Fiscal Reform Act

Repairing the fiscal discipline of the Economic and Monetary Union

Matteo Laruffa - PhD candidate LUISS Guido Carli University
October 28, 2016

Abstract

The first part of the paper describes the reforms of the European fiscal rules implemented to date and discusses the European fiscal discipline. It analyses the impact of fiscal rules in terms of policy-making, economic and social policy, democratic conditions of the Union. Finally, the last part of the paper illustrates the Fiscal Reform Act, as a project of institutional reform based on the dual principle of recovery during recessions, as a European priority, and consolidation, as a national responsibility.

KEYWORDS: European economic governance, Fiscal Reform Act, fiscal rules

About the author

Matteo Laruffa is a PhD candidate at LUISS University (Rome) and member of the Council for European Studies (CES) at Columbia University. He won the Prize "Young Academic 2014" at the Progressive Economy Forum. He presented some papers in Europe and the United States of America about the European economic governance and its reforms. He recently attended a course at Harvard University.

Introduction

The European economy has not yet seen a significant recovery. Important resources - including the labor market - remain underutilized and human capital goes to waste. In this way, the entire society, not only the economy, discovers itself ever poorer and less capable to build a future of shared prosperity. According to Joseph Stiglitz: "in most European Union countries, per capita GDP is less than it was before the crisis. A lost half-decade is quickly turning into a whole one. Behind the cold statistics, lives are being ruined, dreams are being dashed, and families are falling apart (or not being formed) as stagnation - depression in some places - runs on year after year."[1]

The long depression of the European economy reveals a number of weaknesses in the institutional design and the burden of problems that are not just cyclical, but rather structural. After having analyzed the effects of the fiscal rules approved in order to thwart the crisis, it is time to reflect on whether the EMU (Economic Monetary Union) is on the right track and if the European economy is on a more stable footing. The paper offers a pragmatic interpretation of the fiscal rules of the EMU so as to set out an alternative model of governance.

Fiscal consolidation and risks of long term stagnation

The period 2010-2014 represents a phase of unprecedented institutional changes, which reshaped both the old convergence criteria adopted in Maastricht and their procedures (art 104.1, TFEU), in order to strengthen the control over national fiscal and budgetary policies at the supranational level. These reforms have reduced the discretional capacities of policy-making of Member States and considerably increased the formulation and monitoring functions of the EU institutions. The reform of the European economic governance started with the adoption of a group of legislative packages, known as Six Pack (November 2011), which institutionalized the European Semester.

These rules work together with those ones of the Treaty on Stability, Coordination and Governance (TSCG), also called Fiscal Compact. The Fiscal Compact restores a new common rule-based fiscal discipline for 25 Member States and emerges as a turning point in the evolution of the EMU. In May 2013, the common budgetary timeline has been strengthened and the Commission's powers of ex-ante examination of draft budgets have been increased by two legislatives acts, usually called Two Pack. These two Regulations provide new rules for ex-ante surveillance procedures by the Commission on national budgets of Euro Member States.

Even if the measures adopted until today contained the catastrophic domino effect of the economic downturn, the current fiscal discipline is revealing itself as the catalyst of stagnation. There is a wide consensus on the risks of long term stagnation for the Eurozone.

Particularly noteworthy is the scenario offered by the OECD (2015):

- the Euro area's GDP per capita is not expected to reach back its 2007 level before 2017 at the earliest;[2]

[1] Stiglitz Joseph, Europe's economic madness cannot continue, Project Syndicate, 8 January 2015.

[2] OECD, Escaping the stagnation trap: policy options for the Euro Area and Japan, January 2015, p. 5.

