STRONGER TOGETHER
CONGRESS
Irish Congress of Trade Unions

THE NEW MARSHALL PLAN FOR EUROPE

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SUMMARY

The Problem

Europe is in trouble with scarce natural resources, growing social inequality, rising youth unemployment, demographic challenges, educational deficits and increasing deficits in the knowledge and new technology disciplines we depend on to generate competitive enterprises. We have to reinvent ourselves as a more democratic, fairer, better educated and prosperous society that includes everyone.

But the situation in the euro zone is deteriorating. Crisis management is exercised by politicians claiming austerity mandates to cut wages, pensions and welfare payments, which sharpen the downward spiral. Recession threatens the entire continent and, despite tentative signs of recovery, Ireland remains one of the most vulnerable states.

We urgently need to find a new direction that will stabilise the European economic environment in ways that ensure long term growth and modernisation, the creation of jobs and the sharing the wealth generated with everyone.

This requires increasing investment in sustainable power generation, reducing fossil fuel consumption, designing low emission cities, building sustainable industries and services, modernising training and education, spending more on research and development, on transport and efficient public services.

Our ability to compete globally hinges on investment decisions made NOW.

In short – we need a new Marshall Plan like the one that rebuilt Europe in 1945, creating a community of prosperous democracies that provided the basis for half a century of peaceful growth and the creation of the European Union.

The Solution

This is the four point New Marshall Plan for Europe proposed by the DGB (Confederation of German Trade Unions) based on its experience in tackling recession in the most successful economy in Europe.

It is born out of an understanding of the close link between short term economic investment and long term growth. It outlines an investment and development programme for all 27 EU countries up to 2022, combining measures to kick start economies and generate jobs with strategies that promote new technologies, tackle climate change and lay the ground for major social initiatives.

It is also a plan that is people centred. It anticipates the problems of an ageing society and prioritises training to tackle youth unemployment. It proposes transforming the health and welfare services into positive forces enhancing people's lives and facilitating workplace change. It creates the environment for healthy living, innovation, research and development as drivers of a new way of doing business.

This integrated approach will strengthen Europe's capacity to enhance value added industry, improve public services, modernise the transport infrastructure, accelerate the expansion of broadband networks, ensure more efficient investment and manage our scarce water resources in a sustainable way.

Funding the Plan

A 'European Future Fund' (EFF) is proposed to finance investment across Europe in co-operation with the member states and make the EU fit for purpose. In Western Europe, there are €27,000 billion in cash assets pursuing a shrinking range of secure and profitable investment opportunities. This poses a major opportunity to use Europe's available capital for investments in its future.

The EFF would issue interest bearing bonds like companies or governments. These 'New Deal' bonds would provide investors with strong and secure investment opportunities that would also make Europe a better place to live.

There would be a once-off wealth levy of 3% on all private assets in excess of €500,000 for single people and €1 million for married couples and Financial Transaction taxes of 0.1% that could raise up to €320 billion a year. For countries such as Ireland with a heavy reliance on financial services alternative arrangements could be negotiated.

THE PLAN

Point 1
Beating the recession – Making Europe fit for the future

To make Europe fit for the future, and internationally competitive, means restructuring our economy and society to be gentle on resources, resistant to poverty and responsive to the needs of an ageing population. Prerequisites are:

- An integrated system of renewable energy across the whole of Europe which would lower consumption of fossil fuels and reduce dependency on imported energy, including ultimately fossil fuels such as hard coal, brown coal and gas produced in Europe
- Investment in education and social services that offers future generations good professional opportunities, lays the foundations for innovation and recognises that by spanning the entire life cycle of citizens contributes to the long term productive sustainability of Europe.
- Investment in the public sector, which is a major market for small and medium-sized companies. This promotes investment, innovation and jobs. Public and private-sector investment should complement each other, not conflict.

Point 2
Promoting co-operation between the countries

Current structural reforms cut costs for companies at the expense of employees - reducing wages, increasing retirement ages, targeting pensioners and other vulnerable groups in society. Inefficient structures, corruption and restrictive regulations need to be eliminated through meaningful reforms that promote growth, efficiency and productivity in the economic system, public service and political structures.

