The Eurozone must be fixed before it destroys Europe

What is the situation?

The crisis of the Eurozone is unfolding in four **interrelated domains**:

1. The banking system
2. Public debt
3. Ultra-low investment
4. Increasing poverty

What has to be done:

1. The self-destructive Europe-wide saving-at-all-costs under forced austerity must end.
2. Functions and resources of existing European institutions must be restructured in the short term so that new creative ways of problem-solving become possible within the established set of regulations.

DiEM25 therefore proposes the following:

To overcome the crisis the Eurozone must be stabilized first and foremost. That's why we need:

1. A **public digital payments platform**
   [see Infosheet (3/9): *The Public Digital Payments Platform*]

2. A **green investment-led recovery and convergence program**
   [see Infosheet (5/9): *The Green Investment Program for Europe*]

3. A **European social solidarity program** to fight against the rise of poverty
   [see Infosheet (6/9): *The Solidarity Program for Europe*]

4. A case-by-case banking program which allows for banks, which need to be recapitalised, to be handed over directly to the European Stability Mechanism (ESM). Then the European Central Bank (ECB) appoints a new board of directors, which works under the ECB's jurisdiction. This board can decide to restructure the bank by recapitalisation with ESM funds, by merger, by downsizing, or even by unwinding it while taking all steps necessary to avoid a haircut of deposits. Once this process has been completed, the ESM will sell its shares to cover its expenses.

5. A **limited debt conversion program** helping the member states to restore their capability to act by reducing their debt burden:

   The „permissible"[1] national debt can be deposited into special ECB debit accounts, where it is reissued as ECB-bonds with much lower interest rates, but still refinanced by each member state separately. On maturity, the member states are obliged to fully redeem their bonds on the holders claim. Furthermore, the residual national debt, which exceeds the Maastricht treaty's allowance of 60%, is still to be covered fully by each member state individually. To also account for the possibility of a disorderly default, the state's debit accounts held by the ECB will be afforded super-seniority status, so that bond credibility can always be assured by the ESM.

   1) The Maastricht Treaty permits each European member state to issue sovereign debt up to 60% of its national income. Since the crisis of 2008, most Eurozone member states have exceeded this limit due to public bailouts of the private banking sector.

6. The **European coordination of monetary, tax and social policies** to massively improve economic and social conditions across the continent. In this regard additional capabilities are necessary for the ECB, the European Investment Bank (EIB) and the European Investment Fund (EIF) to actively govern monetary, tax and social policies.