# Europe's Choice - How Green QE and Fairer Taxes Can Replace Austerity

## A Discussion Paper from the Green New Deal Group

### Introduction

Unease over the economic future of the Eurozone, the rest of Europe and the wider global economy is increasing. The austerity measures which were supposed to rebalance economies and reduce deficits are creating an electoral backlash across Europe. Their actual effect has been to increase unemployment and underemployment, thus reducing economic activity, lessening the Government's tax take and increasing public debt.

What is required instead is a Europe-wide Green New Deal programme to reduce dramatically the use of fossil fuels and the throughput of raw materials. Amongst the measures involved would be increasing the continent's renewable energy supplies, ensuring all buildings are energy efficient and revitalising local and regional transport links. Paying a living wage to those working on the programme would help to boost the tax take and overcome the present lack of sustainable and effective demand in the economy.

This programme would ensure a huge increase in domestic economic activity and eventually provide the countries of Europe with millions of jobs, vast numbers of business opportunities, substantial tax revenues and a haven for personal savings. The resulting improvements in economic security and environmental protection should make it a cornerstone of future policies in a post-austerity era.

### Plenty Of Money For A 'European Green New Deal'

The question always asked about such a proposal is how can it be funded and surely it would increase the public debt burden for future generations? The answer is that there are potentially vast amounts of money available to pay for such a green rebalancing of the European economy. In the very short term, funding would come from a new round of Quantitative Easing (QE), but, this time, the e-currency would take the form of 'Green Infrastructure QE' to fund vital, labour intensive economic activity in every corner of the continent. In the medium term, substantial funding could come from a more effective and fairer increase in the tax collected in Europe from wealthy individuals and companies.

**The European Central Bank should introduce Green Infrastructure QE[i]**
**to Fund Jobs and Business in Every Part of Europe.**

Quantitative Easing is back on the global economic and political agenda. The growing threat of deflation has meant that Japan has just reintroduced QE and the European Central Bank (ECB) is expected to do so early in 2015 to deal with the serious economic problems of the Eurozone. The UK is also facing economic difficulties, including its falling tax take, the threat of a rising deficit and the spectre of deflation. This means that it is time for political leaders across Europe as well as the European Parliament and Commission to demand that the European Central Bank **(**ECB) introduces a sustainable programme of QE across the continent that would stimulate the economy, boost employment and tackle climate change.

Such an approach would have a galvanising effect on the real economy of Europe. The increased employment, business opportunities and tax base would also match the existing priorities of governments, the private sector and trade unions. This new QE would help finance the necessary public investment for green infrastructure. It could also provide a financial mechanism to help counter the adverse affects of any serious global economic downturn in the future.

The starting point would be to make every building in Europe energy efficient, and where feasible fitted with solar photovoltaics (pv), thus reducing energy bills and fuel poverty and cutting greenhouse gas emissions. The programme should also finance the provision of highly insulated new homes, built predominantly on brown field sites, to tackle the housing crisis. The scope of this transcontinental energy efficiency initiative would be huge. In the UK alone there are around 28 million dwellings and 2 million commercial and public sector buildings.[ii]

Of course different countries might have different priorities for national green investment, but the general scope and the beneficiaries of such green investment opportunities activities was recently outlined in a report from the Green/EFA group of MEPS see Box

BOX
EU Investment Plan of the Greens/EFA group[iii]

The investments are focused on areas that will enable EU member states to achieve the goals set out in the Europe2020 strategy (employment, social inclusion, education, R&D, energy and climate). The plan should lead to increased purchasing power for citizens and improved sustainability of public finances.

Who are the targeted beneficiaries?

1. The growing number of European citizens faced with energy poverty (currently 10-11%)

2. Small and medium-sized enterprises, which will benefit in substantial economic terms from a better use of resources (energy and non-energy): the European Commission has estimated that Europe could reduce its resource consumption by more than 17%, which would lead to savings of €23 billion per year for businesses and create up to 2.8 million jobs.

3. Public services, particularly schools, hospitals and social housing, as well as public infrastructure supporting the development of a smart electricity grid, the roll out of renewable energy or cross-border railway infrastructure for example.

