

The German-Greek proposed framework for a shared solution to the European crisis
Our common outline for the conference consists of five main points.

1) Banking union

An European-level system of banking regulation and deposit insurance, managed through the European Central Bank (ECB).

2) European treasury bills

Bonds backed by all Eurozone member countries and issued through an EU treasury. These bonds will enable 100% member-country debt mutualisation at the time of initial issue. EU treasury bills will replace member country's ability to issue national debt.

3) Deficit targets

The European treasury will gradually implement deficit targets over the next decade. Long-term, these targets will be cyclically adjusted to enable counter-cyclical fiscal policy.

4) Treasury advisors

In the event that member countries are not in compliance with these deficit targets, European treasury advisors will have full access to accounts and records. To reduce budget deficits, treasury advisors will have the power to make non-binding policy recommendations as well as binding restrictions.

5) For further discussion

a. *Domestic policy reforms*

We support further discussion on labor market reforms (i.e., regulations and licensing requirements) that will improve the economic and political situations in Southern and Eastern Europe, ultimately increasing internal political support for low deficits and pro-growth economic policies.

b. *Expansionary monetary policy*

We support further discussion on mechanisms for counter-cyclical monetary policy. Our shared goal is to avoid the dangers associated with inflation, while enabling an effective ECB response to economic recessions.

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