IG Metall Executive Board

Stabilising Germany as an anchor of growth in Europe (Part I)

Change of course for European solidarity (Part II)

IG Metall Executive Board: 9 October 2012

Part I: Stabilising Germany as an anchor of growth in Europe

Current situation

The German economy grew in the first half of 2012 – by 0.3 per cent in the second quarter and by 0.5 per cent in the first. The positive trend was consumer-driven. Wage increases and a stable labour market were behind the rise in private consumption. Germany thus escaped the overall negative growth in the Eurozone. In spite of growth in Europe's biggest national economy, the Eurozone contracted by 0.2 per cent in the second quarter. France stagnated and the economies nosedived in Italy (0.7 per cent), Spain (minus 0.4 per cent) and Portugal (minus 1.2 per cent), all countries in crisis.

The OECD has sounded a warning for the second half of the year. It expects the German economy to stagnate as well. This would have a correspondingly negative impact on overall economic growth in the Eurozone. The federal government does not share this view. It expects private consumption to continue to stabilise growth.

The mood in German companies tells a different story. The Ifo Business Climate Index fell in September for the fifth month in succession. The last time German managers were so pessimistic was in mid-2009. There are increasing signs of an economic slowdown in Germany. Many industrial enterprises have gone back on their plans for the second half of 2012. The crisis in many European countries and the ensuing order cancellations plays a role in this. This is compounded by continuing structural problems, such as surplus capacity in the European automobile market, as well as uncertainty about investment in the absence of political decisions on the transition to alternative energies.

From the point of view of IG Metall, therefore, it is important to stabilise the German economy by means of suitable measures. In this paper IG Metall makes proposals to this end. The German economy is the largest in Europe and IG Metall calls on the federal government to stabilise Germany as an anchor for growth in Europe.

Actively safeguarding employment

Stable growth in well-paid employment is the driver of economic growth in Germany at present. A proactive employment policy that creates jobs, prevents dismissals in businesses and safeguards people's incomes is needed if this is to remain the case.

IG Metall will contribute in its own way. It will continue to follow a productivity-oriented wage policy that ensures good growth in earnings and preserves jobs in its business operations. With its fair system of increments, the spring 2012 collective wage settlement in the metal and electrical industry is currently a stabilising factor for the economy as a whole.

Nevertheless, IG Metall will also be forceful in its use of any instruments for trade union action in order to safeguard jobs in its plants. Short-time working, flexible working time accounts, a wage settlement designed to safeguard jobs and the "Pforzheimer Abkommen" (Pforzheim Agreement) give plants and companies a comprehensive set of business and pay-policy tools with which dismissals can essentially be avoided. IG Metall calls on companies to make active use of these instruments.

At the same time, it makes the following demands of policy makers:

- There has been a massive increase in the amount of precarious employment in Germany in recent years. In 2010, 23.1 per cent of employees drew low wages – this figure was 17.7 per cent in 1995. The bottom 30 per cent in terms of income distribution lost 10.6 per cent of their real earnings between 2000 and 2010. This needs to change. IG Metall has set the first milestone with its wage agreements for temporary workers. However, the federal government must take measures to ensure that all employees have a stable level of income. This is why the introduction of a **statutory minimum wage** and the legal requirement for **equal pay for temporary workers** are absolutely imperative.
- Misguided incentives, such as mini-jobs, are mainly directed at women in minor employment. The federal government must intervene with regulatory measures to make **regular full-time employment** the norm for **women** as well. This also entails investment in better childcare provision.
- We need **regulation to extend the period of short-time working benefits**. Essentially healthy companies must not dismiss well-trained staff. The innovative strength of German industry must not be put at risk. IG Metall therefore calls for the period of short-time working benefit to be extended to 24 months and for the refund of social insurance contributions by the BA (Federal Employment Agency) after six months to be reintroduced. An immediate refund should go hand in hand with the implementation of further training schemes.
- Temporary workers and short-term employees will bear the brunt of weak economic growth. They are the first to lose their jobs when times become tougher. IG Metall therefore calls for the reintroduction of **short-time working arrangements for temporary workers too**.

