The Greens | European Free Alliance
in the European Parliament

Economic governance in the EU
a new framework for macroeconomic sustainability

Group discussion paper

17 November 2010

(Sections 1 & 2 are meant as background information; please go to section 3 for the issues that have to be discussed by the group)

1. What is EU economic governance?

In general terms, the EU economic governance is the set of rules and mechanisms that are supposed to ensure that member states, especially those of the Eurozone, have coherent, consistent and sustainable fiscal and macroeconomic policies that ensure the short- and long-term economic viability of the EU and of its monetary union.

In the more specific parliamentary political context, it is a set of six legislative proposals that have been submitted to the Council and the Parliament; the latter holds co-decision powers on four of those, two of them covering the reinforcement of the stability and growth pact (SGP) and two of them covering the broader surveillance of macro-economic imbalances.

a. Fiscal governance : the reinforcement of the SGP as proposed by the Commission

- Introduces a principle of prudent fiscal policy limiting the growth of public expenditures, which should not exceed a prudent rate of medium-term GDP growth, unless revenue side measures are adopted.

- Adds a focus on public debt reduction, which should reach the treaty-based target of 60% of GDP over a period of at most 20 years. This criterion would now be strongly monitored and potentially make a country eligible for stronger surveillance and sanctions even if annual deficits are below 3% of GDP (currently, only the deficit rule of 3% of GDP has practically been sanctioned).

- 3-step enforcement mechanism for euro area Member States: Penalty deposit of 0.2% of previous year GDP

Preventive arm

1. Penalty as interest-bearing deposit in case of significant deviations from prudent fiscal policy making;

Corrective arm

2. Penalty becomes non-interest bearing deposit when excessive deficit procedure is opened;
3. Penalty becomes a fine in case Member States do not take effective action to correct excessive deficit. The fine is distributed among other Member States.

b. National Fiscal Frameworks

The newly proposed directive defines minimum requirements with regard to five dimensions of national budgetary framework to be complied with by end-2013:

- more stringent requirements on accounting and statistics
- harmonization of macroeconomic and budgetary forecasts
- numerical fiscal rules on deficits
- medium-term fiscal frameworks
- transparency requirements of general government finances and comprehensive scope of budgetary framework

c. Macroeconomic governance

Here, the objective is to monitor other parameters of macroeconomic policy that are signalling potentially dangerous imbalances within the EU and the Eurozone or between them and the rest of the world. Typically, one is targeting large internal and external debt positions due in particular to unsustainable levels of private debt expansion and housing bubbles as well as persistent weaknesses in domestic demand or divergences in competitiveness trends.

Here the draft legislation is much less precise, as neither the indicators nor the thresholds are defined for what would be "severe" imbalances. Nevertheless, a corrective arm (only for Eurozone members) is proposed, with sanctions for "excessive imbalances" of 0.1% of previous-year GDP.

On top of these proposals by the Commission, the Council has been discussing a permanent crisis-resolution mechanism, that is making the temporary European Financial Stability Facility and Mechanism (EFSF/EFSM) adopted in May at the apex of the Greek crisis a permanent one. That could entail treaty changes but no legislative proposal has yet been made in that respect.

2. Why do we need EU economic governance?

With the most recent developments in Greece, Ireland, Portugal and other countries, it is obvious that the Eurozone is in great danger. This danger is aggravated by the fact that at the international level all the countries are engaged in a race to attract external demand in order to export out their way to recovery. Such a situation increases the pressure and constraints on euro area vulnerable countries which require a strong external demand in order to rebalance their economies. As the Economic and Monetary Union is central to the European integration process, the failure of the Eurozone would undoubtedly affect the political integration process as well, further weakening the EU. The key issue is that the 16 (17 as from Jan.1) members of the Eurozone share one same currency but on the other hand are affected by increasing economic divergences among themselves, straining our common currency to its limits. Considering the distress the Eurozone is currently experiencing, the worst case scenario of its dissolution is not as unrealistic as it may look.