In the UK it has been estimated that nearly £500bn of investment in new low-carbon infrastructure is required over the next 10 years, of which £230bn will be required for energy efficiency alone.[iv] A 'Green Infrastructure QE' programme would therefore need to be of the order of £50 billion a year over the next ten years. Given that the UK makes up a little over an eighth of the population of the European Union[v] then this suggests that to fund an equivalent programme Europe-wide would need funding of the order of 500 billion Euros (£400 billion) per year over the next decade.

If this seems ambitious, it is important to recall that between 2009 and 2012 the UK Bank of England e-printed £375 billion of QE, the equivalent of nearly 480 billion Euros, an average of 160 billion Euros per year. This was the equivalent of over £6,000 for every man, woman and child in the UK. The bizarre assumption behind this approach was that the UK's risk-averse capital markets, corporate sector and constrained banking system can be nudged into supporting the productive economy. Yet, not surprisingly, this huge sum mostly benefitted the banks and investors by inflating house prices, the stock market and commodities. It had very little impact in terms of generating real economic activity on the ground. By contrast, the proposal for a European 'Green Infrastructure QE' would create real economic activity that could last for a decade or more, providing job security and local business opportunities that are at present lacking in much of Europe.

The actual mechanism for making this work would be that the ECB would e- print billions of Euros and the European Investment Bank (EIB) would issue investment bonds that would then be bought by this QE programme. The money would fund a carefully costed, hence non-inflationary, green infrastructure programme to meet the environmental priorities identified by each of the nations concerned.

Two Dutch experts, Wim Boonstra, chief economist of Rabobank Nederland and professor of economic policy at VU University Amsterdam and Harald Benink, professor of banking and finance at Tilburg University have also suggested a similar approach. Their view is that the ECB should not start buying existing government bonds as part of a classical quantitative easing programme, since this may lead to financial bubbles without creating substantially higher economic growth. Instead, it should buy new bonds to be issued by the European Investment Bank to finance infrastructure projects of up to €1tn.[vi]

In the UK context, such an approach is technically feasible as shown by the fact that Mark Carney, the Governor of the Bank of England is on record as saying that if the government requested it, then the next round of QE could be used to buy assets other than government debt.[vii]

## No Need to Repay QE

Since QE involves a central bank putting new money into circulation by creating e-money and using it to buy assets, this will not increase Europe's debt levels according to the originator of the term 'quantitative easing', Professor Werner, Director of the Centre for Banking, Finance and Sustainable Development at the University of Southampton. He states that since the central bank can simply keep the assets on its balance sheet then there is no need for taxpayers to pay or to expand public debt. The assets should simply stay on the central bank balance sheet.[viii] Furthermore, this debt, which would be owed by the government to the central bank would not have to be repaid, as Adair Turner, the former Chairman of the UK Financial Services Authority has made clear.[ix]

In the European context, the EIB is the European Union's bank, owned by and representing the interests of the EU Member States[x] and so the debt that the EIB would incur through Green Infrastructure QE would also not have to be repaid.

The crucial ability to fund infrastructure in a way that does not increase government debt or the deficit is also a feature of the European Commission's €315bn infrastructure investment plan for the next three years. The Commission President, Jean Claude Juncker, appealed to the national governments of the EU to invest in the initiative, and also said any contributions by Eurozone member states would be exempted from calculations of public spending and budget deficits – meaning such contributions would not affect the debt and deficit rules of the single currency zone.[xi]

This huge Green Infrastructure QE programme would contribute to the much needed rebalancing of Europe's economy, since essential infrastructure improvements would take place in every city, town, village and hamlet in the EU. Making this happen on the scale, complexity and timetable required will require the involvement of a wide range of organisations, including national and local governments, business, trade unions and community groups and activists from the social sector.

Of course, all major parties agree that more infrastructure, energy efficiency and housing is vital, but all are limited in the scale of their commitments to these investments because of concerns about controlling public debt. This concern is addressed above and in addition a recent IMF report 'The Time Is Right for an Infrastructure Push'[xii] makes the case that more public infrastructure investment is critical, that its impact is stronger when there is economic slack and that, when done correctly, 'the boost to output offsets the debt taken'.

Such a radical Green Infrastructure QE Programme will kick-start the essential transition to a revitalised and greener European economy. It will provide the confidence needed to unlock additional private funding from pension and insurance companies through to individual savers. Taken together, these would provide the scale of long-term investment required. Finally, the fact that this approach will benefit every constituency/state/region in the European Union should make it a political imperative for all parties in every country.

