

**Some reflections on the event to mark  
Professor Niels Thygesen's 90<sup>th</sup> birthday:  
looking back, the EFB, and looking ahead**

**Roel Beetsma**

**University of Amsterdam, former Member of the EFB**

# Overview

- Professor Niels Thygesen:
  - His long and unique career offers him a unique perspective on the European integration process
  - Contributed to important and lasting European integration steps
  - European integration is the way to lasting prosperity and stability
- Looking back
- The EFB
- Looking ahead

Looking back

# Looking back

- Werner Report
- Marjolin Report
- Delors Report

# Study group 'Economic and Monetary Union 1980'

- Adviser to the Ortolí Commission, which asked about feasibility of EMU
- Question taken up by Study group 'Economic and Monetary Union 1980' (Marjolin report)
  - Answer was no
  - Next steps in European integration were rely more on fiscal than monetary steps
  - Two types of public goods (omissions persisting until today...)
    - Regional EU stabilisation mechanism, based on conditionality
    - Strategic public goods with European dimension when joint provision would be more efficient than national
- Note that in late 1970s emphasis went back to monetary integration (European Monetary System) as an indirect way of integration

# Study group 'Economic and Monetary Union 1980'

## LIST OF THE MEMBERS OF THE STUDY GROUP

### "ECONOMIC AND MONETARY UNION 1980"

#### Chairman :

- R. Marjolin - Former Vice-President of the Commission of the European Economic Community

#### Members :

- F. Bobba - President of "Acqua Pia Antica Marcia", Rome
- H.W.J. Bosman - Professor of money, credit and banking at the University of Tilburg
- G. Brouwers - Chairman of the Chamber of Commerce and Industry at The Hague
- L. Camu - President of the "Banque de Bruxelles"
- B. Clappier (until June 1974) - Director-General of "Crédit National", Paris
- I. Foighel - Professor in Law at the University of Copenhagen
- F. Forte - Vice-President of ENI, Rome
- H. Giersch - Director of the "Institut für Weltwirtschaft an der Universität Kiel"
- P. Lynch - Professor in Economics at the National University of Ireland
- Sir Donald MacDougall - Chief Economic Adviser of the Confederation of British Industry, London
- H. Markmann - Director of the "Wirtschaft- und Sozialwissenschaftliches Institut des DGB"
- F. Peeters - Professor in Economics at the University of Louvain
- A. Shonfield - Director of the "Royal Institute of International Affairs", London
- N. Thygesen - Professor in Economics at the University of Copenhagen

