Juncker-Voodoo:

Why the "Investment Plan for Europe" will not revive the economy

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0. Summary

Juncker's Investment Plan is meant to address the euro zone's economic depression through increased public and private investment. EU budget and EIB (European Investment Bank) resources of together 21bn euros will be transformed into guarantees for the "European Fund for Strategic Investment" (EFSI). EFSI will itself raise 63bn euros on the capital markets (i.e. sell bonds to investors which are guaranteed by the EU/EIB money) and private investors are expected to contribute 252bn euros to get to the announced total package of 315bn euros of investment for a range of infrastructure projects across Europe.

The Plan is political and economic nonsense. It goes against sound economic reasoning and entirely overlooks questions of social cohesion and justice. It's particular nonsense as:

- Investment and productive capacities have been so drastically reduced as a consequence of the crisis and austerity that the Plan's meagre scope, only a fraction of which is fresh public money, will be light years away from bringing the economic change the EU desperately needs.
- The focus on private investors and the unequal distribution of risks create huge costs for taxpayers
- Project selection will be depoliticised and made by so-called experts (always open to industry "advice") mainly based on private profitability. Most of the resources can be expected to flow to the safe havens in the so-called "core" and to large-scale projects to the benefit of big corporations.
- It does nothing to tackle structural problems such as current account imbalances (e.g. Germany's aggressive cost dumping), redistribution from labour and the welfare state to capital owners, systematic tax fraud plundering public pockets and the oligarchic control of the economy.

In the following sections, after a general introduction (1), this paper will further elaborate on the situation of the EU and euro zone economy (2), the urgent need for fresh public investment given the current situation (3), the details of the Commission's mediocre initiative (4) as well as some ideas for a true investment plan for Europe (5).

1. Introduction

The EU Commission unveiled its promised investment programme claiming to mobilize investment of 315bn euros over three years (roughly 0.8% of GDP per year). The "Investment Plan for Europe" shocked even pessimists: It entails little additional public money while detracting 8bn euros from underfunded EU budget programmes. Its leverage assumptions resemble creative accounting and the overall concept falls short of any meaningful response to massive drops in public investment and economic depression. By redirecting resources, it further accentuates the disastrous shift towards privatization of public infrastructure and socialisation of private risk.

Excess liquidity on financial markets is not tapped for socially desirable investment via progressive taxation, credit expansion or mutual bonds issuance but public infrastructure is being ear-marked for rent-seeking of financial investors. In essence, the Plan is an attempt to provide financial players, such as big insurance funds sitting on piles of unused liquidity and plagued by a low-interest environment, with profitable investment opportunities by stripping public infrastructure for profit. The excess liquidity is a consequence of the skewed distribution of income between wages and profits, low levels of taxation of corporate profits and wealth as well as austerity eroding profitable investment opportunities in the real economy.

Austerity killed investment and hence for investment to restart, austerity must be killed. The EU economy needs a boost of strictly public investment of 250-600bn euros a year (2-5% of EU GDP) to kick-start the economy and crowd-in private investment. Such an investment-led recovery should be complemented by rising real wages and a reconstruction of the welfare-state, all of which would contribute to the same end.

Public investment should not be temporary or a device to merely flatten the business cycle. It needs to be a permanent stimulus to make up for the nearly lost decade in Europe, filling the investment gap, which is a drag on internal demand, social and economic cohesion and the productive capacity of EU member states more broadly. A progressive investment programme should decouple the EU member states from financial boom and bust cycles, enable structural change towards social progress, ecological sustainability, deeper regional economies instead of over-reliance on cross border trade, decent jobs for the youth and high quality public services as well as democratic governance of the economy. Hence, we need not simply more investment but investment guidance to steer resources away from misallocation such as real estate bubbles.

A progressive investment programme may be financed via taxation of wealth (e.g. wealth levy) and other forms of progressive taxation on capital and high-earning labour, the closing down of tax havens as well as via low-interest debt issuance and the European Central Bank (ECB) or European Investment Bank (EIB). Central bank credit would help states to maintain financing conditions independent of capital markets and improve the transmission channel of monetary policy. This further requires democratic accountability of the European Central Bank (ECB). Crucially, public investment will partly pay for itself by offering an escape route from stagnation and towards higher economic activity, employment and hence public revenue.

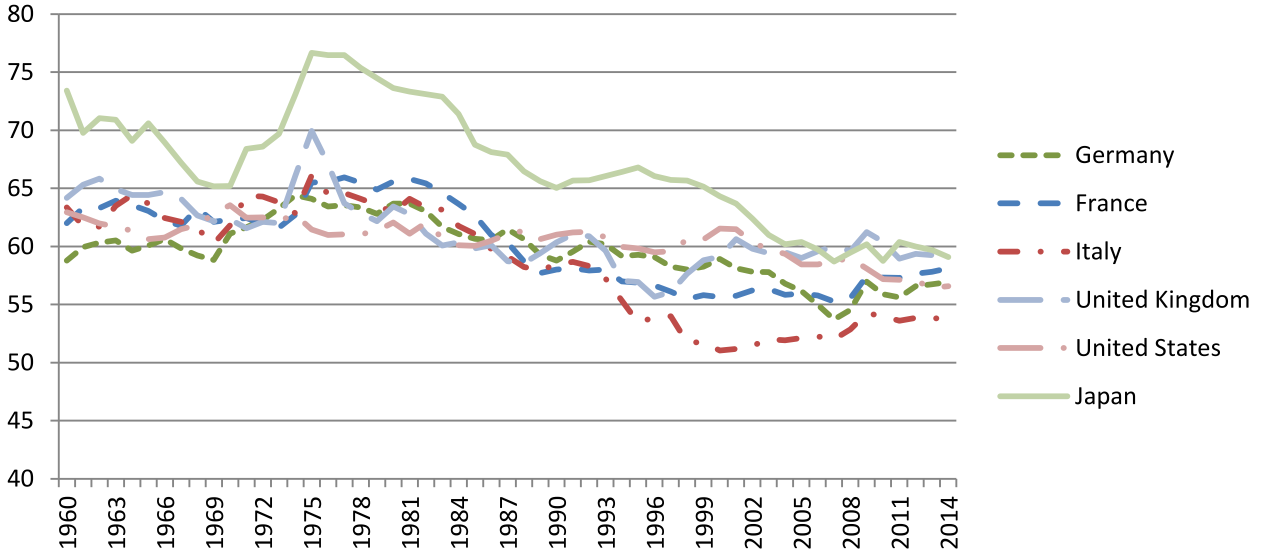
An investment programme should be complemented by a public-led industrial policy on the level of EU member states. GUE/NGL should consider financing an ambitious study to identify socially desirable sectors, which may contribute to progressive and sovereign economic development within and across EU member states.