Maintaining the internal financing of companies

For many companies, the financing of their corporate operations can become a sticking point when economic activity declines. The banks are not meeting their obligations to provide credit for companies in the real economy. IG Metall demands the following:

- As well as external financing, the internal financing of companies must also be strengthened when the banks no longer fulfil their financing function. Climate conservation and ecological factors will have a bearing on industrial value creation in future. The active restructuring of industry in ecological terms in a way that incorporates products and processes and improves energy and resource efficiency is essential against this background. IG Metall calls on the federal government to allow companies **special write-offs of 50 per cent** on such investments and thus help to finance the latter.
- During the crisis many firms suffered a substantial loss of assets, which they have offset with equity-type financing (mezzanine financing). These financing arrangements end over the coming months and will lead to new problems with the capital base. IG Metall proposed a **public equity fund** in its “Active Response to Crisis” action plan in March 2009. The concept provides for an equity fund supplied from public funds to be set up with KfW bank. The investment purpose of this fund is to strengthen the capital base of industrial enterprises in Germany, particularly small and medium-sized ones. The inflow of public equity boosts the capital resources available to these companies along with their credit ratings.

Stabilising investment – Future investment in stable value creation

Industrial value creation is an essential source of prosperity in Germany. One job in three depends on continuing value creation in industry. Investment in infrastructure, education and science is essential if industry in Germany is to enjoy healthy growth. Too little has been done in recent years in this respect. IG Metall calls on the federal government to reverse the slowdown in investment and pursue an anti-cyclic investment strategy.

- The federal government is set on the **transition to renewable energies**. A high level of investment is needed to implement this policy. These investments should be implemented by means of fast-track approval procedures (similar to the reconstruction of the East). The same applies to the **upgrade of the network infrastructure** (broadband) and the **transport networks**.
- Energy efficiency in private households should be further improved within the scope of the transition to renewable energies. Possible options here are tax breaks and KfW loans to fund the following:
  - Renewal of heating systems
  - Replacement of low-efficiency household appliances
  - Energy-efficiency improvements in buildings
- Average levels of public investment in Europe must be maintained in the coming years. This requires local government revenues to remain stable, since local authorities are responsible for two thirds of all infrastructure investment. As an industrial location, Germany needs a programme of investment for the future. Domestic demand is boosted by infrastructure investments at the same time. The **programme of investment for the future** can be **funded by means of borrowing**. Germany has a high credit rating at present. This should be used to raise private capital seeking safe and attractive investment opportunities.
- The high potential of well-trained and motivated people forms the basis for successful value creation in Germany. Too little has been invested in preserving this potential in recent years, which is why IG Metall calls on the federal government and states to invest here. A three-year **special training policy programme** was set up in 1979 with great success. IG Metall is campaigning for a special programme of this kind to be relaunched. A large amount of state-funded **investment in training** passes through the federal states and local government. For this reason IG Metall proposes that special investment funds are made available to towns and local authorities. These special investment funds should amount to **100 euro per capita** and be tied in with investments in education and science.
- The state is jointly responsible for shaping industrial change. Among other things, this must include a change of direction in development policy towards industrial value creation clusters, a modern response in terms of energy policy and an **active eco-industrial policy**. This should also be reflected in fiscal policy. IG Metall proposes **stepping up spending on research and development in these areas** with a view to stabilising the economy and lowering the tax load.

