FOR THE DEMOCRATIZATION OF EUROPE

December 2018

The entire proposal is available on www.tdem.eu

Manifesto for the democratization of Europe

We, European citizens, from different backgrounds and countries, are today launching this appeal for the in-depth transformation of the European institutions and policies. This Manifesto contains concrete proposals, in particular a project for a Democratization Treaty and a Budget Project which can be adopted and applied as it stands by the countries who so wish, with no single country being able to block those who want to advance. It can be signed on-line (www.tdem.eu) by all European citizens who identify with it. It can be amended and improved by any political movement.

Following Brexit and the election of anti-European governments at the head of several member countries, it is no longer possible to continue as before. We cannot simply wait for the next departures, or further dismantling without making fundamental changes to present-day Europe.

Today, our continent is caught between political movements whose programme is confined to hunting down foreigners and refugees, a programme which they have now begun to put into action, on one hand. On the other, we have parties which claim to be European but which in reality continue to consider that hard core liberalism and the spread of competition to all (States, firms, territories and individuals) are enough to define a political project. They in no way recognise that it is precisely this lack of social ambition which leads to the feeling of abandonment.

There are some social and political movements which do attempt to end this fatal dialogue by moving in the direction of a new political, social and environmental foundation for Europe. After a decade of economic crisis there is no lack of these specifically European critical situations: structural under-investment in the public sector, particularly in the fields of training and research, a rise in social inequality, acceleration of global warming and a crisis in the reception of migrants and refugees. But these movements often have difficulty in formulating an alternative project, and in describing precisely how they would like to organise the Europe of the future and the decision-making infrastructure specific to it.

We, European citizens, by publishing this Manifesto, Treaty and Budget, are making specific proposals publicly available to all. They are not perfect, but they do have the merit of existing. The public can access them and improve them. They are based on a simple conviction. Europe must build an original model to ensure the fair and lasting social development of its citizens. The only way to convince them is to abandon vague and theoretical promises. If Europe wants to restore solidarity with its citizens it can only do so by providing concrete proof that it is capable of establishing cooperation between Europeans and by making those who have gained from globalisation contribute to the financing of the public goods which are cruelly lacking in Europe today. This means making large firms contribute more than small and medium businesses, and the richest taxpayers paying more than poorer taxpayers. This is not the case today.

Our proposals are based on the creation of a Budget for democratization which would be debated and voted by a sovereign European Assembly. This will at last enable Europe to equip itself with a public institution which is both capable of dealing with crises in Europe immediately and of producing a set of fundamental public and social goods and services in the framework of a lasting and solidarity-based economy. In this way, the promise made as far back as the Treaty of Rome of 'improving living and working conditions' will finally become meaningful.

This Budget, if the European Assembly so desires, will be financed by four major European taxes, the tangible markers of this European solidarity. These will apply to the profits of major firms, the top incomes (over 200,000 Euros per annum), the highest wealth owners (over 1 million Euros) and the carbon emissions (with a minimum price of 30 Euros per tonne). If it is fixed at 4% of GDP, as we propose, this budget could finance research, training and the European universities, an ambitious investment programme to transform our model of economic growth, the financing of the reception and integration of migrants and the support of those involved in operating the transformation. It could also give some budgetary leeway to member States to reduce the regressive taxation which weighs on salaries or consumption.

The issue here is not one of creating a 'Transfer payments Europe' which would endeavour to take money from the 'virtuous' countries to give it to those who are less so. The project for a Treaty of Democratization (www.tdem.eu) states this explicitly by limiting the gap between expenditure deducted and income paid by a country to a threshold of 0.1% of its GDP. This threshold can be raised in case there is a consensus to do so, but the real issue is elsewhere: it is primarily a question of reducing the inequality *within* the different countries and of investing in the future of *all* Europeans, beginning of course with the youngest amongst them, with no *single* country having preference. This computation does exclude spending that benefit equally to all countries, such as policies to curb global warming. Because it will finance European public goods benefiting all countries, the Budget for democratization will de facto also foster convergence between countries.

Because we must act quickly but we must also get Europe out of the present technocratic impasse, we propose the creation of a European Assembly. This will enable these new European taxes to be debated and voted as also the budget for democratization. This European Assembly can be created without changing the existing European treaties.

This European Assembly would of course have to communicate with the present decision-making institutions (in particular the Eurogroup in which the Ministers for Finance in the Euro zone meet informally every month). But, in cases of disagreement, the Assembly would have the *final word.* If not, its capacity to be a locus for a new *transnational, political space* where parties, social movements and NGOs would finally be able to express themselves, would be compromised. Equally its actual effectiveness, since the issue is one of finally extricating Europe from the eternal inertia of inter-governmental negotiations, would be at stake. We should bear in mind that the rule of fiscal unanimity in force in the European Union has for years blocked the adoption of any European tax and sustains the eternal evasion into fiscal dumping by the rich and most mobile, a practice which continues to this day despite all the speeches. This will go on if other decision-making rules are not set up.

Given that this European Assembly will have the ability to adopt taxes and to enter the very core of the democratic, fiscal and social compact of Member states, it is important to truly involve national and European parliamentarians. By granting national elected members a central role, the national, parliamentary elections will de facto be transformed into European elections. National elected members will no longer be able to simply shift responsibility on to Brussels and will have no other option than to explain to the voters the projects and budgets which they intend to defend in the European Assembly. By bringing together the national and European parliamentarians in one single Assembly, habits of co-governance will be created which at the moment only exist between heads of state and ministers of finance.

This is why we propose, in the Democratization Treaty available on-line (www.tdem.eu), that 80% of the members of the European Assembly should be from members of the national parliaments of the countries which sign the Treaty (in proportion to the population of the countries and the political groups), and 20% from the present European parliament (in proportion to the political groups). This choice merits further discussion. In particular, our project could also function with a lower proportion of national parliamentarians (for instance 50%). But in our opinion, an excessive reduction of this proportion might detract from the legitimacy of the European Assembly in involving all European citizens in the direction of a new social and fiscal pact, and conflicts of democratic legitimacy between national and European elections could rapidly undermine the project.

We now have to act quickly. While it would be desirable for all the European Union countries to join in this project without delay, and while it would be preferable that the four largest countries in the Euro zone (which together represent over 70% of the GNP and the population in the zone) adopt it at the outset, the project in its totality has been designed for it to be legally and economically adopted and applied by any sub-set of countries who wish to do so. This point is important because it enables countries and political movements who so desire to demonstrate their willingness to make very specific progress by adopting this project, or an improved version, right now. We call on every man and woman to assume his or her responsibilities and participate in a detailed and constructive discussion for the future of Europe.

Draft **TREATY ON THE DEMOCRATIZATION OF THE ECONOMIC AND SOCIAL GOVERNMENT OF THE EUROPEAN UNION (« T-DEM »)**

EXPLANATORY STATEMENT

In addressing the financial crisis which broke out in 2008, Member States of the European Union, together with the Commission and the European Central Bank, have built in hurry a powerful European government of national economic and social policies (hereafter 'economic and social government of the Union'). Through a series of treaties (Treaty on Stability, Coordination and Governance and Treaty establishing the European Stability Mechanism), and legislative packages (the Six-Pack and Two-Pack establishing the European Semester), this government has been endowed with the instruments (of surveillance, control and conditionality) to profoundly reshape the democratic, fiscal and social pacts of the Member States of the Union. The Euro Group, an informal forum bringing together the finance ministers of the States whose currency is the Euro, has become the linchpin of this new Europe which emerged from the crisis.

Focused on its financial and budgetary objectives (the trinity 'financial stability, fiscal consolidation and structural reforms'), this new European government has overlooked the fight against inequalities, and the design of a social, fair and sustainable development model for Europe. Unsurprisingly so, it proved unable to take up the challenges Europe is currently confronted with, after a decade of economic and financial crisis : the acceleration of global warming, the reception of refugees, the integration of new migrants, structural public under-investment (most notably in universities and research), tax fraud and evasion, …

In addition, this significant strengthening of the executive capacity of European institutions in the field of economic, budgetary, fiscal and social policy has taken place without the parallel involvement of parliaments in its steering and control. The European Parliament has been largely excluded from this economic goverment ; symptomatically, as the TSCG foresees that « the President of the European Central Bank shall be invited to take part » in the meetings of the Heads of State or Government of the Euro area (Article 12(1)), it provides that « the President of the European Parliament may be invited to be heard » (Article 12(5)). As for the national Parliaments, they have only been recognized a limited advisory power by Article 13 of the TSCG - which refers to the Protocol on the role of national Parliaments in the European Union annexed to the European Union Treaties. This imbalance deeply hurts the commitment to « respect for and maintenance of representative democracy », which was solemnly acknowledged by the Heads of State or Government as an « essential element of membership » of the European Union in the Copenhagen Declaration of the European Council of 8 April 1978, a commitment which has been constantly renewed since then. It also contradicts the status of democracy, under Articles 2 and 13 of the Treaty on European Union (TEU), as one of the « values » that the Union's institutions shall « promote ».

As it increases citizen disaffection towards the European project, this deficit of democratic legitimacy, together with the inability to meet the challenges Europe currently faces, carry the risk of a breakup of the European Union and national closure. Five years ago, at the heart of the financial crisis, the strengthening of the enforcement capacity of this economic and social government of the Union was justified by the urgency of the situation. Similarly today, one could easily invoke a real democratic and social emergency.

Europe will only reconnect with its citizens if its proves it has the ability to bring about a genuine European solidarity, by having the main beneficiaries of the globalization process fairly contribute to the financing of the public goods Europe desperatelky needs. This means demanding more from the large companies than from the small and medium ones, more from the wealthier taxpayers than from the modest ones. Europe will moreover only manage to broaden its social and political basis if it is able to give its citizens the public goods that concretely reflect its social, fair and sustainable development model.

Only an overall revision of the European treaties may provide the institutional framework needed to overcome the original shortcomings of the Economic and Monetary Union. However, as this option appears strongly impracticable in the short term, we propose the adoption, in a short timeframe, of an international treaty « democratizing the economic and social government » (hereinafter « T-Dem ») which shall enable the creation of a ‘democratization’ budget, discussed and voted upon by a European Assembly.

This budget is a democratization budget, as it must serve, through common taxes and investment in public goods, the fight against social inequalities at the European level, and the long-term viability of a genuine political model of social, fair and sustainable development. The four common taxes (on corporate profits, on high incomes, on wealth, and on carbon emissions), the base and rate of which shall be voted on by the European Assesmbly, concretely embody the existence of a European solidarity. In a similar fashion, in that it finally enables the creation of European public goods, the ‘democratization’ budget replaces the issues of inequality, climate change, research and social protection at the heart of the European growth regime. Against hard economic logic land ultraliberalism, which have dismantled the public services and social protection systems inherited from the post-war period, this treaty seeks to create the conditions for the emergence of a political Europe by overcoming its budgetary weakness.