2. The state of the EU and euro economy

The era of financial capitalism has led to an economic architecture which proved entirely dysfunctional. The fall in the wage share since the end of the 1970s has led some economies to embark on financialisation and/or financing of private consumption with capital inflows and consumer credit. Others, such as Germany, compensated the lack of domestic demand through chronic net exports, further accentuating unequal trade patterns among euro countries. Graph 1 shows the adjusted wage share, given as compensation per employee as percentage of GDP at market prices per person employed, for the 3 largest Eurozone economies, Germany, France and Italy, as well as for the UK, the US and Japan.

Graph 2 shows the current account balance for France, Germany, Greece, Ireland, Italy, Portugal and Spain. Clearly visible are Germany’s surplus, which well exceeds 5% of GDP since the Hartz reforms, implemented between 2003 and 2005. Since the introduction of the Euro, Germany has accumulated current account surpluses of about 2trn euros. Greece, Portugal and Spain, on the other hand, had permanent current account deficits over the Euro period, which increased markedly after Germany implemented its “beggar-thy-neighbour” policies, gaining competitiveness at the expense of other euro zone economies. These deficits vanished during the crisis, as austerity policies depress demand for imports in these countries.

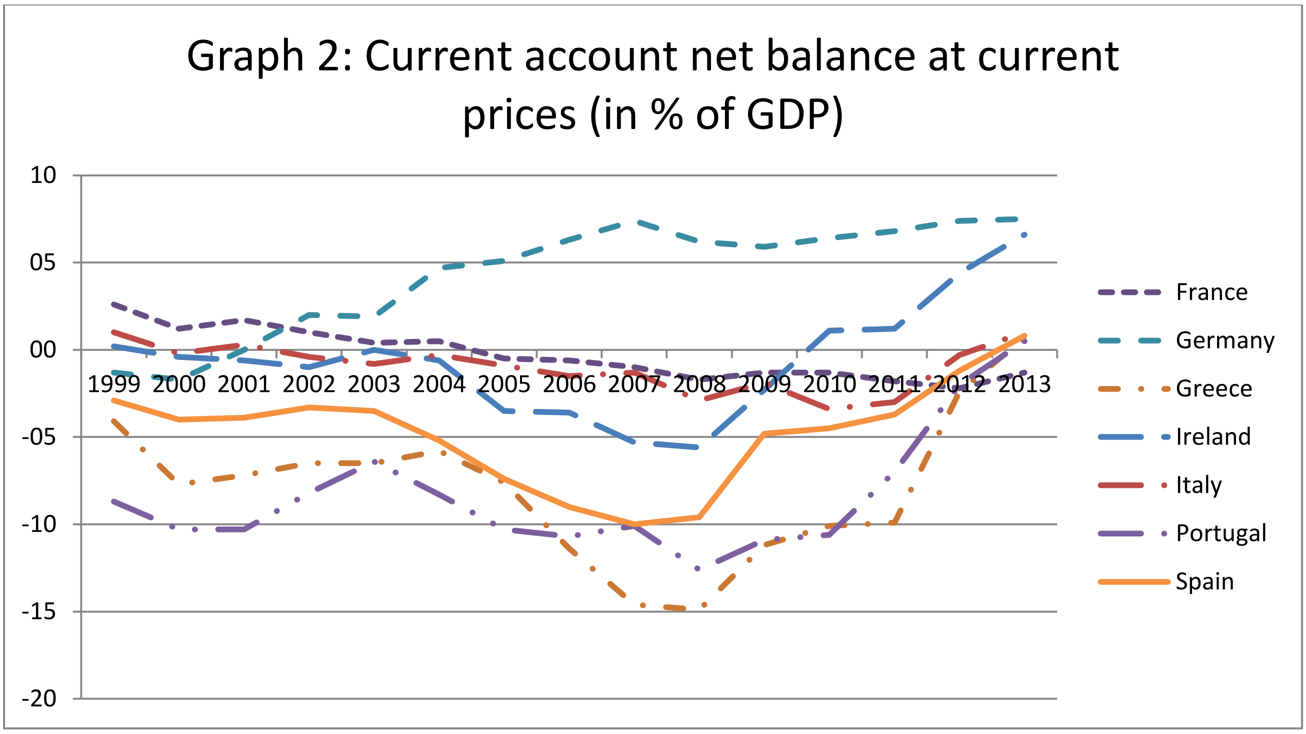
Graph 1: Adjusted wage share: total economy: as percentage of GDP at current market prices



Source: AMECO database, extracted 04/02/2015

The EU response to crisis has made bad matters worse. The cutback of state expenditure, wages, pensions and social security has produced nearly a lost decade. The EU economy has witnessed nearly seven years of depression combined with an unprecedented rise of mass (youth) unemployment and faces the prospect of chronic deflation and stagnation (Graphs 3 & 5). Disinvestment also reduces the long-term growth potential of the economy since it erodes productive capacities. Further, it hardens "structural unemployment" when workers lose skills in periods of prolonged exclusion from the labour market.

In fact, EU economies face a balance sheet recession. Private households and the corporate sector behave in a perfectly rational way. Private households cut back on consumption to reduce debt levels. Lower demand makes private investment unprofitable and gloomy prospects make banks reluctant to lend to the real-economy even where opportunities still exist. Via downward pressure on asset values, economic contraction becomes itself a driver of more deleveraging, less credit supply and lower demand. The only economic actor which could overcome such individual rationality leading to collective irrationality is the state, through public investment and consumption.



Source: Eurostat, extracted 12/01/2015

The impact of the crisis on the euro zone was especially severe, since the most affected euro countries lacked both exchange rate and fiscal flexibility or a fully-fledged monetary and political union mitigating the effects by fiscal transfers and the European Central Bank (ECB) acting fully as lender of last resort[1]. The focus on internal devaluation (fiscal austerity, wage restraint) led to a particularly weak growth and employment performance not only in the so-called “periphery”, but also the biggest economies, Germany, France and Italy. Besides increasing economic stress, austerity has not even achieved its proclaimed goal of reducing sovereign debt levels.

To the contrary, the euro zone is victim to the well-known “debt paradox”. Decreasing state expenditure has led to stagnation or recession (in the case of Greece a quarter of GDP has been destroyed) and hence rising public debt to GDP levels (Graph 4). At the same time, private consumption is hampered since households suffer from unemployment and falling wages while having to service public and private debt to (foreign) wealth owners (either directly by serving consumer credit or indirectly via taxation).