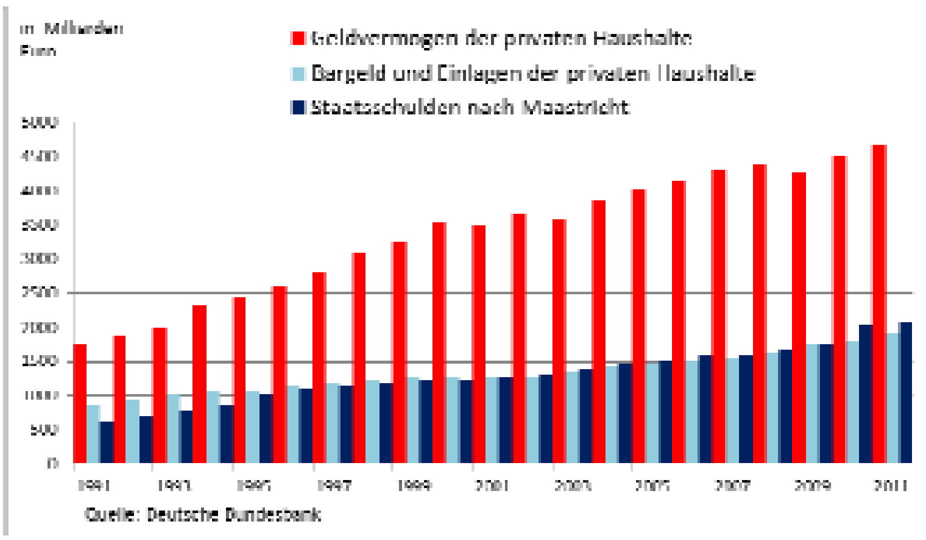
IG Metall believes that industrial value creation is just as vital to prosperity and political stability in Germany as banks are to the functioning of the financial and money markets. Germany’s industrial base is too important to be left to the vagaries of the market.

Promoting fair distribution – Increasing government revenues

Countries in the currency union have been unable to solve financial problems in individual euro states for two years. Quite the opposite in fact: poor crisis management has exacerbated the situation. Widespread resolutions to make savings have been made under the assumption that high government debts are the cause of the crisis. This has deepened the crisis in the Eurozone rather than solve it. The economies of many countries have been stalled by the absence of government spending and cuts in social benefits. This has resulted in a drop in tax revenues accompanied by an escalation of financing problems.

The debt brake is written into Germany's Constitution. Based on this, the federal government must reduce the national debt to 60% of Gross Domestic Product by 2016 (states by 2020). It is quite right to monitor government finances and not to fund investment for the future by borrowing alone. A high interest burden limits the government's capacity to act. However, it is wrong to make cuts in government spending alone in order to reduce the debt burden. The government must increase revenues at the same time.

The Federal Republic of Germany has great potential to use revenues to fund the aforementioned programme of investment for the future and to promote fair distribution at the same time. The **net assets** of **private households** in Germany including property and excluding all private debt were **8.5 billion euro** in 2010. By comparison, the national debts of all the euro countries amounted to 7.8 billion euro in 2010. The assets should be taxed and the revenues used to reduce the national debt to 60 per cent of Gross Domestic Product.



in Milliarden – in billions
Euro – Euro
Geldvermögen – Monetary wealth
Bargeld und Einlagen der privaten Haushalte – Cash and deposits of private households
Staatsschulden nach Maastricht – National debt after Maastricht
Quelle: Deutsche Bundesbank – Source: German Bundesbank

Monetary wealth, including savings accounts, term deposits and investments, accounts for over 50 per cent of assets in Germany. Higher taxes would therefore draw liquidity from the capital market. IG Metall is of the view that this liquidity is partly to blame for the crisis. Capital has no national ties. It can quickly be transferred from one place to another anywhere in the world. The risk/return ratio is always the central concern. Transparency is essential in order to assess risk and yet this is often not the case. Too much capital with a high willingness to assume risk was a fundamental cause of the crisis in 2008, for instance. The allocation of capital is not working properly at present, however, although the situation is reversed. The Federal Republic currently has negative yields on some 10-year government bonds. This basically means that it gets money when it lends money. Other euro countries are having problems raising any capital at all. Examples show the basic conviction that the markets will regulate the optimal allocation of capital to be false. It is true that too much yield-driven liquidity worsens a crisis situation. IG Metall therefore demands:

- Reintroduction of the **tax on assets**, with **2 per cent** on assets over one million euro.
- Increase in the rate of **wealth tax** to **49 per cent** on income above 150,000 euro.
- Higher **inheritance taxes.**

According to the DIW (German Institute for Economic Research), 10 per cent of the population owns around 60 per cent of the property. In 2009 this group had at its disposal average assets of 500,000 euro. Based on the assumption that 10 per cent of property is part of assets valued at over one million euro, the introduction of a two per cent **tax on assets** would generate **revenues** in the region of **20 billion euro**. IG Metall proposes using half of these revenues for debt redemption and investment for the future. The funds should be equally distributed between the federal government, the federal states and local authorities.

