *insolvency* for a crisis of *liquidity*
- *To protect* European residents from incomes lost to COVID-19
- *To deliver* the public green investments to help Europe bounce back sustainably.

Once DiEM25's 3-Point Action Plan is implemented, Europe will have a chance to become a genuine, democratic Union. The only other option is disintegration.

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