

How Corona Bonds will help the EU weather the Corona Crisis

Larger economies within the EU are already showing signs of slowing down, and we implore the EU leaders to use the ESM for a substantial joint debt issuance with minimal conditions to help all EU states get through this crisis financially. It will help counteract the economic damage caused by COVID-19, and is the best short-term solution, setting the stage for the eurozone as a more unified financial and political union post-pandemic. This crisis knows no borders, and neither must we—now is the time to stand up and show that Europe will weather the storm together.

Volt welcomes that member states are open and keen to work together to ensure stable financing for all member states. As the current credit lines available through the compromise of the Eurogroup are not enough, it is vital that we commit to a programme which is capable of financing necessary expenses.

The agreement by the Eurogroup falls short in addressing Europe's economic slowdown which will require public expenditures of at least €1-2 trillion (an estimated 10% of GDP).¹ European governments must be able to provide adequate financial support for their citizens and businesses in order to stabilise the economy, and provide relief for Europeans who are facing consequences from the slowing economy.

These programmes will be costly and some member states, especially those heavily impacted by the 2008/09 financial crisis, will not be able to provide enough support for their economies. If some member states fail to weather the storm, we all will pay for this economically and politically. As such, Coronabonds ensure economic solidarity and solidify our resolve to work together.

Corona Bonds: “Corona-credit line” and Liquidity programmes.

In order to set up a “corona-credit line” quickly and efficiently, the European Stability Mechanism (ESM) and the European Investment Bank (EIB) should issue one-off bonds, which many are referring to as “Corona-bonds”. These bonds should be guaranteed jointly by all member states to finance two large programmes.

The first programme is a large line of credit issued through the ESM, and the conditions to access this credit line should be minimal. Member States should only have to show that without immediate financial support they will most likely suffer economically, as asking for financial support in a time of desperate need should not be stigmatised. In order to spread

¹ https://clausen.berkeley.edu/wp-content/uploads/2020/03/COVID_2b.pdf

out the overall costs, we propose a maturity of 30+ years. The same conditions should be applied to the established ESM-programmes “Precautionary Financial Assistance” or “Sovereign Bailout Loan”.

The second programme is to provide liquidity for firms who are suffering financially. The EIB funds should offer loans to firms, under similar requirements as the ESM. Fines can deter illegitimate use, however we should prioritise rapid access to loans in order to help the Europeans who have been directly affected by the Corona Crisis.

Long term, we need a European treasury that has the discretion to levy taxes and issue Eurobonds. For us it is key that democratic representatives of the European Union should decide on a framework of how to spend the funds raised by such Eurobonds. As Europeans, we cannot do away with our intertwined European economies, and we deem it necessary to take the path towards further integration as swiftly as possible.

We have come a long way from national currencies and closed state economies. We continue building a united European economy built in cooperation that will benefit all of its citizens. With that in mind, this crisis underlines the need for a real we need a European treasury² that has the discretion to levy taxes and issue Eurobonds. That’s for later, however. Now we need to save lives and mitigate the financial downturn, as best we can together.

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² Ideally, a treasury for the whole of the European Union, although we recognise that this would likely require that the remaining states adopt the Euro and thus the Eurozone is a more likely candidate in the short-term.