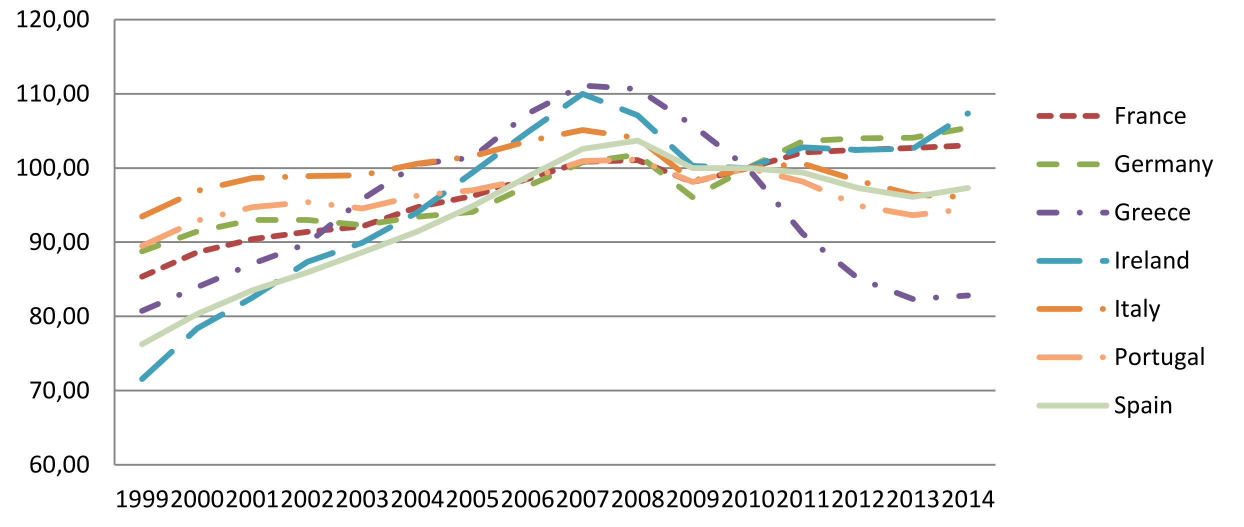
Confronted with similar shocks during the crisis, EU member states outside the euro zone have on average coped better. Ironically, due to austerity, even trade integration in the euro zone, one of the core justifications of monetary union, has returned to levels prior to the introduction of the common currency.

The austerity therapy was wrong from the outset, since the core of the “euro crisis” is not public debt but a combination of bail-out of even technically insolvent banks, high private (foreign) debt due to current account deficits (heavily accentuated by Germany's wage

[1] This entails no judgement on whether such a closer monetary integration would be currently desirable given the balance of power within the EU as well as distinct economic structures in sovereign member states. Without changes to current trade patterns, migration or fiscal transfers are the only mechanism to preserve a monetary union. Higher wage dynamics, especially in surplus countries such as Germany, and enhanced productive capacity in the periphery are however politically and economically preferable. Under the current economic regime, fiscal transfers risk to contribute to political dominance of core countries and might primarily burden labour and preserve dysfunctional trade patterns.

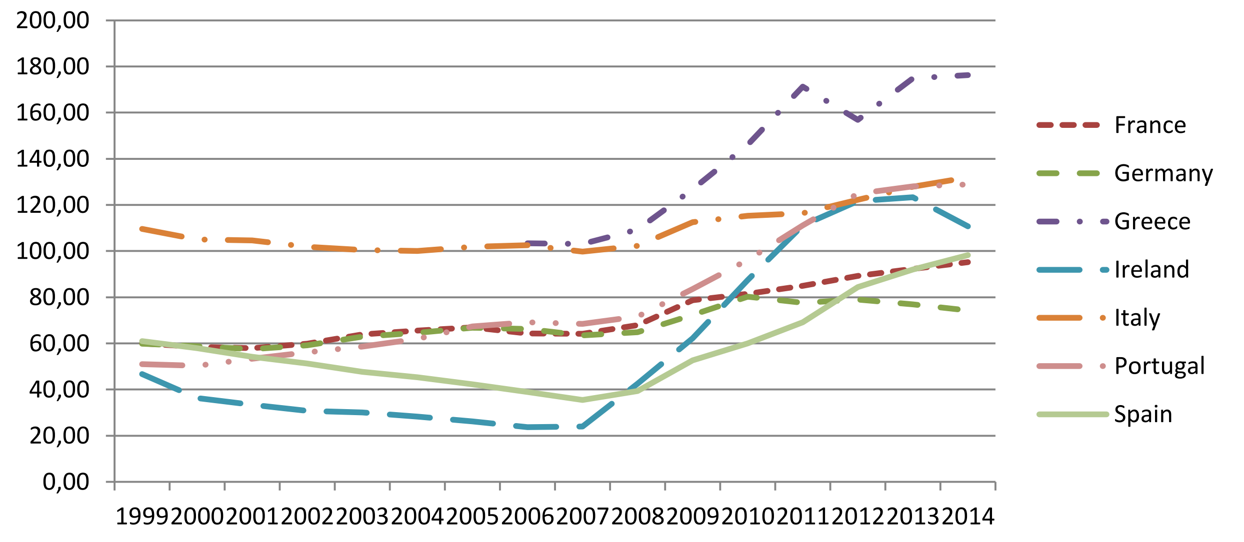
restraint) and an unsustainable economic structure, combined with insufficient taxation of corporations and wealth owners.

Graph 3: Gross domestic product at 2010 market prices (Index 2010=100)



