Macroeconomic Dialogue 23 June 2014

EPSU comments in relation to 2014 country-specific recommendations and public investment

There is still too much focus on fiscal consolidation and not enough encouragement to increase public investment. There are a few references to public investment with the most positive that for Germany:

"In particular, use the available scope for increased and more efficient public investment in infrastructure, education and research."

Most of the others are just recommendations not to cut investment when continuing fiscal consolidation:

Italy: "…preserving spending like R&D, innovation, education and essential infrastructure projects."

Netherlands: "Protect expenditure in areas directly relevant for growth such as education, innovation and research."

UK: "Pursue a differentiated, growth-friendly approach to fiscal tightening by prioritising capital expenditure."

Or not even to maintain but, in the case of Poland, to "…minimise cuts in growth-enhancing investment."

The latest figures from Eurostat show public investment overall as a lower percentage of GDP (2.2% in 2013) than before the crisis (2.7% in 2008).

Even though the GDP of the EU28 in 2013 was slightly up on that of 2008 this still means a fall in the total amount of public investment of €51 billion. If public investment had just been maintained at 2.7% then it would have been €65 billion higher in 2013.

Comparing public investment as a percentage of GDP in 2008 and 2013 reveals that it fell in 19 countries, remained stable in four and increased in the remaining five. There have been some significant falls in several countries.

Public investment as a percentage of GDP

Country	2008	2013
Ireland	5.3	1.7
Greece	3.4	1.9
Spain	4.0	1.5
Croatia	4.1	2.2
Latvia	5.7	3.9
Lithuania	5.2	3.4
Portugal	2.7	1.4

The type of public investment is important. In view of the many recommendations on health and long-term care it would be relevant to consider boosting investment in these areas. The overwhelming thrust of the recommendations on health and long-term care are about “cost effectiveness” and “sustainability”. There is a big question about what this means in practice and the likelihood that this will often lead to short-term cuts irrespective of the long-term consequences, with few references to the need to maintain and improve quality and access. However, a significant increase in public investment in health care research now could make a major contribution to extending healthy lives and reducing health and particularly long-term care costs in the future.