



A European Recovery Programme

Launch of Bruegel's latest Policy Brief

BRUSSELS, 17 NOVEMBER- Bruegel launches today a new Policy Brief on "A European Recovery Programme" by **Jean Pisani-Ferry, André Sapir and Jakob von Weizsäcker.**

The G20 Summit on Saturday called for "fiscal measures to stimulate domestic demand to rapid effect, as appropriate, while maintaining a policy framework conducive to fiscal sustainability". However Europe does not have yet defined its response to the economic crisis.

The European Recovery Programme presented by Bruegel researchers is a contribution to the discussion on the contours of the European response that will develop in the run-up to the European Council meeting on 11-12 December.

The proposed European Recovery Programme combines an immediate budgetary stimulus by all EU countries with country-specific measures to improve budgetary sustainability in the medium term. "All countries need to contribute to combating the recession, and Europe cannot afford to lose time in endless discussions about who should do what", says Jean Pisani-Ferry, Bruegel Director, "but the member states where the budgetary situation is worse need to design and implement stronger sustainability-enhancing measures".

To overcome the most serious recession since the Great Depression, this policy brief proposes and details a European Recovery Programme, consisting of a substantial and coordinated fiscal stimulus complemented by measures to strengthen fiscal sustainability:

1. **Budgetary Boost:** harmonised VAT cut of 1% point across the EU along with targeted relief for countries with high deficits in order to reach 1% of GDP effective by 1 January 2009 and phased out in 2010.
2. **Reform Commitment:** compensation for deficits above three percent of GDP through sustainability-enhancing reforms.
3. **Enforcement:** correction of excessive deficits to be implemented as early as 2010 if reform commitment is broken.
4. **Prudent borrowing:** agreement by all euro-area countries not to borrow at more than 200 basis points above the lowest euro-area government bond yield.

The authors believe that the budgetary boost should be coordinated at EU level to ensure consistency and avoid free-riding behaviour. To overcome deficits running too high in some EU member states, the budgetary framework should be strengthened, complementing and by reinforcing the Stability and Growth Pact. And to make sure the programme can be realistically implemented, the authors recommend for the Commission to integrate the proposal into its Action Plan due to be presented on 26 November.

For more information, please contact Vanessa Witkowski, Media and Communications Officer, at vanessa.witkowski@bruegel.org, or by phone at +32 2 227 42 90