Public finances in the Economic and Monetary Union EMU

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The committee adopted the own-initiative report drawn up by Dariusz ROSATI (PES, PL) in response to the Commission communication on public finances in Economic and Monetary Union (EMU).

MEPs expressed their concern about the persistently slow growth in Europe since 2002, substantially below long-term potential, constrained by structural rigidities, weak internal demand, and a lack of proper balance in the macroeconomic policy mix. They warned of the risks of rapid adjustments to global imbalances which might lead to a drop in US demand, with lower exports and weakening growth in the EU.

The report said that stable, outward-looking and competitive macro-economic policy-setting was a necessary precondition for sustainable public finances. It called for the reorientation of public expenditure towards physical and human capital accumulation and public-private partnerships for innovation and education.

The committee also said that the incorrect application of the Stability and Growth Pact meant that there had been no significant improvement in the Member States' fiscal positions since last year. It stressed that it was vital to correct public deficits, which were impeding economic recovery and making the cycle more acute. MEPs called for a reduction in public deficits in 2006 "which is much more ambitious than a mere economic adjustment made in anticipation of higher European growth".

They warned that the lack of political will to contain spending, over-optimistic revenue projections, creative accounting and fiscal consolidation based mainly on one-off measures had largely contributed to budgetary slippage. Calling for improved statistical governance, they also wanted greater transparency regarding implicit liabilities such as public sector pension commitments.

The committee deplored the lack of policy coordination in the euro zone, notably the divergence of fiscal policies, and was concerned at the possible antagonistic effects of the lack of coordination. It called on the Eurogroup chairman to propose a detailed plan for the duration of his term in office, with regular reports on the level of implementation achieved. Finally, MEPs called on the Member States to meet their obligations under Article 99 of the Treaty to regard their economic policies as a matter of common concern and to coordinate these policies.