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## 4 On the creation of a Fiscal Union in the Eurozone

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6 Resolution submitted by: *Political Commission 1*

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8 JEF Europe,

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- 10 • *Recalling* how the deep crises of 2008-2013 in the Eurozone and the EU have exposed  
11 the contradictions and unsustainability of the Economic and Monetary Union, whereby  
12 supranational monetary policy and the national fiscal policies were unable, due to the  
13 lack of a real economic government, to stabilise the economic cycle and prevent the  
high social cost European citizens faced as a consequence of these crises;
  - 14 • *Alarmed* by the recent Eurozone economic forecasts by the IMF that foresee a lower  
15 growth for the entire area, as opposed to what was anticipated on March 2018;
  - 16 • *Noting* with concern that, even after the recent Sovereign Debt Crisis, Eurozone  
17 Member States are still very exposed to large economic or financial shocks, especially  
18 for the Member States in which public debt levels are still high and where Governments  
19 are not endowed with enough fiscal space to enact counter-cyclical policies;
  - 20 • *Noting* that deep financial and economic crises, and the high social costs they result in,  
21 can create a climate of political and social unrest, leading to serious risks for democracy  
22 and the rule of law within the European Union;
  - 23 • *Reaffirming* strongly that the Economic and Monetary Union continues to be incomplete,  
24 leaving the single currency vulnerable to future financial crises that it might not be able  
25 to withstand; convinced, therefore, of the need to strengthen the Euro area through the  
26 creation of a real Fiscal Union;
  - 27 • *Emphasising* that a Fiscal Union is necessary to ensure the stability of the single  
28 currency, the resilience of the Banking Union, and a proper transmission of monetary  
29 policy;
  - 30 • *Believing* that the Economic and Monetary Union (EMU), as a large currency area, needs  
31 a central fiscal power to tackle macroeconomic imbalances and asymmetric shocks and  
32 therefore provide a fiscal counterpart to the European Central Bank; noting that this  
33 would improve the credibility of the Eurozone and lead to an increase in investments  
34 and growth;
  - 35 • *Stressing* that the creation of a Fiscal Union and the sharing of fiscal risk would help in  
36 complying with budgetary discipline at national level, by allowing for the possibility to  
37 provide fiscal relief to Member States in crisis situations or deep recessions;
  - 38 • *Condemning* the utter lack of genuine democratic accountability in the EU budgetary  
39 process, whereby the European Parliament co-decides with Member States in the



- 40 Council on annual spending, but does not enjoy equal powers in determining the  
41 budgetary framework or in raising revenues;
- 42 • *Condemning*, furthermore, the total lack of transparency by the European Council and  
43 the Council of the EU in deciding on the system of own resources (revenues) and the  
44 Multiannual Financial Framework (long-term spending);
- 45 • *Takes note* of the proposal by the European Commission to end Member States' veto  
46 power on European tax matters and move to a qualified majority mechanism;
- 47 • *Highlighting* the magnitude of tax avoidance and cross-border tax fraud at EU level,  
48 which causes a sizeable loss for European and national public finances, and therefore  
49 damage to European citizens
- 50 • *Noting* that Member States have allowed for aggressive tax planning and engaged in  
51 harmful tax competition in favour of high earners and multinational companies, thus  
52 undermining tax fairness, causing further imbalances, and eventually increasing the tax  
53 burden on EU natural persons; welcoming the measures taken so far by the European  
54 Commission to stop such harmful practices;
- 55 • *Considering* that the divergences among Member States on corporate taxation create  
56 additional costs for the European economy and hinder the ability of companies and  
57 citizens to reap the benefits of European economic integration;
- 58 • *Noting* that economic policy, and taxation policy in particular, should abide by the  
59 principles of subsidiarity and fiscal federalism, including considerations on the  
60 international mobility of tax bases;
- 61 • *Strongly convinced* that for the EU to be able to act effectively, it must eliminate the  
62 principle of unanimity in taxation matters, and ensure convergence of tax systems;
- 63 • *Convinced* of the need in the long term to give real powers to raise European taxes to  
64 the European Commission and the European Parliament;
- 65 • *Aware* that the processes that will precede the creation of the Fiscal Union, in  
66 which further integration of the fiscal jurisdictions of Member States will proceed at  
67 different speeds, must be conducted respecting the principles of subsidiarity and  
68 proportionality, the primacy of the European law over national legislation, and its  
69 consistent application in the Member States;
- 70 • *Convinced* that European public goods, must be financed by European resources;
- 71 • *Convinced* that strengthening European sovereignty by the faculty of collecting taxes  
72 and having public resources, is a fundamental step towards a political union in Europe;
- 73 **JEF EUROPE therefore,**
- 74 1. *Calls* for the creation of a Fiscal Union at the level of the Economic and Monetary Union;
- 75 2. *Calls* for the Fiscal Union to be built around three pillars:
- 76 a. A fiscal capacity, that is, the ability to raise taxes at EMU level,



- 77                    b. A budgetary capacity, that is, a budget at EMU level that can provide, at least, for  
78                    macroeconomic stabilisation,  
79                    c. A borrowing capacity, that is, the ability to issue Sovereign Debt at EMU level;

