Governance economica dell’Ue: proposte e prospettive di riforma

LA RIFORMA DEL PATTO DI STABILITÀ E CRESCITA

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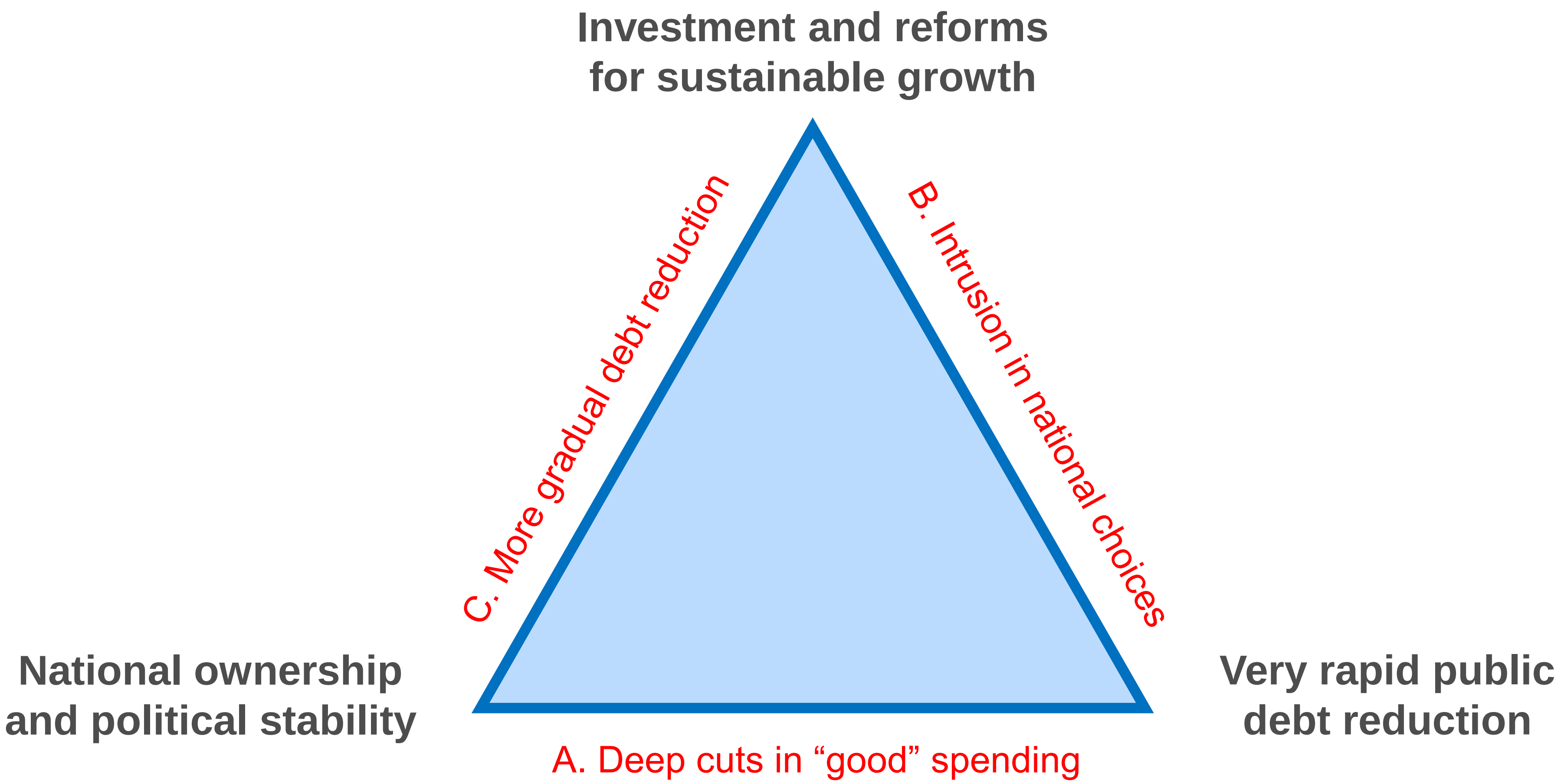
Current EU fiscal framework

Preventive arm	Corrective arm
• Anchor = Medium-term objective in structural terms • Quasi-uniform adjustment of the structural balance towards the MTO, with spending rule and structural reform and investment clauses • Significant deviation procedure	• Deficit based EDP: 3% ceiling • Debt-based EDP based on debt reduction benchmark (1/20th rule)

Problems

- **Complexity**: many indicators and rules (Structural balance, net expenditure growth, …)
- **Unrealistic pace of debt reduction** implied by $1/20^{th}$ debt rule
- **Pro-cyclical bias** in good and bad times
- **Limited incentives** for reforms and investment
- **Lack of ownership**: Adjustment common across the board, ‘determined by the EU’
- **Low enforcement**: half of the MS never met the MTO. Debt-based EDP never opened.

The SGP trilemma



A suggested new fiscal framework

National ownership embedded in EU framework

0. Commission puts forward reference adjustment paths
1. Member States propose medium-term fiscal structural plans
2. Annual budgets will commit to follow the fiscal trajectory and ensure that debt will start converging to prudent levels within horizon of the plan
3. Member States can request a longer adjustment period underpinned by reforms and investments
4. Council endorsement of the plan
5. Stronger role of national IFIs

Simplification and focus on fiscal risks

1. Net expenditure path anchored on debt and agreed by Council will be the single fiscal indicator
2. Surveillance and enforcement will be risk-based
3. Debt reduction benchmark, benchmark for reduction in structural balance, significant deviation procedure and matrix of requirements no longer exist

Enforcement

1. Deficit-based EDP (3% of GDP threshold) maintained
2. Debt based EDP will be operationalised and strengthened, as a tool to ensure compliance with the agreed net expenditure path
3. Financial sanctions toolbox will be enriched with smarter sanctions
4. Macroeconomic conditionality will be maintained
5. A new tool to ensure delivery of reforms and investments underpinning gradual adjustment path

Main criticisms, and responses

Institutional

- - 4/7 Y plans are too rigid
- - "Bilateralism"
- - Commission intrusive role
- - Commission expenditure reference path = no real ownership

← Avoid backloading, "objective circumstances"
← Commission to operate within a common framework
← Up to MS to choose investments and reforms
← Expenditure path discussed and agreed by Council is the one proposed by the MS

Technical

- - DSA very complex
- - Keep structural balance

← Only used at the beginning of the process
← Net primary expenditure more controllable and anti-cyclical. No saying on the size of the state

Economic

- - 3% and 60% = a deflationary bias
- - Better a "golden rule"
- - No CFC

← After 4/7 Y no further adjustment needed
← Risk of moral hazard, immaterial investment
← Right, but SGP reform is not the end of the game