Here are some examples of these divergences:

Exhibit 1 : Government debt in the eurozone countries (% of GDP)

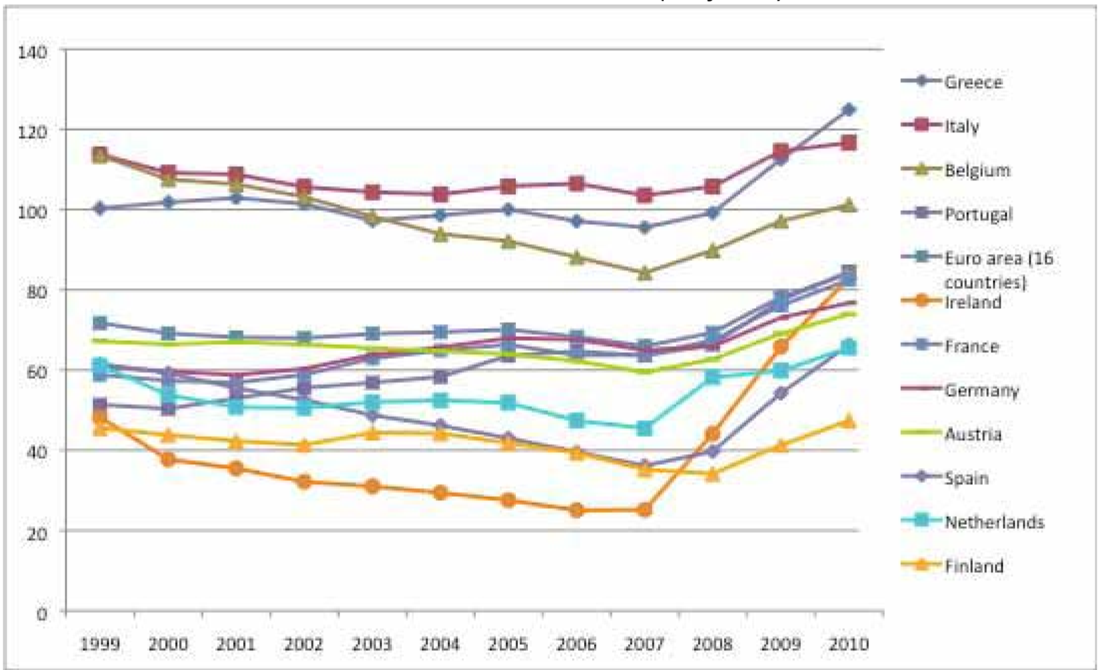


Exhibit 2 : Relative unit labour costs in eurozone (average 1970-2010 = 100)

