Senato della Repubblica

Camera dei deputati

CONFERENCE UNDER ARTICLE 13 OF THE FISCAL COMPACT

SESSION 1 - A EUROPEAN PATH TO GROWTH: RE-LAUNCHING INVESTMENT AND REDUCING INEQUALITIES

Background Note

In spite of some tentative early signs that the worst of the economic and financial crisis might be coming to an end, GDP growth in the countries of the European Union remains low (1.6% in 2014 and 2% in 2015), and is, in any case, significantly weaker than in other more dynamic areas of the world, which include not only emerging countries such as China and India but also mature economies such as the United States.

The Eurozone in particular shows feeble rates of growth (+1.2% in 2014 and +1.7% in 2015). According to ECB estimates growth will be even lower: 0.9% in 2014 and 1.6% in 2015.

Of particular concern is the rise in unemployment that coincided with the onset of the financial crisis of 2008. The jobless rate in the EU as a whole increased from 7.0% in 2008 to 10.8% in 2013, but has exceeded 25% in some Member States (in the Eurozone it rose from 7.6% in 2008 to 11.9% in 2013).

The gaps in growth rates in Europe have widened, and wealth has become increasingly concentrated, a tendency particularly pronounced in Eurozone countries, where wealth concentration rose on average by one percentage point between 2008 and 2013. Conversely, the number of people at risk of poverty and social exclusion increased from 114 million in 2009 to more than 124 million in 2012. The latest projections suggest that the Europe 2020 Strategy objective of reducing the number of people at risk of poverty and social exclusion to 96.4 million by 2020 is unlikely to be attained.

To deal with the worsening crisis, the EU has responded by attacking excessive indebtedness both in the public and in the private spheres. To address the problem of public debt, the EU has forged a set of tools – the European Semester, the "Six Pack", the "Two Pack" and the "Fiscal Compact" – with the purpose of imposing more stringent constraints on public finance.

By way of response to the problem of private debt, the European banking union project was introduced to prevent a repetition of the systemic crisis in the lending sector.

The stubbornly low growth rate and, above all, the weakness of domestic demand, especially with regard to investment spending, threaten to consign

Europe to a marginal role on the international stage, unless the plan is to stake all hopes of European growth on exports alone.

Weak demand has led to a drop in the inflation rate, which averages 0.7% in the Eurozone, and this entails the risk of triggering deflationary processes.

In many Member States, the policies being enacted to curb public spending are making it difficult to maintain acceptable levels of social security. Some of the reforms put in place have not confined themselves to making unavoidable adjustments in response to changing demographic realities, but are also threatening certain fundamental rights, such as access to healthcare. In this connection the European Commission has recently presented a Communication on Strengthening the Social Dimension of the Economic and Monetary Union (COM(2013)690).

In many instances, it has been pointed out that even structural reforms can have a pro-cyclical impact in the medium term, and, by causing a further contraction of demand, risk exacerbating recessionary trends.

It therefore needs to be asked whether the strategies and, above all, the tools created to achieve growth are appropriate and sufficient. The Europe 2020 Strategy - currently under review - sets a number of ambitious goals for employment, research and development, training and education, energy policy and the reduction of social exclusion, but the results are disappointing owing to, among other things, the lack of targeted resources and the absence of growth-oriented policies based on clearly defined anti-cyclical principles.

In light of the above considerations, it seems appropriate to raise the following questions:

a) What strategies might be put in place to achieve higher growth rates in all European countries, reduce the widening wealth disparities in the EU and restore competitiveness to European economies, especially with reference to productivity?
b) What useful initiatives can be taken to capitalise on the specific qualities of the European system, such as its social market economy - also envisaging the possibility to mainstream the social dimension into all EU policies -, and its attention to environmental sustainability?
c) What steps might be taken that would make full use of the leeway envisaged in the current rules of the Stability Pact for the mitigation of the short-term impact of structural reforms, while also ensuring their full implementation in the medium to long term?
d) How concrete is the implementation of the plan announced by the President of the European Commission Juncker that seeks to deploy up to 300 billion euro of public funds over the next three years, using EU budget resources and loans from the European Investment Bank (EIB), to

encourage private investment in the real economy, especially in network infrastructure, with particular regard to broadband and energy networks, as well as transport infrastructure, education, and research and innovation?