The European Assembly constitutes the democratic framework which will enable this transformation. It proposes, debates and votes on the budget ; it has legislative capacity to foster economic and fiscal coordination as well as sustainable growth and employment ; it sets the political agenda by taking part to the preparation of the agenda of the « Euro summit meetings » and of the semi-annual work programme of the Euro Group; it is endowed with the instruments to control the convergence and conditionality policies that were developed over the last decade at Union level; in the case of a disagreement with the Euro Group, it has the final say on the vote of the democratization budget, the base and rate of the taxes to fund it, and any other legislative act foreseen by this treaty.

In view of of the strong fiscal, budgetary and social impact of the economic and social government of the Union on the social pacts and economic policies of the Member States, only a European Assembly composed of national and European representatives elected by universal suffrage has today the legitimacy needed to steer and control its action.

Finally, this draft treaty puts forward a strategy to precipitate this transformation. Instead of a complete overhaul of the European treaties, more than unlikely under the current context, it makes use of the legal flexibility which enabled the creation of an economic government, outside the Union treaty framework. In so doing, the « T-Dem » takes over the modus operandi of the TSCG and the ESM Treaty (as validated by the Court of Justice of the European Union in its Pringle ruling from November 2012) to address the financial crisis, this time engaging in a democratizing effort. It seeks to demonstrate that the European project is not cast « in stone » - if there is a political will to shift its orientation -, and that the path of the democratisation of the economic and social government of the Union is finally worth following.

TREATY ON THE DEMOCRATIZATION OF THE ECONOMIC AND SOCIAL GOVERNMENT OF THE UNION (« T-DEM »)

RESOLVED to reiterate, against a succession of economic, political and social crises, the importance of the European integration process undertaken sixty years ago, with the establishment of the European Communities,

OBSERVING that the political and institutional turmoil generated by the financial crisis brought about a European government of the national economic and social policies of the 28 Member States, which gravitates around the institutions created for the States whose currency is the euro, most notably the Euro Group and the Euro Summit,

CONSCIOUS that the lack of democratic accountability and the political immobility which characterize this economic government of the Union poses a great democratic and social challenge for the European Union,

RECALLING the Five Presidents’ Report on « Completing Europe’s Economic and Monetary Union » from 22 June 2015, and its Part V on « Democratic Accountability, Legitimacy and Institutional Strengthening »,

CONVINCED of the necessity to guarantee the signatory States’ repeated commitments towards social rights, as set out in the European Social Charter of 18 October 1961 (revised in 1996), the Community Charter of the Fundamental Social Rights of Workers of 9 December 1989 and the Charter of Fundamental Rights of the European Union, now an integrated part of the Lisbon Treaty,

WILLING to endow the Union with the means necessary to guarantee a certain model of social, fair and sustainable development, and with the democratic institutions to bring it to life,

RESOLVED to build the convergence and conditionality policies specific to the economic and social government of the Union around institutions that are democratically accountable at the European and at the national level, in order to fully contribute to achieving the values on which the European integration process is founded,

CONSCIOUS that the policies of economic and budgetary coordination and fiscal and social convergence covered by the economic government of the Union relate to the core of the constitutional prerogatives of national Parliaments which, as recalled by Article 12 TEU, « contribute actively to the good functioning of the Union »,

BEARING IN MIND that the objective of the Heads of State or Government of the euro area Member States and of other Member States of the European Union is to incorporate the provisions of this Treaty as soon as possible into the Treaties on which the European Union is founded;

IN VIEW of further steps to be taken in order to lay the lasting foundation of a political, economic and social Union,

The Member States of the Union, signatories of this treaty,

REITERATE their obligation, as Member States of the European Union, to regard their economic policies as a matter of common concern, as well as their responsibility to set up mechanisms ensuring European solidarity ;

ESTABLISH a European Assembly composed of national and European representatives responsible for defining and voting on, if necessary with the last resort authority, the democratization budget of the Union, which endow it with the necessary means to fight inequalities and guarantee a model of social, fair and equitable development, and for controling the decision taken in the framework of the economic government of the Union;

HAVE AGREED UPON THE FOLLOWING PROVISIONS:

TITLE I. PURPOSE AND SCOPE

ARTICLE 1.

1. Conscious of their responsibility toward the European project, and resolved to confirm the principle of solidarity within the European Union, the Contracting Parties intend through this treaty to deepen the democratization of the Union, by endowing it with a ‘democratization budget’.

2. With this Treaty which establishes a new budgetary and democratic compact, the Contracting Parties establish a European Assembly which is to discuss and vote on the ‘democratization’ budget, and to steer and control the economic and social government of the European Union.

3. All Member States of the European Union are destined to become party to this Treaty.

TITLE II. EUROPEAN DEMOCRATIC COMPACT

ARTICLE 2. The European Assembly

By this Treaty, the Contracting Parties establish among themselves an assembly called « European Assembly » (hereinafter referred to as ‘the Assembly’).

ARTICLE 3. Functions

1. The Assembly shall, jointly with the Euro Group, exercise the legislative and budgetary function and shall assume functions of steering and control over the economic and social government of the Union as laid down in this Treaty.

2. It shall work in close cooperation with the European Parliament.

ARTICLE 4. Composition

1. The number of members of the Assembly shall not exceed 400. It shall be composed, for the four fifths of its members (80%), of representatives that national Parliaments designate in proportion to the groups within them and with due regard to political pluralism, in accordance with a procedure laid down by each Member State, and for one fifth (20%) of its members, of representatives that the European Parliament designates in proportion to the groups within it and with due regard to political pluralism, in accordance with a procedure laid down by the European Parliament.

2. The number of members of the Assembly designated within national Parliaments shall be fixed in proportion to the population of the Member States. Each national Parliament sends at least one representative.

3. Delegations from the Parliaments of the Member States of the European Union which are not party to this Treaty shall be invited to participate, as observers, in the meetings of the Assembly. They shall have access in good time to all information, and shall be duly consulted.

4. A regulation shall fix the number of members of the Assembly.

ARTICLE 5. The Euro Group

1. The Euro Group is composed of the Ministers of the States whose currency is euro. Ministers from other Member States do participate.

2. The Euro Group shall ensure close coordination and convergence of the economic and fiscal policies of the States of the European Union.

3. It shall consist, according to the items placed on the agenda, of the Ministers for economic affairs and finance, the Ministers for employment and social affairs, or other Ministers concerned by the agenda.

4. The President of the Euro Group shall be elected by a majority of the Member States of the European Union.

ARTICLE 6. Euro Summits

1. The Euro Summit is composed of the States whose currency is the euro. Heads of State or Government of other Member States of the Union participate in its meetings.

TITRE III. LEGISLATIVE AND BUDGETARY POWERS

ARTICLE 7. Democratisation budget

1. The democratization budget shall aim at fighting inequalities, fostering sustainable growth, tax justice, employment, social cohesion and better convergence of economic and fiscal policies within the European Union.

2. All items of revenue and expenditure of the Euro area shall be included in estimates to be drawn up for each financial year and shall be shown in the budget.

3. The annual democratization budget shall be established by the Assembly and the Euro Group.

4. The financial year shall run from 1 January to 31 December.

ARTICLE 8. Legislative procedure applicable to the adoption of the democratization budget, giving prominence to the Assembly in last resort

1. The Assembly and the Euro Group shall establish the annual democratization budget in accordance with the following provisions.

2. On the basis of a budget proposal prepared by the Assembly, the Euro Group shall adopt a budget project. The Commission shall assist the Assembly in the framework of the preparation of the budget proposal.

3. The budget proposal and the budget project shall contain an estimate of revenue and an estimate of expenditure.

4. The Euro Group shall submit its budget project to the Assembly not later than 1 September of the year preceding that in which the budget is to be implemented. If within 40 days of such submission, the Assembly:

a) approves the budget project, the budget shall be adopted ;
b) has not taken a decision, a new budget project shall be submitted by the Euro Group ;

c) adopts amendments by a majority of its component members, the amended project shall be forwarded to the Euro Group. The President of the Assembly, in agreement with the President of the Euro Group, shall immediately convene a meeting of the Conciliation Committee. However, if within ten days of the project being forwarded, the Euro Group informs the Assembly that it has approved all its amendments, the Conciliation Committee shall not meet.

5. The Conciliation Committee, which shall be composed of the members of the Euro Group or their representatives and an equal number of members of the Assembly, shall have the task of reaching agreement on a joint text, on the basis of the positions of the Assembly and the Euro Group.

6. a) If, within 21 days, the Conciliation Committee agrees on a joint text, the Assembly and the Euro Group shall each have a period of 14 days from the date of that agreement to approve the joint text.

   b) If, within the 21 days referred to in the previous subparagraph, the Conciliation Committee does not agree on a joint text, a new budget project shall be submitted by the Euro Group.

7. If, within the period of fourteen days referred to in subparagraph 6 a) :

a) the Assembly and the Euro Group approve the joint text, the budget shall be deemed to be definitively adopted.
b) the Assembly rejects the joint text by a majority of its component members, a new budget project shall be submitted by the Euro Group taking account of the positions of the Assembly.
c) the Euro Group rejects the joint text, the President of the Euro Group shall request the Assembly, acting by a majority of its component Members, to take a final decision.

ARTICLE 9. Own resources and transfers

1. The contracting parties to the treaty shall endow themselves, through the democratisation budget, with the means necessary to reach the objectives set out in article 7 and carry through their policies.

2. Without prejudice to other revenue, the democratization budget shall be wholly financed from own resources.

3. The own resources shall be the progressive tax on high income, the progressive tax on wealth, the common tax on corporate profits and the tax on carbon emissions, as defined in Article 10.

4. The democratisation budget may foresee that all or part of the revenues from these own resources will be repaid to the Contracting Parties.

5. A yearly budget statement shall be established in order to take stock of the amounts of revenue paid by each Contracting Party and the amouts of the repayements and expenditures it benefitted from. The difference between the two amounts shall not exceed 0,1% of each State's GDP.

ARTICLE 10. Exercise of legislative competence

1. Without undermining the competences conferred upon the Union on economic policy, the Assembly and the Euro Group, acting in accordance with the legislative procedures referred to in Article 11, shall adopt legal provisions to fight inequalities, foster sustainable growth, fiscal justice, employment, social cohesion and better convergence of economic and fiscal policies within the European Union.

2. The Assembly and the Euro Group, acting in accordance with the ordinary legislative procedure, shall vote on the base and the rate of the common tax on corporate benefits, the progressive tax on high income, the progressive tax on wealth and the tax on carbon emissions which contribute to the democratization budget.

3. In compliance with the corporation tax base fixed at Article 10(2), Member States may adopt an additional tax rate.

4. The Assembly and the Euro Group, acting in accordance with the ordinary legislative procedure, shall adopt the provisions required to pool public debts exceeding 60 % of each Member State's GDP, through the issuance of common government bonds.

5. The legislative act projects or legislative act proposals provided for by the previous paragraph shall first be sent to the European Parliament for an opinion.

ARTICLE 11. Ordinary legislative procedure

1. The Euro Group and the Assembly shall adopt jointly the legislative acts applicable to the Contracting Parties.

2. Legislative initiative belongs concurrently to the Commission, the Euro Group and the members of the Assembly. They have a right of amendment.