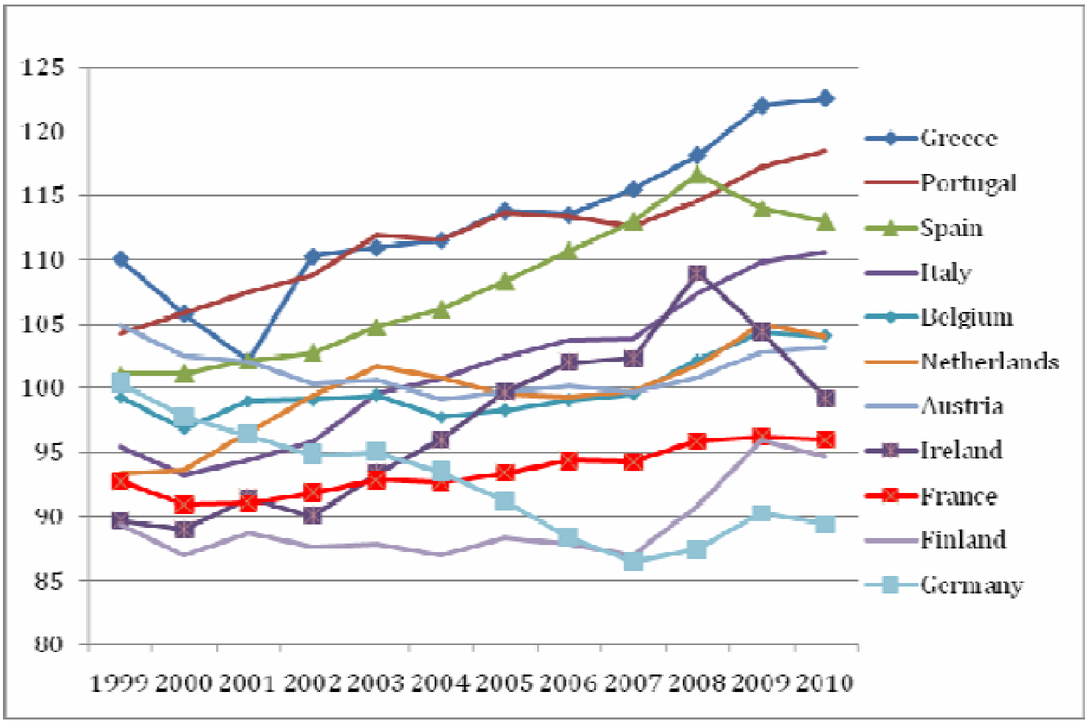
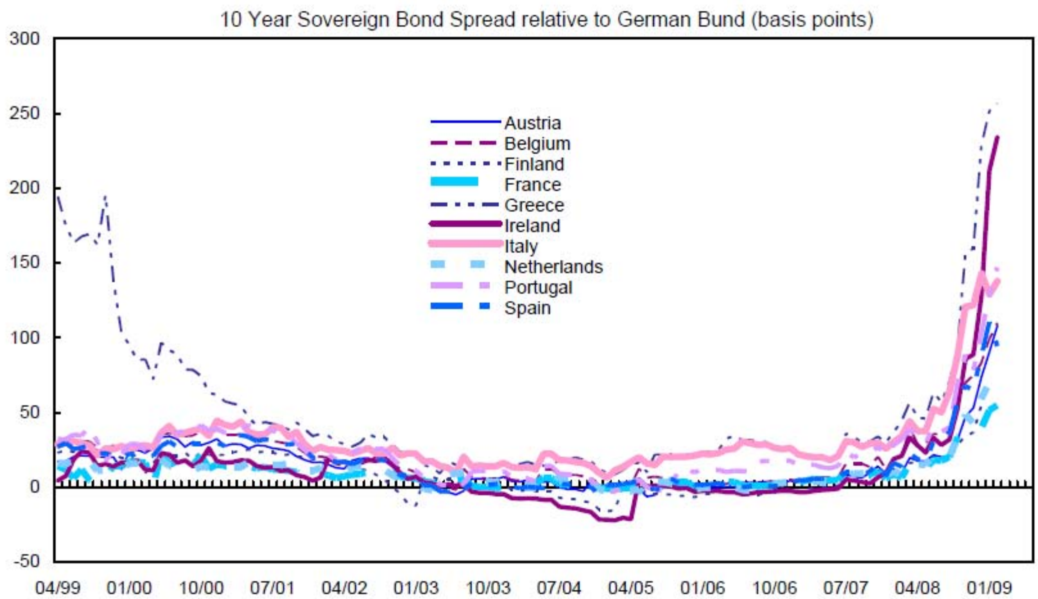


Exhibit 3 : Evolution of relative interest rates ("spreads") for 10-year sovereign bonds



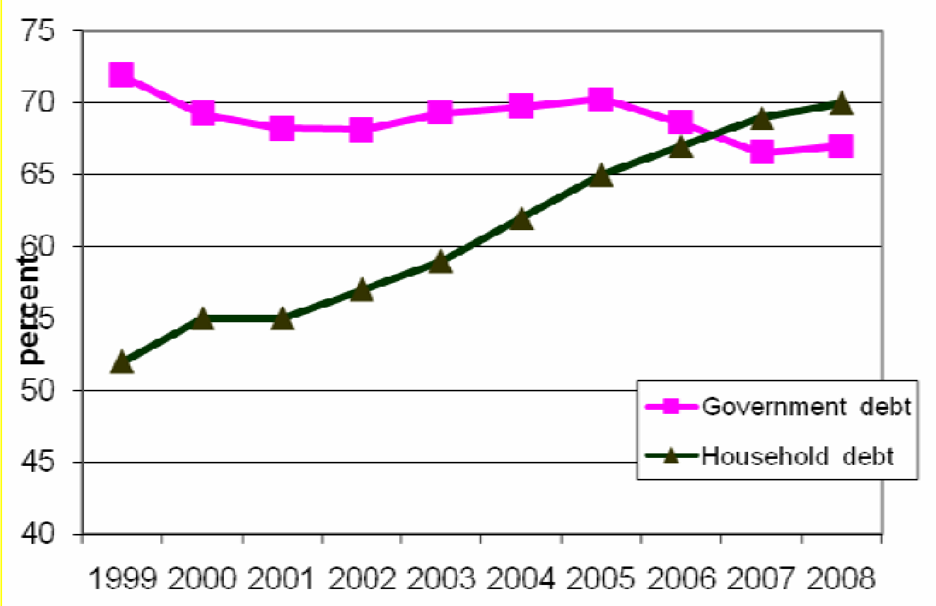
And the latest figures :

