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[Press release](#) | 19.10.2021

Commission perpetuates mistakes of past, risks economic recovery & Green Deal

Fiscal reform

Later this afternoon (15:30), the European Commission will announce its new communication on the reform of the EU economic governance framework. This is the first step towards a proposal to review the Stability and Growth Pact. However, the proposed questions for the Commission's consultation fail to address the key issues with the existing fiscal framework and appear to be a continuation of the current approach. The Greens/EFA Group have long called for an overhaul of the current rules, which are not fit for the macro-economic challenges the EU faces and the climate emergency.

Sven Giegold MEP, Greens/EFA spokesperson on economic and financial affairs, comments:

“The European Commission is acting as if it had nothing to do with the failure of the current fiscal regime. The European Commission has never taken decisive measures to enforce the current rules. The macroeconomic imbalances procedure has been downgraded to a bureaucratic exercise. We need rules which are understandable and enforceable. The Commission's proposals are lacking in clarity. The questions put forward by Commissioner Gentiloni do not address the debt rule although it is unenforceable. We need rules which enable investments into our common future. We need sound criteria to ensure future-proof investments which meet strict sustainability criteria. Solidarity needs trust based on sound common rules. A joint commitment to a necessary degree of flexibility needs to be based on clear and science-based rules to identify future-proof investments.”

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

“The Commission's latest communication misses the mark and fails to learn from the mistakes of the past. The fight against the climate emergency and for a just transition will require an extraordinary mobilisation of public resources. An early end to public support for our economies will kill off the Covid recovery before it gets off the ground and hamper the fight against climate change. The current rules seriously risk endangering the European Green Deal and the economic recovery. We need an urgent in-depth reform of the rules, not simply cosmetic changes.

“The era of austerity is over. The failed combination of one-sided austerity with socially damaging policy

measures of the past financial crisis damaged the credibility of the European project. Solidarity and prosperity are not compatible with the current framework. To make the economic recovery a lasting success we need to ensure that the rules are fit for purpose.”

More:

The Commission announcement can be followed [live from 15:30 here](#).

- The current EU fiscal rules framework has led to insufficient debt reduction in many countries and contributed to excessive fiscal austerity during and after the previous crisis, which has amplified economic and social problems, led to a hasty reduction of public deficits with a strong negative impacts on economic growth and employment, and increased debt to GDP ratios.
- Public investment has been one of the major victims of the focus on numerical limits in public spending with the current public investment gap estimated to be at €100 to €190 billion per year.
- The EU current fiscal framework constrains deficits and lacks the necessary tools to require spending increases in countries with excessive current account surpluses, leading to deflationary pressure.
- The current rules are opaque and complex, leading to the poor enforcement of rules unfit for the challenges EU countries face.

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Responsible MEPs



Sven Giegold

Member



Ernest Urtasun

Vice-President

Contact person



Alex Johnson

Press & Media Advisor EN (English language press)

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