3. The legislative agenda shall be set jointly by the Euro Group and the Assembly. However, within the limit of half of the meetings, the Assembly

shall set as a priority its own agenda and place the legislative act projects or proposals it accepts.

4. The ordinary legislative procedure applies to the regulations, directives and decisions jointly adopted by the Euro Group and the Assembly.

5. The members of the Euro Group submit legislative act projects.
The members of the Assembly submit legislative act proposals.

6. Every legislative act project or proposal shall be successively examined by the Euro Group and the Assembly in view of the adoption of a single text.

7. When, following disagreement between the two institutions, a legislative act project or proposal could not be adopted after two readings, the President of the Euro Group and the President of the Assembly shall within six weeks convene a meeting of the Conciliation Committee.

8. The Conciliation Committee, which shall be composed of the members of the Euro Group or their representatives and an equal number of members representing the Assembly, shall have the task of reaching agreement on a joint text for the provisions still under discussion, within six weeks of its being convened.

9. If, within that six-week period, the Conciliation Committee approves a joint text, the Assembly and the Euro Group shall each have a period of six weeks from that approval in which to adopt the act in question in accordance with the joint text.

10. If within the six weeks of its being convened the Conciliation Committee does not approve a joint text, or if the text mentioned in the previous paragraph is not adopted, the President of the Euro Group, after a new reading within the Euro Group and the Assembly, shall request the Assembly to take a final decision.

TITLE IV. STEERING AND CONTROL OF THE ECONOMIC AND SOCIAL GOVERNMENT OF THE UNION

ARTICLE 12. Steering and control of the economic and social government

The Assembly shall approve the agenda of the Euro Summit meetings, with regard to the items pertaining to economic and social policy, and the semi-annual work programme of the Euro Group.

ARTICLE 13. Convergence and coordination of economic and budgetary policies

1. The Assembly shall approve the Annual Growth Suvey, the Joint Employment Report, the Alert Mechanism Report, and the Recommendations for the euro area which open the European Semester cycle.

2. It shall approve the country-specific reports, the country-specific recommendations published by the Commission and the Broad economic policy guidelines provided for by Article 121(2) TFEU.

3. In the framework of the Excessive deficit procedure, it shall approve the report prepared by the Commission in the case where a State does not comply with the criteria set out by Article 126(2) TFEU, the Council decision on the existence of an excessive deficit, and the measures decided on the basis of Article 126(11) TFEU.

4. It shall hold regular exchanges of views on the implementation conditions of the structural reforms recommended in the framework of the European Semester.

ARTICLE 14. Financial Assistance Facility

1. In the framework of the procedure for granting stability support, the Assembly shall approve the financial assistance facility granted under the procedure referred to in Article 13(2) of the Treaty establishing the European Stability Mechanism.

2. If the financial assistance facility as referred to in paragraph 1 is approved by the Assembly, the memorandum of understanding detailing the conditionality shall be submitted to the Assembly for approval.

3. The Assembly shall take part in the assessment of the situation of the Member States benefiting from or having benefited from a macroeconomic adjustment programme.

ARTICLE 15. Governance dialogue with the European Central Bank

1. Each year, in the light of the economic forecasts, the Assembly shall be invited to adopt a position through a resolution on the interpretation of the price stability objective and the inflation target adopted by the European Central Bank, in compliance with the European Treaties on which the European Union is founded.

2. The Assembly shall approve the annual report of the European Central Bank on the Single Supervisory Mechanism.

ARTICLE 16. Investigation and control powers

1. In order to carry out its function of control of the institutions of the economic and social government of the European Union, and in close cooperation with the European Parliament, the Assembly shall be endowed with a Parliamentary Office for the Evaluation of European Economic Choices.

2. The Assembly may, at the request of a quarter of its members, set up a committee of inquiry responsible for investigating alleged maladministration on the part of the institutions of the economic and social government of the European Union.

3. The Court of Auditors of the European Union shall assist the Assembly in exercising its control functions.

4. The European Central Bank and the Commission shall provide the Assembly with all documents and data which the latter deems useful in the exercise of its powers. As the case may be, these documents and data may be examined by a parliamentary committee which will meet in camera.

5. In order to ensure transparency and accountability, the Assembly may hear any person assuming functions in an institution of the economic and social government of the Union.

ARTICLE 17. Appointments

After hearing them, the Assembly shall approve the candidates chosen for the Presidency of the European Council, the Presidency of the Council of Ministers, the Presidency of the Euro Group, the Executive Board of the European Central Bank, and the Managing Direction of the European Stability Mechanism.

TITLE IV. CONSISTENCY AND RELATIONSHIP WITH THE LAW OF THE UNION

ARTICLE 18

This Treaty shall be applied and interpreted by the Contracting Parties in conformity with the Treaties on which the European Union is founded.

TITLE V. GENERAL AND FINAL PROVISIONS

ARTICLE 19

This Treaty shall be ratified by the Contracting Parties in accordance with their respective constitutional requirements.

ARTICLE 20

This Treaty shall enter into force on the first day of June two thousand and nineteen, provided that a number of States representing 70% of the population of the Contracting Parties of the European Union whose currency is the euro, have deposited their instruments of ratification, or at any prior date on which these conditions would be met.

ARTICLE 21

Within five years, at most, of the date of entry into force of this Treaty, on the basis of an assessment of the experience with its implementation, the necessary steps shall be taken, in accordance with the Treaty on European Union and the Treaty on the Functioning of the European Union, with the aim of incorporating the substance of this Treaty into the legal framework of the European Union.

Done at …, on the first day of June two thousand and nineteen, in a single original in the Dutch, English, Estonian, Finnish, French, German, Greek, Irish, Italian, Latvian, Lithuanian, Maltese, Portuguese, Slovak, Slovenian and Spanish languages, each text being equally authentic, and deposited in the archives of the Depositary which shall transmit a duly certified copy to each of the Contracting Parties.

A budget for Europe

Our political project is to construct an original European model for social, equitable and sustainable development. Our proposals are based on the creation of a **democratic and sovereign European Assembly** competent to adopt a **budget and taxes** at European level enabling a joint response to the **challenges** of our future. This budget is designed to be a lever for a **new transnational political space** in which the elected members along with the social movements and the NGOs regain control of, and participate directly in the definition of the European political aims.

SPOTLIGHT

Our aim is to finance the investments required to **transform our system of growth and create a common European framework** and it is not to operate transfers between member countries of the Union. We wish to reduce the inequalities within countries (and not uniquely between countries). For this reason the **revenue collected within each country must be approximately equivalent to the expenditure** from which it will benefit. The difference should not exceed 0.1% of GDP.

We would like to recall a key point: even with very limited transfer payments between States, the implementation of an ambitious joint taxation system on the profits or the top incomes and estates at European level in itself constitutes a determining advance in regulating globalisation and achieving the aims of social and ecological development. It puts an end to the race to the bottom in matters of taxation, which operates to the detriment of States, middle classes and working classes. The taxation system which we defend also plays a role in encouraging forms of behaviour which accelerate the ecological transition required in our societies.

Here, we present a proposal for what could be a European budget. The members of the European Assembly can amend it in a process of democratic consultation and submit it to the vote.

SUMMARY

What are the aims?

How is the budget financed?

How is the budget spent?

Understanding at a glance

What are the aims?

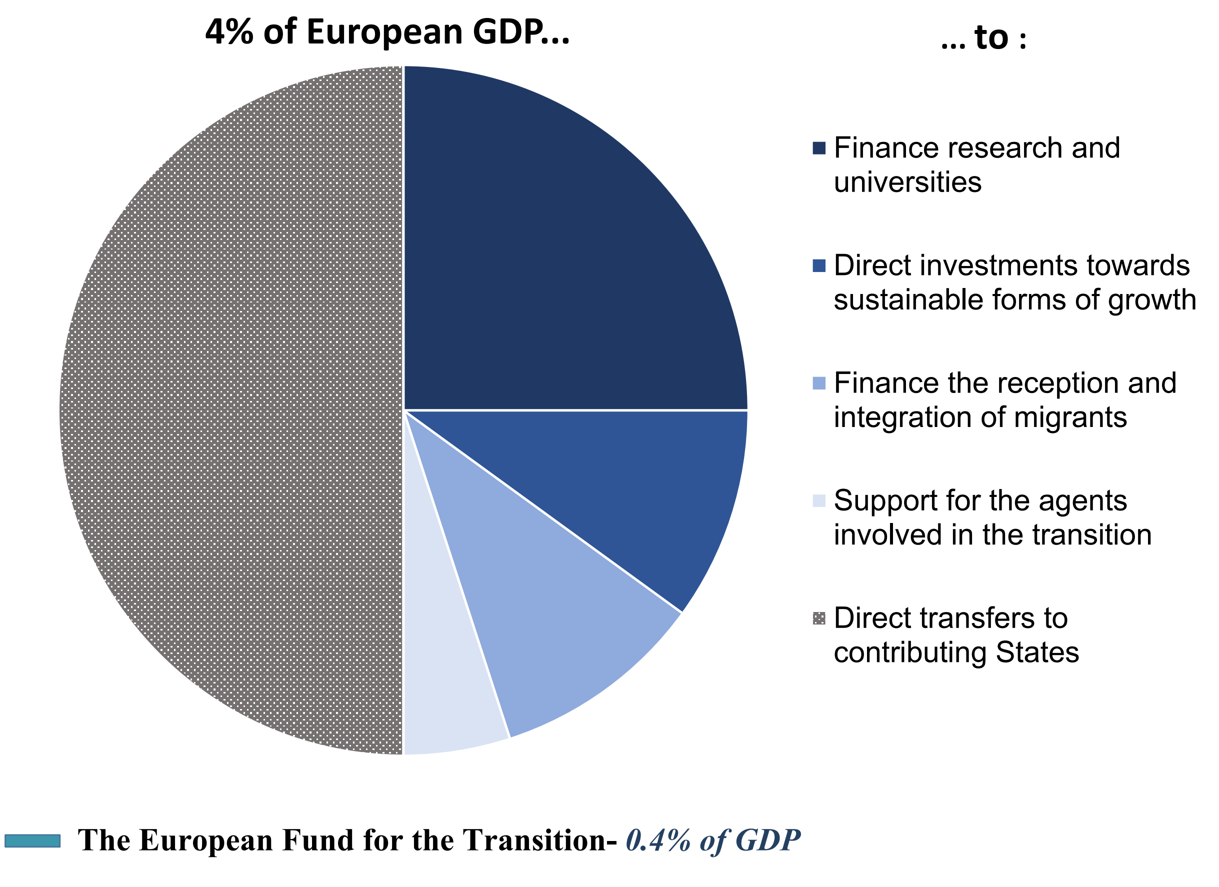
In its present version, our budget is ambitious; it amounts to **4% of GDP,** which is **4 times** the present budget of the European Union.

The aims are three-fold:

1. The transformation of the present system of growth into a system which is compatible with consideration of the impact on the **environment** and the evolution of **inequalities** in incomes.
2. Defence of the **right to mobility** by guaranteeing reception of migrants and integration of people who respect our values.
3. An increase in our capacity to **generate employment** by **improving European-style innovation** to protect workers.