Country	Rate	Delta (spread) vs. German Bund
Austria	2,91	0,48
Belgium	3,42	0,99
Denmark	2,57	0,14
Finland	2,74	0,31
France	2,9	0,47
Germany	**2,43**	0
Greece	11,68	9,25
Ireland	9,26	6,83
Italy	4,2	1,77
Netherlands	2,68	0,25
Portugal	7,39	4,96
Spain	4,66	2,23
Sweden	2,78	0,35
UK	3,15	0,72

However, we should not fall into the trap of considering that all of the above is only due to the profligacy of some governments. While fiscal mis-management is obvious in the case of Greece (laxist taxation policies, irresponsible defense spending, inefficient public services...), the crisis has also been the result of a growth model driven by consumption and real estate investments financed by a substantial private debt expansion. In fact, debt levels of households, firms and the leverage of the financial sector experienced a significant increase during the period preceding the crisis. It is therefore crucial to bear in mind that the huge increase of public debt since 2008 has been triggered by the fact that countries had to face excesses previously caused by an unsustainable growth of private debt and in some countries the bail-out of the banking system[1].

[1] The European Commission report on competition policy 2009 puts in evidence that between october 2008 and the end of 2009, the Commission approved around EUR 3,63 trillion (equivalent to 29% of the Eu-27 GDP) of State aid measures to financial institutions including guarantee schemes for 12 member States. in practice the overall aid volume rose from 2008 to the autumn 2009 from around 0,5% of GDP to 2,2% of GDP or EUR 279,6 billion due to the financial and economic crisis. Crisis related and represented roughly 1,7% or EUR 212,2 billion and related to the aid to financial institutions only.

Exhibit 4 : Evolution of public vs. private debt as % of GDP in the Eurozone



Spain and Ireland were amongst the star pupils in the Euro-area before the crisis in terms of growth, public deficit and debt levels. However, these countries were in economic overheating and had amassed huge and unsustainable amounts of private debt both firms and households. Absent any adjustment from 'competitive' countries, they have no other levers but deflation ('internal devaluation') with all its harmful social consequences, to regain competitiveness. A prerequisite since exchange rate policies are no longer an adjustment factor. In addition, low workforce mobility in Europe does not allow for a rebalancing between economic zones showing differentiated growth and inflation performances.

Different external vulnerability through indebtedness

Table 6 Debt ownership

(percentage of total debt)

	Domestic		Foreign	
	1999	2009	1999	2009
Germany	65.1	47.0	34.9	53.0
Spain	73.2	54.8	26.8	45.2
France	72.0	32.1	28.0	67.9
Italy	66.3	57.2	33.7	42.8
Netherlands	67.0	28.9	33.0	71.1
Euro area	67.5	46.5	32.5	53.5
Canada	-	-	-	-
Japan	93.2	94.0	6.8	6.0
United Kingdom	82.7	71.8	17.3	28.2
United States	60.8	47.5	39.2	52.5

Sources: National sources (Germany – Deutsche Bundesbank; Spain – Tesoro Público; France – Agence France Trésor; Italy – Banca d'Italia; Netherlands – Dutch State Treasury Agency; Japan – Bank of Japan; the United Kingdom – Debt Management Office; the United States – Department of the Treasury) and the ESCB in the case of the euro area.
Notes: The numbers may not be fully comparable across the countries due to different definitions of debt. For some countries the data is based on a narrower concept of debt than general government debt (marketable debt; national, regional and local government debt).