Ultimately public institutions and social security systems must guarantee a minimum level of social security in the event of economic and social upheaval. Measures include:

- Combating tax evasion and corruption through automatic data transfer and co-operation by tax authorities across state borders.
- Integrating IT capacities at European level between specialist public prosecutors tackling tax evasion, white collar crime and money laundering - the cost can be funded from current EU and national budgets.
- Promoting cross-border co-operation between public services and government departments through exchange programmes for civil servants, including ERASMUS, accompanied by intensive professional and linguistic preparation, and support measures.
- Initiating long-term modernisation of the EU public sector through similar measures.
- Involving social partners in exchange experiences for co-determination, company training, labour market policy development, working time accounts, reduced working hours etc.

Measures to stabilise the economy

Even the best institutional reforms fail when cutbacks destroy functioning economic structures and local markets, jeopardising social cohesion through unemployment, poverty and homelessness. Consolidation of government budgets must take place in stable economic phases that are socially equitable and based on increasing revenues rather than cutting expenditure.

A Marshall Plan for Europe must enhance growth potential and ecological gearing. Current shrinkage in economic output is due to weak domestic consumer spending. This can be countered by stabilising wages and salaries. Atypical and precarious forms of employment must be phased out.

Incentives to fuel consumer spending can counteract the pessimism in low income groups that is now spreading to medium income levels. These include:

- Providing private households with ‘environmental bonuses’ of 10% on the replacement cost of household appliances at least 10 years old with poor energy ratings. Additional subsidies of 20% could

be offered to low income households.

- Many families facing unemployment can no longer repay mortgages. The threat of eviction and homelessness must be removed.

The cost of stabilisation measures should amount to €10 billion.

Investment in Europe's turnaround in energy policy

EU member states have agreed CO2 emission cuts of 20% and electricity production to be 20% fueled by renewable resources by 2020. But many EU countries are slashing subsidies for renewable energy or imposing moratoriums on government budgets. A sustainable energy supply for Europe can be financed without overburdening business and society at large, particularly working households.

Energy consumption must be reduced without lowering living standards by renovating buildings to insulate the shell against cold and heat, upgrading windows and doors and providing inbuilt technologies. Governments must lead by example.

Improved transfer of know-how requires co-operation between universities and educational institutions across the EU through exchange programmes and collaborative projects in applied research similar to the ERASMUS programme for civil servants. These could be funded from the EU budget.

The turnaround in energy policy would reduce the annual cost of fuel imports across Europe by €300 billion, according to the German Institute for Economic Research.

Total expenditure on energy policy should amount to €150 billion annually, including direct investment, investment grants and the cost of low-interest loans.

Modernising the transport infrastructure

Europe's future competitiveness hinges on high-performance transport networks that realise the mobility potential of people and goods under conditions that are socially and environmentally compatible.

Parts of Europe still suffer from infrastructural bottlenecks. Investment in systematic ecological improvements, modern facilities and services ranging from the Trans-European Network (TEN) to local public transport is required.

The total cost of modernising the European infrastructure is approximately €10 billion per year.

Accelerating the expansion of broadband networks

Europe will need a gapless broadband network based on glass-fibre technology to remain competitive. This would help integrate structurally weak regions and reverse the deepening digital divide. It would also improve social inclusivity and access to education, generating new jobs.

Currently, the European information and telecommunications industry is losing competitiveness. Asia and the USA have a growing investment lead. This gap needs to be closed quickly. Without investment in future access networks, there is a risk that revenue will collapse in the sector.

Europe-wide investment in expanding the broadband network would come to €10 billion annually and would be provided by the European Future Fund (EFF).

Strengthening Europe's industrial future

Europe needs strong, innovative industry geared to the future as the basis for creating value added, good quality jobs and achieving climate and environmental policy targets. But investment needs stable markets with strong purchasing power. The single European market is crucial as the home market for European industry. Therefore, public and private investment must rise and private demand stabilised.