### Tackling European Tax Evasion and Avoidance

It has been estimated that tax evasion (illegal non-payment or under-payment of taxes) in the European Union is approximately €860 billion a year. Tax avoidance (seeking to minimise a tax bill without deliberate deception), which is the other key component of the tax gap in Europe, is harder to assess, however an estimate might be €150 billion a year.

In combination it is therefore likely that tax evasion and tax avoidance might cost the governments of the European Union member states €1 trillion a year.[xiii]

(For a country by country breakdown of European Tax Evasion see the Appendix)

### Making Them Pay

Ensuring that the tax that is owed within Europe is actually paid requires three key measures to be put in place.

The first one is ensuring that the right questions are asked about an individual's or company's tax situation. It is not enough for them to claim that they pay the right amount of tax in the right place at the right time. They also have to prove it. This requires both that taxpayers (and companies in particular) supply sufficient information and that enough qualified people are employed in Europe's tax offices to ask the right questions of companies to ensure appropriate challenge to their tax arrangements.

The second requirement is that laws be changed to ensure that all taxpayers know that their risk of being discovered when evading or avoiding tax is as high as possible. So, for example, the automatic information exchange agreements that will be coming into place with tax havens over the coming year or so that mean that EU countries will learn which of their residents own structures in those places and how much they earn from them need to be replicated. Domestic banks must, in future, have to advise their own domestic tax authorities whenever they open a bank account for a company or trust and provide those tax collectors with all the information they might need to determine which companies really do need to be chased to provide accounts and tax returns in future. If that was done and the directors of those companies with bank accounts who failed to provide tax returns to tax authorities were made personally liable for the tax due by their companies, then the 'nudge' effect these measures would have on tax payments would be dramatic because these laws would close two of the favourite boltholes of tax fraudsters at a stroke.

The third measure is to have adequate numbers of tax inspectors available to enforce EU countries' tax laws. Any government that is serious about tackling tax dodgers must invest in more staff. The UK, for example, has actually reduced such staff. In 2005 there were more than 90,000 people working for Her Majesty's Revenue and Customs (HMRC), by then end of this year there will be fewer than 55,000 if HMRC achieves its objectives as set out in its business plan for 2014–16.[xiv]. More than 30% of its budget will have been cut in a decade and many EU countries have imposed similar cuts. In that case it can be no surprise that the EU member states may have total uncollected tax owing to them of €1 trillion (€1,000,000,000,000) a year.

### Specific Changes Required

For details of how to achieve the necessary improved company transparency, full country-by-country reporting and unitary taxation see APPENDIX.

Of course many of these taxation measures could take some years to negotiate and bring into European law, although of course a rapid increase in the number of tax collectors could result in a substantial rise in the tax take. What is therefore required while these tax changes are being implemented is something that can generate funding very quickly. This as we have seen above can be achieved by a rapid introduction of 'Green Infrastructure QE' across Europe.

## APPENDIX[xv]

### Improving company transparency

As is now widely appreciated, multinational companies are amongst the largest culprits in tax dodging and to ensure they pay their taxes the following approaches are crucial.

First, companies should commit to paying the right amount of tax in the right place at the right time and explain the governance procedures and policies they have put in place to make sure that this happens. This requirement should, ideally, be enshrined in EU company law.

Second, companies should be explicit about where they trade and what they are called in each country in which they trade. Then we might know which companies make up a group.

Next, multinational corporations should explain their use of tax havens, why they are there, what their trade involves and how much each such subsidiary makes in terms of both sales to third parties and other group companies and the resulting profit and tax paid.

Multinational corporations should also be required to put the accounts of all their subsidiaries, wherever they might be in the world, on public record on their group web site. That way, if anyone wants to see what the impact of a multinational corporation on a particular community is they would have the opportunity to do so.

These changes are quick to enact, simple to enforce and almost costless for the companies but their impact on transparency and corporate behaviour could be significant.

### Full country-by-country reporting

In September 2014 the Organisation for Economic Cooperation and Development recommended that all countries require that multinational corporations located within them be required to file country-by-country reporting accounting data to their head office tax authority allocating all the trading of a group to the countries in which it works, without exception. This was a major step forward, not least because it now means all large companies will be required to have this informati0on.

