

# Contribution to roundtable on 'De toekomst van de Europese begrotingsregels: hervorming van het Stabiliteits- en Groeipact'

bij vaste Kamercommissie Financiën van de Tweede Kamer  
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# Major weaknesses of current EU fiscal framework

**High debt ratios** not sufficiently reduced

National fiscal policies too often **pro-cyclical**

Flexibility has not prevented **cutbacks in public investment**

# Difficulties of implementation

**Complex and opaque** rules, **unobservable indicators**

**Deviations** remain, **sanctions** prove difficult to enforce

**Weak medium-term planning**, adjustment is **back-loaded**

**Political considerations** interfere with economic assessment

# Original EFB proposal for simplified SGP

**ONE fiscal anchor:**  
debt ceiling at 60% of GDP

- Focus on sustainability
- Simple and observable

**ONE operational indicator:**  
expenditure benchmark

- Largely observable
- Built-in stabilising effect
- 3-yr ceiling: medium-term perspective
- Annual monitoring with compensation account

**ONE escape clause** replacing  
all existing flexibility  
provisions

- Flexibility without current complexity and “complete contract” approach
- Triggered based on independent analysis

**Demarcate policy  
decisions from economic  
analysis**

- Isolate underlying staff analysis from political considerations

# With or without reform of the SGP

- Differential debt reduction requirements seem unavoidable:
  - Differential debt reduction speed
  - Different ceilings X years from now
- Very high debts endanger financial stability: debt sustainability will be paramount
- For NL to agree to different speeds/ceilings, insist on:
  - Stronger commitment to revised requirements
    - Legal anchoring? Comply-or-explain debt policy advice national independent fiscal institution? ...
  - Weaken doom loop banks – governments (risk ↓ moral hazard↓)
    - Weighting sovereign debt on bank balance sheets
    - Concentration ratios on bank balance sheets

# Political feasibility

- Avoid treating revision of SGP in isolation if commitments to sustainable debt paths cannot be ensured within SGP
- Proposed conditions for differentiating debt reduction requirements will be politically contentious
- Especially in area of banking
  - Germany is not by definition aligned with us
  - Potentially seek support from other small, northern countries, on banking FR (?)
- Note, though, that when it comes to demands for revision of debt reduction requirements NL is in a relatively strong negotiating position