AT A GLANCE

ECONOMIC POLICY COORDINATION IN THE EURO AREA UNDER THE EUROPEAN SEMESTER

LEAFLET

BACKGROUND

The European Parliament commissioned, under the supervision of Economic Governance Support Unit (EGOV), in autumn 2015 five analyses focused on the Country Specific Recommendations (CSR) addressed to EU Member States, as well as on the Recommendations to the Euro Area, adopted by the Council in July 2015. So far, the implementation of these recommendations had been quite poor. Experts suggested ways to improve the implementation of the CSRs, to make the Semester more efficient, transparent and inclusive while supporting the smooth functioning of the EMU.

INSIDE

All five papers drafted by the external experts on the above-mentioned subject are summarised in this leaflet. Full texts can be accessed by clicking on the images of the front covers or scanning the QR codes.

PUBLICATIONS BY

Klaus-Jürgen Gern, Nils Jannsen and Stefan Kooths – November 2015

The authors propose that to avoid conflicts between the subsidiarity principle and policy coordination, the Commission should distinguish recommendations addressed for the common interest or the national interest. The Semester should help preventing systemic events that threaten the functioning of the EMU, especially in the financial sphere. The implementation should be raised by strict enforcement mechanisms, based on rules and automatic sanctions. Debt sustainability could be increased by applying rigorously the existing rules of the Stability and Growth Pact. The Macroeconomic Imbalance Procedure should be made more transparent and focus on indicators and policies that are relevant for macro-financial stability.
Agnès Bénassy-Quéré – November 2015

The author states that the Semester fosters macroeconomic policy coordination, but that the concept of euro area fiscal stance lacks operational instruments, the concept of macroeconomic imbalances is loosely defined, the MIP is weakened by its complexity, and is obscured by overlaps with the Europe 2020. The euro area is not equipped to design a consistent macroeconomic policy and to reduce the risk of long-lasting stagnation. The new European Fiscal Board should promote an integrated view of fiscal policy, and the MIP should be symmetric to the SGP, with the current accounts as the main indicator, complemented with a limited number of indicators related to medium-term imbalances.

Fabian Zuleeg – November 2015

The author highlights a problem limiting the implementation of the CSRs: reforms decided at EU level have to be justified politically at the national level. A significant transfer of sovereignty would address this implementation gap. The recent changes help improving the Semester: two successive stages (a European and a national stage); fewer and less detailed CSRs; a stronger implementation of the MIP and the introduction of National Competitiveness Boards and a European Fiscal Board. To facilitate implementation, the Eurogroup President should foster Member States to deliver on their commitments. Further steps to be taken include: flexibility in the fiscal framework and a fiscal capacity, to encourage public and social investments.

Daniel Gros and Cinzia Alcidi – November 2015

The authors note that the Commission has made proposals regarding the follow up to the Five Presidents report, and two of them deserve attention, namely the National Competitiveness Boards - whose goal is to prevent economic divergence and increase domestic ownership of reforms - and the European Fiscal Board. While these initiatives are desirable, the Boards risks rendering the Semester even more complex than it is now. The impact of the European Fiscal Board (which would concentrate its work on the euro area) will be limited if it remains an advisory internal body.

Zsolt Darvas and Álvaro Leandro – November 2015

The authors argue that the recommendations to the euro area are inconsistent with those to Member States, namely fostering investment; reducing excessive internal and external debt; reducing the high tax wedges on labour. They claim that the reference to the aggregate fiscal stance is empty rhetoric. The authors welcome the establishment of the European Fiscal Board and of National Competitiveness Boards, as well as greater involvement of national governments, parliaments and social partners. However, financial incentives for the reform process risk limiting the ownership of reforms and would be unfair to countries that have implemented reforms.

Economic Governance Support Unit (EGOV)

The Economic Governance Support Unit (EGOV) provides expertise in the area of EU coordination and surveillance of economic and fiscal policies, financial stability and banking union to support the work of the European Parliament and its relevant committees and bodies in these particular domains.

Information available for the Committee on Economic and Monetary Affairs

Further reading on related subjects is available on ECON homepage – ECON Policies – subpages Economic Governance and Banking Union.

DISCLAIMER: This document is drafted by the Economic Governance Support Unit (EGOV) of the European Parliament based on publicly available information and is provided for information purposes only. The opinions expressed in this document are the sole responsibility of the authors and do not necessarily represent the official position of the European Parliament. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the publisher is given prior notice and sent a copy. © European Union, 2016