The next logical step is that companies should be required to publish this information on their total sales, costs, employment costs and employee numbers, financing costs, profits, current and deferred tax charges and tax paid for each country in which they operate by year on public record. These figures should be reconciled to the group annual accounts, with an explanation of the reconciliation being made available if necessary to show the impact of

intra-group trading. This way which company is doing what, where, including in tax havens will be known. The chance that companies will abuse tax havens if this data was to be made available would fall dramatically.

### Unitary taxation

Profit shifting by multinational corporations is now recognised to be a massive international problem. The Organisation for Economic Cooperation and Development, which sets the rules for international taxation, has acknowledged that the integrity of the present international tax system is now under threat as a result of the tax avoidance activities of multinational corporations. Unitary taxation seeks to charge the profits of a group of companies to tax as if they are one single entity - which is, of course, how such companies now report their results. Unitary taxation works by using a formula, or a range of formulas to divide up the total profit of a multinational corporation and its group proportionately between all the countries in which it operates. The logic behind the formula is that companies cannot make profit without having customers, people to service them and places where they can work.[xvi]

## *Estimating the EU tax evasion gap*

The process of estimating the EU tax evasion gap is, essentially, a three-part process:

1. First, the size of the shadow economy in Europe has been estimated. The shadow economy is the unrecorded economy in which illicit financial flows occur.

2. Second, the effective tax rates due in the EU member states are compared to data on the size of shadow economies.

3. Thirdly, the implied taxation loss by member state from tax evasion throughout the EU is estimated.

It is stressed that much of the data used to prepare these calculations, whether it be GDP , population data and overall tax rates, is itself estimated: that is the nature of macroeconomic information. The resulting research findings are also, therefore, by definition estimates. However, it is suggested that they are likely to be the best possible estimates and as such provide valuable insights into the scale of tax evasion and its likely impact on a country-by-country basis throughout the European Union.

The results of these calculations are as follows:

| Country | GDP 2009 | Size of Shadow Economy | Tax burden - 2009 | Size of Shadow Economy | Tax lost as a result of Shadow Economy |
|---|---|---|---|---|---|
| | Euro'm | % | % | Euro'm | Euro'm |

| | | | | | |
|---|---|---|---|---|---|
| Austria | 284,000 | 9.7 | 42.7 | 27,548 | 11,763 |
| Belgium | 353,000 | 21.9 | 43.5 | 77,307 | 33,629 |
| Bulgaria | 36,000 | 35.3 | 28.9 | 12,708 | 3,673 |
| Cyprus | 17,000 | 28.0 | 35.1 | 4,760 | 1,671 |
| Czech Republic | 145,000 | 18.4 | 34.5 | 26,680 | 9,205 |
| Denmark | 234,000 | 17.7 | 48.1 | 41,418 | 19,922 |
| Estonia | 15,000 | 31.2 | 35.9 | 4,680 | 1,680 |
| Finland | 180,000 | 17.7 | 43.1 | 31,860 | 13,732 |
| France | 1,933,000 | 15.0 | 41.6 | 289,950 | 120,619 |
| Germany | 2,499,000 | 16.0 | 39.7 | 399,840 | 158,736 |
| Greece | 230,000 | 27.5 | 30.3 | 63,250 | 19,165 |
| Hungary | 98,000 | 24.4 | 39.5 | 23,912 | 9,445 |
| Ireland | 156,000 | 15.8 | 28.2 | 24,648 | 6,951 |
| Italy | 1,549,000 | 27.0 | 43.1 | 418,230 | 180,257 |
| Latvia | 18,000 | 29.2 | 26.6 | 5,256 | 1,398 |
| Lithuania | 27,000 | 32.0 | 29.3 | 8,640 | 2,532 |
| Luxembourg | 42,000 | 9.7 | 37.1 | 4,074 | 1,511 |
| Malta | 6,200 | 27.2 | 34.2 | 1,686 | 577 |
| Netherlands | 591,000 | 13.2 | 38.2 | 78,012 | 29,801 |
| Poland | 354,000 | 27.2 | 31.8 | 96,288 | 30,620 |
| Portugal | 173,000 | 23.0 | 31.0 | 39,790 | 12,335 |
| Romania | 122,000 | 32.6 | 27.0 | 39,772 | 10,738 |
| Slovakia | 66,000 | 18.1 | 28.8 | 11,946 | 3,440 |
| Slovenia | 36,000 | 26.2 | 37.6 | 9,432 | 3,546 |
| Spain | 1,063,000 | 22.5 | 30.4 | 239,175 | 72,709 |
| Sweden | 347,000 | 18.8 | 46.9 | 65,236 | 30,596 |
| United Kingdom | 1,697,000 | 12.5 | 34.9 | 212,125 | 74,032 |
| Total or unweighted average | 12,271,200 | 22.1 | 35.9 | 2,258,223 | 864,282 |