Source: ECB, Occasional paper No. 124, Nov. 2010

So, the alternative is clearly between reversing the economic and therefore political integration process and remedying to its shortcomings by complementing it with a further integration at the level of economic policy, including EU economic governance that relies on strong fiscal and macro-economic legs. The interesting factor is that in the most recent eurobarometer poll, three quarters of EU citizens are in favour of moving into that direction:

Exhibit 5 : 2010 Eurobarometer results on stronger coordination of economic/financial policies among EU member-states

QB10.3 Certain measures aimed at combating the current financial and economic crisis are currently being discussed within the European institutions. For each of these measures, could you tell me whether you think it would be effective or not to combat the current crisis?
A stronger coordination of economic and financial policies among all the EU Member States

	Total 'Effective'	Diff. EB73 Sp. 2010 - EB72 Aut. 2009	Total 'Not effective'	Diff. EB73 Sp. 2010 - EB72 Aut. 2009	Don't know	Diff. EB73 Sp. 2010 - EB72 Aut. 2009
EU27	75%	+2	14%	-1	11%	-1
SK	89%	+6	5%	-5	6%	-1
BE	87%	+7	10%	-5	3%	-2
CY	87%	+1	6%	+1	7%	-2
DE	85%	+7	11%	-4	4%	-3
EL	84%	-2	13%	+2	3%	=
NL	84%	+5	11%	-4	5%	-1
ES	83%	+2	8%	-1	9%	-1
LU	81%	+6	13%	-1	6%	-5
SI	81%	=	13%	+1	6%	-1
DK	79%	+1	16%	=	5%	-1
FR	78%	+2	9%	-2	13%	=
FI	78%	+13	15%	-9	7%	-4
IE	77%	+13	9%	=	14%	-13
BG	76%	+1	7%	+1	17%	-2
CZ	74%	-3	17%	+1	9%	+2
MT	74%	-2	5%	+3	21%	-1
AT	74%	+6	21%	-4	5%	-2
IT	73%	-1	14%	-3	13%	+4
PL	70%	+1	14%	+3	16%	-4
RO	70%	+4	12%	+1	18%	-5
SE	70%	=	23%	+1	7%	-1
LT	67%	+1	16%	=	17%	-1
LV	67%	+3	22%	+1	11%	-4
HU	67%	-2	27%	+4	6%	-2
EE	64%	+2	19%	=	17%	-2
PT	62%	-2	27%	+8	11%	-6
UK	60%	+1	22%	=	18%	-1

3. Key issues at stake and green orientations

The Greens have consistently been pleading for a deeper coordination of fiscal and macroeconomic policies within the EU, which we consider as essential to enable the transition of the EU to a sustainable development model, ensuring wellbeing for all, respecting the limits of its physical environment and in a socially just way. This of course entails sound and sustainable public finances, but also effective and just taxation.

We also stand for solidarity, within and among member-states, which is in our perspective a key tenet of EU's political project. In order to be sustainable and accepted, solidarity must go hand-in-hand with responsibility; this is valid both for member-states as for citizens.

In that sense, we do welcome further steps to be taken in the direction of stronger economic governance for the EU and especially for the Eurozone. While the objective to rebalance public finances is a necessity for over-indebted states, the issue of macroeconomic imbalances between countries of the euro area and more broadly of the EU cannot be resolved only by fiscal consolidation (austerity and additional revenue generation). A longer-term vision involves therefore correcting internal macroeconomic imbalances within the Eurozone and the EU. In this perspective it is urgently needed to define a new and stronger EU framework for macroeconomic sustainability and therefore enhanced economic policy coordination of the euro-area and more broadly of the EU. However, the current proposals include important proposal but have significant shortcomings, not least of them the absence of any new steps in tax cooperation and coordination. Within the framework of the legislative texts that are now submitted to the Parliament, here are the key issues that should be discussed by the group :

a. Are we in favour of a revision of the Treaty in order to support the changes needed?

Strictly speaking, this is not something that is required by the legislative proposals that are on the table. Apparently, and this is also somewhat disputed, only a permanent crisis resolution mechanism would require a revision of the treaty in order to be compatible with German constitutional law.

In general, Greens have consistently been saying that the Lisbon treaty is not - and cannot be - the end of the road in terms of EU integration. We do want further advances on the social and fiscal front - to name just those two fields - that will require treaty changes. Similarly, in our view, the treaty targets of 3% of GDP for budget deficit and 60% of GDP for public debt could be revisited. So we are not *per se* opposed to treaty changes. However, making the changes that Greens would demand requires both a lengthy process and a political majority which simply is not there at the moment.

Therefore, the only option at the moment would be for a well-targeted treaty revision, that would only be acceptable if it has strong chances of being processed quickly, that is that enjoys a solid unanimity. For us, the option of entering a lengthy process, with scant chances of a successful outcome, does not enjoy our support.