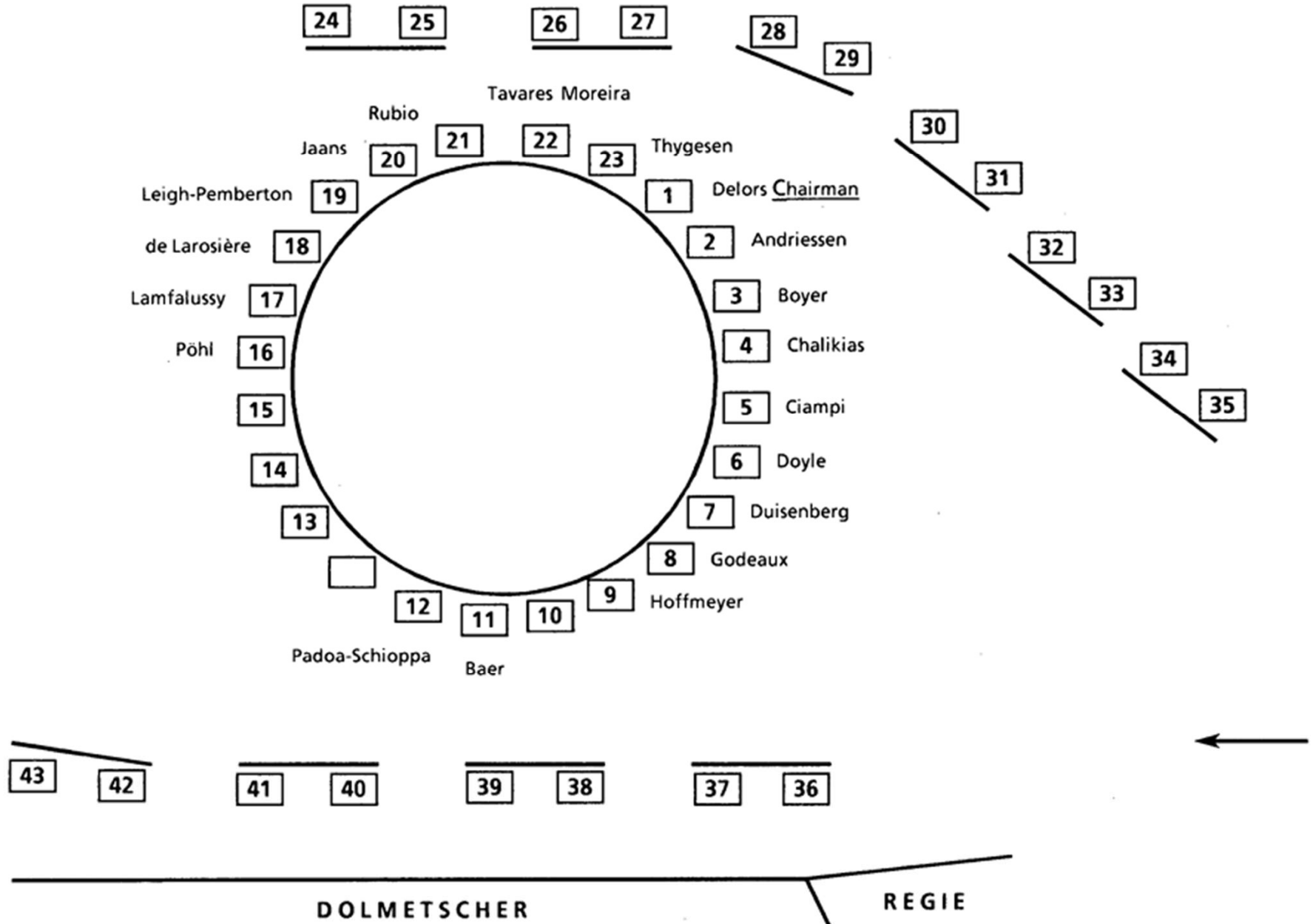
# Delors committee “Econ. And Mon. Union in Eur. Comm.”

- Niels was member of the Delors Committee which wrote the report “Economic and Monetary Union in the European Community”, see <https://www.ecb.europa.eu/ecb/history-arts-culture/archives/delors/html/index.en.html#:~:text=The%20Delors%20Committee%20submitted%20its,of%20monetary%20and%20economic%20integration.>
- Documents are found under [https://www.ecb.europa.eu/ecb/history-arts-culture/archives/delors/documents/delc\\_3/index.en.html](https://www.ecb.europa.eu/ecb/history-arts-culture/archives/delors/documents/delc_3/index.en.html)
- Final report: [https://ec.europa.eu/economy\\_finance/publications/pages/publication6161\\_en.pdf](https://ec.europa.eu/economy_finance/publications/pages/publication6161_en.pdf)

# Delors committee "Econ. And Mon. Union in Eur. Comm."

Meeting of the Committee for the Study of Economic and Monetary Union (Delors Committee)  
Tuesday, 11th (at 10.30 a.m.) and Wednesday, 12th April 1989

C





Niels Thygesen

12th April 1989

## Suggested amendments to Part III

48. The Committee, having in mind the above principles governing a step-by-step approach, considered that concrete steps in any move towards EMU might be along the following lines:

