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Austerity, but also growth

Declaration by Notre Europe's European Steering Committee

The debt crisis which most Western countries are currently having to tackle is forcing the European Union (EU) and its Member States to address a fearful dilemma: they are in a position where they need to adopt budget adjustment and structural reform agendas while making sure, at the same time, that they maintain their prospects for growth in order to be able to offer their people hope for the future.

“Austerity for the States, growth for Europe”: Tommaso Padoa-Schioppa’s slogan¹ doesn’t preclude the need to face such a dilemma at the national level, while implementing deep reforms including inequality reduction objectives, and then promoting a sustainable growth strategy. It nevertheless insists on the added value of the EU, to which a major priority has to be granted, for economic, social and political motives.

The Stability Pact rules naturally have to be complied with today as in the past, if only out of respect for future generations and to avoid handing our sovereignty over to private creditors. But the EU cannot only be seen as a Community which bans deficits by force, be that force legal or political. In complementing the crucial role played by each of the Member States, it must also contribute to responding to the challenges of unemployment, which has risen above the 10% mark at the European level, as well as the global slowdown in economic activity. The EU must also be perceived, beyond the euro zone, to be fulfilling its primary role as a driving force for growth: it can act effectively in that regard through the crucial decisions that are to be taken in 2012.

Thus the EU must achieve the completion of the Single Market, 20 years after the mobilising deadline of 1992, in order to make the most of its potential for growth and employment, which is still largely under-exploited. As Mario Monti's report stressed in 2010, there remains a great deal to be done, particularly in the spheres of services, the digital economy and public procurement. Moreover, it is perfectly possible to achieve this in the context of a balanced approach combining social objectives and respect for the environment, each in their proper place. In its Single Market Act, the Commission estimated that a potential growth rate of at least 4% of GDP could be achieved over the next 10 years, and it has recently proposed stepping up the pace. It is up to the Member States and the European Parliament to respond to this initial challenge.

The EU must also take advantage of the future adoption of its new multiannual financial framework, because while the Community budget is first and foremost a tool for solidarity, it is also a tool for growth. Thus the budget must play a more extensive role in developing European research programmes, but at the same time it must also prove more effective in furthering the deepening of

¹ Former Italian Economy Minister, former Member of the European Central Bank's Executive Board, and President of Notre Europe from June 2005 until his death on 18 December 2010.

the Single Market, in particular by financing transport, energy and communication infrastructures of common European interest. In this regard, it is crucial that the 50 billion euros which the Commission has proposed for 2014-2020 be approved in 2012, and that this sum then be put to work in partnership with private funding to expand the EU budget's leverage effect. By the same token, it is crucial that, after approving the more deliberate and flexible use of the structural funds earmarked for countries in difficulty, the EU immediately mobilise an equivalent sum for infrastructures of common European interest, because an exceptional gesture of that nature can counterbalance the depressive impact of the financial stabilisation measures currently being implemented.

And lastly, to complement these budgetary operations, the EU, and more specially the European Investment Bank, must take the lead in issuing bonds designed to fund future spending, primarily in the fields of infrastructure and the environment. This can indeed respond to the massive investment requirements identified in Europe and permits this kind of spending to go forward, as it gets set to fall under the axe in numerous Member States. The EIB is well placed to issue such bonds, and therefore to raise its annual funding capability to 200 billion euros (as opposed to the figure of 80 billion today) by bolstering the capital and the securities provided by the Member States.

The simultaneous mobilisation of the three tools that are the Internal Market, the Community budget, and European project-bonds, will trigger an almost immediate increase in activity and bring major benefits in terms of medium-term endogenous growth. This “growth package” is not only crucial to ward off the very negative economic and social consequences that would inevitably ensue if Europe's flat growth rate were to continue for much longer, but also to boost the EU's legitimacy in the eyes both of its Member States and of the common man in the street.