Compared with other countries, Germany would not lose its competitive edge as a result of taxing assets at a higher rate. Taxes on assets account for 0.9 per cent of GDP in Germany, whereas this figure in 3.0 per cent in France and the USA, and the OECD average is 1.8 per cent.
In the light of the unequal distribution of wealth, however, the higher taxation of assets is not only a question of government financing but also one of fair distribution. The massive expansion of the low-wage sector and the loss of prosperity suffered by lower earners in the last 10 years call for urgent responses on the part of politicians. This applies in equal measure to growth in Europe. A call for more fairness in Europe should emanate from Germany.

Part II: Change of course for European solidarity

European unity is a great success story. After the traumatic events of two world wars in the 20th century, a united Europe was a vision that hardly anyone believed could ever become reality.

The European Union is a peace community soon to be made up of 28 states. The European Union is also a community of values based on the collective notion that the market economy will always need guiding social parameters to reach the goal of a European social model. It is also a community under the rule of law. Finally, the European Union is an economic community with a common market of over 500 million people that has grown in prosperity since being created over 50 years ago and then gradually enlarged.

The crisis in the European Union today is also a national debt crisis. This is the consequence of economic crises and bank rescues. Created exclusively as a currency union without the simultaneous establishment of a political union and a strong European Parliament, the Eurozone is proving to be the greatest obstacle to surmounting the crisis. The EU is in the midst of a serious identity crisis: the “European idea” is becoming more and more discredited. Euroscepticism and nationalism are on the increase. People’s critical attitudes towards the EU are encouraged by the neoliberal policy of the European Commission and many member states, and they threaten to wreck the “European success story” and our common currency.

In addition to this, the institutional structure of the EU is increasingly unable to cope with the complexity and increasingly heterogeneous character of the soon-to-be 28 member states. The necessity for governments and EU institutions to act quickly to tackle the crisis clearly reveals the institutional weaknesses of the EU. Rapid voting and decision-making mechanisms are becoming increasingly hampered by the blockade mentality of individual member states. The European Union is faced with a twofold challenge: the first is short-term crisis management. The second is the requirement for radical medium-term institutional reform towards a political and social European Union that is based on democratic rules and with which the people of Europe can identify.

IG Metall advocates a politically united, economically strong and socially just Europe!

- Europe needs sustained growth through an active, coordinated and democratically legitimate economic and industrial policy designed to secure its industrial base and value creation.
- The euro rescue requires joint liability and joint control over national budgets.
- Europe needs comprehensive regulation of the financial markets.
- The European Union needs the backing of its people. It must become a social union for this purpose.
- The European Union needs political union.

Sustained growth through an active, coordinated and democratically legitimate economic and industrial policy

Efficient industries are a prerequisite of sustained prosperity in Europe. Successful long-term crisis management requires the EU to have an active, coordinated and democratically legitimate economic and industrial policy. The process of socio-ecological conversion unlocks new potential for growth and ensures the long-term viability of industry in Europe. A forward-looking European project such as this also offers scope for the distribution of wealth in a European society striving for the convergence of working and living conditions. Only the prospect of an economically strong, environmentally and socially sustainable and democratic Europe can help to overcome the deep identity crisis among citizens in the European process of integration.

The unilateral austerity policy in Europe is not capable of tackling the profound problems and their negative impact on industry and its workforce. On the contrary, the **unilateral austerity policy is exacerbating the crisis** in the most seriously affected countries and has inflicted intolerable stress on workers. Young people and younger workers are badly affected by this. In many countries, a generation of well-skilled young people has no hope of good, secure jobs. Only the combination of debt reduction and targeted **growth programmes** will lay the foundations to successfully overcome the crisis without unacceptable social costs.

