Senato della Repubblica

Camera dei deputati

CONFERENCE OF SPEAKERS OF EUROPEAN UNION PARLIAMENTS

SESSION I - EUROPE BEYOND THE CRISIS: NEW PATHS FOR GROWTH

Background note

The economic and financial crisis has had an enduring adverse impact on production systems, employment and living standards of the countries of the European Union, and, in some cases, has even impinged on certain fundamental rights. One consequence has been the calling into question of the very social market economy model of Europe, which has, in turn, engendered widespread public distrust in the EU's ability to respond adequately to the challenges posed by the crisis.

The figures speak for themselves: European GDP growth has slumped and, in some countries, has turned markedly negative; investment has greatly contracted (by an average of 15% from a peak in 2007, with some Member States suffering even greater declines than that); unemployment has risen (the latest forecast of the European Commission suggests that in 2015 unemployment will reach 9.8% in the EU, and 11.2% in the Eurozone), and now seems to be structural rather than cyclical; the risk of deflation remains very real as a result of weak domestic demand; and the number of people living below the poverty line remains high, which confutes one of the main objectives of the Europe 2020 Strategy.

The deep impact of the crisis on the EU – which has been harder hit than other countries and economic areas around the world – would therefore seem to require some innovative responses in the form of a mix of policies to modernise the European model of growth and render it more competitive at global level.

The EU’s response from 2008 to today is widely regarded as having been too sluggish and asymmetrical.

In the early stages of the crisis, the EU focused on surmounting the sovereign debt and banking emergencies of a number of Member States by, on the one hand, strengthening the regulatory framework for the consolidation of public finances and, on the other, providing financial support to countries in difficulty.

The efforts to boost growth have thus essentially consisted in supply-side policies based on structural reforms.

In the next stage of crisis management, an agreement was reached on the banking union, which has created the preconditions for avoiding excessive private debt that might jeopardise the financial stability of the single currency area.

The ECB, for its part, has adopted unconventional policies to refinance banks and supply fresh credit to the productive system.

In the third and most recent stage, which began in late 2014 and early 2015, EU institutions appear to have developed a new economic policy approach centred on the direct stimulation of aggregate demand, and, in particular, on investment, to mitigate the pro-cyclical effects of fiscal consolidation.

The new approach was given substance in the form of an "Investment Plan for Europe" (also known as the "Juncker Plan"), whose measures include the mobilisation of at least €315 billion of additional public and private investment over the next three years, and the announcement that the Stability and Growth Pact would be implemented with greater flexibility in regard to investment.

In a further powerful growth-promoting drive, the ECB has also recently introduced quantitative easing, a unconventional monetary policy intervention whereby the Bank purchases government and private sector bonds as a means of injecting liquidity into the economy and lowering the exchange rate value of the euro to favour exports, thereby giving fresh impetus to the productive capacity of the manufacturing sector, which should have clear and positive ramifications for employment. In another strategic step towards enhancing the competitiveness of European industry, the European Commission has undertaken a highly ambitious initiative for the creation of an energy union.

The Plan for Investment and its effective implementation aside, Europe's new economic policy approach seems to be pointing the way towards a strategic growth path, in which the structural weaknesses laid bare by the crisis can superseded and, at the same time, the special qualities of the European economic and social model enhanced.

An important first step in this direction has been the review of the Europe 2020 Strategy, whose implementation has so far not been fully satisfactory with respect to the targets set. The review may provide an opportunity to devote greater effort and economic resources to the pursuit of the goals and the flagship initiatives of the Strategy, such as investment in research and technological development and in the Digital Agenda – on average, the EU invests 1.94% of GDP in R&D, compared with 2.77% by the US and an OECD average of 2.38%.

Within the general framework of the Strategy, the review could also lead to the setting of new objectives and the development of new instruments, such as: territorial redevelopment combined with environmental protection and enhancement, which could create new high-quality and ecologically sustainable jobs; incentives for innovative companies (start-ups); improved human capital growth through the modernisation of education and training programmes; leveraging the full potential of the digital economy; and the application of European policies relating to smart cities, intelligent transport, the green economy, resource management and the treatment of waste, which, in addition to furthering the achievement of environmental and climate objectives and improving the quality of life of the resident population, could also enhance the capacity of cities to become drivers of the economy and development.

The same approach could also be considered for the development of a new European industrial policy that, as the European Commission has proposed, will target the boosting of the global competitiveness of the European manufacturing sector.

In light of these considerations, the present session might be used to explore the following questions:

a) Whether the approach and measures undertaken to date by the European Union are suited to resolving the economic and financial crisis, and are therefore capable both of re-launching lasting, balanced and sustainable growth and employment, and of addressing the social repercussions of the crisis.

b) What, if any, further steps are necessary to achieve, in particular, higher growth rates in all European countries and to narrow the widening disparities within the EU.

c) The extent to which the European Plan for Investment can actually boost investment, especially in those areas hardest hit by the crisis, while emphasising the promotion of innovation and research in industries with the highest value added.

d) Whether, as part of the review of the Europe 2020 Strategy, the existing targets need to be updated and new objectives set, so as to enhance the specific qualities of Europe's economic and social system, while at the same time modernising the production system.

e) Whether European industrial policy can help in this respect and, if so, using what instruments.