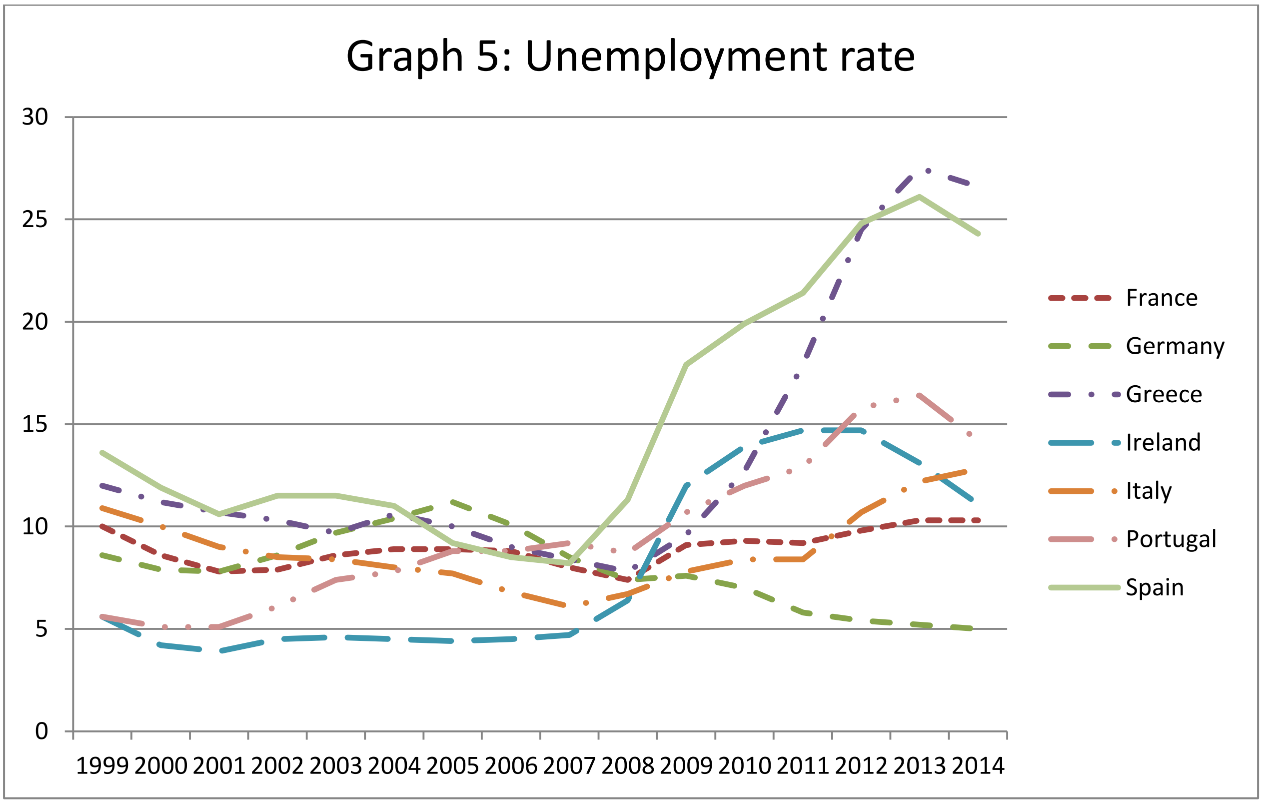
Source: AMECO database, extracted 04/02/2015

Graph 4: General government consolidated gross debt (% of GDP)



Source: AMECO database, extracted 04/02/2015

However, austerity was very effective in “starving the beast” (Margaret Thatcher). It destroyed the post-World War II welfare state, the bargaining power of unions and consolidated the economic and political power of transnational capital and wealth owners. Further, Germany, once perceived as economic giant but a political midget (reluctant hegemon) has transformed the EU into a “German Europe”. Since the crisis, even countries previously hostile to closer economic coordination have seized the opportunity to sponsor closer monetary integration under the umbrella of austerity and at the expense of democracy and sovereignty.



Source: AMECO database, extracted 04/02/2015

3. The need for public investment

Investment is the key driver of economic expansion. Any upswing usually rests on investment demand that may induce increased employment and consumption.[2] It is also the basis of transforming existing economic structures in order to achieve, for instance, environmental sustainability, regional cohesion or social well-being.

The core of such investment should be public-led in order to safeguard the primacy of public interest. Private investors may play a role in technology development and innovation, but the profit motive alone will never suffice to align private and collective incentives[3]. This is particularly pronounced if corporations are guided by short-term shareholder interests rather than long-term client and community relations. The prime example can be found in the excesses of the financial sector prior to and even through the crisis, where massively concentrated resources, fuelled by high and rising income inequality and seeking high returns, proved to be extremely risky and short-lived.

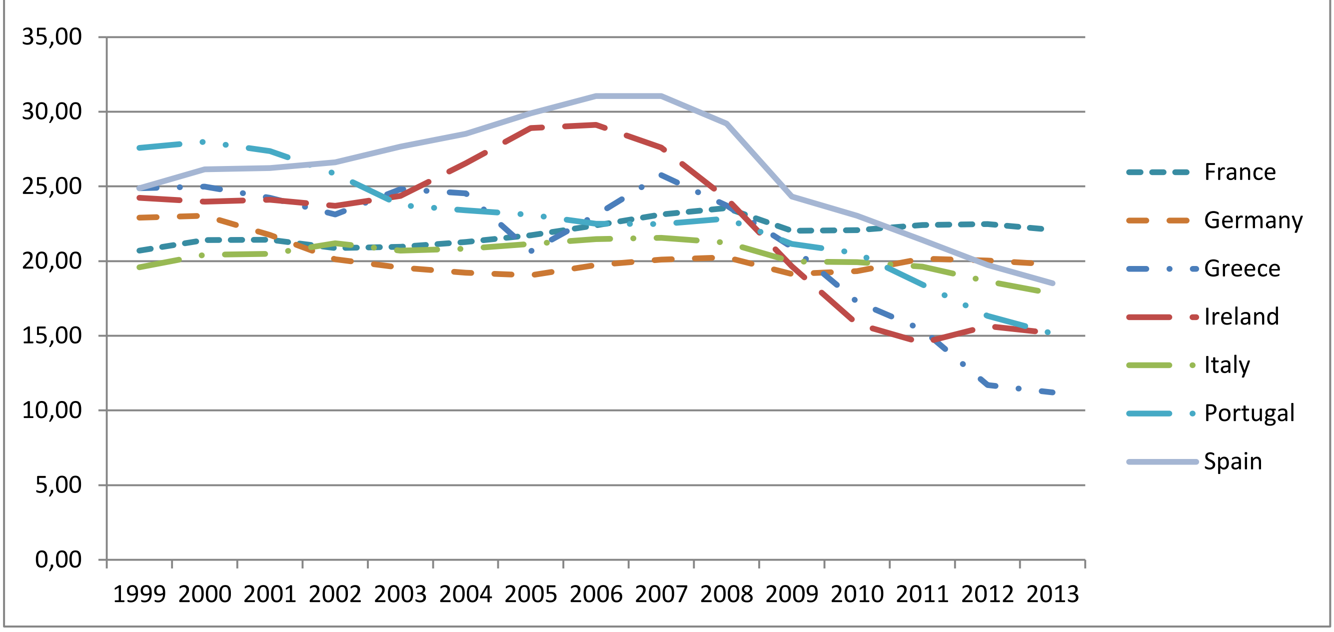
Public investment however, targeted smartly, creates significant positive spill-over and multiplier effects to the rest of the economy. Several authors (Barro, 1990), (Barro, 1991), (Knight, et al., 1993), (Easterly & Rebelo, 1993) show a positive correlation between public investment and economic growth. The estimated elasticity of public investment points to

[2] It is crucial for this investment to enhance fundamental productive capacities as higher consumption without capacity-enhancing investment leads sooner or later to economic bottlenecks such as current account deficits or runaway inflation.

[3] For instance, nuclear energy cartels or the oil industry have no interest to depreciate their prior investment and lose market power in the transformation process towards renewable energies.

values between 30% and 60% (Aschauer, 1989)[4]. This is especially true in a situation like today where the disastrous reaction to the crisis on top of three decades of neoliberal policies have created an enormous public (and private) investment gap in the EU.

