

FISCAL DISCIPLINE AND PUBLIC INVESTMENT IN EUROPE

*Presented by the*  
**Council for the Future of Europe**  
*in cooperation with the*  
**Friends of Europe**

*The Hotel, Boulevard de Waterloo 38, Brussels*  
*10 December 2014 (2.30pm - 5.00pm)*

**13:00 Lunch for Speakers and Guests**

Location: Private Salon 26<sup>th</sup> Floor

Speaker: Heinz Wismann

**14:30 Seminar: Fiscal Discipline and Public Investment**

Location: Park Ballroom, 1<sup>st</sup> Floor, The Hotel

**Welcome remarks:**

Viscount Etienne Davignon, President Friends of Europe

**Introduction:**

Fiscal Discipline and Public Investment

Mario Monti, Chairman CFE

### **The perspectives of the IMF and the European Commission**

Jean-Claude Juncker, President, European Commission

### **The perspectives of Member States**

Pier Carlo Padoan, Minister of Economy and Finance, Italy, President of Ecofin Council

Jörg Asmussen, State Secretary, Ministry of Labour, Germany

Mateusz Szczurek, Minister of Finance, Poland

### **Panel Discussion**

Benoit Coeuré, Executive Board, European Central Bank

Marcel Fratzscher, President DIW, Berlin

Guy Verhofstadt, President, ALDE Group, European Parliament

### **Debate with the guests**

Moderator: Paul Taylor, Reuters

Conclusion: Sylvie Goulard, EU Representative and Senior Advisor for the Council of the Future of Europe

**17:00 Adjourn**

## Fiscal Discipline and Public Investment in Europe policy workshop

Brussels, Wednesday 10<sup>th</sup> December 2014

### Discussion Summary

On December 10, 2014, the Council for the Future of Europe of the Berggruen Institute and the Friends of Europe, collaborated to organize a seminar on the topic of Fiscal Discipline and Investment. The seminar included many leaders and important stakeholders including Jörg Asmussen, State Secretary, Ministry of Labour, Germany, Mateusz Szczurek, Minister of Finance, Poland, Benoit Coeuré, Executive Board, European Central Bank and Marcel Fratzscher, President DIW, Berlin among many others. Below are the important insights and highlights of the meeting.

#### Notes:

A "1 % economy " is not sustainable (Coeuré, Padoan); dividing lines in Europe (between North /South and core/periphery) are dangerous (Asmussen); European integration is already leaning against the wind, further anti-European stimulus must be avoided (Monti). Risk of secular stagnation (Cox, von Weizsäcker); need to tackle unemployment, working poor (Cox). → *Broad agreement on the need to boost investment and act rapidly.*

It is crucial to combine structural reforms, fiscal discipline and investment (Juncker – "the virtuous triangle" = structural reform (such as national reforms but also completion of the Single Market and new policies at the EU level); fiscal responsibility; investment (without creating new debt). No chance to fill the investment gap without structural reforms (Coeuré); spill-overs of the structural reforms in the MS mean that coordination is essential (Padoan). → *Broad agreement in favour of a holistic approach.*

Main questions raised on several aspects:

- **Flexibility versus growth?** We must use the flexibility which exists but not create non-existent flexibility (Coeuré), nor "fudge the discipline" (Asmussen); there is a difference between European level investment programmes and introducing a specific clause in the SGP (Rehn). Time is ripe to use more clever rules (Monti).
- **What type of investment (public or private) is needed?** What role for the state? The state should not leave the responsibility of investment to the private sector (Fratzscher); public funding should be utilised to call in private investment (Juncker); the good criterion is not the origin of the funds but the nature of the projects (Monti).

- **Which are the “good investments” (nature of the projects)?** Important to look at the use of the money (Padoan) and the quality of the projects (Asmussen); there are clearly some investments which will bring a lot of jobs. The UN identifies these areas to be the green economy, health and education (Frassoni).
- **Which investments should be eligible?** Not easy to define which will be productive (Coeuré, Asmussen); this is no reason not to try (Monti); important to involve Eurostat, who make the decisions about whether a contribution to fund is debt or deficit (Lucio Pench).
- **The appropriate level of action** - some policies are needed at EU level (Single Market, energy, digital economy) more than at the national level (Guy Verhofstadt); we have to combine structural reforms at the national level and European policies (Padoan); need to respond to requests for more subsidiarity (investment and room for manoeuvre needed at MS level) (Monti).
- **What about the distributional effect?** If a MS can deduct the contribution (to the Juncker fund) when the national deficit is calculated, although the money can and should be spent anywhere in Europe, according to a European logic, then this could have a strange effect as the money deducted may not result in GDP growth for that MS (Monti). The impact on GDP matters enormously as investments will either improve the sustainability of GDP or not (Coeuré).
- **What about the necessary institutions for EMU** (Fratzscher)? Investment is key but the problem is broader. Further steps needed towards shared sovereignty and institutional cooperation (Coeuré).
- Risk of deflation must be kept in mind (Rehn).
- Companies (particularly in the South of Europe) have difficulty accessing financing and resources, need a new system and tools enabling them to leverage private money through public money and to support companies differently, as in the US (Diamantopoulou).
- Many citizens have lost trust in Europe and are crying out for policies which will bring growth (Harkin). It is urgent to act quickly; too much time has already been lost (Davignon, Verhofstadt).