A budget consists of revenue and expenditure. The **expenditure will be directed towards the implementation of these three objectives**: **investment projects targeted** to the transition towards a sustainable system of growth, the **support** of the actors involved in this transformation, the joint organisation of the **reception and training** of migrants, financing of **research** to restore the capacity for innovation in Europe. But the choice of **fiscal levers** is also a means of **directing the behaviour** of the agents towards the implementation of the aims and of **responding to a number of economic and social imbalances**. The revenue of the European budget will therefore be constituted by progressive taxation on the **top incomes and estates** to reduce inequality through redistribution, by taxation on **corporate profits** to enable firms to contribute to the development and maintenance of **public goods** and by the taxing of **carbon** emissions to encourage activities which are more **respectful of the environment**.

How is the TDEM budget spent?



Why 0.4%? To achieve the aims of the Paris Agreement and compensate for the blatant shortcomings of the Juncker Plan.

The gap in expenditure in the investment projects to achieve the Paris COP 21 objectives has been estimated at 2.1% of GDP, or 320 Mds€ in the upper range. Now, the Juncker Plan, launched in 2015 by the European Commission, co-finances a maximum of 100 Mds€ per annum, or three times less than required and this is only until 2020. Furthermore this plan has financed infrastructure projects which tend to increase CO2 emissions rather than reducing them (enlargement of an motorway in Germany for example). It is therefore completely inadequate to direct investment in the direction of projects which are compatible with sustainable growth.

Our budget provides for **bridging the financial gap** and **modifying the orientation of investments.** The *European Fund for the Transition* comprises a **base of public money,** aimed at **attracting private capital to co-finance** new investment projects contributing to a new mode of growth (sustainable housing, green logistics and forms of mobility, the production and distribution of renewable forms of energy, the improvement in the quality of air, recycling waste, ..)

Spotlight: how do we move from the 0.4% of GDP provided in the Fund to the 2.1% of GDP required to achieve the aims of the Paris Agreement?

By attracting private capital to co-finance the new investment projects.

- This initial base of public funding would 'prime the pump' to enable borrowing at a favourable rate and thus increase the amount earmarked for investment. This mechanism would mean the Fund would correspond to an amount actually available for investment in the transition of approximately 1% of GDP.
- Furthermore, this would constitute a financial cushion to attract private investors and be an added attraction for investment. Indeed, by definition 'new regime' products are more of a gamble than classical projects (like a motorway) and are therefore more risky for investors. Thus, to reassure investors, the public agent has to accept to take the first losses on a project if it does not achieve the aims intended. In exchange for taking this risk, we lay down conditions governing the access to this fund, including respect for our principles of social justice and no tax evasion, a mode of production limiting the use of crop protection products, etc.

Financing of the joint management of migration - ***0.4% of GDP***

A joint policy for the reception and management of migratory flows would include:

-The guarantee of conditions for the reception of asylum seekers and applicants for residence permits.

- The opening of new channels for legal immigration to meet labour requirements. Immigrant workers contribute in the same way as other workers to the social system of the host country. All the studies show that the costs and economic benefits associated with immigration balance out and tend to be positive. We should therefore support the integration of legal migrants to enable them to enter the labour market as quickly as possible.

-The distribution of costs between member States. Since 2015, irregular entries have mainly concerned Italy, Greece and Spain; these countries should receive financial aid to deal with the situation and thus guarantee reception conditions.

Supporting the agents of the transition - ***0.2% of GDP***

Changing practices will be costly in terms of **jobs and incomes.** The budget provides for **compensatory payments.**

The **present agricultural model** focuses on production and small scale farms are usually fragile. We will provide transfer payments **to compensate for the loss in income of those farmers** who agree to limit, or even exclude, the use of chemical inputs and who sustainably manage the land and environmental services. The stated objective is to have a net positive impact on the environment. Thus the social function of the farmer will develop from an initial role of **providing food** (pillar I) **and ensuring and maintaining rural development** (pillar II) to one of **guaranteeing the reproduction of ecosystems and protecting the environment** (pillar III).

In industry we plan to compensate in part for the private cost of **early decommissioning** of certain types of equipment to **ensure compliance with the COP21.** On the other hand, the long chain of manufacturing value includes production from outside the European Union which poses the question of environmental and social dumping. Indeed, while European industries are subject to more stringent regulations than other regions of the world (the chemical industries are a good example), European firms could be tempted to obtain supplies in countries which do not respect the regulations. Therefore, the budget includes **tax incentives for European firms whose practices restrict environmental and social arbitration, in order to guarantee the development and the maintenance of a European network which observes the rules**.

Financing research and universities to encourage innovation - *1% of GDP*

Why 1%? To give Europe the capacity to generate employment by improving its capacity for growth and to catch up with the United States.

According to OECD estimates, Europe has, structurally, the capacity to grow at around a rate of 1.2% per annum. On the other hand, the United States has a growth capacity of roughly 2% per annum. If Europe succeeded in increasing its growth capacity to achieve 2% that would enable the creation of approximately 500,000 jobs per annum and would mean Europe would be less vulnerable to economic crises. In order to improve the structural capacity of an economy to grow, its capacity for innovation has to be increased.

On average, expenditure on research and development represents 2.7% of GDP in the United States and 2% of GDP in the European Union. This represents a gap of 130 Mds€ per annum. This is ten times more than the amount allocated by the present European budget 13 Mds (per annum); the bulk of the financing of research and development takes place at national level which reduces our capacity to innovate.

Our budget provides not only for bridging this gap but for going further by allocating 150 Mds (million dollars) to **research** and 37 Mds (million dollars) to **the functioning of the universities to accelerate innovation (1% of total GDP).**

Direct transfers to contributing States - *2% of GDP*

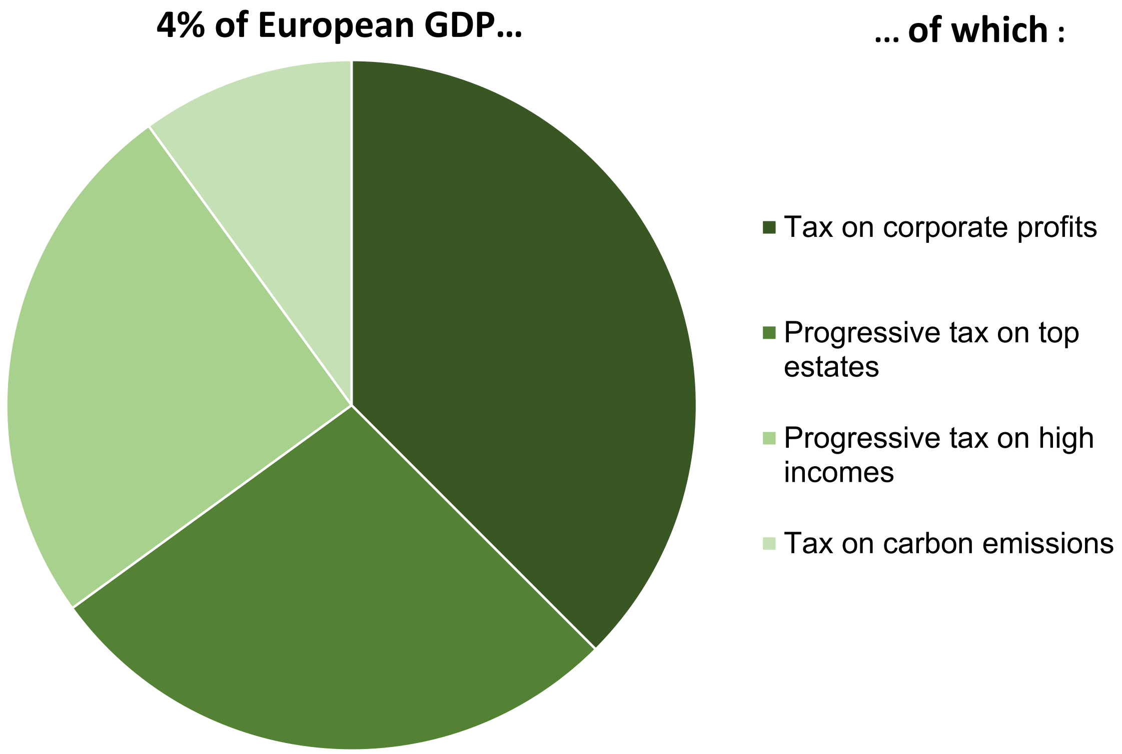
States would be free to dispose of these new tax revenues. They will enable a reduction in taxation or monetary transfers to be made to the citizens in each country.

We suggest that they be used

- To reduce income tax and deductions which weigh heavily on low-income households (VAT, indirect taxes, taxes and contributions deducted from salaries)
- To compensate for fall in income from employment or loss of activity associated with the change in growth mode
- Training in new skills in jobs adapted to the new growth mode.

How will this budget be financed?

We propose the creation of **four European taxes** to deal with the major challenges of the 21st century and to finance the common budget. The mere creation of these taxes, over and above the income which they will generate and which will enable the financing of the investments, is a mark of active participation in the aims of the budget. The four axes of this European tax are conceived to be a way of improving the regulation of globalisation through the use of **efficient redistributory mechanisms** and the campaign against tax competition as well as **redirecting the economy** towards less polluting activities.



Tax on corporate profits - *1.5 % of GDP*

At the moment the national rate of tax on corporate profits is on average 22% in the EU (whereas it was 45% at the beginning of the 1980s).[1]

We propose to levy **a common tax on corporate profits at an additional European rate of 15% and to raise the global minimum rate to 37% (the sum of the European rate and the national rate).**

We propose that the European Assembly create a common European tax at the additional European rate of 15% of profits which will be raised in all the signatory countries to finance the common budget. This European tax will not be exclusive: each Member State will be free to levy a further tax. Moreover, we propose that the European Assembly impose a minimal rate of taxation (the sum of the European and the national tax) equal to 37% of profits. In practice, this will mean that:

- In the States which today apply a national rate of supplementary tax equal to or higher than 22%, the European Assembly will introduce an additional European tax of 15%. The income from the supplementary tax of 15% will be paid into the joint budget.
- In the States which today apply a supplementary tax lower than 22% - for example 10% - the European Assembly will introduce on top of the European additional rate of 15% going towards the common budget, a second additional tax of 12% in order to raise the overall rate to 37%. The income corresponding to the second additional rate will be paid directly to the State concerned and will therefore not have an impact on the income paid into the joint budget. But this minimal global rate will enable the countering of tax competition and the race into offshoring.

The **income provided** by this additional rate of 15% on corporate profits: roughly 1.5% of GDP. This is a fairly conservative estimate: the income could increase thanks to the elimination of tax havens and improvements in the campaign against tax evasion, fraud and fiscal optimisation which is particularly intense in cases of tax on companies.[2] In particular, we propose that the European Assembly apply the same principle as is applied in the United

[1] See Taxation trends in the European Union, 2018 Edition, p.65, Graph 17

[2] This income, corresponding to the hypothesis of a fiscal basis (the totality of taxable profits) equal to 10% of GDP corresponds to the present basis. See Taxation trends in the European Union, 2018 Edition, p.35-38.

