European economic policy priorities

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Setting the scene: a time for action

- Two more years of Juncker Commission: legacy being set in next 12-18 months
- Domestic political risks have abated: but tail risks of populism, Brexit and geopolitical risks loom large
- Economic conditions are better: avoid ultima ratio curse
Euro area: better times but still an incomplete recovery
Big policy areas

• Refugees/migrants question: still in search of a durable solution
  • External Investment Plan

• Threat of terrorism and uncertainty in stance of USA: defence an important topic
  • European Defence Fund

• The new Multiannual Financial Framework:
  • Reduced budget with departure of the UK
  • Changing priorities: new European public goods
  • Use of financial instruments
  • EA budget in the MFF?
  • EU budget and incentives for reform
EMU today: A new political synthesis is needed

Risk Sharing and risk reduction

Financial Union

Economic Union

Fiscal Union

Reforms and incentives

Sound budgets and fiscal capacity
A European Monetary Fund?

• One name, 3 models:

1. **Sole institution in charge of economic and fiscal surveillance**
   - It would mean moving from Community method to an intergovernmental approach: less efficiency and democratic accountability

2. **Independent crisis mechanism, in charge of programme implementation**
   - Mimicking divisions of tasks between SRB and SSM – But conditionality for programme countries touches upon COM competencies (not only macro)

3. **Debt management office and BU backstop**
   - Could be part of Euro Area Treasury (surveillance, stabilisation, safe asset): it is the idea of the RP
Preconditions for progress: deal with fiscal and financial fragilities

- Fiscal space
- Budget deficit
- snowball risk
- LT Interest rates
- Public debt
- NPLs
- Bank profitability space
- Deleveraging needs

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