- the stagnation features have been particularly strong in the vulnerable countries.[3]

This is clearer if we compare the EMU and the United States. GDP per head is still below its 2007 level in the EMU, whereas the US economy has undergone a significant recovery.[4]
Poor economic performances have a strong and negative social impact. With reference to the social conditions of the European Member States, it might be useful to summarize some of the key findings of the Social Justice in the EU - Index Report 2015.[5]

Social Justice in the EU – Index Report 2015
Nearly one-quarter of EU citizens (24.6%) are currently regarded as being at-risk-of poverty or social exclusion (approximately 122 million people)
The gap between the northern European countries and the crisis-battered southern European countries remains enormous
While the EU-wide share of children at-risk-of poverty or social exclusion has increased since 2007, the share of older people at-risk-of poverty or social exclusion declined in the same period

The combination of unconventional monetary policies, financial backstops, new budgetary rules and national structural reforms has not been enough to conduct the EU to a new cycle of growth. In the perspective of a secular stagnation, budgetary constraints can trigger a vicious circle where weak demand undermines potential growth (e.g. via a deterioration of the capital stock, structural unemployment and higher inequality) and weak potential growth further reduces demand (e.g. by discouraging capacity-expanding investment).[6]
As explained by Hansen Alvin ten years after the outset of the Great Depression: “This is the essence of secular stagnation – sick recoveries which die in their infancy and depressions which feed on themselves and leave a hard and seemingly immovable core of unemployment.”[7]

The European economic governance and its fiscal framework reveal itself completely ineffective in facing the three main challenges of the European economy: high debt, high unemployment and weak growth.
Hence the necessities to analyze in depth the existing fiscal discipline so as to identify its problems and to outline some proposals for growth-oriented economic governance.
A simple analysis of the current fiscal discipline is necessary in order to explain why the EMU’s future is fraught with risks and uncertainty.

[3] Ivi.
[4] iAGS Project, Independent Annual Growth Survey 2016, 2015, p. 10.
[5] Daniel Schraad-Tischler, Social Justice in the EU - Index Report 2015, Social Inclusion Monitor Europe, Bertelsmann Stiftung, 2016.
[6]OECD, Escaping the stagnation trap: policy options for the Euro Area and Japan, January 2015, p. 2.
[7] Hansen Alvin, Economic Progress and Declining Population Growth, American Economic Review, March 1939.

The unresolved problems of the European fiscal discipline

These reforms changed the policy priorities of the EMU and its decision-making. On the one hand, the policy goals are now based on the primary aim of fiscal consolidation, with specific priorities (i.e. deficit and debt ceilings) and universal targets in terms of quantitative criteria. On the other hand, the new decision-making process is based on new automatisms and the involvement of technical institutions. This rule based approach has negative effects on the legitimacy of decisions, but also on economic, social and political conditions of the EU. Finally, there is a negative impact also on the integration process. It has been possible to identify five main paradoxes created by the reforms of the complex set of rules, policies and institutional practices that constitute the model of governance of the EMU:

1. policy paradox: As established by the Fiscal Compact, new rules put an end to the possibility of autonomous national fiscal policies and force them under automatic mechanisms for fiscal consolidation in order to balance the budget. Hence, they do not consider specific policy decisions for growth and employment.
Universal quantitative parameters do not consider "that there is no "one-size-fits-all" optimal austerity program: the higher is the accumulated level of debt, the less aggressive the optimal program should be (in terms of both the debt target to reach and timing)"[8] and, as demonstrated by the OECD, within a fiscal framework based on a quantitative approach "inappropriate fiscal rules, such as simple balanced budget rules, can be destabilizing."[9] The new European fiscal discipline prescribes not just same priorities for the policymaking, but also tools and strategies of the policies to be adopted by Member States. The data in terms of sustainability of public finances (public debt/GDP) show how this dual approach, which considers both objectives and tools for Member States' budgets, is undermining the convergence between Member States, rather than improving it. Different socio-economic conditions between Member States, requires not similar, but different policies for achieving the same policy goal.
Discretionary decision-making processes are the preconditions for a resilient model of governance. They create the institutional capacity to approve different economic policies for different socio-economic circumstances and cope with both external and internal changes. That is to say that institutions can deal with unexpected problems.