In case of a Treaty change, the Greens would insist on annexing to the Treaty a new social protocol that would flesh out the social horizontal clause[2] inserted in the Lisbon Treaty and the related articles of the Charter of Fundamental Rights. It would guarantee that fiscal sustainability do not come at the expense of the European Social Model. The new protocol on the services of general interest was likewise meant to explain the spirit of the article 14 of the TFEU concerning these services.

b. Fiscal governance: how, how fast?

As they are set in the Treaties, the 3% and 60% targets are not up for discussion even if Greens do not consider them as evidence-based targets. However, the new element that the package proposes is that the debt target (60% of GDP) should be reached over a period of 20 years. One should consider whether a period of 30 years would be more appropriate and feasible. A longer period for debt reduction should be complemented with rules and strong incentives requiring Member States to speeding-up reductions in deficits and debt to GDP ratios during good times.

c. Macro-economic governance: what are our views?

This is the really disappointing side of the proposals, especially as identifying and correcting macro-economic imbalances is, in our view, a critical component of effective economic governance. Indeed, the Commission's proposals fail to specify which aspects of the macro-economic imbalances the process will monitor and possibly sanction.

Our position is that the EP should make this side of the package much more specific, both as to the type of macro-economic indicators we want the Commission to monitor and as that imbalances should be monitored in both directions (surpluses/excesses or deficits). The scoreboard should encompass a relevant set of indicators including developments in current accounts, net foreign asset positions, evolution of the tax basis, real effective exchange rates, productivity including resource productivity and total factor productivity, factors costs, quantitative and qualitative indicators relative to

[2] *In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health.* (TFEU, Article 9)

levels of employment, social cohesion and environmental externalities, as well as private sector credit growth and assets price evolution.

When imbalances would be detected by the Commission's scoreboard, members would decide together about the path to rebalancing; the overall applicability and the spill-over effects would need to be addressed and taken care of. In accordance with the principle of joint but differentiated rebalancing paths. Such a joint decision and coordination process would require countries with current account surpluses to stimulate employment and internal demand *inter alia* by increasing investments for a sustainable and innovative economy, while countries with current account deficits would adopt specific measures intending to rebalance public budgets and current accounts taking proper consideration of the need to preserve social protection and cohesion.

In those respects, the (Feio) report voted by the Parliament provides a very good basis for our work.

d. Sanctions: what, how, how much?

Sanctions are one of the hottest issues of this package. Clearly, the current SGP is not credible in terms of sanctions. When France and Germany were faced with such sanctions in 2003-2005, they escaped by adapting the SGP, and the current sanctioning process makes horse-trading behind the closed doors of the Council the rule.

In our view, rules require an enforcement mechanism, otherwise there are no rules. The renewed efforts to rebalance the Eurozone's economy will only gain legitimacy if the new rules will be followed. In that sense, we do recognize the need for such a mechanism as part of the package. Here are the guidelines that we propose in that respect :

- The enforcement mechanism must be more transparent and give less room for political bargaining; in that sense, using the reverse qualified majority voting (i.e. the Council can only block the Commission's proposals by QMV) at every step of the procedure has our support.
- The sanctions must be an effective deterrent i.e. leave no room for political calculation by member states
- The sanctions must make economic sense; in that perspective, we should avoid them making the situation of the member-state concerned worse, hastening an even more dramatic outcome (such as default). We might aim at making them counter-cyclical for instance by delaying the effective enforcement according to the business cycle.

- They should be incrementally diversified and could include reputational sanctions (name and shame) as well as direct financial sanctions such as deposits bearing interests; however, restrictions to voting rights are not acceptable to us.
- Enforcement mechanism should concern not only the lack of compliance with budgetary commitments, but also other macroeconomic imbalances including excessive deficits and surpluses.
- The sanctions should be complemented by incentives, in a "carrot-and-stick" approach such as access to an enhanced EU budget performance reserve.
- The ultimate sanction would be the involvement of a future EU sovereign debt resolution mechanism which would impose strict conditionalities as a counterparty of EU aid (see below).

In all those respects, the Commissions proposals need to be further refined and complemented. However, at this stage, no one player has presented a system that responds to all the above criteria.

One of the key questions is also whether we want the enforcement mechanism to sanction the failure to reach set numerical targets (as in the current proposals) or the failure to take action in order to reach them. This is an unresolved question as far as the Green ECON team is concerned.

e. What balance between finance ministers and other sectorial ministers?

