

EPSU economic policy group criticizes Europe's economic governance proposals

(Brussels, 4 March 2011) The European Commission has introduced a series of [legislative proposals->

http://ec.europa.eu/economy_finance/articles/eu_economic_situation/2010-09eu_economic_governance_proposals_en.htm] to strengthen the Stability and Growth Pact (SGP) and to deal with macro-economic imbalances. These proposals were introduced in the wake of the pressures of international financial markets on Greece and other European countries. The EPSU group met to consider these and other developments like the [Annual Growth Survey->

http://ec.europa.eu/economy_finance/articles/eu_economic_situation/pdf/2011/com2011_11_e which heralded the start of the European economic semester. { { {European Commission proposals do not address real problems} } }

The group noted that strengthening the SGP is not the answer to the problems that have occurred. Public budgets have risen because countries poured money into banks after these speculated away billions driven by greed and allowed by regulatory lax banking and financing rules. And when the banks and speculators threw most of the world in a severe economic crisis, governments ensured that the so-called automatic stabilizers functioned - with unemployment benefits rising as people started to lose their jobs. Most countries experience therefore a problem of revenue with taxes falling during a period of crisis. Going after public spending and cutting in people's benefits and pensions, or reducing investment and public services as the European Commission, European Central Bank and the Council of Ministers of Finance do, is definitely the wrong answer and will make matters much worse. The coordinated austerity packages even of governments that do not have budgetary problems will have an impact on the fragile economic recovery that is taking place in some countries of the EU, argued representatives of the EPSU group. { { {Rejecting Commission interference in wage policy} } }

The representatives rejected the interference the economic governance proposals and the indicators of the so-called scoreboard could have on national wage and budgetary autonomy, noting that the European Commission does not have competencies over pay. The proposals of the so-called [Merkel-Sarkozy plan-> http://www.euractiv.com/sites/all/euractiv/files/BRNEDA224_004512.pdf] that sought to prescribe how governments and social partners are to conduct their

bargaining and which pension age all Europeans should have, were discarded as utterly the wrong signal. Also the recent statements of the President of the ECB referring to rising wages as a “stupidity” were [condemned-><http://www.epsu.org/a/7365>].

It is therefore important to influence the debate on the proposals of the European Commission for economic governance. There is scant attention being paid to the profound changes that are behind technical words such as “reverse” voting but which actually means that governments give away a large chunk of autonomy without much discussion. ETUC’s chief economist Ronald Janssen explained the downward spiral effect of the Real Effective Exchange Rate indicator which has an in-built tendency to drive wages down.

{ { {Commission proposals are regressive}} }

And while the proposals of the Commission do allow for revenues (taxes) to grow, the Annual Growth Survey argues that this should primarily happen through indirect taxation such as VAT. The regressive effects are well known with low income households being affected disproportionately. The EPSU group was fully behind the proposals to have a [Financial Transaction Tax-><http://www.epsu.org/a/7377>] to ensure that governments have the funding to address the lack of income. The messages of the [EPSU Fair Tax Charter-><http://www.epsu.org/a/6595>] for fair and progressive taxation were underlined.

{ { {Formulating alternatives}} }

The group will also continue to work on formulating alternatives including around transfers, developing support plans for other countries and how to deal with state debt.

The EPSU group met [24 February 2011-><http://www.epsu.org/a/7086>] , Brussels and was the follow up of a decision taken at [Congress-><http://www.epsu.org/a/5530>] to improve EPSU’s input in economic policy discussions. EPSU Secretariat suggests that the group meets again in November 2011 to formulate an input in the next Annual Growth Strategy and in February 2012 to evaluate the next Annual Growth Survey.

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