European industry must be open to socio-ecological change and development if it is to be fit for the future. To cope with megatrends in tomorrow's society European industry must become more resource-efficient, embrace demographic change and focus on the transition to renewable energies as well as mobility trends. The efficient use of resources and the ecological sustainability of materials and energy harbour the potential for greater productivity leading to new and dynamic growth. Rather than funding speculative financial investments, activity in the private sector must be steered towards investment in environmentally compatible conversion and development. This also requires targeted investment in education, training, research and development and infrastructure, with the government needing to make an active contribution here as well.

The five headline targets of the Europe 2020 strategy also provide a basis for this, which it is important to develop. In the short term it is a matter of ensuring that the EU budget meets its fundamental targets and ending misallocations, particularly in the agricultural sector.

At stake is nothing less than the long-term security of the industrial base, value creation and innovative prowess in Europe. A successful European industrial policy depends on our own production in key industries.

The euro was introduced on the expectation that economic growth, business productivity and inflation rates in the euro countries would align "all by themselves". This hope was dashed in a dramatic way. Independent national monetary, interest and exchange rate policies are no longer possible in a common currency zone. Wage and taxation policy and government expenditure are the only remaining ways in which to "tweak" independent economic policy.

Only now is the true extent of a key factor behind the increase in economic imbalances in Europe becoming apparent: a common European currency zone can only work if the euro countries synchronise their economic and social policies. IG Metall calls for a **democratically controlled economic policy** for Europe and an economic government democratically approved by the European Parliament. This should set social and environmental targets and be underpinned by a common environmental, social and infrastructure policy.

This economic government coordinates the economic and social policies of member states and thus strengthens the executive's capacity to act, enabling significant progress to be made in the process of integration within the European Union on the road towards political union. The implementation of a European coordination policy is made possible by the processes of co-determination in industrial relations. Co-determination is the bedrock of business operations in Europe.

The implementation of a democratically legitimate economic policy requires a high degree of co-determination in companies. The foundations for strong and active worker participation must be further strengthened both in practice and in legal terms at European level. It is precisely in times of crisis – when restructuring processes have threatening implications for the workforce – that the balance of power between employees and employers must be fair.

IG Metall calls for Europe to have extended legislative competence in fiscal policy, its own means of taxation and its own jurisdiction in tax matters. This is the only way to avoid tax dumping in Europe in the future. Competition for the lowest taxes and member countries playing off against each other must be prevented. The EU needs minimum standards (bases for tax and tax rates) for the taxation of capital and companies.

The **trade unions** must also contribute to the management of a common currency union. This particularly applies to **wage coordination**. The coordination of wage policy between the euro nations is necessary to stabilise the currency zone. European trade unions have already developed their first mechanisms for wage coordination (wage coordination formula of the European Metalworkers' Federation). These are to be implemented and developed in order to prevent a widening of the gap in living standards in Europe. In the same way, wage coordination by the European trade unions is to be understood as an aspect of a Europe-wide distribution and economic policy geared towards social welfare and stability. It is imperative that the trade unions do the coordinating. Attacks by the European Commission, the European Central Bank and the International Monetary Fund ("troika") on the wage-bargaining autonomy of labour market players are resolutely dismissed by IG Metall.

Trade union wage coordination is only effective if the trade unions have the capacity to act and if, as a result of businesses being bound by collective agreements, wage settlements also translate into improvements in real earnings and working conditions. Both of these are undermined by the widespread deregulation of labour markets which, with the German political agenda being the blueprint, has become the model for a European labour market and employment policy in many European countries. Not only does the massive increase in deregulated, often precarious employment inhibit the trade unions' capacity for action, it also leads in practice to an increase in areas without any collective bargaining. **A new order in the European labour market is called for**. This must not only protect and promote secure jobs covered by wage agreements, but also help to discourage those of a precarious nature.

The euro rescue calls for joint liability and joint control of national budgets

An essential reason for the situation in many Eurozone countries is the one-sided structure of the Maastricht Treaty. Current account imbalances between the member states can no longer be corrected by devaluing national currencies. Too much has been expected of wage policy as a balancing mechanism.

