PES Financial and Economic Network meeting
27 January 2021 - 13.00-16.00

Speaking points for Christophe Rouillon on
Exchange on the review of European economic governance

Dear comrades, Dear colleagues,

Thank you Maria Joao for your kind words.

As Elio Di Rupo has to participate in his capacity of minister-president in a session of the Walloon parliament, I will indeed present some key elements of the Committee of the Regions' opinion by Elio Di Rupo, which was adopted on 10 December 2020. Let me first say that this opinion was strongly coordinated not only with Commissioner Gentiloni but also with our comrade Margarida Marques, who is the European Parliament's rapporteur, and I hope that the CoR is a bit facilitating her job.

First consideration of the opinion: like almost everybody, the CoR applauds the fact that on 20 March 2020 the European Commission proposed to suspend the application of the Stability and Growth Pact.

We heard last week European Commission executive vice-president Valdis Dombrovskis saying that the further suspension of the Stability and Growth Pact in 2022 will depend on economic developments, pointing to a possible decision in the spring.

I think we have to watch out here and not fall into a trap.

Yes, the Stability Pact has to remain suspended but we should not lose time and prepare the reform now. Because once the pandemic will have slowed down, the calls for reimbursing the debts will become more vocal again.

We rather take the view that the average public debt ratio has increased all over the world. If the recession lasts very long, the deficits will last just as long. But if there is a quick recovery, these new debts will be like war or great recession debts. In addition, the debts were borrowed at zero or even negative interest rates and Member States received loans and aid from the Union.

Therefore, the only advantage of the crisis was that it ended austerity and rehabilitated investment at large. We have moved from a Europe of austerity to a Europe of investment. And we should not backtrack and seize now the momentum for a deep reform.

Let's also not forget, as Elio Di Rupo recalls in his opinion, that the European economic governance framework was partly responsible for the sharp drop in public investment already BEFORE the pandemic. Between 2009 and 2018, public investment as a whole fell in the EU by 20% as a share of GDP. Investment by local and regional authorities decreased by almost 25% and by 40% or more in some of the Member States worst affected by the crisis.

This drop also occurred because the European economic governance framework does not sufficiently take into account the distinction between current expenditure and investment expenditure.

This is why Elio Di Rupo has again put forward the call for a "golden rule of public investment" in the European economic governance framework. This golden rule could help discouraging the extreme underinvestment that some Member States suffer from - by penalising it. This measure could be applied as a priority to public investment in projects aimed at encouraging the transition to a sustainable society in environmental, economic and social terms, as defined in the Sustainable Development Goals and the Green Deal. This golden rule would also "ring-fence" the national co-financing of European cohesion policy.

Finally, the CoR opinion stresses that the democratic legitimacy of the European economic governance system is too weak and that this endangers not only economic governance itself but also the European project as a whole.

Against the background of the Recovery and Resilience Facility, we can only but repeat that involving local and regional authorities more in the European Semester by means of a code of conduct would also make decisions more representative and give the Semester – and thereby economic governance more broadly – greater legitimacy.