By Aitor Murgia
05.05.2023

The EU returns to austerity policies

Sources: The leap [Image: Ursula von der Leyen during the State of the Union Debate, September 14]

The European Commission has decided to end the "party" and has warned member states that they will have to tighten their belts again from 2024

No more "open bar". The Covid-19 crisis caused the European Union to suspend the Stability and Growth Pact (SGP) temporarily so that countries could increase their public spending by above what this norm establishes (3% deficit and 60% debt to GDP). Let's not fool ourselves, the open bar has not been of first brands, nor of Drink as much as you want during this time. Rather, it has resembled An open bar of jug and limited tickets.

The European Commission has decided to put an end to the "party" and has warned the Member States that will have to tighten their belts again from 2024. After four years in which Europe has loosened, the Austerity with the famous fiscal rules, those that have caused so much pain since the 2008 crisis. By 2024, it does so with the SGP rigidity of always, but incorporating some elements of a new framework in which the The European Commission is working and it is expected to enter into force in 2025.

The austerity policies adopted after the 2008 crisis led to a Rupture between the indebted countries of the South and the hawks of the North

The austerity policies adopted after the 2008 crisis led to a Rupture between the indebted countries of the South and the hawks of the North. The case more extreme was that of Greece, a country to which the most extreme measures were applied. aggressive and that he was about to leave the EU. The European institutions have been aware of the failure of these policies and that the project The European Union was at risk. For this reason, the way to address the crisis of the Covid-19 was different. Examples of this were the suspension of the SGP, the creation of the Next Generation funds or the European Pillar of Social Rights. However, none of these policies entails structural change. All They are subject to conditions imposed for the neoliberal project to The European Union continues to develop. And the reform of the fiscal rules follows that same way.

The reform of the EU's economic governance framework has a Clearly continuist. The benchmarks remain the same (3% deficit public and 60% of public debt over GDP) and, although it is true that the countries They will have a period of four years (extendable for another three) to reduce their debt and the specificity of each State will be taken into account, the truth is that The fiscal and budgetary policies of countries with a High debt ratio. This will be articulated through the fiscal plans and structural, the cornerstone of this Next Generation style reform, which will be evaluated by the European institutions annually and which will be imposed Sanctions (economic, reputational and withdrawal of European funds) to those countries that do not comply with the agreement.

The mechanism will be easy: Europe is going to establish a spending rule, thus limiting the budgetary expenditure of all institutions, irrespective of which are your income

The mechanism will be easy: Europe will establish a spending rule (a percentage above which it will not be possible to increase the budget of each institution), thus limiting the budgetary expenditure of all institutions. institutions, whatever their income. It doesn't matter if the year is over with a surplus, as we have just seen with the Basque Country and Navarre, it will not be possible to spend more. Despite the fact that the deficit is nothing more than a simple subtraction between Income and expenses with negative result, the reform has as its sole objective Limit spending. It does not address public revenues, nor does it propose any type of fiscal reform to guarantee quality public services.

The Spanish State closed 2022 with a public debt of 113.2%, almost double of what the SGP establishes. Therefore, you will have to submit a tax plan and the European Commission will force it to take austerity measures to control the public spending, until the debt is on a downward path. And this it will have the same consequences in the budgets of the Basque Country and Navarre.

As with most European policies, the areas of decision are increasingly distant from our territory

As with most European policies, the areas of decision are increasingly distant from our territory. The European Commission controls the states and, within the Spanish State, Madrid is in charge to turn on or off the tap, while the institutions of Hegoalde assume this Governance model without question.

During the last four years, the Basque Government and the Government of Navarre have not Taking advantage of the "open bar" to increase spending and improve services public and social benefits. As of 2024, they already have the excuse for the lack of political will: Europe, the one that gives us so much with the funds Europeans, it does not allow us to spend more. How they like this Europe!

Aitor Murgia. Research Office of the ELA Union

Source: https://www.elsaltodiario.com/economia/ue-vuelve-politicas-austeridad

Rebelion 04.05.2023