The resulting loss of tax when calculated on this basis is substantial. €864 billion of revenues are lost each year when estimated on this basis

To give some idea of the importance of this data the following table has been prepared:

| Country | GDP 2009 | Gov't spending as proportion of GDP | Health care spending as proportion of GDP | Size of Shadow Economy | Tax lost as a result of Shadow Economy | Tax lost as a proportion of tax income | Tax lost as a proportion of government spending | Tax lost on shadow economy as % of healthcare spending |
|---|---|---|---|---|---|---|---|---|
| | Euro'm | % | % | Euro'm | Euro'm | % | % | % |
| Austria | 284,000 | 49.0 | 11.0 | 27,548 | 11,763 | 9.7 | 8.5 | 37.7 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Belgium | 353,000 | 50.0 | 11.8 | 77,307 | 33,629 | 21.9 | 19.1 | 80.7 |
| Bulgaria | 36,000 | 37.3 | 7.4 | 12,708 | 3,673 | 35.3 | 27.4 | 137.9 |
| Cyprus | 17,000 | 42.6 | 6.0 | 4,760 | 1,671 | 28.0 | 23.1 | 163.8 |
| Czech Republic | 145,000 | 42.9 | 7.6 | 26,680 | 9,205 | 18.4 | 14.8 | 83.5 |
| Denmark | 234,000 | 51.8 | 7.0 | 41,418 | 19,922 | 17.7 | 16.4 | 121.6 |
| Estonia | 15,000 | 39.9 | 4.3 | 4,680 | 1,680 | 31.2 | 28.1 | 260.5 |
| Finland | 180,000 | 49.5 | 11.7 | 31,860 | 13,732 | 17.7 | 15.4 | 65.2 |
| France | 1,933,000 | 52.8 | 3.5 | 289,950 | 120,619 | 15.0 | 11.8 | 178.3 |
| Germany | 2,499,000 | 43.7 | 8.1 | 399,840 | 158,736 | 16.0 | 14.5 | 78.4 |
| Greece | 230,000 | 46.8 | 7.4 | 63,250 | 19,165 | 27.5 | 17.8 | 112.6 |
| Hungary | 98,000 | 49.2 | 8.2 | 23,912 | 9,445 | 24.4 | 19.6 | 117.5 |
| Ireland | 156,000 | 42.0 | 7.6 | 24,648 | 6,951 | 15.8 | 10.6 | 58.6 |
| Italy | 1,549,000 | 48.8 | 5.1 | 418,230 | 180,257 | 27.0 | 23.8 | 228.2 |
| Latvia | 18,000 | 38.5 | 8.1 | 5,256 | 1,398 | 29.2 | 20.2 | 95.9 |
| Lithuania | 27,000 | 37.4 | 7.8 | 8,640 | 2,532 | 32.0 | 25.1 | 120.2 |
| Luxembourg | 42,000 | 37.2 | 4.1 | 4,074 | 1,511 | 9.7 | 9.7 | 87.8 |
| Malta | 6,200 | 44.8 | 16.5 | 1,686 | 577 | 27.2 | 20.8 | 56.4 |
| Netherlands | 591,000 | 45.9 | 10.8 | 78,012 | 29,801 | 13.2 | 11.0 | 46.7 |
| Poland | 354,000 | 43.3 | 7.1 | 96,288 | 30,620 | 27.2 | 20.0 | 121.8 |
| Portugal | 173,000 | 46.1 | 11.3 | 39,790 | 12,335 | 23.0 | 15.5 | 63.1 |
| Romania | 122,000 | 37.6 | 5.4 | 39,772 | 10,738 | 32.6 | 23.4 | 163.0 |
| Slovakia | 66,000 | 34.8 | 8.5 | 11,946 | 3,440 | 18.1 | 15.0 | 61.3 |
| Slovenia | 36,000 | 44.3 | 9.1 | 9,432 | 3,546 | 26.2 | 22.2 | 108.3 |
| Spain | 1,063,000 | 41.1 | 9.7 | 239,175 | 72,709 | 22.5 | 16.6 | 70.5 |
| Sweden | 347,000 | 52.5 | 9.9 | 65,236 | 30,596 | 18.8 | 16.8 | 89.1 |
| United Kingdom | 1,697,000 | 47.3 | 9.3 | 212,125 | 74,032 | 12.5 | 9.2 | 46.9 |
| Total or unweighted average | 12,271,200 | | | 2,258,223 | 864,282 | 22.1 | 17.6 | 105.8 |