If investment shrinks some companies and existing value added chains would be jeopardised. This programme aims to stabilise the single European market for the long term.

We propose the following measures to safeguard Europe's future as a location for industry:

- Cut energy consumption.
- Foster competitiveness.

- Invest in energy efficiency, especially industry.
- Provide small and medium-sized firms with investment grants weighted in favour of environmentally and resource-friendly measures.
- Put in place advisory structures for small and medium-sized companies. This would benefit the environment, technological modernisation, competitiveness, know-how transfer and promote exports.

This modernisation campaign would require an annual subsidy of €20 billion from the EFF.

Financing recovery for firms large and small

Besides investment grants giving companies a solid base for long-term investment that is independent of market volatility, there must be greater participation by public-sector financial institutions and development banks such as the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and national development banks in this area.

Small industries in structurally weak regions of the EU could be given to investors willing to wait up to 5 years before repayment of interest and loans begins. These loans could be structured to provide collateral, thus creating leverage to mobilise more capital for investment projects. Funding could be organised via the EIB.

A microcredit programme would allow SMEs to process orders. Micro-loans could incentivise business start-ups after training or retraining (e.g. as energy consultants) for individuals. Micro-loans could be funded by the EIB or national development banks.

Total expenses for promoting Europe's industrial future would be €30 billion per year.

Investment in public and private-sector services

States must guarantee funding to develop and maintain public infrastructure in ways that maximise opportunities for citizens to participate. They must have equal, non-discriminatory and reasonably priced access to the services required for people to live economically and culturally rewarding lives.

Reducing state activity to 'core' functions worsens the living conditions and development potential of millions. Security creates growth: only a functioning welfare state allows people to be curious, innovative and able to use their talents to drive progress for all. Member states must provide a decent level of social services.

Health services, elder and child care, youth and social work require different levels of investment across Europe but it makes sense for the public sector to provide them. Demographic changes mean the European state must expand rather than retreat to develop its productive potential. Investment in good social services requires subsidised investment, just like industry.

Cornerstones of sustainable investment policy include the health sector, education (from the crèche to universities), public transport systems/mobility, ecological and financial services. The quality of all must be improved for consumers.

Total cost of European Future Fund for investment in public services would be €20 billion per year.

Investment in education and training

Europe's most valuable capital is its people and their skills. High youth unemployment is the greatest evil resulting from the current crisis. Young people need prospects.

The austerity policy for training and education set out in the Europe 2020 strategy has to end now. We need an urgent change in direction and attitudes that regard vocational training as inferior to a degree. The plan proposes:

- Applying the German dual education system more widely, along with a comprehensive right to education for young people. Social partners must participate in developing such systems, including special EU education programmes. Costs to be covered by EU's existing initiatives.
- Combating youth unemployment with job creation measures and further training for at least a year until growth is reactivated. The costs to be covered from EU and national budgets.
- Increasing the number and quality of state-funded childcare facilities, all-day schools and universities.
- Improving the financial and personnel resources of educational institutions, training the skilled staff needed for a highly developed industrial and service-based society.

- Spending at least 7% of GDP in all EU countries on education.
- Creating synergy effects in all EU countries by exchanging experience, achieving better comparability and easier recognition of qualifications.
- Funding exchange programmes for staff in education.

Total annual cost of additional investment in state-funded education and training €30 billion

Promoting infrastructures and housing suitable for the elderly

By 2050 over-65s will be almost 29% of the EU population. Those over 80 will be 12% of the population by 2060. Europe needs massive investment to prepare public infrastructure, housing and social security systems for ageing populations.

Current investment is inadequate to meet the challenge. There is a lack of public transport, wheelchair-friendly housing or 'multi-generational buildings'. Millions of dwellings must be converted or built to cater for the elderly by 2020. These will generate significant long term savings. Studies show adapting home facilities can reduce the ratio of older people needing nursing home care from 32% to 27%. The need for housing older citizens exceeds new builds. Governments urgently need country-specific proposals.

Total cost of renovating infrastructure and housing for the elderly is €7 billion per year.

