European ReUnion

There is an opportunity for Europe to lead as a template for a better balance between individual and collective interests.

Tax union.

- Creation of an EU tax authority which will set the Unified Tax Code.
- Member countries will have representation in the EU tax authority which will set a Tax Benchmark.
- Member countries which have tax rates below the benchmark will be required to collect a proportion of the gap and pay this to the EU tax authority. The proportion is set at 10% in the first year and rises by 10% each year with 100% of the gap collected and paid to the EU tax authority in year 10.
- Member countries which have tax rates above the benchmark will pay 10% of the gap, which they have already collected, to the EU tax authority. The proportion is set at 10% in the first year and rises by 10% each year with 100% of the gap collected and paid to the EU tax authority in year 10.
- The Unified Tax Code will apply to personal and corporate taxes, as well as to inheritance, capital gains, asset (property or land) and other taxes.
- The Unified Tax Code will apply to VAT.

Tax devolution.

- The tax union applies only to federal taxes. Local taxes will be devolved to local tax authorities.
- The EU tax authority will determine how taxes in countries which do not distinguish between local and federal taxes is allocated.
- The convergence rules apply only to federal taxes.

General principles on Tax.

- Corporation taxes should be encouraged to converge as soon as possible to avoid tax arbitrage.
- Personal income taxes should be made more progressive with the introduction of new tax bands to cater to ultra-high incomes.
- Since tax rates will be made converge, double taxation treaties within the union and the concept of global taxation are academic. However, since the tax code is regional and not global, ex-union tax liability will have to be legislated for.

Sovereign wealth fund.

The European Union would establish a sovereign wealth fund. Unification of assets cannot be immediate so the concept of sub-funds or cells should be implemented initially.

The establishment of a sovereign wealth fund is part of a bigger effort to better define the balance sheet, the assets and liabilities of a country. It also allows countries to tranche their liabilities so that they can optimize their funding and provide investors with different investment opportunities in different claims.

All state assets should be contributed to the sovereign wealth fund so that they appear with full transparency on the fund's balance sheet.

Each member has a sub fund, and each sub fund has its own assets and liabilities. Each sub fund will have its own credit rating and will generally face its own funding conditions.

The Union's sub fund will house the common assets of the Union.

There is legal separation between sub funds so that the assets and liabilities of the sub funds are not commingled.

Budget union.

The state should only provide those goods and services which the market is unable or unwilling to do so. The federal budget should be parsimonious.

Budget union is not an explicit objective. Member states still collect their own local and federal taxes. Only gap payments are collected by the EU tax authority which funds the sovereign wealth fund. However, since the Unified Tax Code encourages tax convergence, any guidance towards a balanced budget or at least tendencies or limits towards budget balance will encourage budget convergence.

Budget limits.

Budget guidance will be given, perhaps, re stating the Maastricht conditions. Budget discipline will be imposed through the creation of the sovereign wealth fund since a profligate member will find its unsecured funding costs rising. If it turns to secured lending, it is no longer able to ignore claims on its assets since its sovereign wealth fund, the repository of its assets, will be subject to EU insolvency law, such law to be refined as necessary to be relevant to a sovereign wealth fund. A delinquent borrower may find its national monuments, utilities and other assets foreclosed upon.

Social security.

Social security should be harmonized. One element shall be a compulsory defined contribution pension scheme which will be funded by contributions from income as well as an employer contribution. Another element will be a social insurance scheme funded by tax.

The pension assets will be under substantial control by the workers so that no one need fund their sovereign or indeed any other member country if they do not feel so inclined. Assets will be held in custody and not on the balance sheet of the scheme. This is to prevent any de facto expropriations.

The social insurance scheme will be funded by taxation and is a general commingled pool.

To avoid benefits arbitrage, pay in rates and pay out rates will be harmonized.

Labour and individual mobility.

Labour mobility is a good thing but has to be managed. Immigrants need to be able to find jobs and fund themselves. They need to be accretive to the welfare of the host country both financially and socially. Immigration should be encouraged to fill jobs where there is a shortage of labour.

To discourage benefits arbitrage, benefits should be harmonized between member countries. Immigrants should draw on the home benefits system for before they can draw on the benefits system of the host country. In year 1, an immigrant shall be entitled to a quarter of the host country's benefits and three quarters of their home country's benefits, the host country entitlement rising and the home country entitlement falling by a quarter each year so that full transition takes 4 years.

Certain questions should be addressed regarding immigration:

- Are there sufficient suitable jobs? What is the impact on incumbents' employment prospects? What is the impact on prospective employers?
- Is the immigrant accretive to the economy and society?
- Are there sufficient resources?
- Is there enough space?
- Are the cultures compatible and will the immigrant integrate into existing society

- Is the immigrant a refugee and what special conditions apply?

Settling in the EU:

Strict entry requirements apply. The above issues should be addressed in assessing eligibility.

Movement within the EU:

EU member country citizens should be accorded freedom to move and settle anywhere within the EU, however, movement should no longer be unmonitored. All movements across member countries' borders whether by citizens or tourists should be monitored and recorded. Citizens or tourists should not normally be refused passage across borders.