States (and defended in particular by Gabriel Zucman) which consists in allocating the global profits to companies in proportion to the sales made in the different States. The European Assembly could also vote a system of additional tax lowered to 10% for small businesses and raised to 20% for bigger ones, for equivalent total revenue.

Clarification

Why tax corporate profits?

European companies benefit from quality infrastructure, facility in commercial links between countries and numerous advantages associated with government action. These advantages enable them to make a profit and to expand their activities. These advantages are public goods because everyone benefits from them. Taxing corporate profits is a way of making businesses contribute to the maintenance of these public goods. Moreover the tax enables States to levy sufficient funds to maintain public goods which could be deteriorated by corporate economic activity; thus this would oblige businesses to include the potentially negative effects of their activity in their costs.

Many public goods are European and not national. The creation of a joint tax also enables the acknowledgement that goods shared by all, such as the quality of the environment, the level of education and European manpower, or the capacity for innovation of the productive fabric do not correspond to the administrative frontiers of States.

Why impose a common minimum rate on Europe as a whole?

Within the European common market, one of the major problems is that of tax competition. This enables European multi-nationals to benefit from the extremely favourable tax rates on their doorstep. Part of the profits are artificially transferred to European countries with low rates of taxation via practices of evasion and fiscal optimisation. These practices reduce the tax income in countries and contribute to deteriorating the capacity to finance public goods. The fact of levying a joint European tax enables authorities to limit the fiscal shortfall in certain States. In particular, this should favour the possibility of taxing firms such as the GAFAM (Google-Apple-Facebook-Amazon-Microsoft) who make a profit on the European market without paying any tax or by limiting the rate as far as they can.

A progressive tax on high incomes - *1% on GDP*

At the moment, in 2018, the marginal rate of income tax applicable to the highest incomes in Europe is on average 40% (whereas it was 65% at the beginning of the 1980s)[3].The aim is to restore progressive taxation to the upper echelons of incomes by creating additional marginal rates deducted at European level on very high incomes.

Marginal European additional rates: **10% on annual individual incomes above 100,000 Euros (**200,000 Euros for a couple) and **20% on those above 200,000 Euros (**400,000 Euros for a couple).

Given the higher marginal rate of 40% currently applied on average in the EU, this means that the **marginal global rate (the sum of the national and the European rates)** will be on average **50% on individual incomes above 100,000 Euros (**200,000 Euros for a couple) and **60% on those above 200,000 Euros** (400,000 Euros for a couple).

The revenues provided by these marginal additional rates of 10% and 20% on high incomes: approximately 1% of GDP. This is a relatively conservative estimate: the revenues could rise thanks to the elimination of tax havens and improvements in the campaign against tax evasion and tax fraud.[4]

The Assembly could also decide to vote a mechanism enabling the setting up of a minimum marginal upper rate at national level (by paying the States concerned what remains of the revenues which correspond thereto).

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[3] In 2018: 39% in EU28, 43% in EA19. It was 48% in both groups of countries in 1995. See Taxation trends in the European Union, 2018 Edition, p.26 Graph 11. It was on average approximately 65% in all the main countries of the EEC IN 1980. See World Inequality Report 2018, p.260, Figure 5.2.2 (58% in Germany, 65% in France, 72% in the United Kingdom).

[4] This estimate is made on the assumption of a fiscal basis (all taxable incomes) equal to 60% of GDP (which could be enlarged by the elimination of tax havens). Within this global tax base it can be estimated on the basis of the distribution of European incomes available in the World Inequality Database (WID. world) at approximately 12% of the GDP tax base corresponding to incomes above 100,000 Euros (2.5% of the population, 20% of the incomes) and 7% of GDP for incomes above 200,000 Euros (1% of the population, 11% of the incomes). The marginal rate is applied each time to approximately half the base (taking into account the fact that the Pareto effect is close to 2 at this level of distribution), whence revenue equal to 10%x6%+10%x3.5%=0,95%.

Spotlight:

Why impose a progressive tax on high incomes and high private wealth in Europe?

A tool for reducing the inequalities highlighted by globalisation and tax competition.

Progressive taxation is an instrument for redistribution and for the financing of the social State set up in the XXth century following the two World Wars and as the idea of equality between citizens and the creation of the Welfare State gradually developed. The fact that the concentration of private wealth after WWI never reached the level of the Belle Epoque (i.e. pre-1914 levels) is largely due to progressive taxation on the upper echelons of the hierarchy of incomes.

However, since the 1970-1980s the principle of progressive taxation, in particular on the highest incomes has been challenged by the free movement of capital which opens the door to tax evasion in a world where the tax regulations are not harmonised between countries. For lack of sufficient co-ordination, the European States are therefore encouraged to conduct policies for fiscal competition to attract capital or to avoid the flight of large fortunes. For example, Swiss banking secrecy was not undermined until the United States acted and then only timidly and incompletely. Only common taxation regulations can enable a change in direction.

Today the taxation on top incomes is often even regressive. Taxation of capital is subject to numerous exemptions in the context of this tax competition. It happens that the highest incomes are those which are based in the main on capital yields. This has the effect of reinforcing the concentration of wealth and therefore the inequalities in Europe. Today European estates have recovered their prosperity which is now comparable to the Belle Epoque or pre-1914 level.

In Europe harmonisation of fiscal policies on high incomes between the member States would limit tax competition, as we see in the case of the tax on corporate profits,

The dangers of excessive concentration of wealth in Europe

Apart from the loss of fiscal earnings which it incurs, the incapacity of the European states to impose progressive taxation on high incomes and estates has several dangerous consequences for the very stability of the continent and the European Union. The retrogressive nature of deductions at the top of the hierarchy of incomes and estates induces a feeling of fiscal injustice and is a threat to the willingness of other taxpayers to pay taxes. This is a direct challenge to the financing and consensus associated with the social State. Furthermore, commercial globalisation which promotes the European Common Market exerts pressure on unskilled workers in the rich countries. If the European fiscal system is not capable of compensating the losers in the common market via redistribution, rejection of the European project is inevitable.

Thus the implementation of a common European tax on high incomes and estates, besides financing a common budget, would enable the maintenance of economic openness and thus thwart the retreat into protectionism. If the European Union set up the Common Market it must be capable of regulating it to avoid the unlimited development of financial inequalities.

Progressive taxation on high levels of personal wealth *– 1.1% of GDP*

At the moment, the forms of direct taxation of personal wealth in the European Union are mainly regressive in particular in the form of taxation of property assets, with no consideration of financial assets (which however form the greater part of the largest estates). We therefore propose the setting up of a progressive tax on the most valuable estates (property, financial and professional assets net of debts).

Marginal rate: **1% on net individual estates valued at above 1 million Euros and 2% on those above 5 million Euros.**

Revenues provided by these marginal rates of 1% and 2% on the biggest estates: approximately 1.1% of GDP. This is a fairly conservative estimate: the revenues could increase as a result of the elimination of tax havens and improvements in the campaign against tax evasion and fraud.[5]

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[5] This estimate has been made by assuming a fiscal base equal to roughly 500% of GDP (the total of private wealth estimated by European National Accounts, see World Inequality Report 2018), of which approximately 200% of GDP for estates worth over 1 Million Euros (2.5% of the population, 40% of the wealth and 70% of GDP for incomes above 5 M Euros (0.2% of the population) on the basis of the European distribution of wealth estimated in the WID.world data base. The marginal rate is applied each time to approximately half the base (Pareto coefficient, close to 2). The revenues could rise to 1.8% of GDP in the case of a base equivalent to the totality of the economic wealth. The working hypothesis here is that of a broad base (wider than that of the ISF (Wealth Tax)) but which could be enlarged.

Spotlight: a common tax on the wealthiest European estates, yes, but how?

Why tax estates in addition to income?

Today in most European countries, the taxable income (the taxable family income) is the income which is actually paid and which is available for use. In the case of fortunes held in financial and real estate assets, the economic income may be separate from the taxable income. Those with great wealth have financial assets which have a yield each year. The holders of capital do not necessarily need to pay themselves the whole of these returns, the remainder is therefore kept, for example, in holdings. This represents a considerable loss and an under-taxation of the wealth of some people and can explain why progressive taxation is not respected in the higher echelons of incomes. To avoid this, one solution is to take as a base the value of the wealth to calculate the tax due and tax the yields from this capital at the correct rate, and not tax uniquely the income which is actually paid. We propose to tax individual estates valued at over 1 million Euros at a rate of 1% per annum and estates of over 5 million Euros at a rate 2% per annum.

Once again, theoretically each country could set up this type of tax individually, however in the absence of the automatic transmission of information between countries, the risks of tax evasion are very high. Harmonisation and the implementation of a common tax would limit this risk.

Why such a low rate?

By bearing directly on the value of the assets held, the tax bears on a stock and not on a flow of wealth (as is the case for taxation on incomes). A low rate therefore is sufficient to raise a considerable amount of revenue. Applied to the EU countries as a whole, this tax on wealth would apply to approximately 2.5% of the population and would generate each year the equivalent of 2% of European GDP. The bigger fortunes represent more than 5 years of GDP in Europe and the high end percentiles own a considerable share of this.

On the other hand, the observed yield of the largest European fortunes is approximately at least 6 or 7% per annum. Therefore a rate of 1 or 2% appears very reasonable and could, if necessary, be raised. Furthermore a progressive tax on the most valuable estates would introduce more transparency about wealth and would sustain future discussions on the rates to be applied.

Tax on carbon emissions *- 0.4% of GDP*

We propose the establishment of **a minimum rate of 30 Euros on each tonne of carbon emitted on European soil**.

For a number of years now the European Union has been in a leading position in the field of reduction of CO_2 emissions. But in several European countries, the reduction of emissions is not sufficiently rapid to meet the targets fixed by the Paris Agreement.

The European States already subject many sectors of the economy to a tax on carbon emissions. This tax can be either explicit or implicit. By explicit taxation we mean either a tax on carbon emissions (as is the case in Sweden, in Ireland or in France, for example), or the participation in a market of rights to pollute within which some polluting sectors have to buy quotas of emissions (all the European countries are subject to the ETS system). In addition to these mechanisms, all the European states also have taxes on energy which act as implicit taxes on carbon.

These various systems of taxing CO_2 (by imposition of a tax, a system of quotas or by taxes on energy) **are not harmonised between countries and between sectors** within countries. Thus the carbon tax on CO_2 in Sweden for the residential sector is over 150 Euros per tonne, whereas in Germany the effective taxation of carbon via the energy taxes is less than 25 Euros. Within the same country, the carbon tax can be higher for one sector than for another as a result of the exemptions or the modulations of the carbon or energy taxation rates.

