

IMPLEMENTATION OF A FISCAL POLICY FRAMEWORK FOR THE EU

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Main Questions

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- ❑ Should the EU's and EMU's fiscal framework be strengthened in order to achieve better control of the common fiscal orientation? What are the main challenges?
- ❑ Is a common fiscal capacity an appropriate and viable instrument for deepening the EMU? What conditions would such an instrument have to meet and how could it be financed?
- ❑ In what way could the EU fiscal framework be simplified while ensuring sufficient effectiveness and flexibility? What aspects need to be considered when simplifying?
- ❑ What is the role for national parliaments in the context of an enlarged EU fiscal-policy framework? How could the national parliaments' monitoring/supervisory powers be strengthened in this context?

Topic 1: Strengthening the Fiscal Framework?

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- Should the EU's and EMU's fiscal framework be strengthened in order to achieve better control of the common fiscal orientation?
 - ▣ Importance of sound fiscal stance
 - ▣ Increased co-ordination
- What are the main challenges?
 - ▣ PO calculation
 - ▣ data revisions (ex post)
 - ▣ “Tolerance zones”
 - ▣ Complex (and partly inconsistent) rules

Topic 2: Common Fiscal Capacity?

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- Is a common fiscal capacity an appropriate and viable instrument for deepening the EMU?
 - ▣ Monetary Policy and Fiscal Policy Interactions
 - ▣ Output Stabilization?
 - ▣ Distribution Effects
- What conditions would such an instrument have to meet and how could it be financed?
 - ▣ Projects improving sustainability
 - ▣ Flexibility for the member states / no free-rider incentives

Topic 3: Simplification, Effectiveness and Flexibility

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- In what way could the EU fiscal framework be simplified while ensuring sufficient effectiveness and flexibility?
 - Accountability and control of the member states
 - Emphasis on expenditure rules
 - Data revisions (!)
 - Debt and Deficit as central indicators
 - → Clear understanding of limits / no cyclical corrections (?)
- What aspects need to be considered when simplifying?
 - Investment has to be considered in a dynamic context (depreciation) - no classical golden rule
 - Transitory Effects should be included in the limits – NOT be deducted from debt/deficit/expenditure

Topic 4: Role of the National Parliaments

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- What is the role for national parliaments in the context of an enlarged EU fiscal-policy framework?
 - ▣ Setting a framework for the subnational fiscal entities
 - ▣ Transparency of fiscal effects of all legislation
- How could the national parliaments' monitoring/supervisory powers be strengthened in this context?
 - ▣ Strengthening the “Comply or Explain” principle (IFIs!)
 - ▣ Clear and strict limits – but national discretion within these limits

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Discussion

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