

How to overcome the “*juste retour*” obsession

A net budgetary balance is a highly misleading indicator of the benefits from EU spending and EU membership.

Budgetary decisions taken on the basis of this indicator result in poor policies as they are biased towards programmes with monetary backflows into Member States. This ‘*juste retour*’ mentality is a major obstacle to achieving more European added value through the EU budget.

The deeper underlying cause of this misleading and detrimental net balance preoccupation is the high salience and political appeal of backflow policies, with their easily identifiable national and regional beneficiaries. Policies whose European benefits are more dispersed and do not entail payments into Member States do receive less voter and policy support.

The following options might correct this detrimental bias:

- 1 a discontinuation of the official reporting of net operating balances;
- 2 augmented indicators of national benefit;
- 3 differentiated communication campaigns;
- 4 higher budgetary flexibility to shift money between budget lines;
- 5 institutional reforms (e.g. transnational party lists for the European Parliament) or a limit to national veto power on the budget;
- 6 new own resources (e.g. genuine EU taxes);
- 7 a ‘generalised correction mechanism’ based on predefined net balances;
- 8 differentiated co-financing rates.

There is no single silver bullet to overcome the net balance orientation of policymakers, the media and voters. Some options – **predefined net balances, adapted co-financing rates, new EU own resources** – target **budgetary incentives of national players**. Others options – **differentiated communication, extended benefit indicators** – address the problem of **asymmetric salience of different EU policies** directly. Finally, models like **transnational party lists** for the European Parliament touch far-reaching institutional questions and would, therefore, require careful reflections. **A combination of measures would be most promising since some of the suggestions are mutually reinforcing.**

Whatever the chosen strategy may be, **overcoming the net balance preoccupation is a precondition for a European budget devoted to genuine European added value and hence is of crucial relevance for the EU’s future capability to reach its ambitious objectives.**

For more details, read the briefing on *Stratégies to overcome the “juste retour” perspective on the EU budget*

The problematic of the net balance obsession on the budget

The net balance obsession of politicians, media and citizens dates back to at least Margaret Thatcher’s famous declaration of “*I want my money back*” during the Fontainebleau European Council in 1984, which rung the starting signal for the proliferation of various types of rebates. There are many reasons why the simplistic perspective on EU budget advantages has been so popular throughout the Union. Net balances are easier to calculate than more refined indicators for the benefit of the EU. It is also easy for the media to communicate them. However, such indicator is not informative of a Member State’s comprehensive benefits from the EU budget and even less so of the overall benefits from EU membership.

The net budgetary balances provide misleading indicators for budgetary benefits. Besides other shortcomings, they disregard the beneficial impact of EU spending abroad (e.g. development, migration), ignore the possible cost savings on the national level due to EU service provision and European added value (e.g. in trade policies), and disregard that EU spending may have beneficial cross-border effects beyond the receiving Member State (e.g. successful environmental or climate policies, technological innovations as a result of EU research funding).

The net budgetary balance is a highly erroneous indicator of the benefits of EU membership. Important dimensions of EU benefit are non-budgetary but of utmost relevance for the social and economic wellbeing of citizens. These dimensions include the freedom to choose the country of residence; the support for democracy and the rule of law; and the definition of binding standards for food, health and the environment. Moreover, economic growth and employment in the EU benefit from the Single Market.

If political decisions are based on faulty indicators, they will result in poor policy choices. This is exactly why the net balance preoccupation has been denounced as “poisonous”.¹ The preoccupation with **net balances is poisonous for rational reflections on the EU budget** and the restructuring of the budget towards policies that create genuine European added value. Possible bad results are the following:

- EU policies are chosen just because they produce financial flows into Member States, independent of their contribution to EU policy objectives. Hence, this narrow perspective is a strong obstacle for all budgetary policies where spending takes place outside of EU borders yet still exerts a significant political and economic return for Member States (e.g. successful management of migration, development spending, external action).
- The net balance orientation and sole focus on the flow of money into one’s own country **lower the ambitions of careful evaluation** on the extent to which EU spending truly delivers on its objective and creates an European added value.
- ‘*Juste retour*’ considerations **disregard advantages of EU spending originating from economies of scale** (i.e. cost savings for Member States that originate from a more efficient policy provision at the EU level) as these savings do not materialise as backflows.
- The narrow view disadvantages spending categories that are surrounded by *ex ante* uncertainty about the effective distribution of money among Member State (e.g. competitive allocation of research money based on excellence criteria). In particular, it disadvantages new spending priorities since there is no experience in the effective allocation of spending across Member States.
- The net balance orientation blinds policymakers to policies whose benefits are not monetary nor quantifiable.

¹ Le Cacheux, Jacques (2005), “[European Budget: The Poisonous Rebate Debate](#)”, Paris: Notre Europe.