Promoting sustainable management of scarce water resources

Water is a resource that not only satisfies people's basic needs, but forms the basis for our wealth through agriculture, commercial fishing, electricity generation, industry, transport and tourism. Europe is not suffering water shortage. However, a 2009 European Environment Agency (EEA) report confirms that water use in many parts of Europe is unsustainable.

At present 44% of water is used for energy generation, 24% for agriculture, 21% for the public supply and 11% for industry. In southern Europe, 60% of water is for agriculture and in some regions the figure is 80%. Efficient water usage requires renewing supply networks to ensure minimum loss between water purification plants and the consumer's tap. In some countries water lost through leaks accounts for over 40% of consumption.

Total expenses for promoting sustainable water management are estimated at €2 billion per year.

Point 3
Funding the Marshall Plan – Finding the Funds

The Marshall Plan proposes a European Future Fund (EFF) under the strict control of the European Parliament.

It is a ten-year modernisation offensive to 2024 that can attract €27,000 billion worth of cash assets currently pursuing a shrinking number of secure and profitable investment opportunities. Governments are repaying debt. Private households are losing credit worthiness due to precarious employment levels. Companies are not investing because of the recession and seeking fewer loans.

In such an environment, secure and long-term investment opportunities are attractive, even if they bear very low interest rates. The EFF would issue interest-bearing 'New Deal' bonds providing investors with strong and secure investment opportunities.

The EFF would cover annual investment requirements by issuing 10-year New Deal bonds incurring annual interest. This could be funded by a Financial Transaction Tax (FTT). The European Commission estimates annual revenue from an EU-wide FTT at €57 billion if shares and bonds are taxed at 0.1% and derivatives at 0.01% from 2014 onward.

Current draft legislation does not take foreign exchange trading into account, some of which is highly speculative. FTT revenue could be much higher if all transactions, including trade with derivatives and foreign exchange, were taxed using a uniform tax rate of 0.1%. This has the potential to yield up to €320 billion. However, a more conservative estimate of the 0.1% rate on both derivative and financial transaction based on European Commission calculations suggests annual revenue of €75 billion to €100 billion. This would not only allow the EFF to finance interest obligations but reduce annual funding requirements.

At present only 12 EU countries are planning such a tax. However, more states will probably join as the economic and ecological benefits become apparent. For EU states that decide not to introduce FTT, then investment funding would be reduced in proportion to the tax foregone.

Revenue from FTT would fund the interest burden. But in order to minimise interest rates on the New Deal bonds, the EFF must be seen as a solvent debtor. To secure sufficient capital without the burden falling solely on taxpayers and workers, who have borne the chief burden of the crisis so far, it is time for the wealthy to contribute a once-off levy to provide capital for the Future Fund.

The Plan proposes a once-off wealth levy of 3% on all private assets in excess of €500,000 for single people and €1 million for married couples. Between €200 billion and €250 billion could be raised across Europe, providing enough equity to make it a first-class debtor paying low interest on New Deal bonds.

Until the wealth levy has been collected, the ESM or eurozone countries could provide advance payment in the form of guarantees. At least €2,500 billion to €4,000 billion could be raised.

Money would be raised to feed investment as either low-interest loans or through investment. In the former case, lenders would make interest and principal repayments; in the latter the fund would meet obligations through revenue flows.

The proposal provides for two consecutive financing and repayment phases of 10 years:

- Between 2014 and 2024, investments would be financed through 10 year New Deal bonds with FTT revenue of €75 billion to €100 billion per year to pay interest payments and limit credit requirements. This restricts average borrowing to just over €180 billion, although the Marshall Plan provides for annual investments of €260 billion. €100 billion of expenses would be passed on to private and public-sector investors as low-interest loans, resulting in interest obligations and future repayments being borne by debtors. Remaining obligations to be funded from the ongoing FTT revenue.
- Repayment would take place between 2024 and 2033. During this period, FTT revenue would be used for the interest burden and principal repayment, which would decrease annually. After 2024, revenue would exceed annual costs. Capital stock of over €700 billion would accrue by 2033. This could be used with FTT for future investment.
- Funding from public-sector financial institutions and development banks such as the EIB, European Bank for Reconstruction and Development (EBRD) and national development banks could be stepped up by €100 billion per year. This would top up the equity of development banks, giving them greater leverage to grant higher loan amounts to investors, in particular to fund projects in the field of renewable energy.

