Growth or Bust:

Fiscal Dominance and the Limits of Monetary Policy in the EU

Fredrik N. G. Andersson and Lars Jonung

Summary

July 2026

Fiscal and monetary policy in the euro area stand at a crossroads. The rules-based framework established in the 1990s—the Maastricht Treaty and the Stability and Growth Pact—has failed to prevent the steady accumulation of public debt, which now stands closer to 90% of GDP than to the Treaty's 60% ceiling. Successive crises have pushed member states beyond the fiscal limits, while the European Central Bank has been drawn beyond its original mandate. Large-scale asset purchases and prolonged periods of ultra-low interest rates have compressed sovereign bond yields and eased government financing conditions, weakening the market discipline that once constrained highly indebted states.

These developments expose a fundamental tension at the heart of the euro's architecture. When fiscal policy lacks credibility, monetary policy is inevitably forced into a role that extends beyond the pursuit of price stability. The euro area therefore faces the risk of fiscal dominance: a regime in which the central bank effectively loses operational independence because it must preserve governments' ability to finance deficits. The costs are well known—an inflation tax that is regressive in its incidence and corrosive in its effects on price signals, savings and the efficient allocation of capital.

The fundamental problem does not lie in the design of the fiscal rules themselves. Successive reforms have left long-term debt dynamics largely unchanged. The deeper cause is persistently weak economic growth. Without stronger growth, fiscal consolidation requires adjustments of a scale that no democratic polity can sustain. The path forward lies not in yet another revision of the rules, but in structural reforms at both the national and European levels—reforms capable of unlocking the full potential of the single market. A credible growth agenda is the surest safeguard of the European Central Bank's independence and its price-stability mandate.

Keywords Fiscal dominance – Monetary policy – European Central Bank – Euro area – Stability and Growth Pact – Public debt – Quantitative easing – Structural reform – Price stability

Introduction

Fiscal and monetary policy in the euro area stand at a crossroads. The policy frameworks established during the 1990s are under severe strain. A succession of macroeconomic crises—the global financial crisis of 2008–9, the European sovereign debt crisis of 2010–15 and the Covid-19 pandemic of 2020–22—have repeatedly driven member states beyond the fiscal constraints embedded in the Maastricht Treaty and the Stability and Growth Pact (SGP). Each breach has weakened the credibility of the rules-based framework, while the European Central Bank (ECB) has been drawn ever further beyond its original mandate.

On the fiscal side, persistent breaches of deficit and debt limits have eroded the credibility of the rules. Aggregate public debt in the euro area now stands closer to 90% of GDP than to the 60% ceiling set by the SGP. The euro area displays a persistent deficit bias—a chronic tendency of governments to run budget deficits, steadily weakening public finances over time.

On the monetary side, the ECB has moved well beyond a narrow focus on price stability pursued through interest-rate adjustments. Large-scale asset purchases have become a central instrument of policy. Quantitative easing (QE), combined with prolonged periods of ultra-low and at times negative policy rates, has fundamentally reshaped the relationship between the fiscal and monetary authorities. By compressing sovereign bond yields and reducing debt-service costs, monetary policy has eased government financing conditions and propped up weak fiscal positions. The formal prohibition on the direct monetary financing of government debt remains in place, yet the economic effects of sustained bond purchases have, in practice, blunted market discipline for highly indebted member states.

These developments expose a fundamental tension at the heart of the euro's architecture. When fiscal policy lacks credibility, monetary policy is inevitably drawn into a stabilising role that extends beyond its price-stability mandate. Weak public finances constrain central bank independence—not through any formal legal revision, but through the force of economic and political necessity. The euro area thus faces the prospect of fiscal dominance: a regime in which the central bank effectively loses its operational independence because it must conduct policy so as to safeguard governments' ability to finance deficits and roll over public debt.

These developments are by no means unprecedented. Historically, the functions of central banks fall into three broad categories: maintaining price stability, safeguarding financial stability and financing government expenditure through money creation.[1] What distinguishes one monetary regime from another is the relative weight placed on each objective. The post-1990s consensus gave primacy to price stability. The extensive reliance on QE has, in practice, now shifted central banks closer to the third function.

This policy brief examines the future role of monetary policy in the euro area as the risk of fiscal dominance rises. It asks how monetary policy can be prevented from becoming a permanent instrument of fiscal financing and argues that the answer lies not in further rule revisions but in confronting the underlying weaknesses of the euro area economy—above all, persistently sluggish growth and the absence of political resolve to achieve fiscal sustainability.

Our central argument is this: avoiding fiscal dominance requires growth rates that make fiscal consolidation politically feasible. Achieving such growth calls for structural reforms at both the national and European levels—reforms that unlock the full potential of the single market. A credible agenda to reduce regulatory burdens would, in the final analysis, be a safeguard for the ECB's independence and its price-stability mandate.

Fiscal dominance and the stabilisation policy framework in the euro area

The central pillar of the euro area's stabilisation framework is the principle of monetary dominance: an independent central bank assigned a primary and overriding focus on price stability. The risk of fiscal dominance arises when this hierarchy is reversed—when fiscal needs begin to dictate monetary policy decisions. Such situations are far from new. Economic history offers numerous examples of governments that, confronted with large deficits and limited recourse to taxation or borrowing, turned to monetary expansion to finance their

[1] C. Goodhart, *The Changing Role of Central Banks*, Bank for International Settlements, Working Paper no. 326 (2011).

expenditures.[2] The hyperinflation of the Weimar Republic remains the most dramatic case, yet fiscal dominance can operate at far lower levels—generating inflation persistently a few percentage points higher than would otherwise prevail, without ever reaching such extremes.