This illuminates the significance of tax evasion in the European Union.

To again put this in context the following table compares these tax losses with government deficits and total government borrowing based on European Union data[xvii]:

| Country | GDP 2009 | Size of Shadow Economy | Tax lost as a result of Shadow Economy | Annual deficit 2010 | Tax lost as a % of annual deficit | Gov't borrowing 2010 | Years it would take tax lost to repay debt |
|---|---|---|---|---|---|---|---|
| | Euro'm | Euro'm | Euro'm | Euro'm | % | Euro'm | |
| Austria | 284,000 | 27,548 | 11,763 | 13,169 | 89.3% | 205,212 | 17.4 |
| Belgium | 353,000 | 77,307 | 33,629 | 14,355 | 234.3% | 341,019 | 10.1 |
| Bulgaria | 36,000 | 12,708 | 3,673 | 2,269 | 161.9% | 11,428 | 3.1 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Cyprus | 17,000 | 4,760 | 1,671 | 926 | 180.4% | 10,619 | 6.4 |
| Czech Republic | 145,000 | 26,680 | 9,205 | 6,815 | 135.1% | 55,825 | 6.1 |
| Denmark | 234,000 | 41,418 | 19,922 | 6,318 | 315.3% | 102,024 | 5.1 |
| Estonia | 15,000 | 4,680 | 1,680 | -18 | 0.0% | 951 | 0.6 |
| Finland | 180,000 | 31,860 | 13,732 | 4,427 | 310.2% | 87,216 | 6.4 |
| France | 1,933,000 | 289,950 | 120,619 | 136,525 | 88.3% | 1,591,169 | 13.2 |
| Germany | 2,499,000 | 399,840 | 158,736 | 81,630 | 194.5% | 2,079,629 | 13.1 |
| Greece | 230,000 | 63,250 | 19,165 | 24,193 | 79.2% | 328,588 | 17.1 |
| Hungary | 98,000 | 23,912 | 9,445 | 4,116 | 229.5% | 78,596 | 8.3 |
| Ireland | 156,000 | 24,648 | 6,951 | 49,903 | 13.9% | 148,074 | 21.3 |
| Italy | 1,549,000 | 418,230 | 180,257 | 71,211 | 253.1% | 1,843,015 | 10.2 |
| Latvia | 18,000 | 5,256 | 1,398 | 1,386 | 100.9% | 6,876 | 4.9 |
| Lithuania | 27,000 | 8,640 | 2,532 | 1,917 | 132.1% | 10,314 | 4.1 |
| Luxembourg | 42,000 | 4,074 | 1,511 | 710 | 212.9% | 7,661 | 5.1 |
| Malta | 6,200 | 1,686 | 577 | 226 | 255.2% | 4,248 | 7.4 |
| Netherlands | 591,000 | 78,012 | 29,801 | 31,979 | 93.2% | 371,028 | 12.5 |
| Poland | 354,000 | 96,288 | 30,620 | 27,966 | 109.5% | 194,700 | 6.4 |
| Portugal | 173,000 | 39,790 | 12,335 | 15,783 | 78.2% | 160,470 | 13.0 |
| Romania | 122,000 | 39,772 | 10,738 | 7,808 | 137.5% | 37,576 | 3.5 |
| Slovakia | 66,000 | 11,946 | 3,440 | 5,207 | 66.1% | 26,998 | 7.8 |
| Slovenia | 36,000 | 9,432 | 3,546 | 2,027 | 175.0% | 13,704 | 3.9 |
| Spain | 1,063,000 | 239,175 | 72,709 | 98,227 | 74.0% | 638,767 | 8.8 |
| Sweden | 347,000 | 65,236 | 30,596 | 0 | 0.0% | 138,106 | 4.5 |
| United Kingdom | 1,697,000 | 212,125 | 74,032 | 176,488 | 41.9% | 1,357,600 | 18.3 |
| Total or unweighted average | 12,271,200 | 2,258,223 | 864,282 | 785,563 | 139.3% | 9,851,413 | 8.8 |

In every case where the tax lost as a consequence of the existence of the shadow economy as a proportion of the annual deficit exceeds 100% tackling tax evasion could, in theory, entirely clear the annual deficit in the country in question. This is true for 16 of the EU's member states, and is overall true for the EU as a whole.