IG Metall is strongly in favour of the continuation of the euro. In principle it advocates **joint liability** in order to guarantee solidly united, long-term financing for the deficit countries and minimise the risk of insolvency in individual countries. This will make it possible to reduce the financial burdens of the countries in deficit. It means that these countries have to pay less interest on their debts and can thus emerge from the crisis more quickly. On the other hand, it also means that less indebted countries like Germany have to pay more for their own debts. These additional costs for Germany and other countries in surplus are nevertheless outweighed by the benefits to the German economy and its export-oriented industry.

Strict joint **control** over **national budgets** and joint liability go hand in hand. This necessitates changes to national sovereignty laws vis-à-vis European institutions. IG Metall calls for democratic decision-making structures to be extended via the European Parliament and the inclusion of opportunities for the citizens of Europe to be directly involved. As things stand at present, the decision on whether agreed budgetary targets are met on the revenue or expenditure side is left to national parliaments.

A redemption pact could take the temporary joint financing of national debt over the 60% of Gross Domestic Product threshold. In this way it would make a considerable contribution to medium and long-term crisis management.

IG Metall believes it is justifiable for the European Central Bank (ECB) to take the temporary measure of propping up public budgets in the most heavily indebted countries in the currency union by purchasing government bonds on the primary market.

IG Metall also advocates intervention by the European Stability Mechanism (ESM). The ESM rescue fund can be further enlarged for the purpose of stabilising the nations in crisis by extending loans. Taking these measures will guarantee that heavily indebted countries can borrow funds and be shielded from speculation about national bankruptcy.

In requesting aid from the ESM (and ESFS) and the ECB, the euro states are subject to a virtual economic government, albeit one without democratic legitimacy and control. The fiscal pact means that the governments concerned are committed to rigorous economy measures and cuts, particularly in welfare spending but also in terms of pay. Making labour markets more flexible and selling off common assets are also part of this savings policy. IG Metall rejects the denunciations of workers in Europe.

Europe needs comprehensive financial market regulation

Financial policy frameworks for industry in Europe are in desperate need of improvement. Banks must serve the real economy. The social responsibility of banks consists in safeguarding the financing of companies and not in speculation with high-risk, non-transparent financial products. As one of the causes of the crisis, the banks must contribute to the cost of dealing with it.

IG Metall calls for far-reaching regulation of the European financial markets, including:

- The separation of banks' deposit and credit operations from so-called investment banking. Whereas the government helps to guarantee the protection of deposits, the owner must assume liability in the case of investment banking.
- Europe-wide ban on short selling.
- Regulation of highly speculative multi-tier securitised loans and the introduction of financial products, approved by a control board.
- Strict regulation of derivatives.
- Restriction of high-frequency trading

Financial market regulation also includes a **financial transaction tax (FTT),** the aim of which is to make highly speculative financial transactions unattractive. It is economically wise and politically desirable to levy the financial transaction tax on a global level or in the EU at least. This cannot be done in the foreseeable future, however. The second-best solution, therefore, is to introduce it within the Eurozone – or even in key member states in the Eurozone.

Europe needs effective European **banking supervision**. This is particularly important for international system-relevant banks. The equity ratios of banks must be increased to ensure that they do not have to be bailed out by taxpayers again in the event of a crisis. In EU member states there must be an obligation to introduce **deposit protection systems** in the banks. A Europe-wide deposit protection system is necessary for system-relevant banks operating throughout Europe. The EU needs a **European rating agency**, which must be set up as a public (not run by the private sector) and independent institution.

IG Metall is in favour of the **separate banking system**. There should be a strict separation between investment banking and traditional banking in order to limit the "systemic" risks of bad investments by universal banks.

As well as the financial markets, stronger regulation is also essential in the commodity markets. Consideration also needs to be given to regulatory measures here – the London Commodity Exchange for example – in order to prevent speculation and unclear, volatile prices and to give all market players equal access to commodities.

All in all, these regulatory measures will represent the first steps towards solidarity and political union and lay a vital foundation for the sustained stabilisation of the common currency zone.

The European Union needs the backing of its people. To this end it must become a social union.

