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Press release | 09.11.2022

Commission reform of fiscal rules welcome but could be more ambitious

Fiscal rules

Today, the European Commission has just presented its reform of the EU's fiscal rules. The proposal from the Commission addresses important shortfalls in the current rules, such as the governance structure and the way debt adjustment paths of Member States are calculated, but falls short in addressing pro-cyclicality and the need to strengthen green and social Investments. The Greens/EFA Group are calling for a fundamental shift in the EU's economic governance framework.

Philippe Lamberts MEP, Greens/EFA President and Member of the Economic Affairs Committee, comments:

"Today's communication is welcome. We strongly support the Commission's commitment to pursue a thorough reform of the EU's economic governance framework through legislative change. We also support abandoning methodologies such as the output gap that have in the past guided policy choices based on flawed and unobservable indicators.

"However, the Communication is almost silent on the role of public investments. Without public investments in the years to come, reaching our climate goals will not be possible. We urgently need a fiscal framework that enables national budgets to deliver on public policy objectives, such as reaching our climate goals and delivering a just and social transition.

"If the Commission is serious about reaching the goals of the Green Deal, it should carefully consider the quality of public spending in the EU fiscal rules framework. This means a qualified treatment of public investments and a debt sustainability rule that incorporates the fiscal consequences of climate inaction."

Ernest Urtasun MEP, Greens/EFA Vice President and Member of the Economic Affairs Committee, comments:

"We need to put an end to the austerity-era led by the currently suspended rules. The changes proposed on the way debt adjustment is calculated is a positive step forward, along with the establishment of longer fiscal paths agreed with Member States.

“We strongly support a ‘no size fits all’ solution to fiscal rules, meaning that debt adjustment paths should be country specific. The Commission’s declaration for the need to align fiscal plans with the EU’s Energy and Climate plans, as well as the Climate Law is also welcome.

“However, the Commission does not acknowledge the relationship between fiscal sustainability and the climate, which is key for the EU’s targets. If Member States do not spend enough on green investments, this will have a negative impact on their debt sustainability in the long run.”

More:

Greens/EFA Position Paper: Reforming EU Macroeconomic governance

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