Simulations performed by the German Macroeconomic Policy Institute (IMK) indicate, that a public investment program of 1% of GDP each year for 3 years would increase Eurozone GDP by an average annual of between 1.6 and 1.8 percentage points[5]. (Horn, et al., 2015)



Graph 6: Gross fixed capital formation (% of GDP)

Data from database: World Development Indicators, last updated: 19/12/2014

The major EU economies converged with Germany to display negative public net investment. This means that gross investment falls short of depreciation of the existing capital stock and hence deprives future generations of at least constant value of the public good (such as roads, universities, ports etc.) The EU Commission estimates the yearly investment gap to account for roughly two to three per cent of EU GDP or between 230 and 370 bn euros. This reflects the drop of the investment to GDP level of from its pre-crisis level of around 22 per cent to 19 per cent (a total drop of roughly 15 per cent in absolute terms). It should be noted here that the investment gap accumulates over the years. However, the true investment gap appears even to be much higher: This is so because investment is a crucial component of GDP. Hence, if investment remained stable even GDP would have been higher and hence a constant investment to GDP ratio would have required even more absolute investment than calculated by the EU Commission (as a higher capital stock requires more replacement Investment to preserve the bigger infrastructure against depreciation). We approximated the true investment gap with a conservative method as follows:

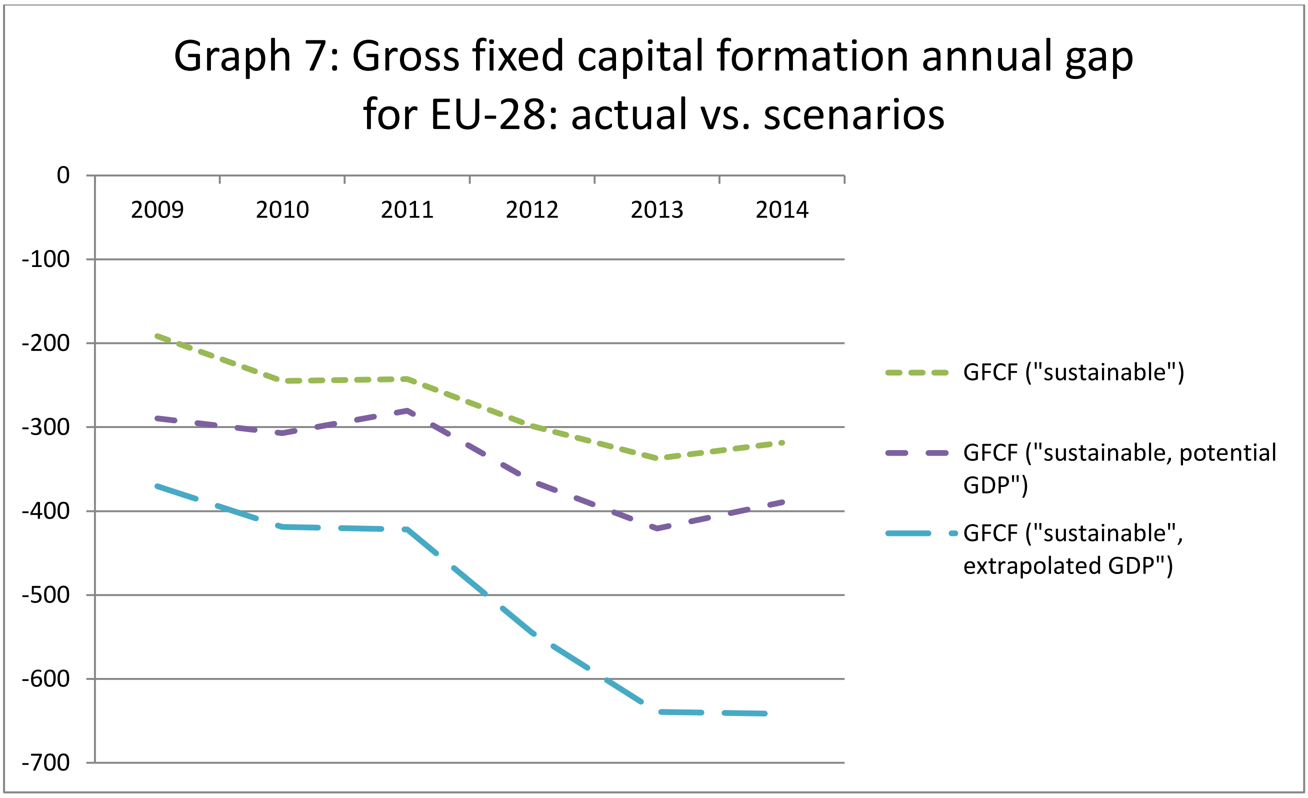
[4] This means that 1 euro of investment triggers and increase in GDP of between 1.3 and 1.6 euros.

[5] Taking account of the lasting crisis, IMK even estimate an average annual increase of GDP 1.8 percentage points, compared to baseline. This is due to the larger proportion of income constraint households, which increases the private consumption multiplier of such an investment program. Due to the fact that tax revenues would increase as well, such a program is also partially self-financing. In the later scenario, the debt-to-GDP ratio is estimated to remain permanently below the baseline scenario.

Graph 6 shows gross fixed capital formation (GFCF) as a percentage of GDP (public and private investment). There is an obvious drop in Greece, Ireland, Portugal and Spain. Also in Italy, which has not yet implemented austerity programmes on the scale of the other countries, investments have declined. In France and Germany GFCI is roughly constant, relative to GDP.