2. economic paradox: The common fiscal rules created strong pro-cyclical effects and did not limit or shorten the economic downturn. In some Member States this rule-based approach can create a vicious cycle. As expected by some experts, collective austerity hampered growth and investment in the Eurozone as a whole, thus making compliance with fiscal rules even harder.[10]
It is an increase in the level of GDP and revenue that allows governments to avoid to resort to ever higher level of deficit. Public finances will never be sustainable without economic growth. Contrary to the features of the current fiscal discipline, the design of fiscal rules should be

[8] Battaglini Marco, Political Economy of Debt and Growth, Department of Economics, Princeton University, December 2014, p. 33.
[9] OECD, Counter-cyclical economic policy, OECD Economics Department Policy Notes, No. 1, May 2010, p. 3.
[10] Aiginger K., Cramme O., Ederer S., Liddle R., Thillaye R., Reconciling the short and the long run: governance reforms to solve the crisis and beyond; European Policy Brief No. 1, 2012, p. 4.

"based on asymmetric behavior along the cycle."[11] In this way, if adopted in a time of crisis, the overall results of measures for fiscal consolidation instead of reducing deficits and debts may lead to the opposite result. According to Olivier Blanchard: "Those forces pulling growth down in advanced economies are fiscal consolidation and a still-weak financial system."[12] On the one hand, austerity cannot be applied in a recession without triggering a downward growth spiral. On the other hand, historical evidence show that the most effective way to cut deficits is "to combine deficit reduction with rapid economic growth, which generates more revenue."[13]
The fiscal discipline of the EMU represents an economic constitution with the pretension to bind the European economic governance to automatic mechanisms of fiscal correction made by specific "quantitative" budget limits and prearranged timing, which ignores the socio-economic transformations. Rules cannot crystallize the institutions and their actions, nor they can force them to follow the same policy priorities and quantitative parameters indifferently from the changes that occur in the European society and its economy. Indeed, these rules can create problems also in good times, because they prevent high but responsible levels of deficits and debt also when the economic growth allows to the Member States to pay back high level of debt. Therefore, they impose dramatic restrictions during periods of crisis and unjustified restrictions during periods of growth. Basically, a given fiscal strategy that works today could not exactly work in a different framework of socio-economic variables tomorrow.

3. social paradox: As enshrined in 9 Article of the Treaty on the Functioning of the EU: "In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion."[14] As the Court of Justice recognizes in a number of recent rulings grouped in the Laval/Viking jurisprudence, the Union "has not only an economic but a social purpose."[15]
Henceforth, there are specific duties of the EU related to full employment and social progress which cannot be ignored. As Franco Gallo highlights "at present, social and fiscal policies appears to have stagnated, leaving a disappointing record in terms of concrete results."[16]
The finalité économique related to the control on deficit and debt of Member States cannot be pursued against the finalité sociale related to social cohesion and employment. The current fiscal discipline cannot responsibly offer a solution to the high social and economic costs that millions of Europeans are paying due to the policy mistakes of austerity measures. Finally, the first social policy in times of crisis is aimed at provide effective solidarity in terms of vertical equity, which implies unequal treatment of people in different ranks. It is the criteria which policy-makers should follow in order to do more for helping people who have less, while today the European measures and policies consider solidarity a help based on conditionality. In a few words, the European solidarity asks to those people who have less, to make more sacrifices.

[11] Strawczynski Michel, Optimal design of new generation Fiscal Rules: coping with the business cycle and discretionary tax reductions, Hebrew University of Jerusalem, September 2014, p. 5.
[12] Blanchard Olivier, in World Economic Outlook, International Monetary Fund, October 2012, p. XVI.
[13] Sen Amartya, The Crisis of European Democracy, The New York Times, 22 May 2012.
[14] Ivi.
[15] European Court of Justice, Case C-438/05 Viking line, 2007, and Case C-341/05 Laval un Partneri, 2007.
[16] Gallo Franco, Social Justice and Fiscal Justice with the prospect of Completion of European Unification, Altiero Spinelli Lecture, Centro Studi sul Federalismo, Torino, 12 December 2013, p. 7.

