Question for written answer E-006616/2015
to the Commission
Rule 130
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Subject: Austerity measures in Croatia

The European Commission adheres to the doctrine according to which the contraction of government spending can cause the economy to expand, i.e. can lead to economic recovery and the re-growth of production and employment. Negative economic consequences of such a policy are being felt from Portugal and Spain via Italy to Greece.

In 2010 and 2011, IMF researchers analysing data on fiscal consolidations in the last 30 years warned that ‘slamming on the brakes too quickly will hurt the recovery, increase unemployment and worsen job prospects, especially in the long-term’. Researchers of the European Central Bank (ECB) recently published a working study ‘Effects of Fiscal Consolidation on Confidence’ in which they prove that the main ‘transmission channel’ of the policy of belt-tightening does not work and that it ‘negatively affects confidence’. According to many economists, including some Nobel laureates, fiscal consolidation at a time of falling private consumption only exacerbates the economic situation.

According to media reports, the Croatian Government is under pressure to carry out financial consolidation and apply the policy of austerity and the EU is threatening not only with sanctions, but also to withhold payments of money from European funds if Croatia does not reduce its budget deficit. This week the government has announced the fiscal consolidation measure of increasing excise duties on cigarettes and fuel, which analysts believe will negatively impact private consumption and investment, and then also State revenue.

Why does the Commission insist on and demand the application of an ‘austerity policy’ in the case of Croatia?