

Online Discussion

The EU's post-covid fiscal policy: will it unify us or divide us?

11 May 2021, 14h00-15h15

Welcome: **Hans Dietmar Schweisgut**, Secretary General of the Austro-French Centre for Rapprochement in Europe

Discussion

Marco Buti, Chef de cabinet of Paolo Gentiloni, European Commissioner for Economy

Natacha Valla, Dean, Sciences Po Paris, School of Management and Innovation

Guntram Wolff, Director of Bruegel

Moderation: **Thomas Wieser**, Former chairperson of Eurogroup Working Group, non-resident fellow of Bruegel

* * *

Fighting the pandemic and mitigating the socio-economic impact in the European Union required an unprecedented and coordinated effort at the Union level and by member states. In addition to immediate support measures and the ECB's Pandemic Emergency Purchase Programme, EU leaders have agreed a recovery package of € 1.8 trillion, combining the EU budget for 2021 – 27 and NextGeneration EU, under which the Commission will be able to borrow € 750 billion. This complements the measures at national level made possible by suspending budgetary rules and state aid restrictions.

While we are still far from being able to declare an end to the health crisis and a return to economic growth, the impact of huge expenditures in member states on the level of their public debt will not only raise the issue of the sustainability of public finances post-Covid but will force us to rethink the framework of public finances and their role at the EU level. The recent report by the Arthuis Commission requested by the French Prime Minister addresses these issues with regard to France, but it certainly contains messages for other member states as well, even if the huge difference in debt levels among member states which has been greatly aggravated by the crisis, will be one of the most difficult issue to deal with in the quest for a new coordinated fiscal framework.

It will be essential to ensure that different conditions and perceptions in member states will not turn out to become too divisive for combining the need for sustainable public finances with the one for future-oriented policies to ensure Europe's growth and competitiveness. With NGEU the EU has provided a timely tool for fiscal solidarity. The quality and speed of implementation of green, digital and forward-looking projects will be key for the credibility of action at the EU level and, more generally, the political legitimacy of fiscal policies for quite some time to come.

Our discussion will therefore focus on the following issues:

- Will EU member states manage their recovery paths in line with the priorities of NGEU? What will be the political consequences of success or failure to do so?
- Will there be divergent fiscal paths or will we see a more coordinated process?
- How to take account of divergent speeds of adjusting very different debt levels while aiming at a coordinated EU approach?
- Rather than engaging on a politically divisive public discourse on the timing and extent for fiscal consolidation, how can we build on the unifying effect of focusing on investment to modernise our economies?
- What are the risks of shifting the focus of the debate in such a way?