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Press Information

25 Years of the Stability and Growth Pact - No Reason to Celebrate European Taxpayers' Association TAE Calls for Clear and Sustainable Fiscal Rules for the Euro Zone

The central fiscal rules for the euro zone - the Stability and Growth Pact - were adopted 25 years ago. The aim of the pact was and is to prevent budget deficits in the EU member states and to support the harmonization of economic conditions. The results of the 25th anniversary are sobering for the European Taxpayers' Association (TAE), states President Rolf von Hohenhau. The rules that the countries have set for themselves are not being applied consistently:

Neither the upper limit for government debt of 60 percent of gross domestic product (GDP) nor the new borrowing limit of a maximum of 3 percent of GDP are being observed. And this has been proven not just since the beginning of the Corona pandemic in 2020. The result: The debt of the euro zone is currently just under 100 percent. Large nations such as Italy, Spain and France now have national debts of 151, 118 and 113 percent, and thus well above the 60 percent criterion of the Stability and Growth Pact. But Germany, too, clearly breaks this limit with over 70 percent.

Since 1997, the pact has been softened several times, exceptions have been made and this has made it unnecessarily complicated. The EU Commission, which is responsible for compliance with the Stability and Growth Pact, has allowed budget violations far too often. As a result, the pact has degenerated into a toothless tiger which furthermore is currently on hold due to the fallout from the 2020 pandemic. Accordingly, the Euro countries have lost their fiscal framework.

The Taxpayers' Association warns: The Stability and Growth Pact must be reactivated as quickly as possible in order to not let government debt in the euro zone get out of hand! Further, the European Taxpayers' Association demands that the debt supervisory authority, namely the EU Commission, fulfil its original duty, monitor compliance with the requirements effectively, and consequently sanction violations consistently. All in all, the pact must be converted into a clear and sustainable set of rules with a "bite", so that the state budgets and economies of the euro zone will again be in a better position than they are today! Future generations will thank us!

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