We propose the establishment of **a minimum rate of 30 Euros on each tonne of carbon emitted on European soil** in the main scenario proposed (other variants are simulated for rates of 40 Euros and 50 Euros). Even if the carbon tax rate proposed here may appear to be relatively low, we stress that its introduction on each tonne of carbon emitted on European soil represents a considerable advance. Today, despite the high rates in some sectors, others have no carbon tax at all. Moreover, here we propose a minimum rate: in order to achieve the climate goal, States will have to adopt higher rates.

The proposal therefore consists in setting up a mechanism establishing a minimum purchase of pollution quotas in the framework of the community system of exchange of emission quotas (ETS - Emission Trading System). For the systems outside the ETS (for example, the residential sector) the minimum rate either amounts to raising the level of the carbon tax if the country has this type of measurement and the rate is lower than the minimum European rate or to introducing an additional tax to ensure that the effective taxation on energy corresponds to a tax at least as high as the minimum rate. **We also propose that the Assembly vote a calendar providing for a gradual rise in this rate in the years to come (raising it to 40 Euros as from 2020 and to 50 Euros in 2022), to send a clear signal to those involved in the economy.**

The budget of the European Assembly compared with the present European budget.

Our budget proposal is in addition to the present European budget. In real terms, it enables the amount of expenditure in common to be raised to over 5% of GDP. We have designed this budget proposal to alleviate the shortcomings in the present budget.

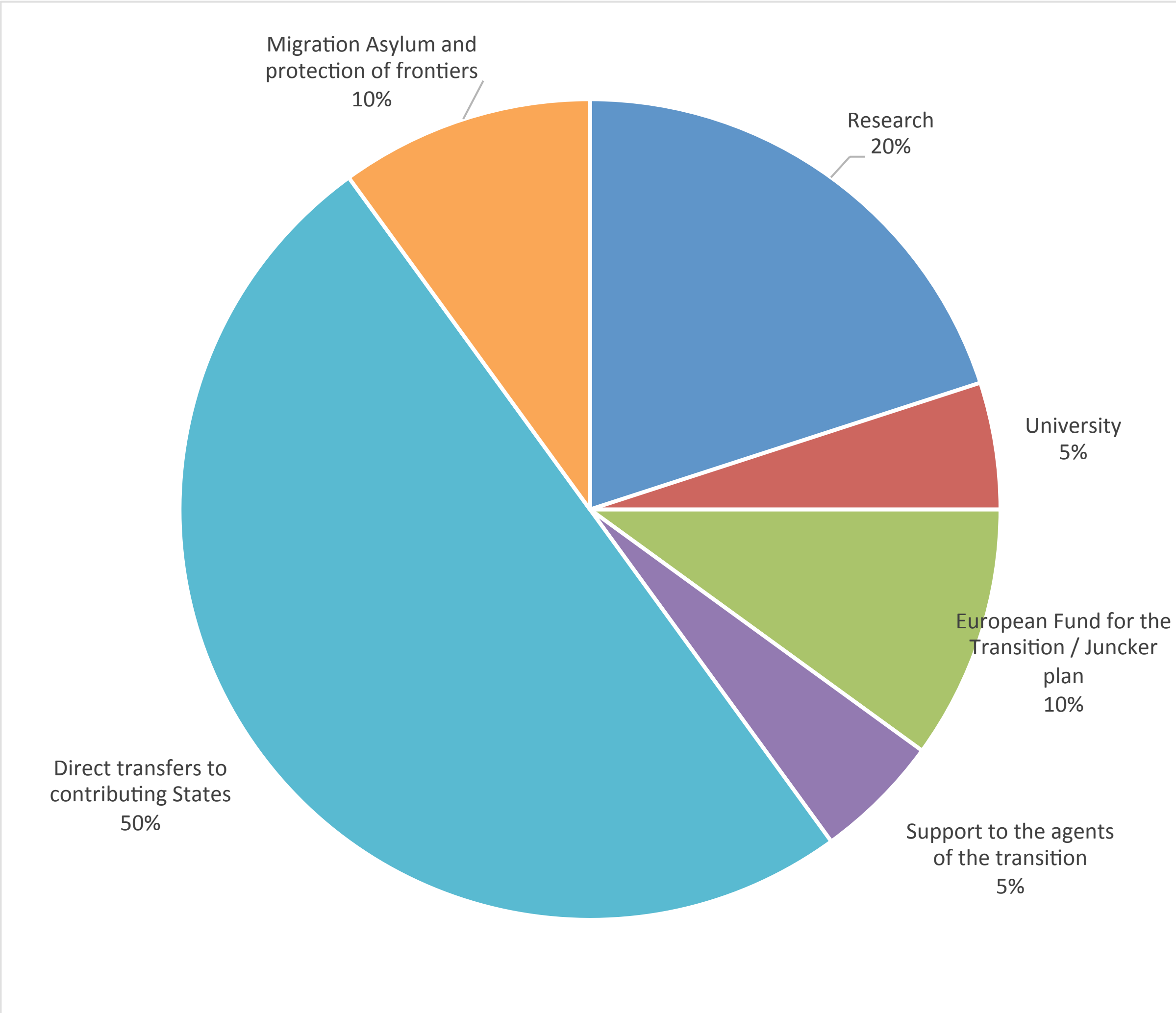
- Firstly, the present European budget is mainly financed by a deduction on the revenue of each Member State. In real terms each State pays a percentage of its gross national income to the common budget and receives in return a share in the common expenditure. **This leads governments and people to focus uniquely on the amount of their contributions, that is to say, what they gain or what they lose. Now combating climate change, the organisation of the reception and integration of migrants, investment in the environment and in academic research all produce gains which extend beyond local level.** To create European value added, from which we will all benefit, it seemed to us more logical to finance joint policies on "*own resources*" or specific resources. This is why for each aim we are creating four new common taxes, deducted at European level on corporate profits, high incomes and wealth owners and carbon emissions.[6]
- Secondly, the present European budget does not prioritise the financing of collective European goods. Over 37% of the budget is devoted to expenditure in agriculture and direct grants in the context of the CAP (which alone represents 29.9% of the European budget). Today the top item in expenditure is devoted to the Cohesion Fund (48.1% of the budget) which consists in reducing the gaps between the European Territories. While these efforts are necessary, **there is very little left to finance the common policies**

[6] This is in keeping with the original philosophy of the common European budget which provided that specific resources like customs tax and agricultural levies would be the main source. But commercial agreements have reduced customs tax and agricultural levies today only represent a marginal share.

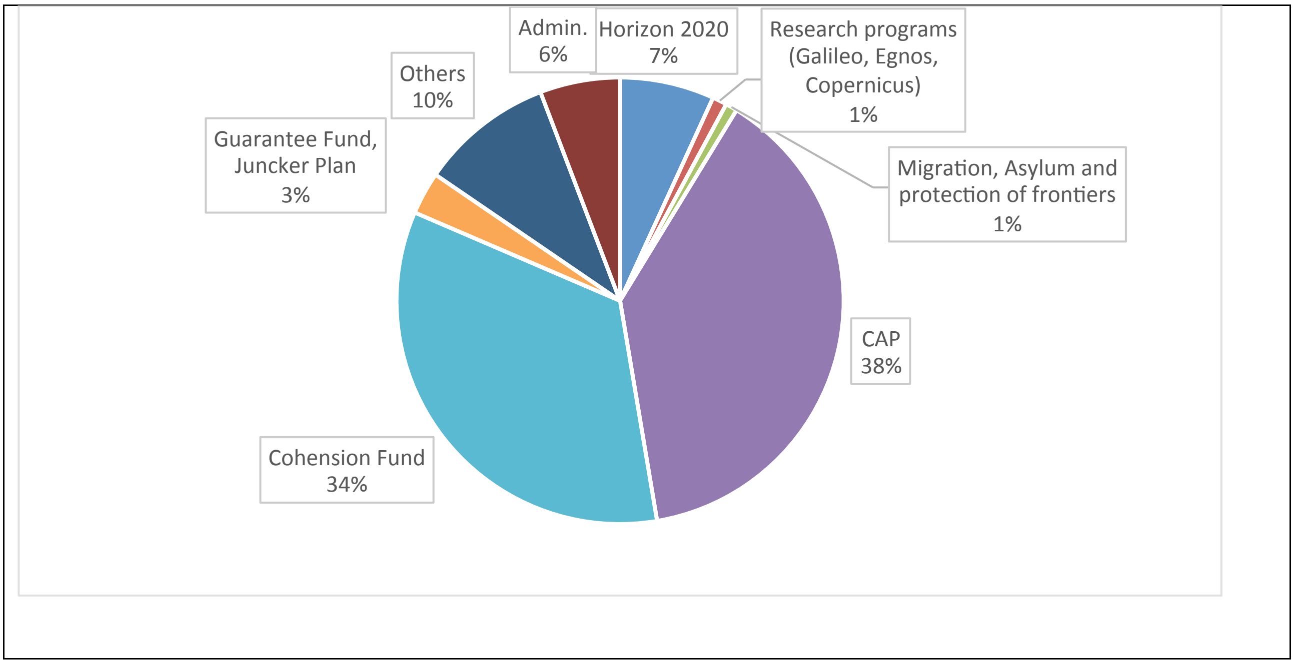
concerning the major challenges of our century. Faithful to the philosophy of European added value, our budget provides for dealing with these challenges at European level. Thus to give us the means of creating a new sustainable pattern of growth, respectful of the environment, limiting our carbon emissions, we are spending 25% of our budget on investment in research and the functioning of universities and we are creating a fund generating 2.1% of the GDP investment required to achieve the aims of the temperature targets in the Paris Agreement. Our fund is three times more ambitious that the present Juncker plan, a fund which still finances the old economy like motorways. The second challenge and collective good that our budget is wholeheartedly backing is the reception and integration of migrants. While the present budget aims to protect frontiers and prevent the arrival of new migrants, we think on the contrary that integrating these new migrants into the European labour market is a genuine economic opportunity on one hand, and our duty in keeping with European humanist values. Thus our budget is devoted to the integration of the new arrivals to ensure that they participate in revitalising our society and a more equitable distribution of the costs of the reception of refugees and migrants to guarantee reception conditions which respect our values.

- Thirdly, we are transferring half of the new resources directly to the States so that they can reduce national taxes and/or operate monetary transfers to the populations they choose. Each State will be sovereign in matters concerning the spending of these new resources. These direct transfers of specifically European resources to the member States are a radically new principle of budgetary federalism. We expect that transfers between countries will be limited to 0.1% of GDP because our aim here is not to reduce inequalities between member States but within countries.

New budget (4% GDP)



Current European Budget (1,1% GDP)


Admin.
6%
Horizon 2020
7%
Research programs (Galileo, Egnos, Copernicus)
1%
Others
10%
Guarantee Fund, Juncker Plan
3%
Migration, Asylum and protection of frontiers
1%
CAP
38%
Cohension Fund
34%

Treaty for Democratization (www.tdem.eu)

Questions and Answers

What is the aim of the Treaty for Democratization, and why do we need to create a European Assembly?

The aim of the **Treaty for Democratization (TDEM)** is to give citizens the opportunity to reduce inequalities and to set up genuine **social, fiscal and environmental justice** in Europe. To date, European integration has primarily benefited the most powerful and most mobile economic and financial agents: major multinationals, households with high incomes and high assets.