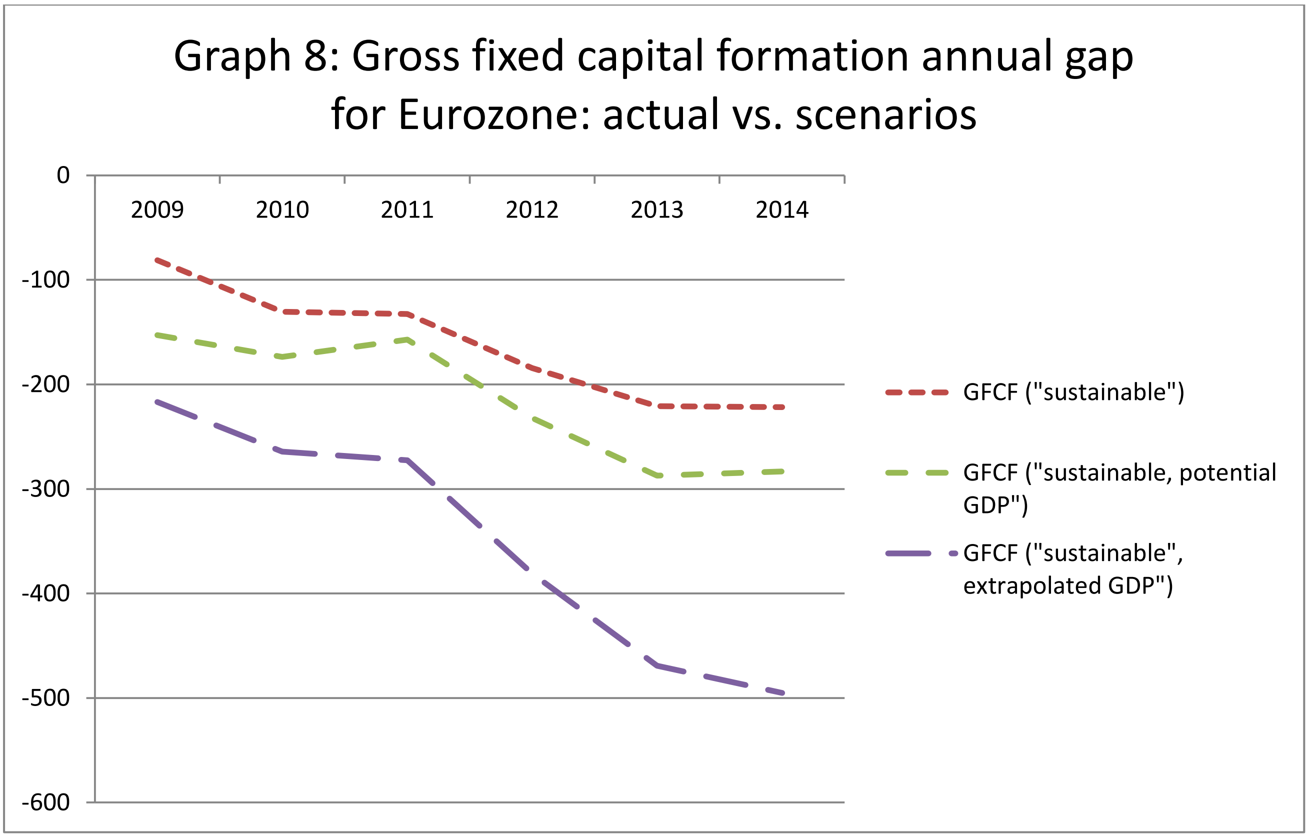
Graph 7 and 8 show the investment gap for the EU and Eurozone, respectively, for three different scenarios. Namely,

i. "sustainable", compares actual GFCF (Graph 6) to GFCF at 22% of <u>actual GDP</u>; 22% of GDP is the upper bound of investment considered sustainable by the EU Commission based on historic averages; the resulting gap corresponds to the calculations provided as justification for the Juncker Plan.
ii. "sustainable, potential GDP", compares actual GFCF to 22% of <u>potential GDP</u> at 2010 market prices (OVGDP), as provided in the AMECO database; this simulation takes into account that GDP has stagnated as a consequence of the crisis and that a given percentage of GDP would have meant much higher levels of investment; in this very modest growth scenario (0.6% annually) the gap amounts to almost 400bn euros for the EU, and 290bn euros for the Eurozone, in 2014 alone (more than the total of the Juncker Plan).
iii. "sustainable, extrapolated GDP", compares actual GFCF to 22% of <u>extrapolated GDP</u>, where we assumed that economies after 2008 would have continued to grow at the euro zone average for 1999-2008 of 1.81% annually; in this case around 640bn euros of investment would be lacking for the EU, and 495bn euros for the Eurozone, in 2014 alone.



Source: AMECO database, extracted 08/02/2015, own calculations

Comparing current investment levels not only to current GDP but also to potential or extrapolated GDP is essentially about challenging the wrong crisis response and not accepting the wealth lost through disastrous austerity policies.