In addition, if only part of the tax lost as a result of the existence of the shadow economy were to be collected then the problem of clearing the debts owed by EU governments would be much easier to tackle. The pressure to clear down debt across the EU would not disappear if the issue of tax evasion could be addressed, but the resources available to clear that debt would be substantially increased if that tax evasion was proactively tackled and debt would cease to be an issue threatening the well being of hundreds of millions of people in Europe as a result.

***Estimating the EU tax avoidance gap***

Estimating total tax evasion is, if not a straightforward task, one that is nonetheless much easier than estimating the amount of tax avoidance in an economy. There are very good reasons for this.

The first and the most obvious is that there is no strict legal definition of what tax avoidance is and therefore any estimate will always be subject to dispute by those who simply disagree on definitional issues as to what is and what is not tax avoidance.

Secondly, a great deal of tax avoidance activity involves cross border transactions. It is, therefore, notoriously difficult to determine where it might take place, even if it is known that it is occurring.

## The Green New Deal Group

The Green New Deal Group can be contacted through its co-ordinator:

Colin Hines
(+44) 0208 892 5051

hinescolin@gmail.com

11 Park House Gardens
East Twickenham
Middlesex
TW1 2DF

## Endnotes

[i] The term 'Green Quantitative Easing' was first explicitly used in 2010 in http://www.financeforthefuture.com/GreenQuEasing.pdf This concept of directing quantitative easing to fund the greening of the UK's infrastructure was included in the Green New Deal Group's 2013 report 'A National Plan for the UK' http://www.greennewdealgroup.org/wp-content/uploads/2013/09/Green-New-Deal-5th-Anniversary.pdf and in the new economic foundation's 2013 report 'Strategic quantitative easing' http://b.3cdn.net/nefoundation/e79789e1e31f261e95_ypm6b49z7.pdf

[ii] http://www.ons.gov.uk/ons/dcp171766_373513.pdf

[iii] http://www.greens-efa.eu/fileadmin/dam/Documents/Policy_papers/Green_Investment_Plan_short_EN.pdf

[iv]http://www.e3g.org/docs/Accelerating_the_transition_to_a_low_carbon_economy_The_case_for_a_Green_Infrastructure_Bank.pdf

[v] http://en.wikipedia.org/wiki/Demographics_of_the_European_Union

[vi] http://www.omfif.org/intelligence/the-commentary/2014/december/how-europe-could-escape-deflation/

[vii] 'Mark Carney boosts green investment hopes' Financial Times, March 18th, 2014 http://www.ft.com/cms/s/0/812f3388-aeaf-11e3-8e41-00144feab7de.html#axzz30ATJUiZ2

[viii] http://www.greennewdealgroup.org/wp-content/uploads/2012/03/Green-QE-report-CBFSD-Policy-News-2012-No-1.pdf

[ix] http://www.ft.com/cms/s/0/8e3ec518-68cf-11e4-9eeb-00144feabdc0.html#ixzz3IjZNT6bq

[x] http://www.eib.org/about/index.htm

[xi] http://www.theguardian.com/world/2014/nov/26/vote-support-europe-juncker-plan-infrastructure-investment

[xii] http://www.imf.org/external/pubs/ft/survey/so/2014/res093014a.htm

[xiii] http://www.taxresearch.org.uk/Documents/EUSocialists.pdf

[xiv] http://www.pcs.org.uk/en/campaigns/national-campaigns/tax-justice/why-are-they-increasing-the-tax-gap.cfm para 6.4

[xv] Ibid

[xvi] For more detail on what needs to be done to achieve these goals see the Fair Tax website http://www.fairtaxmark.net/

[xvii] http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-26042011-AP/EN/2-26042011-AP-EN.PDF