### Stage 3 (hard union)

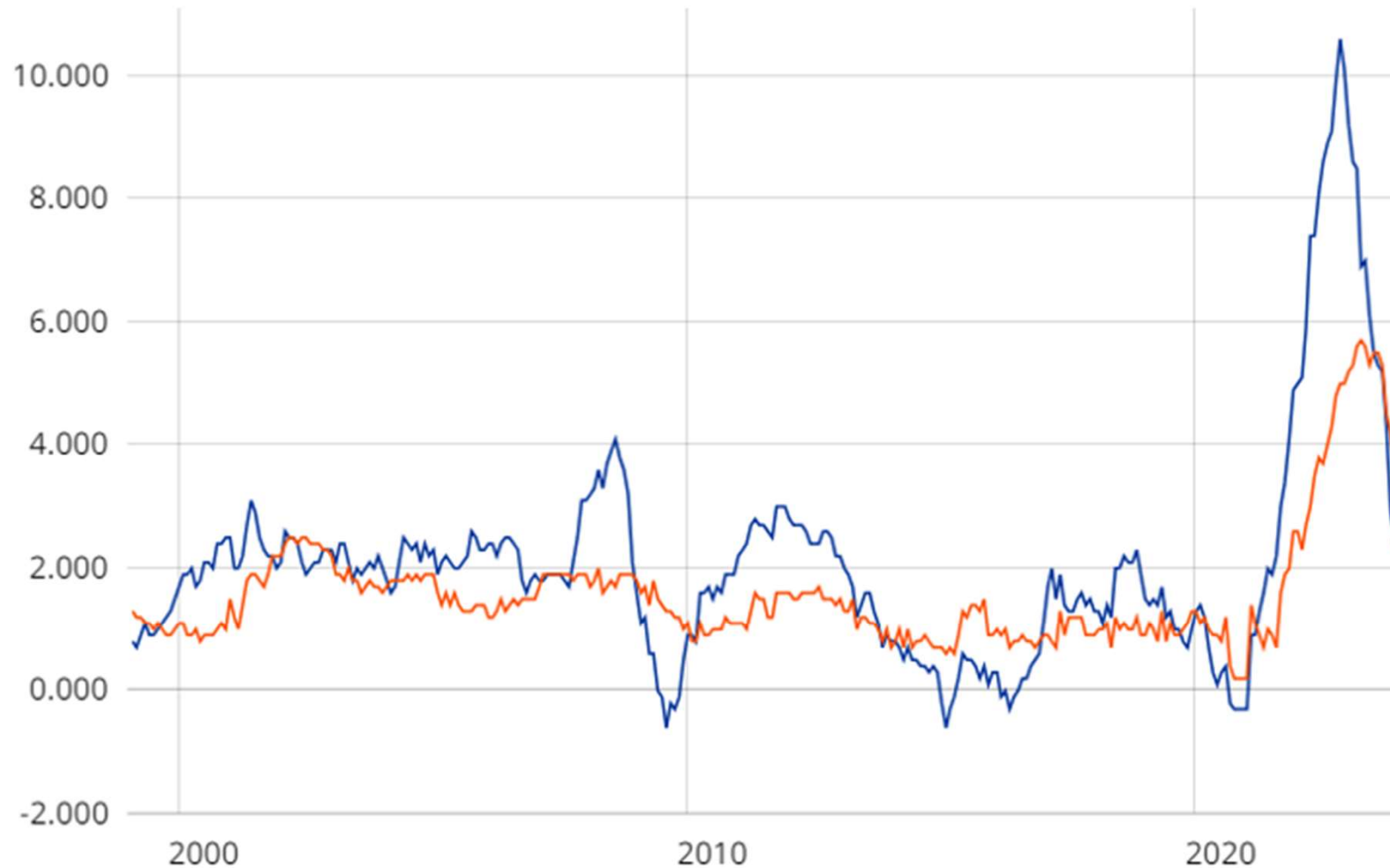
- fixed exchange rates, moving as soon as practicable to a single currency;
- single monetary policy; single exchange rate policy (in relation to third countries' currencies);
- acceptance of agreed constraints to fiscal policy as being binding;
- new institutions fully in place.

# Following the Delors Report

- EMU became reality on January 1, 1999.
- ECB has overall delivered well on price stability
- Its speed and decisiveness have averted catastrophic outcomes
- The *decentralised* model of economic governance has evolved *as far as one could hope*
- Two major issues:
  - continuing rise in public expenditures, leaving little fiscal space
  - Need to supply jointly strategic public goods with a European dimension

# HICP: headline and core

Figure 3: HICP inflation all items and excluding food and energy, in %



Note: Blue line is HICP - Overall index, Euro area (changing composition), Monthly. Red line is HICP - All-items excluding energy and food, Euro area (changing composition), Monthly. Source: ECB (access date October 16, 2024).