IG Metall calls on Europe to turn to its workers once again. The social and economic worries of the population must be taken seriously. Many people in Europe have the impression that politics in the EU mainly serve the interests of companies and their lobbyists. As a result, European Union politics are often perceived as a threat. The attractiveness of the "European project" is suffering due to the social difficulties we are currently being forced to experience. Basic social rights, as enshrined in the

Charter of Fundamental Rights in the Treaty of Lisbon, must ultimately take precedence over economic freedom.

Together with the European trade unions, IG Metall calls for a “social progress clause” for the European Union as an integral part of European primary law. This will safeguard national achievements such as trade union rights and collective wage agreement systems.

The formulation of a shared minimum level of social standards must be a priority for a social Europe. Until then, it is important to defend national achievements in social policy. IG Metall specifically opposes any tendency to make employment more precarious and can only advocate the concept of “flexicurity” if the security aspect is at the forefront. Social systems must be structured so as to ensure that people in the EU enjoy equality of opportunity, the ability to participate, social inclusion and security in difficult circumstances. In particular, discrimination against women and migrants at work and in society must be eliminated. It is also imperative to oppose insecure conditions of employment for young workers.

IG Metall therefore proposes a **social pact** for Europe. Such a social pact can achieve the necessary equilibrium and attunement between the social policies implemented in the member states and the frameworks adopted by Brussels.

The social pact has the following essential elements:

Firstly, **order** must be established in the **European labour markets**. This will call for measures that prevent the further expansion of the low-pay sector and wage disparity in Europe. The same pay and the same rights for the same work in the same place must be a firmly established principle.

Secondly, **social dumping** must be **tackled**. As well as stifling precarious employment, social dumping can be tackled with a minimum wage in those sectors where it is necessary to do so.

Thirdly, IG Metall calls for **greater participation rights for employee representatives** and their trade unions in the member states and at European level. Participation, democracy and co-determination in companies are the keystones of a social Europe. These keystones proved themselves in the crisis after 2008 and helped to surmount the crisis in Germany. Strong European industries and services need strong trade unions with a capacity to act, as well as competent employee representatives.

The EU needs political union

Events from the outbreak of the financial market crisis to the national debt refinancing crisis have revealed serious shortcomings in the institutional structure of the European Economic and Monetary Union (EMU). It has become apparent that the union cannot continue without deeper **political integration**.

Given the experiences of the management of the euro crisis, a “twofold strategy” can be used to further the process of European integration. There are short-term approaches on the one hand, which can be implemented between states within the framework of the existing EU treaty. On the other hand, a new basis is needed for the EU treaty in the medium term in order to correct the “birth defects” of the European Economic and Monetary Union and lay the foundations for a political union. The starting point for deeper European integration is a core Europe comprising the members of the Economic and Monetary Union.

The headline target of institutional reforms should be an **independent democratically legitimate economic policy** at European level. This will necessitate a shift of national jurisdiction in fiscal and economic policy towards the EU and an effective budget. There cannot be a “strong Europe” without corresponding EU jurisdiction. This necessitates the transfer of national sovereignty to European level.

The first central column of the European economic government is a **fiscal union** with increased legislative powers in taxation policy and/or a union with its own sovereignty in taxation matters. With or without its own tax sovereignty, the EU needs a significantly increased Community budget to be able to support weaker individual member states through years of reforms.

IG Metall calls for the **European Parliament to be significantly strengthened** and given wide-ranging powers of control and initiative. In future, the parliament should be elected in accordance with a uniform electoral procedure with transnational electoral lists. This in turn necessitates an expansion of the legal status and financial resources of European parties.

Furthermore, the European Parliament should receive the right to debate and initiate legislation. Another essential component of reform is the election of the head of the Commission. Only in this way can the EU Commission become a “genuine” European government.

The direct representation of the interests of EU member states must also be improved. As things stand at present, however, the goal of European integration cannot be a German-style European federation of states. The individual identities of EU member states have evolved in such a way as to rule this out. IG Metall backs the proposal to **establish a European Convention** to prepare the foundations for a treaty for a political and social European Union with a broad social debate and extensive democratic participation.