

European Fiscal Board

co-organisers:

CEPR and Amsterdam Centre for European Studies (ACES)

Rethinking the European fiscal framework:

Welcoming remarks

Prof. Roel Beetsma

Member of the European Fiscal Board

Vice-Dean of the Faculty of Economics and Business, University of Amsterdam

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EFB assessment of EU fiscal rules, August 2019: Main findings

Debt did not decline everywhere as needed, especially **high debt ratios** not sufficiently reduced

National fiscal policies too often **pro-cyclical**

Flexibility has not prevented **cutbacks in public investment**

**Main weaknesses
of current EU
fiscal framework**

**Difficulties of
implementation**

Complex and opaque rules, **unobservable indicators**, multiple indicators allowing **cherry-picking**

Weak medium-term planning, adjustment is **back-loaded**

Political considerations interfere with economic assessment, surveillance increasingly **bilateral**

EFB proposal to simplify the SGP

ONE fiscal anchor:
debt ceiling at 60% of GDP

- Focus on sustainability
- Simple and observable

ONE operational indicator:
expenditure benchmark

- Largely observable
- Built-in stabilising effect
- 3-yr ceiling: medium-term perspective
- Annual monitoring with compensation account

ONE escape clause
replacing all existing
flexibility provisions

- Flexibility without current complexity and “complete contract” approach
- Triggered based on independent analysis

**Demarcate
policy decisions
from economic analysis**

- Isolate underlying staff analysis from political considerations

Rules

Limited Golden Rule

**Differentiated national
debt targets
or adjustment paths**

Institutional arrangements

**Full-time President
for the Eurogroup**

Reconsider RQMV

**Replace sanctions by
conditionality**

- On 5 February 2020, the Commission presented its review of the EU economic governance
- The main conclusions on areas for improvement are broadly in line with the EFB's findings
- The Commission has also launched a public consultation to feed its reflection on possible future steps
- At this stage, the Commission has not put forward any proposal but only a list of nine questions

Areas for improvement:

- Debt remains high in some Member States
- Pro-cyclical fiscal policies
- Complexity of the rules and political ownership
- Quality of public finances, especially investment

Source: European Commission

Topics for public debate

- | | |
|----------------------------------|-------------------------------|
| 1. Sustainability | 6. Enforcement |
| 2. Stabilisation | 7. National fiscal frameworks |
| 3. Incentives | 8. EMU deepening |
| 4. Simplification & transparency | 9. SGP/MIP interlinkages |
| 5. Surveillance | |

- With its Assessment report, the EFB has contributed to the review; the Commission has referred to the EFB's analysis and proposals
- The EFB stands ready to contribute further to the debate

Thank you for your attention!

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