By creating a European Assembly, the States who so wish put themselves in a position to tax fairly the most prosperous actors and thus to finance a common budget enabling the establishment of a European model based on equitable, social and environmental development. This is impossible in the framework of the present institutions, in particular because of the right of veto of each country preventing any common fiscal policy.

Will this project not be vetoed by some countries?

No: the project has been designed so that it can be adopted by the countries who wish to do so, without any country being able to veto it.

Generally speaking, in recent years European public opinion in all countries and of all political tendencies has become much more aware of the question of the lack of fiscal and social justice in Europe. In particular it is a known fact that the biggest companies pay much lower tax rates on their profits than small and medium businesses and households with high incomes and assets are taxed at lower rates than the middle and working classes. This reality is now common knowledge and undermines the social contract and the consent to taxation in Europe. However, no government has proposed any practical measures to break the deadlock. This is why we consider that a specific plan enabling us to resolve this problem and to provide more fiscal and social justice in European countries would correspond to the requirements of Europe today and would be likely to obtain the consent of the majority in all countries.

Furthermore this project has been designed so that it can be adopted by any subset of member countries of the European Union. On the legal level, the rationale of the Treaty for Democratization is that it in no way conflicts with any of the current European Union Treaties: it accompanies them them, by creating for the countries who so wish, a new, shared fiscal sovereignty. It therefore in no way requires the agreement of all the EU members to enter into force. This point is central: the aim is precisely to be able to circumvent the possible veto of countries which refuse the possibility of a common taxation system (like Luxembourg or Ireland).

How many countries have to adopt the TDEM for it to enter into force?

It would be preferable if the TDEM were to be adopted at the outset by a considerable number of countries, in particular the four main countries in the Euro Zone: Germany, France, Italy and Spain who together represent over 70% of the population and the gross domestic product of the Zone. This is why we have taken this threshold of 70% for the entry into force of the Treaty (Article 20 of the TDEM). This moreover would enable the signatory States to enjoy sufficient legitimacy to intervene in the regulation of the monetary union.

But the Treaty can also be amended to enable it to be adopted by a smaller number of countries who can thus express their actual willingness to advance; above all, they can demonstrate to others the interest in having common taxes and a budget for democratisation. For example, nothing prevents France and Belgium or France and Germany from creating a Common Assembly with the power to adopt common taxes to finance a common budget.

Can this project be adopted quickly?

Yes, in a few months.

En 2011-2012, new treaties were concluded in a few months to completely reform the budgetary rules in Europe. These include the new budgetary treaty (**Treaty on Stability, Coordination and Governance in the Economic and Monetary Union**) also referred to as the **TSCG** and the treaty creating the **European Stability Mechanism** (**ESM**). The problem is that these treaties have only strengthened opacity and austerity in Europe. But their rapid adoption proves that it is perfectly possible technically to adopt the Treaty for Democratisation, provided the political will exists and that the citizens and political movements undertake to do so. It is not by repeating that nothing is possible that we shall succeed in transforming Europe.

This said, the experience of other Treaty changes does suggest that it can be difficult to adopt such reforms dispassionately and that it is frequently under the pressure of unexpected events and crises (like the rise in interest rates in Autumn 2011) that changes of this sort, previously considered impossible are suddenly agreed upon.

Whatever the case may be, whether proposals such as the TDEM be adopted calmly (the option which obviously we would prefer) or in the wake of future financial or political crises (a possibility difficult to dismiss in the present state of things) this does not prevent us from debating the content of the next changes in the Treaty – quite the contrary: we have to prepare for future crises with an action plan for the reconstruction of Europe on better bases. This will avoid having to cobble together a poor re-vamp of the treaties, once again at the last minute for lack of adequate discussion beforehand.

Does the fear of transfers between countries not risk leading to rejection of the project?

No, because the project explicitly provides that the gap between income and expenditure or repayments paid and received by the different Signatory states cannot exceed 0.1% of their GDP (Article 9 of the TDEM). In case there is a consensus to do this, this limit can be raised or lowered, without changing the substance of the project.

This is a fundamental point because the spectre of the ‘transfer Union’ has become a major obstacle in any consideration of Europe. Now the core challenge facing the European Union is not the organisation of huge transfers between countries; instead it is the reduction of inequality within these countries. In material terms, the inequalities within countries are much greater than the inequalities between countries and this is why we propose to focus on the former. There are rich tax-payers in Greece and poor tax-payers in Germany: this is why the TDEM is designed to harness the former (and more generally all the richer taxpayers in Europe) and benefit the latter (and more generally, all the poorer taxpayers in Europe wherever their place of residence).

Why should we create common taxes?

Fiscal competition between European countries has led to constantly lowering further taxation on the richest and most mobile tax-payers (large firms, taxpayers with high incomes and assets), to the detriment of the less well-to-do taxpayers, who have witnessed a rise in their deductions (in particular in the form of VAT and other indirect taxes and taxation and deductions on salaries). The only way to end this fiscal competition is to give a European Assembly the power to vote a common taxation system.

Why re-allocate a considerable share of the income from these new taxes to States?

In the proposed Budget project, the intention is to re-allocate half the new income, or 2% of GDP out of a total of 4% of GDP derived from the four taxes on profits, high incomes, high assets and carbon emissions.

In particular, this will enable member States to lower the taxes weighing on the lowest incomes (VAT, indirect taxes, taxes and deductions on salaries, etc.), in keeping with the priorities which they decide.

The European Assembly could also choose to re-allocate the totality of the income in this way. This is not our preferred choice, because it seems to us important that these new revenues also be used to finance shared investments in the future. But this type of choice would already be a considerable improvement in comparison with the present situation: the European Assembly would be an instrument enabling each Member State to set up greater fiscal justice.

Why should we create joint investments and a common European budget?

The European Community States whether they like it or not, do share a number of common public assets. Common or shared assets are goods which are not exclusive, certain aspects of which extend beyond administrative borders, as for example, the climate. The fact that these goods are of benefit, or are a cost to populations with no distinction of borders justifies common governance. The European countries also de facto share a certain number of challenges which cannot be regulated by purely national management. How can we imagine the implementation of the ecological transition of national economies without a common policy? How can we regulate the large digital companies in Europe if we do not have a concerted policy? The budget proposal therefore has axes for various challenges and shared assets in Europe namely: knowledge, the environment, reception of migrants and taxation.

The aim is to construct European commons to enable the European Union to project itself into the future by means of a transition in its mode of growth and by regulating globalisation thus promoting a genuine European model for lasting and equitable development.

Why is the European Assembly so reliant on national Parliaments and not on the European Parliament alone? Is this not a challenge to the supra-national aim?

In the proposal set out in the TDEM we suggest that the European Assembly be constituted by elected members of national parliaments (80% of the members) (at the *prorata* of the groups which constitute the national parliament) and that a fifth, or 20% be elected members of the European Parliament (also at the *prorata* of the groups which it comprises).

The first reason for which we wish to see a majority of members from national parliaments is in the first instance a question of the legitimacy concerning fiscal measures: one of the main obstacles to fiscal unification is the refusal of national Parliaments to lose the monopoly of this prerogative.

Moreover, and above all, it seems to us essential that national, parliamentary elections become de facto European elections: the national political project must be part of a European project if we wish to restore meaning to the European narrative. National campaigns cannot use Europe as a scapegoat; this may well sustain populism. The representation of national elected members in the European Assembly would imply that the candidates in national, parliamentary elections would no longer be able to avoid responsibility by blaming Brussels. They will have to explain to voters the projects and budgets which they intend to defend within the European Assembly. By uniting national elected members in the same European Assembly, habits of co-governance will be created which today only exist between Heads of States and Ministers for Finance.

Will the project be able to work with a European Assembly constituted in the same way as the present European Assembly?

Technically, yes. Politically and democratically, it would not be the best solution.

In the proposal set out on this site, we suggest that 80% of the European Assembly be constituted by elected members from national Parliaments and 20% by members of the European Parliament. This choice deserves further consideration. The percentage of national elected members could be lowered, for example to 50%.

Technically, it could equally well be lowered to 0%, in which case the composition of the European Assembly would be the same as the present European Parliament but with much wider fiscal and budgetary powers. Since, at the moment, each Member State has the right of veto, the European Parliament cannot adopt a single European tax. If a sufficient number of member States were to agree on a proposal of this sort, it would be a considerable advance for Europe, and one which we would support.

However, we warn of the political and democratic risks that a solution of this type would involve and, more generally, of an excessive lowering of the percentage of national, elected members (below 50%). This could lead to conflicts of legitimacy in the future between the European Assembly and the National Parliaments which, in the absence of evidence to the contrary, would retain the power of voting taxes in the various Member States and also that of ratifying and withdrawing from international treaties (like the European treaties and, in particular, the TDEM). It does seem distinctly preferable to 'Europeanise' national Parliaments by placing them at the centre of the democratisation of Europe.

What difference is there between your proposal and the "euro zone budget" proposed by the French and German governments?

In June 2018, in the Meseberg Declaration, the France-Germany Partnership agreed on a roadmap to set up a budget for the Euro Zone by 2021. The stated aim of this budget is convergence within the Euro Zone and its stabilisation. There are many differences between our project and this one.

Generally speaking, the Macron-Merkel project is extremely vague, whereas ours is precise: the vagueness of the Macron-Merkel project is all the more problematic particularly as it sustains all the anti-European delusions. For example, Euro-sceptics can allude to the risk of enormous transfers between countries which nobody can deny. Our project avoids this by placing a ceiling on transfers between countries drastically and explicitly.

Furthermore, the budget in the Macron-Merkel project only exceeds GNP by a few tenths of a point, whereas ours rises to 4% of GNP (or more, if the European Assembly so decides).

Next, the Macron-Merkel project in no way changes the opacity of the present European governance (the governance referred to is based on the Eurogroup, the Commission and the ESM (European Stability Mechanism) whereas our project is based on an in-depth democratisation of Europe, with the creation of a democratic European Assembly constituted by national and European elected members, who will have the final word over other instances on voting of the budget.

Finally, the budget proposed here is more ambitious than a mere income stabilisation or convergence tool. This is a budget which aims at creating public goods and implementing collective projects for the European Union as a whole.

What is the difference from the Franco-German project for a Parliamentary Assembly discussed in October 2018?

In October 2018, the French and German governments discussed the possibility of the creation of a Franco-German Parliamentary Assembly to debate a certain number of subjects, in particular questions of defence.

The main difference is that this Parliamentary Assembly is purely a consultative body (as moreover is the conference of national parliaments which already exists in the context of the present treaties), whereas we are proposing the creation of a European Assembly which would have real fiscal and budgetary powers enabling it in the last resort to adopt common taxes which serve a common budget.

Is the Manifesto for Democratization left-wing or right-wing?

The Manifesto is addressed to all European citizens and political movements who identify with it and would like to contribute to improving it with no exceptions. Our aim is to support a fundamental discussion which has nothing to do with the labels of the past.