Point 4
Macroeconomic effects of the Marshall Plan – Resolving the contradictions

Under the Plan potential conflict between sustainability, growth, employment and wealth creation targets are resolved. If the rich face a once-off wealth levy their investment problems are solved through the New Deal bond, which also benefits insurance companies, pension funds and public investors.

On the other hand, tax will apply to highly speculative financial transactions, thus making the financial market players responsible for the biggest financial and economic crisis of the past 80 years, pay. Revenue from the FTT will not only benefit the environment, employees, member states and the real economy, but investors who place their trust in secure schemes with modest returns.

This programme would only benefit EU states that have introduced a Financial Transaction Tax. But if the average annual costs are compared with savings on fuel imports, the advantages of decoupling Europe's energy supply from fuel imports, reducing our contribution to the global climate crisis and becoming a role model for other economic regions around the globe are obvious.

The annual cost of fuel imports will fall by as much as €300 billion. The proposed investments and investment subsidies of €260 billion annually comprise direct investment and grants of €160 billion, and ten-year low-interest loans to private investors of €100 billion.

This combination of long-term, low interest loans and investment grants should kick-start large scale private modernisation measures, leading to further investment and on annual growth impetus totalling €400 billion or additional growth of over 3% of the EU's GDP in 2011.

Sustainable energy strategies also have positive spill-over effects for employment. The long-term employment impact of investment in energy sources low in carbon emissions is six to seven times higher than those related to oil and gas imports (see Table 2).

TABLE 1: Employment effects of oil and gas imports compared to an energy supply low in carbon emissions

Full Time Jobs per €1 million of expenditure* (Direct and indirect effects)

OIL AND GAS IMPORTS	
Oil	2.4
Gas	3.6
Total number of full-time jobs (oil/gas imports)	6.0

LOW CARBON EMISSIONS ENERGY SUPPLY	
Energy efficiency	17
Renewable energy systems (wind power/ photovoltaics)	10-14
Transport infrastructure	16
Total number of jobs in low carbon sector	43-47

*(Source: DIW weekly report No 25, 2012) *Calculated as an example for France 2009, approximately corresponds to average for EU 27*

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, which is the best way to combat unemployment, particularly youth unemployment.

The programme benefits EU countries twice over. The investments will provide an impetus for growth and employment, generating significantly higher direct and indirect state revenue from income tax, VAT, company and corporate taxes, and social security contributions while cutting the cost of unemployment.

The €400 billion of additional GDP would result in €104 billion in additional taxes, plus €56 billion in extra social security contributions with complementary savings of €20 billion from lower unemployment costs. €180 billion could be generated in additional revenue and savings flowing

solely to EU countries. Additional growth and tax revenue would reduce debt levels – provided additional tax revenue is not used to cut taxes for the rich.

The following Table explains how the individual figures were reached.

TABLE 2: Long term average costs and benefits of the Marshall Plan per year for EU 27

Cost of Marshall Plan	
Average annual investments in European turnaround energy policy	€150 Billion
Further investments	€110 Billion
Total annual investments	€260 Billion
Benefits of Marshall Plan (growth, jobs, revenue, welfare savings)	
Additional growth in Gross Domestic Product	3 per cent
Additional growth impetus	€400 Billion
Additional full time jobs	9 to 11 Million
Additional tax revenue for EU countries	€104 Billion
Additional income from social security contributions	€56 Billion
Additional savings in unemployment costs	€20 Billion
Average annual savings on fuel imports	€300 Billion
Funding and repayment of the Marshall Plan	
Average annual issue of New Deal bonds	€180 Billion
Income from Financial Transaction Tax	€75–€100 Billion
Repayment of the loans to private and public sector investors	€100 Billion

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