# The European Fiscal Board

# European Fiscal Board

- Established following 5 Presidents Report
- Based upon decision by European Commission
- Independent, but part of the Commission infrastructure
- Commenced on October 19, 2016
- First EFB's mandate ended on October 19, 2024
  - Chair Niels Thygesen, Members: Roel Beetsma, Massimo Bordignon, Xavier Debrun / Sandrine Duchene, Mateusz Szczurek
  - Economic governance reform has been completed (but proof of pudding is in the eating)
  - EFB has become part of EU legal framework (the preventive arm of the revised Stability and Growth Pact)

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

**ONE operational indicator:**  
expenditure benchmark

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

**Demarcate policy  
decisions from economic  
analysis**

- Focus on sustainability
- Simple and observable
- Largely observable
- Built-in stabilising effect
- 3-yr ceiling: medium-term perspective
- Annual monitoring with compensation account
- Flexibility without current complexity and “complete contract” approach
- Triggered based on independent analysis
- Isolate underlying staff analysis from political considerations

### **Limited Golden Rule**

- Protects investment by exempting specific categories of growth-enhancing expenditure from the expenditure rule
- Exemption applies to EU spending programmes
- Classification monitored by IFIs and national statistical offices

### **Differentiated national debt targets or adjustment paths**

- In function of key socio-economic indicators: differences in saving, pension systems, borrowing costs, current account balance
- To be agreed within Council