Ministers of Finance, their ad hoc committees and DG EcFin will play a pivotal role in the proposed economic governance. Their influence is indeed strengthened since they will be able to issue early warnings or recommendations in case they deem Member States are jeopardizing the euro area. However, through this central role, they could bypass their ministerial colleagues in other sectors and hamper the achievement of some overarching EU2020 Strategy objectives. For instance, despite the objective of reducing the people at risk of poverty by 20 million agreed by the European Council, they could oppose extra social spending aiming at lifting up living conditions on the grounds that it would slow down fiscal consolidation on the short term. They could as well endanger the feasibility to move to a 30 % GHG cut because it would imply 0,54 % of GDP in 2020 instead of 0;32 % instead of a 20 % GHG cut. Therefore, a strong involvement of other sectorial minister and Commission DGs will have to be found to take into account various legitimate concerns and agreed objectives having in mind that our objectives have to be in any case fulfilled without compromising fiscal sustainability.

This section needs further discussion in the Green ECON team.

f. What involvement of the European and National Parliaments?

This question has at least two dimensions. The first is the involvement of the European Parliament in the drafting of the legislation. While the Council has consistently adopted an attitude of ignoring the role of the EP, considering the outcome of its own task force on the topic as "the deal", there is a consensus to assert the prerogatives of the EP in the legislative process as co-legislator of the package.

The second dimension is the role that the European and National parliaments should play in the economic governance itself. Here again, there is consensus in the EP that their role should be substantial; however, few concrete proposals have emerged as of today. Here are some considerations:

- The EP should be involved in reviewing both the fiscal (SCP's) and macro-economic (NRP's) plans submitted by member states during the first semester of each year (the "European semester", a process which will start in 2011) as well as the assessments by the Commission of both the general macro-economic context (the "growth survey") and the said national plans.

- The EP might also want to be involved at the preventive stage of excessive deficit/debt procedures, organising hearings of ministers of member states that would be targeted by such procedures, at an early stage.

- The question remains open whether the EP should be involved at all in the corrective (i.e. enforcement) stage of the process.

- The EP should gain full parliamentary control of EFSF.

g. What kind of permanent crisis resolution mechanism do we want?

This is NOT formally part of the package as of yet. The EU put in place its temporary "bail-out" mechanism (the EFSF/EFSM) on May 10 but it is only valid until 2013. We believe it would be in the EU's interest to have such a mechanism made permanent and complemented by a debt rescheduling/restructuring mechanism. Indeed, the current situation of countries such as Greece and Ireland, facing a deflationary trap, makes a restructuring of their debt a baseline scenario.

In our view, this permanent mechanism should in particular foresee *ex ante* rules of burden sharing needed for avoiding contagion, ring-fence insolvency and ensure the participation of creditors and stockholders to the cost of resolution. These rules would include 'collective action clauses' for EU sovereign bonds contracts as well as standard triggering conditions and management procedures of these clauses. It is also crucial that the conditionalities of the permanent mechanism will not be 'FMI like' conditions. This would in particular involve social and environmental requirements as well as a focus on raising the levels of progressive taxation in particular if the tax level is below the average.

h. **Eurobonds for sovereign debt financing and project-Eurobonds for financing the Green New Deal?**

This is also NOT part of the package, but has been consistently discussed in the EP and proposed as an integral part of the EU economic governance by many, including Greens. Faced with at least one member state which might not be able to service its debt on market rates in the future, it is the cheaper option to lower the interest rate through risk sharing than to write off a part of the debt. Therefore, a Eurobond scheme might well be in the interest of creditor countries. In a middle-term perspective, a Eurobond emission could cover a substantial proportion of the public debt issuance required in order to finance joint rebalancing paths while avoiding moral hazard[3]. This would imply that the soundness of fiscal policies has to be carefully monitored and scrutinized before and after the issuance of these Eurobonds involving a stronger role for Eurostat. Such a joint financing mechanism could be in the advantage of all Member States as a joint issuance could create a deeper market and generate positive externalities by increasing liquidity.

Beyond the lowering of the interest burden of sovereign debt through Eurobonds, the needed adjustments in deficit countries should be eased by stronger investment in the Green New Deal. Project Eurobonds issued by the European Investment Bank, and co-signed by citizens could help all member states to finance the conversion towards a Green economy and limit the adaptation shock caused by deflationary measures.