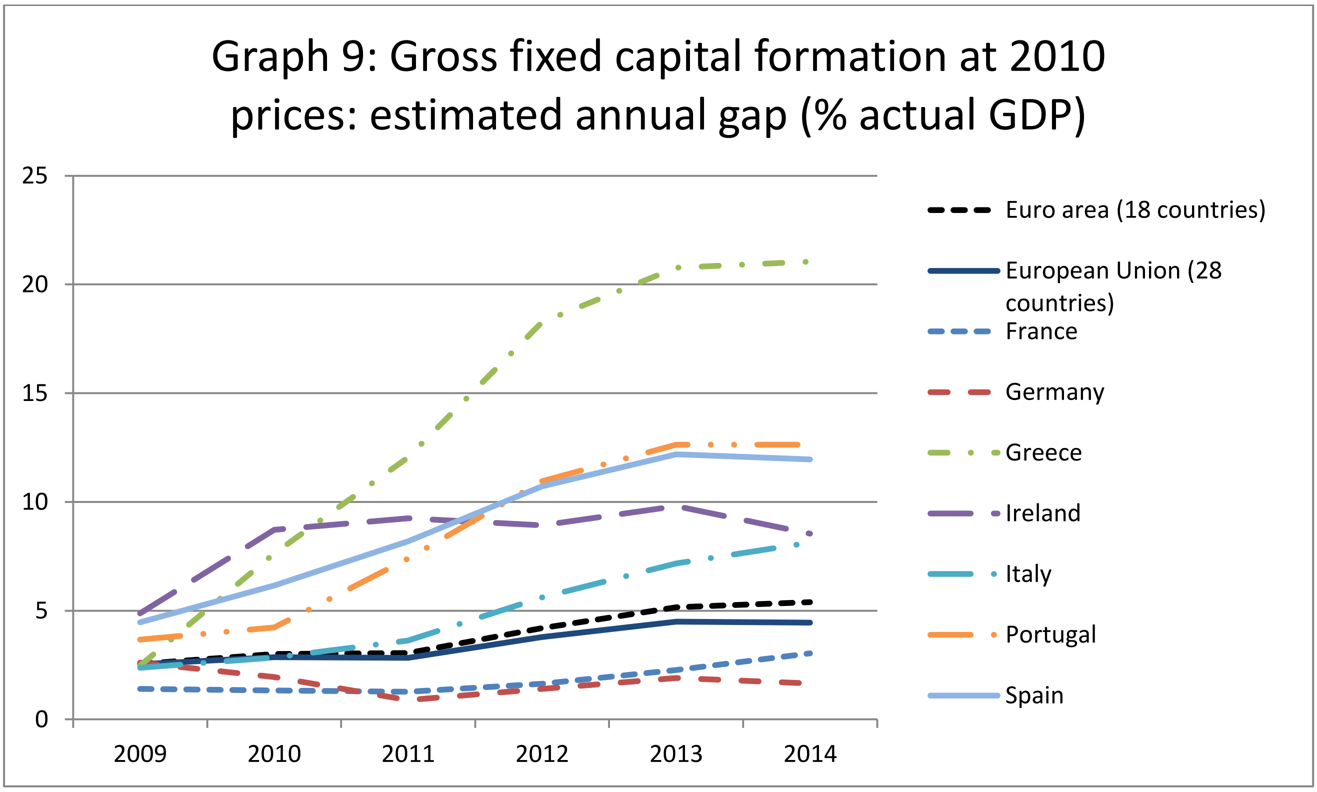


Source: AMECO database, extracted 08/02/2015, own calculations

Graph 9 presents the investment gap (for the "sustainable, extrapolated GDP" scenario) as a percentage of actual 2014 GDP for the selected economies. All considered economies, even Germany, are lacking investment. We estimate that the euro zone lost about 2.2trn euros of investment since 2008 (23.4% of 2014 GDP), while the EU lost about 2.7trn (21.0% of 2014 GDP) over the same period. In addition, according to calculations of DIE LINKE group in the German Bundestag, the euro zone accumulated an investment gap relative to OECD average of 7.5trn euros between 1999 and 2007. Germany alone is estimated to have accumulated an investment gap of 1trn euros between 1999 and 2013 compared to the rest of the Eurozone of investment (Bach, et al., 2013).

Even the German employer associations have started to complain about the lack of public investment and the dire state of Germany's infrastructure. However, they certainly envision restoring public investment at the expense of the welfare state, letting labour finance investment via consumption and income taxes and promoting privately profitable use of public infrastructure through public private partnerships as currently foreseen by the German government and in Juncker's investment plan.

The immense investment gap outlined above not only has to be filled to recreate economic dynamics in general, but should also be the starting point for an encompassing and forward-looking industrial policy which addresses the root causes of the euro crisis. While factors such as German wage restraint have fuelled the crisis, they do not tell the whole story. The competitiveness of German exports also rests on high capital intensity and productivity. Once wage repression and the lack of a cohesive industrial policy, which would curtail market tendencies to concentration and structural divergence, have fuelled deindustrialisation in the "periphery", higher wage dynamics in Germany will not simply restore it. For instance, established oligopolies and economic clusters of core countries with economies of scale prevent market entry of competitors from the "periphery". Hence, the "periphery" needs a solid regional base of industry and public services geared towards domestic needs.



Source: AMECO database, extracted 08/02/2015, own calculations

Spotlight: Stability and Growth Pact (SGP) and Fiscal Compact (FC) kill investment

The SGP and FC hurt investment in various ways: Firstly, the overall fiscal restraint hurts growth which in turn requires further fiscal restraint to satisfy the deficit criteria (3% of GDP) and debt level cap (60% of GDP). Secondly, the SGP accounting neglects that investment does not only represent state expenditure but capital assets, to the point that assessments on the sustainability of public balance sheets are calculated without regard to real assets. Thirdly, SGP accounting attributes the total amount of investment as expenditure in the year investment takes place. However, as the benefits of investment spread across many years also investment expenditure should be treated accordingly. SGP accounting treats investment as someone buying a house for his lifetime and paying it at once. This is an economic absurdity. Lastly, the fatal impact of so-called debt brakes on investment is bidirectional. The investment gap worsens fiscal restraint under SGP and FC systematically[6].

[6] In example, the FC demands countries to correct fiscal policies if the structural deficit exceeds 0.5% of GDP (1% if the total debt to GDP ratio is lower than 60%). To estimate the structural deficit, the business cycle component is deducted from GDP measured against some optimum full capacity. However, as the lack of investment negatively affects the productive capacity the structural deficit is regularly overestimated (the productive capacity underestimated). Hence, a lack of investment hurts the economy and feeds into more austerity and again too little investment.

4. Juncker's investment plan

Against this backdrop, Jean-Claude Juncker presented the new Commission's "Investment Plan for Europe" to the European Parliament on 26 November. In his speech, Juncker acknowledged the massive fall in investment levels across Europe since 2007, the prolonged stagnation of the European economy coming at a huge social cost and the failure of attempts to reanimate real-economy investment through the injection of large swaths of liquidity into the financial system. As a solution, he proposes the creation of a new European Fund for Strategic Investment (EFSI) within the structure of the EIB, along with fresh calls for "structural reforms".

The proposal: Public guarantees for private profits

The EFSI, which the Commission expects to unblock a total of 315bn euros of additional investment over 2015-2017, will, as a first step, be equipped with a minimum of 21bn euros coming from three sources:

1. The EFSI is assumed to benefit from a total guarantee of 16bn from the EU budget. 8bn will be mobilised directly from the EU budget. Of those, 2bn should come from existing margins in the budget (unutilised funds), 3.3bn from the Connecting Europe Facility and 2.7bn from the Horizon 2020 programme. The missing 8bn are not specified as the EU Commission simply assumes that not all investments will fail (at the same time).

2. The EIB will provide additional 5bn, stemming from its reserves. This amount can be freed up, according to the bank, as a consequence of higher-than-projected asset values leading to lower required capital reserves.

3. On top of those 21bn euros committed at the European level, member states are invited to add capital to the EFSI, either through their budgets or via their own national promotional or development banks. Such contributions would be exempt from a country's performance against the SGP unlike normal public investment expenditures.

With those 21bn euros as a starting point, EFSI, under the umbrella of the EIB, will issue bonds on the financial markets in order to raise an equivalent of triple the paid-in guarantee, i.e. 63bn. Conditional on sufficient investment demand for those bonds, this money will then be made available for investment projects.

Next, the Commission estimates that private investors will complement the EFSI funding with a total of 252bn euros (that is 5 euros for each euro of EFSI lending) going into the projects targeted by the EFSI. The trick is that private contributions would be classified as so-called senior tranches, which means that they will be served even in the case of financial difficulties or default. Public contributions would in turn cover the so-called junior tranches which are the first to absorb potential losses. With this offer in his bag, Commissioner Katainen is supposed to go on a so-called road show marketing the investment plan outside of Europe, particularly in Arab and Asian countries with large amounts of cash reserves. Taken together, private and public loans would finance the fresh investments of (at least, depending on member state contributions) 315bn euros, Juncker advertises.

The suggested timeline for the implementation of the proposal is as follows: In December 2014, the principle of the package was endorsed by the Council and legislative proposals were made to the EP in January 2015. Based on fast-track procedures, agreement between all relevant institutions is to be reached within the first half of 2015 so that the EFSI could become fully operational as of mid-2015.

Projects targeted for investment will be suggested by the member states and evaluated by an Investment Committee within the EFSI, staffed by Commission and EIB personnel. Projects are expected to focus on investment in infrastructure, notably broadband and energy networks, transport infrastructure in industrial centres, education, research and innovation, and renewable energy and energy efficiency.