**Full-time President for the Eurogroup**; neither a sitting national Finance Minister nor a member of the Commission

**Reconsider RQMV**

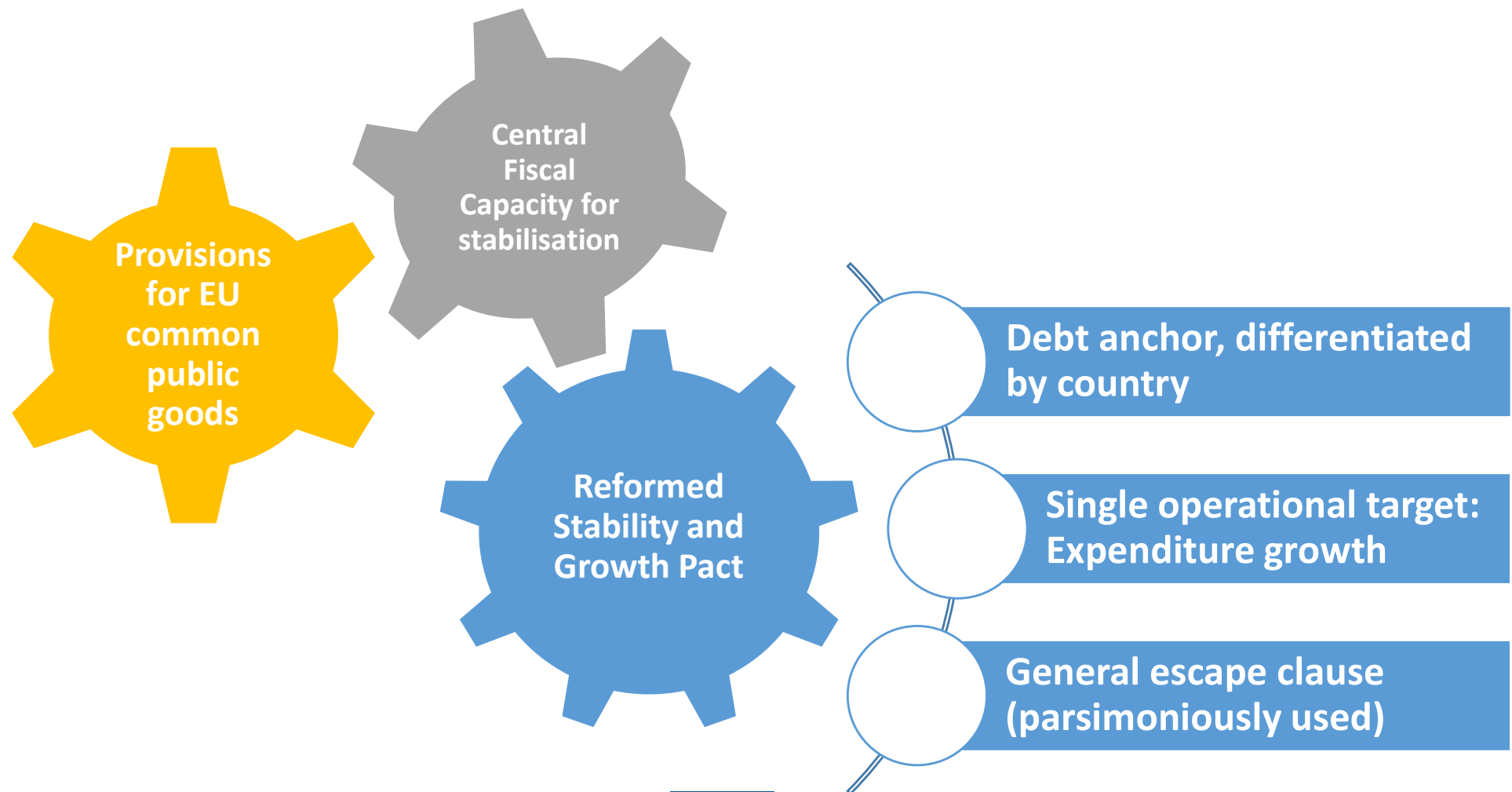
**Replace sanctions by conditionality**

- More stable governance and stronger continuity
- Strengthens political debate and peer review
- Weakens potential conflicts of interest
- Moves political responsibility of enforcing rules back to Council
- Reinforces multilateral surveillance
- Reinforces Commission's role as guardian of the Treaties
- Gives strong positive incentives
- Makes access to future CFC conditional on compliance with EU fiscal rules



# EFB AR 2021: Updated and simple SGP with long-term reforms

- Recap: **Three central elements in SGP update**, complemented by a central fiscal capacity for stabilisation and targeted joint budgetary provisions for EU common public goods.
- **Return to existing rules to be avoided**



Looking ahead

# Looking ahead

- Letta report on “capital markets union” or “savings and investment union”
- Draghi report on competition
- EU’s woes:
  - As economic block EU is falling behind the US and China
  - Productivity gap with US is increasing
  - Enormous investment needs
    - Energy transition
    - Digital transition
    - Ageing (pensions, healthcare, long-term care)
    - Defense

# Looking ahead

- Other blocks face most of these challenges too
- However, they are better placed to confront them
- EU faces enormous investment challenges
  - 5 pp of GDP annually; 20% would need to be public investment (based on historical allocations)
  - However, large fraction of EU savings goes to other places, in particular US
  - National public investments do not internalise potential cross-border spill-overs and fail to fully exploit economies-of-scale
- Need for European Public Goods

# Looking ahead: the need for European Public Goods

- Subsidiarity argument
- Arguments in favour
  - Positive cross-border externalities
  - Economies-of-scale
  - Investments too large for individual country
- Arguments against
  - More detailed information available at national about needs etc.
  - National preferences
- Examples: hydrogen infrastructure, carbon capture, high-speed railways, air defense, joint procurement and stockpiling of vaccines

# Looking ahead: the need for European Public Goods

		Delivery	
		EU	National
Financing	EU	'Genuine' EPGs	'NGEU-type' EPGs
	National	Projects financed by externally assigned revenue	Coordination of national activities

Source: Beetsma and Buti (2024).

# Looking ahead: the need for European Public Goods

- New paper by Anev Janse, Beetsma, Buti, Regling, Thygesen
- Financing:
  - Exploiting revised governance framework (EU priority for defense)
  - New fund with conditionality
  - EU budget
- Mobilising financing by ESM, EIB and unused NGEU funds
- Momentum is there, especially for an EU defense and security policy:
  - What is the value of having your individual national defense system, if it is too weak to defend you?
  - Centralisation enhances coordination, avoids unnecessary duplication, provides standardization and allows development EU defense industry

**Thank you for your attention!**