Commenting the political consequences of this status-quo, Collignon (2012) affirms: "The policy framework in the euro area is therefore inefficient in welfare terms. In the long run, this inefficiency will undermine the legitimacy of European integration."[17]

4. political paradox: The above-mentioned reforms have substituted the democratic policymaking of representative political institutions into a bureaucratic machinery made by automatisms of rules and supervisions of technical independent institutions. These processes reduce the accountability of the European economic governance and made its institutions less responsible to the citizens. It is still unresolved the question that Jacques Delors defined as "the tensions between government by rules, and government by politics."[18] In a few words, there is a pre-electoral definition of policy goals and a pre-political surveillance of policy-making. The current model of governance is not legitimate in front of the constituencies and it does not meet one of the basic principles of democracy, which is the right of citizens to contribute to the decision-making process of institutions.
This paradox is more relevant if we consider the notion of legitimacy as reconceptualised by Kröger and Bellamy (2016), which use the explanation of two-level game proposed by Putnam (1998).[19] Following Kröger and Bellamy's reconceptualization: "the legitimacy of EU level decisions rests on their satisfying the normative logic of a two-level game whereby they must be acceptable not just to the contracting national executives but also to the respective demoi they claim to represent. From this perspective, negotiators must treat each other with mutual respect as representatives of their citizens; appreciating that the legitimacy of their decisions depends on their retaining the on-going, democratic support of all their different peoples."[20]

5. institutional paradox: In order to manage the euro crisis, the European economic governance has been radically reformed with unprecedented institutional mechanisms, which represent an unexpected political development of the European integration after the Lisbon Treaty. Although this first shift from national to supranational level of decision making might be seen a step forward in the process of integration, as the progressive Europeanization of governing functions, the main features of this shift create negative consequences for the conditions of the European integration. The crux of the matter is not the direction towards a more integrated model of governance, rather than how this phase of the integration happened. Indeed, these reforms entail the transition of powers from political to independent-technical institutions. That is to say, less accountability and responsiveness of the decision-making. Functions, powers and roles of institutions, both nationals and supranational, have been transformed by ever stronger rules. It implies less discretion and legitimacy of decision-making. Finally, the last political development of the European integration is moving the EMU towards a model of governance

[17] Collignon Stefan, Towards a Genuine Economic and Monetary Union. Note for the European Parliament's Committee on Economic and Monetary Affairs, Directorate General for Internal Policies, Policy Department A: Economic and scientific policies. December 2012, p. 24.
[18] Delors Jacques, Economic Governance in the European Union: Past, Present and Future, Journal of Common Market Studies, Blackwell Publishing Ltd., December 2012, p. 170.
[19] Robert D. Putnam, Diplomacy and Domestic Politics: The Logic of Two-Level Games, International Organization, Vol. 42, No. 3. 1988.
[20] Sandra Kröger and Richard Bellamy, Beyond a Constraining Dissensus: The Role of National Parliaments in Domesticating and Normalising the Politicization of European Integration, 2016, p. 5.

which reflects the condition of unbalanced system of powers where the principle of equality of the Member States is not fully respected. In a few words, the new status quo resembles the passage from the condition of equality of Member States to the condition of supremacy of a small group of states, with more substantial powers for the latter. The institutional paradox explains also the crisis of democracy in many European countries.

The Fiscal Reform Act

In order to change the fiscal discipline of the EMU, this paper describes the proposal of the Fiscal Reform Act. It should complete the automatic mechanism of policymaking already provided by the fiscal rules established during the crisis, which do not consider pro-growth measures. The proposal is based on a pragmatic approach to the institutional development of new powers and functions of the EMU and its model of governance. Indeed, the literature is mainly focused on theoretical and formal aspects, without considering that the distance between theory and practice is not always so short, and that rules cannot predict everything.

The Fiscal Reform Act should establish a dual mandate of fiscal discipline in order to re-orient the European economic governance towards two taxonomies of policy objectives:

- Higher Employment-to-population ratio: policies to reach sustainable recovery and return to normal output in time of economic crisis. The European institutions should be responsible for approving and financing policies to overcome prolonged recessions and reduce unemployment. These policies require the gradual formation of a central budget of the EMU and the European institutions would be able to use them autonomously. In 1969 Kenen already affirmed that a monetary union required a fiscal capability to support Member States when they experience economic downturns.[21] These European policies of intervention (EPI) would be proposed and implemented by the Commission with the approval by the European Parliament. The final aim of the European policies of intervention would be to overcome prolonged recessions and reduce unemployment.
- Lower Debt-to-GDP ratio: measures to reach a sustainable consolidation for dealing with high public debt in time of economic growth. When the rate of economic growth and employment-to-population indicate scenarios of long-term progress, national measures should be implemented by Member States in order to reduce their debts. The final aim of the national policies of consolidation (NPC) is the creation of strategies for minimizing deficits and reducing their debt.