The consequence: Juncker's Plan will make matters worse

Based on the Commission's proposals, it becomes clear that the Plan misses the point of a true investment programme on almost all fronts:

First, it does not contain significant amounts of fresh public money. EFSI will raise resources through bond issuance but the amount is extremely low given the size of the investment gap outlined above. Moreover, reduced spending from EU budgets to the extent that resources are frozen into EFIS guarantees will further lower the additional effect of the Plan. For the most part, Juncker's Plan hinges on the assumption that there is sufficient demand from private capital holders to invest in European infrastructure and that such investment would be a main contributor to solving Europe's economic woes. This approach is wishful thinking and dangerous at the same time.

Private investors will provide their capital only in return for a significant profit. The need to branch off such profit will make privately-financed public infrastructure investments almost always more expensive for the public than if they were funded directly by the state. In addition, the proposed financial architecture of risk guarantees perpetuates the socialisation of (potential) losses and the privatization of profits, an approach well-known from the financial crisis.

Moreover, taking a closer look at the list of "typical projects" presented by the Commission, it is not at all clear, how investments in education or research infrastructure, or even in transport and digital networks will generate a direct financial return at all. Unless the public authorities managing them impose hefty user fees to citizens, the cash-flow to pay back investors will not come from the projects directly, but from public budgets. This could only be avoided, if somehow markets were to generate sufficient profits from the targeted investments, but as credit and investment are primarily demand-driven, it is doubtful whether the Plan will at all be implementable given the current economic misery without heavy public subsidization of private gains.

Second, even if the total expected sum will be mobilised over the next three years, and higher-than-necessary costs for the tax payer are disregarded, the stimulus is very likely to be too small to lead Europe onto a path of sustained economic recovery. As more information about project proposals from the member states becomes available, it seems clear that even if implemented fully, the Plan would to a large degree contain already planned investments for which member states, under pressure to reduce their deficits, now hope to substitute their own expenditure with EU or private funding. Hence, not only is there little additional public money, but also are there few additional projects. So at the end of the day, we may be mainly looking at the privatization of existing national public investment programmes through the backdoor.

In addition, the Commission has made clear that there will be no national targets in the project selection. Hence, it is very likely that there will be a bias towards projects in core countries with less risk, which in turn will negate the whole purpose of the Plan, namely to reverse the crisis dynamics where they struck the hardest.[7]

Third, with Juncker's Plan the sustainable and cohesive transformation of the European economy remains in the hands of big private funds. The Plan will thereby entrench the interests and goals of large private oligopolies in transport, energy and even public procurement, whereas SMEs, social economy firms and public initiatives will be marginalized and public interest subordinated to corporate profitability.

Spotlight: PPP increases the cost to tax payers[8]

1. If private investors build roads or bridges, these projects can only generate a direct return if there is a toll. This toll increases the cost for drivers. In addition, if people start using alternative routes, toll revenues might fall short of expectations. In that case, public money must be used to guarantee private profits.

2. Private investment into the education also does not generate direct revenue to satisfy investors, at least not as long as tuition fees are not introduced or increased. In the absence of that, investors will have to be paid out of general tax revenues.

3. Investments to increase energy efficiency of public buildings do generate savings, which could be split with private investors to satisfy their profit expectations. But in an environment of very low interest rates, the state could borrow cheaply to fund the whole project and take full advantage of any savings.

In all three examples, direct public investment financed through low interest borrowing would be cheaper to the public.

5. A true investment plan

Instead of public inaction and privatised profits, Europe needs a meaningful public investment programme of between 250bn and 600bn euros (2 to 5 per cent of EU GDP) annually of a period of ten years.[9] This should be coordinated among EU member states, but must not necessarily be steered by the EU itself as decentralised investment is often better targeted

In a climate of historically low interest rates, it is almost criminal to not use the financing capacity of the state directly to fund additional investment.[10] Even if debt-financed, a cleverly orchestrated public investment programme might amortize in large parts via higher economic activity, employment and hence public revenue. This is particularly important for countries with fiscal scope and a current account surplus like Germany. They should boost investment and consumption asymmetrically to revive domestic demand, narrow trade imbalances and boost the economies of trading partners via imports.

[7] Lastly, on this point, the decision about which projects to fund will be confined to a so-called team of experts diluting the political nature of fiscal policy and preventing any sort of democratic accountability for the decisions taken.
[8] Examples taken from Ulrike Hermann’s article in taz from 28/11/2014, “Ein Sieg der Finanzlobbyisten”, http://www.taz.de/1/archiv/digitaz/artikel/?ressort=me&dig=2014%2F11%2F28%2Fa0091
[9] DIE LINKE group in German Bundestag proposes a 500bn euros/year investment plan, which could be distributed among member states according to ECB capital subscription key.
[10] The only reason for the authors of the Plan to veil this fact is that future obligations against private investors are not counted as debt today, even if the total cost for the public over the life cycle of an investment is higher.

In addition, direct central bank credit would help states to maintain financing conditions independent of capital market sentiment, thereby ensuring democratically accountable public investment decisions, and can also improve the transmission channel of monetary policy. This is preferable to quantitative easing which pumps ever more liquidity into banks and inflates asset values to the benefit of speculators and wealth owners with no guarantee to boost credit to the real economy. Most importantly, the focus of the financing agenda should be the taxation of wealth (i.e. EU-wide coordinated wealth levy for millionaires on level of member states), capital and high-income labour as well as the fight against tax havens. According to Credit Suisse, the net wealth of European millionaires amounts to 17trn euros which compares to about 12trn euros of sovereign debt of all 28 EU member states[11].

Spotlight: Moderate alternatives

A reasonable alternative, as outlined by Stuart Holland as early as 1993[12], would centre on the European Investment Fund (EIF), an official branch of the EIB currently tasked with SME and start-up funding. Like the EIB, the EIF can issue bonds on capital markets and both institutions' debt does not count on member state debt bound by the Maastricht criteria. The statutes of the EIF do not limit its activity to the currently dominant SME financing with a limited macro impact. To the contrary, there is no provision prohibiting the EIF from vastly expanding its bond issuance in order to finance a true European investment programme directly, without a need to create a new structure like the EFSI within the EIB and, most importantly, without giving away any control away to private investors. Even the allegedly new investment criteria Juncker bases the marketing of his Plan on are not actually original. As early as 1997 had the Amsterdam Special Action Programme singled out similar areas for priority investment through the EIB, and hence the EIF as well.

Lastly, an investment programme should be complemented by a public-led industrial policy on the level of EU member states. GUE NGL should consider financing an ambitious study to identify socially desirable sectors, which may contribute to progressive and sovereign economic development within EU member states.

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[11] According to the AMECO database of the European Commission, gross public debt of the 28 EU member states was 12.31trn euros in 2014, not accounting for 236.3bn euros of intergovernmental loans.

[12] Stuart Holland (1993). The European Imperative: Economic and Social Cohesion in the 1990s