



**Re-Define Press Release – the European Council and Re-Define Growth Compact  
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Please find our new publication [A Growth Compact for the EU](#) co-authored by Peter Bofinger, Professor, Würzburg University, Member of the German Council of Economic Experts and below our comments on the EU summit, Re-Define Growth Compact, the Fiscal Compact, Greece and the ECB.

All comments are attributable to **Sony Kapoor**, Managing Director, Re-Define, an Economic Think Tank.

**General Comments**

“This EU summit has, like several others before it, failed to make any dent in tackling the Eurocrisis.”

“The Council’s presentation of a strategy for growth is a strategy in name only being far too narrow in scope, too vague in commitments and too small in ambitions to have much impact.”

“While it is important the Council is at least talking about growth and the need to generate employment they have precious little of substance to say at this point. Hopefully, this would change by the next summit.”

“It seems that the apparent easing of market stress has been mistakenly interpreted by EU leaders as a sign that their approach to tackling the Eurocrisis is working.”

**The Growth Compact launched by Re-Define today and the failing current austerity-only strategy**

“Politically and economically, the fiscal compact alone, without a complementary growth compact, may backfire on EU leaders.”

“Austerity is not an end goal in itself and it is failing as a means to an end of reducing indebtedness or increasing economic sustainability.”

“Turning the focus away from expenditure reduction towards maximising revenue potential, particularly through tackling tax evasion and tax avoidance is essential to fund public investments to kick start growth in the EU.”

“Taxes that penalize activities such as carbon emissions or excessive and destabilizing financial trading could provide a useful supplement to revenues to help fund growth-enhancing public investments.”

“Cutting public investment, particularly in growth-enhancing infrastructure, is foolhardy. Yet this is exactly where the axe of expenditure cuts first falls.”

“Increasing the resources of the European Investment Bank by 50% to empower it to embark on an ambitious program of trans-border infrastructure investment in the EU is one of the most growth-friendly policies for both the short and the long-term.”

“Countries enjoying negative real borrowing costs must accelerate and increase growth-enhancing public investments as a matter of sound, prudent and efficient economic policy.”

## **The Fiscal Compact**

“Without a growth compact, a fiscal compact does nothing to tackle the Euro crisis.”

“To the extent the fiscal compact may help increase support for tackling the Eurocrisis amongst Germans and at the ECB, it may serve a useful role. In actual economic terms, it is largely irrelevant.”

## **Greece**

“It is indefensible for the ECB not to pass on benefits of the discounted prices at which it bought Greek bonds to Greece to reduce its effective indebtedness.”

“But given that the ECB bought the bonds in good faith with an intention to help Greece after it was already in trouble, it should not be made to bear any losses.”

“The inability to tackle a problem the size of Greece after two years of efforts inspires little confidence in the ability of the EU to tackle the much bigger problems posed by Italy and Spain.”

“The total costs of a Greek exit from the Eurozone would far exceed the total benefits but the costs and benefits accruing to Greece alone may look different from Greece’s perspective especially if it is able to impose costs on other countries while enjoying most of the benefits of the exit.”

## **The European Central Bank**

“The ECB’s approach thus far has been to address the symptoms not the causes of the Euro area’s problems.”

“This does not mean that it has had no effect or that it has not been useful, it has. But it does mean that this policy is simply not good enough as papering over the cracks without providing more support to troubled sovereigns merely postpones problems that may actually grow over time.”

“The ECB’s long-term liquidity support facility has reduced both the probability of the collapse of any particular bank and of any such collapse, if it were to happen, of translating into a systemic crisis.”

“Serious questions can and should be asked of the efficacy, fairness and efficiency of the ECB’s current strategy of providing unlimited support to the banking system while refusing to provide more support to troubled sovereigns directly.”

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