The EPI would improve the crisis management capacities of the EMU, and both the effectiveness and legitimacy of its economic policies with a direct involvement of the European Parliament as the only representative institutions that can monitor over the measures implemented by the Commission. At the same time, the debate between the Commission and the Parliament, would eventually be the first true political dynamic which can resemble the idea of a political union.

[21] Kenen Peter B., "The theory of optimum currency areas: an eclectic view" (1969), in Miroslav N. Jovanović, International Economic Integration: Monetary, fiscal and factor mobility issues,1998, pp. 59 - 77.

The proposal of the Fiscal Reform Act is inspired by Kaldor (1978), when he commented the perspective of the EMU by saying: “It requires the creation of a Community Government and Parliament which takes over the responsibility for at least the major part of the expenditure now provided by national governments.”[22]
According to Kaldor: “The Community’s present plan on the other hand is like the house which “divided against itself cannot stand.” Monetary union and Community control over budgets will prevent a member country from pursuing full employment policies on its own-from taking steps to offset any sharp decline in the level of its production and employment, but without the benefit of a strong Community government which would shield its inhabitants from its worst consequences.”[23]
This forward looking fiscal guidance can offer a wide range of alternatives of policy-making under the principle of the symmetry over the cycle of the economic policies. As the IMF notes, one of the lessons from the euro crisis experience is that both “in the design of the scale and time-path of the fiscal adjustment it is necessary to avoid insofar as possible an excessively procyclical stance.”[24]

Under the Fiscal Reform Act, there would be a different model of governance, which gives to policy-makers the room for manoevre to decide beyond the trade-off between output growth and fiscal stability: “on one hand, they would like to implement measures to increase output and employment, but on the other hand, the deterioration of public finances forces them to stick to fixed rules.”[25]
The sets of tools provided by the Fiscal Reform Act can ensure the necessary trade-off between commitment and capacity in a dynamic self-control setting so as to improve the conduct of fiscal policies throughout the cycle. In a few words, it means to enforce tighter policies in good times and provide additional leeway for cushioning downturns.
With the adoption of the Fiscal Reform Act, the European institutions and the Member States can work out of the limits of fiscal consolidation with the aim to stimulate a genuine growth during economic slowdown. As argued by the OECD (2016): “The application of the EU Stability and Growth Pact should be modified to allow for a more supportive fiscal stance, for example by excluding net investment spending from fiscal rules and more generally developing a coherent approach for using discretion in applying fiscal rules.”[26]
Therefore, fiscal consolidation should not be excluded from the European economic governance – and the principle of sound public finances “as a credible commitment to medium-term consolidation should be part of any serious counteracting fiscal policy programme”[27] – but it can be pursued in time of growth without risks of negative socio-economic consequences.

[22] Nicholas Kaldor, Further Essays On Applied Economics, Holmes & Meier, 1978, p. 205.
[23] Ibidem, p. 206.
[24] George Kopits, The IMF and the Euro Area Crisis: The Fiscal Dimension, Independent Evaluation Office of the International Monetary Fund, IEO Background Paper, 2016, p. 36.
[25] Bianchi Carluccio, Menegatti Mario, Rules versus Discretion in Fiscal Policy, Quaderni di Dipartimento, Università degli studi di Pavia, July 2007.
[26] OECD, The OECD Interim Economic Outlook, Global growth warning: Weak trade, financial distortions, September 2016, p. 7.
[27] Solow Robert, et al., Appeal: Towards a Common Fiscal Policy: Relaunching the Euro-zone Economies, Cournot Centre, Berlin, 9 February 2009.

