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INITIATE THE JUNCKER PLAN NOW

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Some of the challenges facing the EU could be fatal, and a particularly serious one is the persistence of an economic and employment crisis that has no precedent since the war.

It has certainly influenced the alarming decline in popularity of the European project: in the last decade, support for the idea of furthering the Union has reduced by half.

Confidence of European citizens can only be restored by tangibly demonstrating that Europeans can do better when united than when apart, rapidly giving unified answers, however imperfect, to the deadly challenges referred to above.

To stimulate the economy and get employment up, the Juncker Plan could be a turning point.

According to his programme, Jean-Claude Juncker would fund not just infrastructural investments but also boost technological research and development, highly important in a period in which innovation is the main instrument available to firms to compete in the global market.

It should also be remembered that Juncker, in November 2014, secured from the European Parliament and the European Council a commitment to implement the European Energy Union, which will involve a huge investment throughout Europe, in line with the policy areas (and financing requirements) of the Juncker Plan.

The Commission must adopt very challenging goals which include a unified approach to converting the energy production sector in order to comply with the pollution limits set by the EU to help avert climate change.

Therefore the problem is how to enable the Juncker Plan to quickly get started and also how to progressively make the necessary resources available to the Commission for carrying out an ambitious and effective investment plan focused on innovation and the ecological reconversion of the economy (for which the Barroso Commission's estimates of €2,000 billion do not seem excessive).

On the other hand, Juncker considers the €315 billion of the Plan as an initial, minimum investment, to be increased in the three years concerned by additional funds from Member States, public investment bodies (such as the *Cassa Depositi e Prestiti* in Italy or the *Caisse des Dépôts* in France) and private institutional investors.

In this regard, it is to be remembered that 12% of the ECB's liquidity injection via Quantitative Easing (€60 billion a month) can be used to purchase securities on the secondary market issued by European Community institutions or by European agencies (such as the EIB or ESM), and then ultimately to purchase bonds from the EIB or from the European Fund for Strategic Investments (EFSI) created by the Juncker Plan.

This 12% could be raised to at least 20% (a percentage corresponding to that part of the ECB's liquidity injections not guaranteed by the national central banks) thereby partially achieving, to an extent that now seems possible, the proposals of Yanis Varoufakis and Mariana Mazzucato (who would like the entire QE liquidity invested in a European plan of innovation and investment).

In addition, the new rules for fiscal flexibility established by the Commission allow the Member States to guarantee additional contributions to the EFSI and also to co-finance, also through their own national banking systems, individual projects already funded by the EFSI without such payments being counted in their deficit and indebtedness for the purposes of the European Stability and Growth Pact.

This is another significant source of funding, especially after it has been assured to the national governments that the financing for platforms of national projects would result in the guarantee of a "return" on the investment in their country, although on the condition that the "governance" should always remain in the hands of the Commission.

I therefore believe that there are the conditions for the Juncker Plan to commence its work (as early as possible). However, it is unlikely that a development plan for creating sufficient innovation and public goods for the real needs of the European situation (not the sort of investment to provide an interesting return on private capital) can be achieved without new taxes to finance the EFSI.

According to EU legislation, the instrument of "enhanced cooperation" can be used for levying taxes in a group of Member States and to allocate them, in whole or in part, to a special European Fund for use in specific ways: such would be the EFSI (as this does not infringe the principle of universality of the EU budget).

The first European tax to be allocated to the EFSI should be the financial transaction tax (FTT) already activated by enhanced cooperation between 11 countries in the Eurozone.

Another tax could be a European carbon tax, which fits with the objective for a "decarbonising of the economy" as illustrated in previous Comments by Alberto Majocchi. According to Majocchi's hypothesis, the revenues from the FTT and a European carbon tax could produce, even at a low rate, huge amounts of capital to be allocated annually to the EFSI.

The EFSI should segregate the funds raised in specific sectors depending on their nature and origin in order to ensure their use by cooperating countries. It would then constitute a Collective Investment Fund, managed in trust by the EIB through a Board of Directors that would operate under the political responsibility of the Commission which would give indications for investments.

In this way, the EFSI would be indirectly subject to democratic control by the European Parliament, to which the Commission must respond. In an initial and transitory phase, the democratic principle of "*no taxation without representation*" could be considered applied.

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(The views expressed here are those of the author and do not necessarily reflect those of the CSF)

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