In so far as it focuses on social and fiscal justice and on the possibility of adopting European taxes for the richest and most powerful economic actors, it is natural to associate this Manifesto with the left. The issue here is one of a Manifesto of a truly European Left and one that is genuinely left-wing. Most of those who drafted it and the first signatories of the Manifesto will recognise themselves in this description.

But above all, it seems to us that the issues of social and fiscal justice in Europe are issues which transcend the usual differences and are likely to bring people together: numerous European citizens of all tendencies, and in particular many disenchanted citizens who do not recognise themselves in the existing political offer would like the most powerful economic actors to be forced to contribute at least as much as the lowest income groups. Many reforms supported by the ‘left’ in the past, like universal suffrage or income tax, have long since become consensual.

Finally, the central question of the construction of a legitimate and sovereign European Assembly, supported by national and by the

European Parliaments, go beyond the traditional differences quite simply because the issue has never previously arisen. At no time in the past have old Nation States ever chosen to share their fiscal sovereignty in such an ambitious way as the path we propose here. Our aim is to contribute to this fundamental debate and not to confine both sides in their convictions of ‘left’ and ‘right’.

Why call this budget a “Budget for democratization”?

The financial year is central to the democratic process. Within a country, the financial year materialises the government’s political project and brings the democratic forces into play via the proposal and adoption of the government’s annual budget. The budget is therefore the founding act of a political community in so far as it creates the political space and acts as a lever for local democratic life. The creation of a European budget is therefore the basis for the creation of a European political community and a democratic public sphere.

Furthermore, this budget will serve to finance the very conditions for the viability of democracy in Europe. By ensuring respect for social justice and by ensuring lasting and more balanced growth, this budget will respond to the risks facing Europe. To maintain its legitimacy, the social State must be capable of redistributing the wealth created in an equitable manner. To justify the legitimacy of the common market, Europe must be capable of regulating globalisation and of directing economies towards sustainable growth.

Why is it urgent to adopt the TDEM?

Confronted with the financial crisis, the States set up a genuine European economic government to manage the challenge of the debt crisis. The problem is that this emergency government has become institutionalised without becoming democratic and it remains extremely opaque for citizens.

Following the financial crisis, Europe was confronted with a genuine social, democratic and ecological emergency. Society became more inward-looking, the European project lost meaning, a feeling of abandonment developed amongst some sections of the population and there was a rise in inequality. As a result the European Union became the scapegoat and was designated as the instance responsible for social tensions.

This crisis justifies the setting up of a new European government, the European Assembly, which will enable the democratisation of the economic and social governance of the European Union. The TDEM project aims to revive democracy in the EU by providing tangible and achievable tools to regain control of the European project and respond to the social and ecological challenges. The creation of a shared political space will enable citizens to re-write a shared narrative focusing on Europe. This project aims to break the deadlock in Europe by creating a sense of European commonality.

How does this project differ from yet another appeal for a social Europe?

Over and above being an appeal for a new European dynamic, this project finally provides specific and concrete proposals enabling Europe to be transformed and implementing more fiscal and social justice. We are formulating budgetary and legal proposals which are fully thought out and are applicable as such but which are also a basis for negotiation, a basis for specific discussion which demonstrates that it is possible to do things in Europe and that not everything is blocked. Our proposal is one for a material utopia which we intend to be performance oriented.

What would become of the European Parliament? How would the new European Assembly work with the other institutions?

There is today an economic government in Europe which has become autonomous in comparison with the governance of Europe at the outset and the European Parliament around the Eurogroup. This justifies the creation of a new Assembly to ensure democratic control of this economic government. Furthermore, the European Assembly would be competent in fiscal matters, and therefore conceives of itself as a European body of the national Parliaments whereas the European Parliament has a more transnational status. However the European

Parliament would not be an unknown quantity in this new Assembly since some of its elected members would already be members.

What is meant by the pooling of debts?

We propose the possibility (if the European Assembly so decides) of a pooling of the refinancing of States for all or part of their debts (article 10 of the TDEM). This proposal is based on the “Public Debt Redemption Fund” proposed in 2012 by the German Chancellery’s economist council, except that it is a democratic body (the European Assembly), and not an automatic rule, which will decide the rhythm of repayment. Each country would continue to repay its own debt but at an interest rate which is the same for all. We would thus avoid a crisis in the spreads like the one which occurred and would institute a new point of reference which is more satisfactory than that of the market.

We should stress however that the TDEM proposal is built for the most part around the idea of fiscal justice, and the possibility for a European Assembly that can adopt common taxes to finance a democratization budget. The questions of debt and money also play a role of the TDEM, but these parts of the proposal would need to be strengthened. Generally speaking, our objective is not to close the discussion but to open it on a precise basis, so that everyone can participate and amend and improve our proposal.

Is your proposal the only one possible, or can it be amended?

We emphasise that the whole of our proposal can be amended and modified and only constitutes a basis for discussion. In particular, numerous parameters can be modified to adjust the project to our aims. Thus the percentage of national elected members (80% in the present project) can be lowered. The ceiling for fiscal transfers - 0.1% of GDP – is also adjustable depending on whether the desire is to direct the budget towards an aim of convergence of the economies or whether to reduce inequalities within the different countries and finance joint future projects. Let’s take another example; we have proposed that the treaty be adopted by the States representing a minimum of 70% of the population. We consider that this figure represents a desirable threshold for the control of the economic governance of Europe to be legitimate. However, it is conceivable that the treaty be adopted by countries representing a smaller proportion of the population focussing exclusively on the budgetary aspects: a joint France-Belgium, or France-Germany or France-Belgium-Germany Common Assembly levying a common corporate tax on firms or large fortunes would already be a considerable advance!

Our aim is not to bring the discussion to a close but to open it on precise bases. Everybody has the right to disagree with our proposals, but on condition that the alternatives envisaged are clearly stated. The European debate is being stifled by statements which assert that "nothing is possible"; let's hope that the time has come for proposals.

Do the European Treaties not deserve to be challenged more globally?

The TDEM proposal aims to provide the means to act with the countries who so wish, with no country being able to use its veto and block all. But it is very obvious that ultimately the ideal course would be to overhaul all the treaties. It is however too easy to say that we are going to withdraw from all the treaties without stating precisely what new treaties we propose to replace them. The fact of withdrawing from certain aspects of existing treaties may constitute a useful strategy for the future, but only on condition of making constructive and alternative proposals. This is the spirit of the TDEM.

Why not improve what already exists in the framework of the present institutions?

The problem is that the present institutions, in particular because of the right of veto held by each country in fiscal questions, does not enable us to advance to greater fiscal justice. Expecting people to believe the contrary, whereas European citizens have witnessed for years that this does not work, amounts to exacerbating the feeling of distrust in dealing with the European institutions.

How is it possible for some countries to progress faster than others? Is this authorised by the present treaties?

All the countries have always had the right to conclude bilateral or multilateral treaties with each other, as long as this is not a violation of the treaties which they have already concluded in the past (except of course in withdrawing from the latter). In this case, the TDEM does not violate any of the existing European treaties, because the new sovereignties attributed by the TDEM to the European Assembly (in particular on the fiscal level) are not covered by the present treaties.

What interest is there in advancing with only a few countries?

One of the reasons for which Europe has the reputation of being 'cast in stone' or unchangeable is the cumbersome negotiation procedures with 27 or 28 countries. The European Union was built by a few countries before expanding. It does seem logical that to begin with it advances in a small group. The present system of 'enhanced cooperation' is inadequate because it is not based on truly democratic institutions: whence the TDEM proposal and the creation of a European Assembly which, de facto, provides a legitimate democratic framework for the adoption of much more ambitious forms of 'enhanced cooperation' than those allowed at the moment, in particular in fiscal and budgetary matters.

What interest would Ireland and Luxembourg have in joining the budget which imposes a high minimal corporate tax rate?

The proposed budget does not consist wholly of taxes; there are also investments in future projects. Fiscal competition is not a very solid lever for development and does not create much value added. The ecological transition of a whole continent all together is a much more attractive lever for development. We have to break the vicious circle of unfair competition.

Furthermore, there is no need for Ireland or Luxembourg to join the project right now. Simply, nothing can stop them from blocking the countries who do want to advance. This would give countries which do join the TDEM the possibility of demonstrating to the others the interest of having joint taxation and budgets and of thus convincing them to join the project.

Why not use the mechanism for "enhanced cooperation" provided for in the existing Treaties?

The "enhanced cooperation" between Member States of the Union is sometimes presented as a mechanism enabling to overcome the rule of unanimity, particularly in the field of taxation. But in reality this mechanism is based on extremely restrictive rules which today block any genuine advance in the fiscal or institutional fields. The implementation of a common corporate tax (or any other common tax) in the context of enhanced cooperation would require a minimum of 9 participant States, as well as the qualified majority agreement of the Council.

In real terms that means, over and above ensuring the participation of 9 Member States, the tax would require to be voted by 55% of the Member States of the Council representing 65% of the population, to approve the initiative. Even more restrictive is the fact that without the prior approval of the Commission (which is probable), it would require the agreement of 72% of the Member States representing 65% of the population of the Union! Finally, 4 States representing 35% of the population could completely block the proposal.

Briefly, at the moment "enhanced cooperation" does not allow a small group of countries to embark on the task of fiscal harmonization or an ambitious institutional reform. On the contrary, there is nothing to prevent a few pioneering States to create common taxation with the support of a Treaty and an Assembly of the same type as we propose. We consider this could create a dynamic for further opportunities (as was the case at the beginning of European construction) which could break the present institutional inertia.

How can you be sure the European Assembly will adopt a Budget of the type you propose?

By definition, we cannot know in advance what the European Assembly will adopt. But we are convinced that the only way to move Europe forward is to have confidence in democracy.

At the moment, given the rule of fiscal unanimity there is no possibility of adopting common taxes to reduce the inequalities in Europe. With the European Assembly and the TDEM, this possibility will exist. At worst, the European Assembly will not adopt any of these taxes, or else will only adopt them with extremely reduced rates, at least at the outset. But this will in no way prevent the States from continuing to follow the current fiscal policies. The European Assembly will open up the possibility of adopting common taxation and, in this case, redistributive and ecological taxes (taxes on corporate profits, on top income and assets and on carbon emissions), but will in no way affect the rights of the States.

Furthermore, all parliamentary and fiscal history shows that the establishment of parliamentary assemblies endowed with considerable fiscal powers very rapidly has an effect on political dynamics. As soon as the 16th Amendment to the American Constitution was adopted in 1913, the Federal Congress lost no time in using its new powers to adopt some of the most progressive taxes in history on income and inherited assets. On the contrary, it is the absence of federal, fiscal parliamentary power and the rivalry between national Parliaments which explains why, since the 1980-1990s, Europe has witnessed an overall lowering of taxation rates on corporate profits, while the Federal Congress in the USA maintained an IS (additional tax) at 35% (until recently) over and above the State taxes. If a European Assembly had the power, it is probable that it would choose to tax corporate profits at a high rate to proactively involve the most powerful economic actors, in response to the demand of by far the majority of European public opinion, right across the political spectrum.