Press release | 14.02.2012

EU economic imbalances

Commission alert mechanism fails to give full picture

The European Commission today presented the first EU Alert Mechanism Report, looking at macroeconomic imbalances in EU member states, as part of a new economic surveillance procedure aimed at timely identification of economic risks in EU member states (1). The Greens criticised the selective approach to the analysis, which ignores some key imbalances that have played a major role in the current crisis. Commenting on the report, Green economic affairs spokesperson **Philippe Lamberts** said:

"This new mechanism is an important step towards more comprehensive economic governance in Europe, addressing the past failure to identify and respond to economic imbalances at EU-level, which was clearly a fundamental flaw. However, the Commission's analysis fails to give the full picture and ignores some key imbalances that have played a major role in the crisis.

"While the Commission's scoreboard analysis does assess a much wider range of indicators than previously under the stability and growth pact, it ignores the elephant in the room: Germany. Germany's policy of wage deflation and persistent current account surplus are clear 'imbalances', which have damaging spill-over effects on other Eurozone members, as well as for Germany's own workforce. To ignore this is blinkered.

"One major positive development is the monitoring of private debt levels, which also played a central role in the current crisis. It is clearly a cause for concern that, years into the crisis, overall levels of corporate and household debt remain very high. Policy-makers must not ignore this huge source of vulnerability by devoting all their attention to public debt."

(1) The Alert Mechanism Report is part of the new Macroeconomic Imbalance Procedure. The full report can be found at the following URL:

http://ec.europa.eu/economy_finance/articles/governance/2012-02-14-alert_mechanism_report_en.htm

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Philippe Lamberts

Member

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