These pro-growth rules can be seen as the other half of the current fiscal regime which is mainly made by the provisions of the Treaty on Stability, Coordination and Governance. This reform would imply alternative priorities or fiscal policy objectives for the recovery during crises.
Even if the traditional neoclassical growth model does not consider fiscal policy as able to impact on the long-term growth rate of the economy: "several extensions of the neoclassical growth theory have considered public expenditure and taxation as playing a crucial role in determining long-term economic growth. Moreover, government expenditure in public infrastructure and in research and development are also important factors for growth."[28]
Hence, the necessity to consider reasonable public expenditure essential to growth. With growth, high-debt States can reduce it and those States with a high growth rate can avoid to get into debt. It means to put forward, in the long-term perspective, the commitment of consolidation already started at the beginning of the sovereign debt crisis. At the same time, it means to establish a common fiscal policy for the Eurozone which should seek to strike an adequate balance between tackling historically-high debt levels and supporting the economic recovery.
The two objectives of recovery and consolidation can coexist and the full realization of one of them does not compromise the other. A new fiscal policy framework requires not only a credible commitment to long-run debt sustainability and specific counter-cyclical instruments, but it needs also an institution supporting these aims for the primary objectives of reinvigorating growth and boosting job creation. It is important to have a clear institutional framework which governs the interaction between the two mechanisms of policy-making and a more complete discipline with social goals. This is also claimed by Daniel Schraad-Tischler in the Social Justice in the EU - Index Report 2015: "Both member-state and the EU-level policymakers must take seriously the fact that more social justice can promote growth. In recent years, a number of studies on this issue (e.g. OECD 2015, Ostry et al. 2014) have found that increasing levels of inequality in incomes and opportunities have a negative impact on long-term economic growth. The EU therefore needs an integrated long-term strategy that supports this potential positive-sum relationship. In the future, it will be important that – as announced by the new Commission – social indicators be given a greater weight in the context of macroeconomic-coordination processes at the European level."[29]
They are also crucial for the future and should not be cynically considered as a waste of money, because its returns are not immediately tangible as in the case of investments in infrastructures, but they can significantly contribute to growth. Social policies impact on competitiveness and represent a long-term investment. A recent study by the OECD (2014) shows "income inequality has a sizeable and statistically significant negative impact on growth, and that redistributive policies achieving greater equality in disposable income has no adverse growth consequences. Moreover, it suggests that it is inequality at the bottom of the distribution that hampers growth. Additional analysis based on OECD PIAAC data suggests that one key channel through which inequality negatively affects economic performance is through

[28] ECB, The effectiveness of Euro area fiscal policies, Monthly Bulletin, July 2010, p. 71.
[29] Schraad-Tischler Daniel, Social Justice in the EU - Index Report 2015, Social Inclusion Monitor Europe, Bertelsmann Stiftung, 2016, p. 12.

lowering investment opportunities (particularly in education) of the poorer segments of the population."[30]

Hence, active social policies can contrast inequalities and stop their negative impact on growth. This is particularly noteworthy in the current conditions of the EU: "in most European Union countries, per capita GDP is less than it was before the crisis. A lost half-decade is quickly turning into a whole one. Behind the cold statistics, lives are being ruined, dreams are being dashed, and families are falling apart (or not being formed) as stagnation - depression in some places - runs on year after year."[31] In line with these proposals, the budgetary and fiscal rule-based setup in the EMU needs a political institution, namely a representative and legitimized one, to help to make a step forward in the integration process with an evolution from a complex set of rules, policies and procedures of automatic control, to an institution which can work within its mandate with a room for manoeuvre for extraordinary socio-economic circumstances and the exercise of the specific function to take fiscal policy decisions.

In order to ensure both legitimacy and accountability of its actions, it ought to be strictly accountable to an elected body. The involvement of the European Parliament can solve the lack of democratic legitimacy of the current governance, which delegates budget discipline to automatic mechanisms of policy-making, and put these automatisms under the control of a representative political institution.