[3]In order to limit moral hazard the proportion of deficits financed through the Eurobond issuance could be calculated in order to increase costs for Member States which exceeds the ratio of 60% public debt/GDP. The percentage fee should have a positive size, bounded from above by the interest rate spread that the markets (currently) demand for a government bond without guarantee relative to a benchmark bond like the 10-year Bund. Moreover, complementary mechanisms could allow certain countries in strong difficulties as Greece to distribute counter-cyclically a part of the payment of these fees.

4. **Overall political stance & strategy**

Here follow a series of considerations that are guiding our action in the negotiation of this package.

- The package is of the utmost political importance and will provide the opportunity for a major conflict between the Parliament and the Council. The latter has consistently been ignored the EP in the process of its own political reflection. In that perspective, we see the Commission rather as a potential ally and regard its proposals as a starting point, however not as a package that can be approved as such by the Greens.

- Given its importance, it is essential for Greens to speak with one voice, not just in the European Parliament but also between the European and the National Parliaments. In that sense, we will need to have close coordination with Green parties and their MPs all along, not just at the final decision time.

- There seems to be a political will within the major political groups to deliver an EP position that both has substance and enjoys a broad (pro-European) stance, as has been the case for the financial supervision and EU2020 dossiers. While not owning one of the six reports, we Greens are being associated to the work of the four reports under codecision (1 EPP, 1 S&D, 2 ALDE). While not under-estimating the significant potential for political disagreement at the end of the process - and therefore retaining our political independence - we are working in good faith in order to achieve a substantial and broad-based agreement.

- We also consider that in itself, this package is not enough to achieve the objectives of a sound and sustainable economic governance of the EU. In particular, the current stalemate of the EU on most if not all taxation issues needs to be fixed. There will be no healthy public finances in Europe without adequate taxation revenues as well as a certain form of fiscal Union: that requires significant progress on new resources (FTT, energy taxation other environmental taxation), on new and enhanced own resources for the EU, on adequate contribution of corporations (CCCTB, tax rate harmonisation), on fighting tax fraud and evasion. On all of this, EU action is required and is blocked by the unanimity rule and EP has no codecision rights in tax policy. Therefore, we should use the economic governance package as a lever to break the stalemate as the issues are inherently linked.

- Another important stake to bear in mind is that monetary policy has a strong responsibility in what concerns credit growth and in particular housing bubbles. Reforms of the governance in the eurozone should therefore not only focus on the responsibilities of national but also on those of the European monetary authorities without prejudice of ECB independence.

- In the end, we will have to judge on the overall balance of the package. Two strong legs are required: a fiscal one and a macro-economic one; credibility and effectiveness of its sanctions/incentives; democratic accountability and transparency will all be key factors in our judgement.

- Finally, it may well be that the entire package will be overtaken by the events; the possibility looms large that developments in Greece, in Ireland or elsewhere may prove disruptive and force us to make anticipated political judgements.

The Green ECON Team
17 November 2010

Appendix: Reminder of basic notions

The **Stability and Growth Pact** (SGP) is an agreement, adopted in 1997, among the 16 members of the EU that take part in the Eurozone, to facilitate and maintain the stability of the Economic and Monetary Union. Under the SGP, Member States must respect the following rules (Maastricht convergence criteria): 1) an annual budget deficit no higher than 3% of GDP ; 2) a national debt lower than 60% of GDP or approaching that value. One of its major shortcomings, according to the Greens is that it only penalizes excessive deficits and debts, and not excessive surpluses. Moreover, it is limited to one part of the equation, public expenditures, and doesn't tackle the revenues side.

To try to prevent major economic shocks, governments make adjustments through policy changes they hope will stabilize the economy. Two types of macro-economic policies are used: 1) **fiscal policy** which is the use of government expenditure (borrowing and spending) and of taxation to influence the economic activity; 2) **monetary policy** which uses tools linked to the monetary sphere, such as money supply and interest rates, to reach the growth and stability of the economy, usually including the fight against inflation and unemployment. In most countries, fiscal policies are in the hand of national governments and monetary policies of the central banks. In the Eurozone, countries gave their sovereignty to the European Central Bank for the monetary policy. However, for fiscal policy, even if the SGP set the rules and framework to follow, national governments are still responsible for the tools and policies to enforce (taxation and expenditures) in order to comply with it.