80                    3. *Calls* for the following institutional reforms, necessary for achieving a stable and  
81                    democratic Fiscal Union:

- 82                    a. The establishment of a Eurozone Finance Minister, who would oversee the  
83                    Eurozone Treasury, which would include a Eurozone Budget and the European  
84                    Stabilisation Mechanism, and the issuance of EU Sovereign Debt. The Eurozone  
85                    Finance Minister would be accountable to the European Parliament and should be  
86                    one of the Vice-Presidents of the Commission;  
87                    b. That EMU fiscal policy be set in the framework of binding EU law following the  
88                    Community method, subject to the democratic control of the European Parliament  
89                    and the judicial control of the European Court of Justice;  
90                    c. That all major policy discussions and decisions – in the European Parliament –on  
91                    fiscal matters and regarding the management of the Eurozone budget should  
92                    involve all Member States at Committee level, but only Eurozone MEPs at Plenary  
93                    level;  
94                    d. The development of the European System of Central Banks into a proper federal  
95                    network of Central Banks, with the ECB at its helm. National Central Banks would  
96                    become branches of the ECB tasked with carrying out its policy. In particular, the  
97                    provision of Emergency Liquidity Assistance should be centralised at EU level.  
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99                    **Furthermore, JEF Europe considers that the following measures and policies must be**  
100                    **implemented in the short-term:**

- 101                    4. A reform of the EU system of own resources according to the principles of economic  
102                    efficiency, equity among citizens, fairness among Member States, transparency,  
103                    democratic accountability and subsidiarity;  
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105                    5. A Eurozone budget could be financed wholly by genuine EU-own-resources, such as:  
106                    a. Environmental own resources: proceeds from a common carbon tax, proceeds  
107                    from a carbon-adjustment mechanism at the EU border, the revenues of the EU  
108                    Emission Trading System (ETS), proceeds from a tax on plastic;  
109                    b. Single Market own resources: revenues generated by applying a common  
110                    minimum rate for an EU Corporate Income Tax (calculated on the CCCTB), a  
111                    digital tax (modelled on the EU CIT, by including the concept of “digital  
112                    permanent establishment”), a genuine European VAT;  
113                    c. Schengen own resources: Proceeds from the application of the European Travel  
114                    Information and Authorisation System;  
115                    d. Eurozone-specific own resources: proceeds from a European Financial  
116                    Transaction Tax (EU FTT) or any other levy capturing the profits or value-added



- 117 of the financial sector, the share of ECB profits currently distributed to national  
118 Treasuries;  
119 e. Revenues from the current Traditional Own Resources;
- 120 The introduction of such taxes or any changes to the legislation establishing them may  
121 only be done through due democratic process and should not aim at increasing the  
122 overall burden on EU citizens;
- 123 6. *Calls* for a revision of the principle of financial autonomy as stated in the Articles 311 and  
124 332(2) of the Treaty on the Functioning of the European Union, in order to, as already  
125 proposed by the European Parliament in 2018, modernise the existing own resources,  
126 introducing new ones and most importantly increase their ceilings to maintain the  
127 credibility of the EU budget. However, in the long term, to insert in the future  
128 Constitution of the European federation the principle of fiscal autonomy;
- 129 7. *Demands* that the Eurozone budget's first aim be to stabilise the economic cycle, for  
130 example through a mechanism of European unemployment reinsurance, and the  
131 protection of Banking Union savers through a European Deposit Insurance Scheme, so  
132 that it does not overlap with the EU budget, whose primary aim is to correct regional  
133 imbalances, support innovation and mobility, finance European public goods such as  
134 security, defence and the fight against climate change, and promote investments and  
135 growth;
- 136 8. *Calls* for the ESM to provide a fiscal backstop to the Banking Union, with no limit in size,  
137 financed by European Sovereign Debt;
- 138 9. *Believes* that, once a Eurozone budget sizeable enough to provide macroeconomic  
139 stabilisation is established, the EU should undergo a deep reform of its budgetary  
140 discipline rules - the Stability and Growth Pact, the Six-Pack, Two-Pack and the Fiscal  
141 Compact - with the objective of ensuring their respect in full; as part of this reform, the  
142 existing rules should be simplified and streamlined, allowing for proper countercyclical  
143 fiscal policy: tighter constraints when the economy is growing, and looser constraint  
144 during slowdowns;
- 145 10. *Expects* that competition among Member States will be coordinated by the European  
146 Commission and the European Parliament will have the possibility to intervene on this  
147 matter, especially in those situations that are in contrast with the same principles of the  
148 European federation;
- 149 11. *Demands* as a matter of urgency, that all Member States transpose the anti-tax  
150 avoidance directive (ATAD) into national legislation, and that the European Union  
151 improves transparency and cooperation among national governments on the fight  
152 against tax evasion and avoidance;
- 153 12. *Hopes* that, eventually, a different idea of European taxation, meaning as a way to  
154 collect those financial means that are essential to the development and viability of the



YOUNG  
EUROPEAN  
FEDERALISTS

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European collective according to just principles of distribution, will take root among

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national governments and the European citizens.