The EU needs a new institutional order based on a more effective involvement of citizens into the decision-making process on the firm conviction that "public discussion is a vehicle of social change and economic progress."[32]

Conclusion

The European economy will be subject to a structural vulnerability until when the common fiscal discipline will not be reformed. With reference to this issue, Stiglitz (2015) argues that: "What Europe needs more than structural reform within member countries is reform of the structure of the Eurozone itself, and a reversal of austerity policies, which have failed time and again to reignite economic growth. Those who thought that the euro could not survive have been repeatedly proven wrong. But the critics have been right about one thing: unless the structure of the Eurozone is reformed, and austerity reversed, Europe will not recover."[33] The final goal of this reform is the project of an institutional framework which can keep the economy in a healthy growth rate, strengthen social cohesion, make the economic governance more resilient. We should treasure Padoa-Schioppa's (2009) advice when he said: "The Union is a dynamic process which is not completed yet. And it does need to be completed."[34]

Matteo Laruffa

[30] Cingano F., Trends in Income Inequality and its Impact on Economic Growth, OECD Social, Employment and Migration Working Papers, No. 163, December 2014, p. 28.

[31] Stiglitz Joseph, Europe's economic madness cannot continue, Project Syndicate, 8 January 2015.

[32] Sen Amartya, Development as Freedom, Oxford University Press, 1999.

[33] Stiglitz Joseph, Europe's economic madness cannot continue, Project Syndicate, 8 January 2015.

[34] Padoa-Schioppa Tommaso, Speech to the National Assembly of the Republic of Serbia, Belgrade, 16 December 2009.

Main references

Battaglini Marco, Political Economy of Debt and Growth, Department of Economics, Princeton University, December 2014.

Bianchi Carluccio, Menegatti Mario, Rules versus Discretion in Fiscal Policy, Quaderni di Dipartimento, Università degli studi di Pavia, July 2007.

Blanchard Olivier, in World Economic Outlook, International Monetary Fund, October 2012.

Cingano F., Trends in Income Inequality and its Impact on Economic Growth, OECD Social, Employment and Migration Working Papers, No. 163, December 2014.

Collignon Stefan, Towards a Genuine Economic and Monetary Union. Note for the European Parliament's Committee on Economic and Monetary Affairs, Directorate General for Internal Policies, Policy Department A: Economic and scientific policies, December 2012.

Delors Jacques, Economic Governance in the European Union: Past, Present and Future, Journal of Common Market Studies, Blackwell Publishing Ltd., December 2012.

ECB, The effectiveness of Euro area fiscal policies, Monthly Bulletin, July 2010.

European Court of Justice, Case C-438/05 Viking line, 2007, and Case C-341/05 Laval un Partneri, 2007.

Gallo Franco, Social Justice and Fiscal Justice with the prospect of Completion of European Unification, Altiero Spinelli Lecture, Centro Studi sul Federalismo, Torino, 12 December 2013.

George Kopits, The IMF and the Euro Area Crisis: The Fiscal Dimension, Independent Evaluation Office of the International Monetary Fund, IEO Background Paper, 2016.

Hansen Alvin, Economic Progress and Declining Population Growth, American Economic Review, March 1939.

Kaldor Nicholas, Further Essays On Applied Economics, Holmes & Meier, 1978.

Kröger Sandra and Bellamy Richard, Beyond a Constraining Dissensus: The Role of National Parliaments in Domesticating and Normalising the Politicization of European Integration, 2016.

OECD, Counter-cyclical economic policy, OECD Economics Department Policy Notes, No. 1, May 2010.

OECD, Escaping the stagnation trap: policy options for the Euro Area and Japan, January 2015.

OECD, The OECD Interim Economic Outlook, Global growth warning: Weak trade, financial distortions, September 2016.

Padoa-Schioppa Tommaso, Speech to the National Assembly of the Republic of Serbia, Belgrade, December 2009.

Schraad-Tischler Daniel, Social Justice in the EU - Index Report 2015, Social Inclusion Monitor Europe, Bertelsmann Stiftung, 2016.

Sen Amartya, Development as Freedom, Oxford University Press, 1999.

Sen Amartya, The Crisis of European Democracy, The New York Times, 22 May 2012.

Solow Robert, et al., Appeal: Towards a Common Fiscal Policy: Relaunching the Euro-zone Economies, Cournot Centre, Berlin, February 2009.

Stiglitz Joseph, Europe's economic madness cannot continue, Project Syndicate, 8 January 2015.