The risk that a deficit bias could give rise to fiscal dominance was well understood when the monetary union was designed in the 1990s. The Maastricht Treaty introduced numerical reference values for public finances: an upper limit of 60% of GDP for public debt and 3% of GDP for annual budget deficits. The SGP of 1997 reinforced these limits, framing them as binding constraints rather than indicative guidelines. Under normal conditions, fiscal policy was expected to be close to balance or in surplus. The SGP also included enforcement mechanisms.

Over time, however, it became clear that the Maastricht framework and the threat of sanctions were insufficient to prevent sustained debt accumulation. Successive reforms sought to strengthen compliance and improve the functioning of the rules, thereby curbing the deficit bias. The evolution of the fiscal framework can be characterised as a pendulum swinging between stricter and more flexible rules—a stable balance between these competing objectives has yet to be found. Criticism of the fiscal rules has mounted steadily,[3] including of the most recent reforms introduced in 2024.[4] There is little reason to expect that these latest revisions will prove more successful than their predecessors.

2 M. Bordo and L. Jonung, 'A Return to the Convertibility Principle? Monetary and Fiscal Regimes in Historical Perspective. The International Evidence', in A. Leijonhufvud (ed.), *Monetary Theory and Policy Experience* (London: Palgrave, 2001).

3 J. Fischer, L. Jonung and M. Larch, '101 Proposals to Reform the Stability and Growth Pact. Why So Many? A Survey', *Public Finance and Management* 8/3 (2008); M. Larch, P. van den Noord and L. Jonung, *The Stability and Growth Pact: Lessons From the Great Recession*, European Economy Economic Papers no. 429 (2010); O. Blanchard, J. Leandro and J. Zettelmeyer, 'Redesigning the EU Fiscal Rules: From Rules to Standards', *Economic Policy* 36/106 (2021); C. Wyplosz, 'Reform of the Stability and Growth Pact: The Commission's Proposal Could Be a Missed Opportunity', *VoxEU*, 17 November 2022; L. Calmfors, *Nytt ramverk för finanspolitiken* [A New Framework for Fiscal Policy], Appendix 7 to the Long-Term Investigation, Swedish Government, SOU 2023:92.

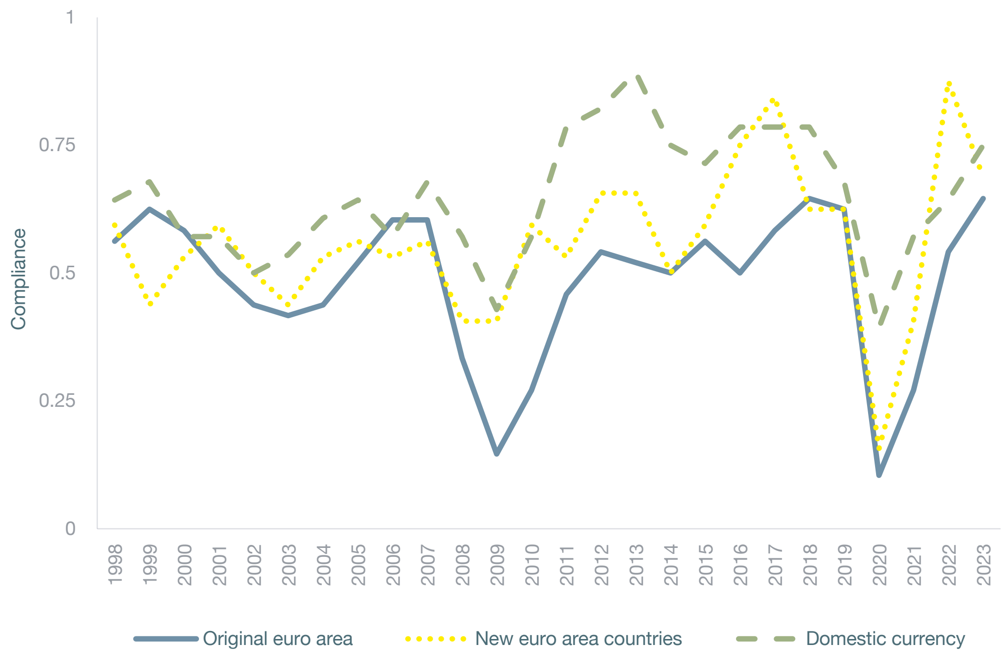
4 F. N. G. Andersson and L. Jonung, 'Will Sweden Have to Pay for the High Public Debt of the Euro Countries if It Joins the Euro?', in L. Calmfors (ed.), *Time for Swedish Euro Membership?* (Stockholm: Swedish Free Enterprise Foundation, 2026); Z. Darvas, L. Welslau and J. Zettelmeyer, *The Implications of the European Union's New Fiscal Rules*, Bruegel Policy Brief 10/2024 (2024); L. Pench, *Three Risks That Must Be Addressed for New European Union Fiscal Rules to Succeed*, Bruegel Policy Brief 08/2024 (2024); Wyplosz, 'Reform of the Stability and Growth Pact'.

The empirical picture: compliance and debt ratios

The pendulum swings between stricter enforcement and more flexible rules point to deep-seated weaknesses in the fiscal framework. The empirical record bears this out.

Figure 1 illustrates the degree of compliance with the SGP using data from Larch et al.[5] Compliance is measured along four dimensions: the public debt criterion, the budget deficit criterion, the structural balance requirement and the expenditure rule, where the value of one indicates full compliance. Among the original 12 euro area member states, average compliance amounts to 0.48. For the eight countries that joined the euro area after 2001, average compliance is somewhat higher, at 0.56. By comparison, countries retaining a national currency display an average compliance of 0.65.

Figure 1 Compliance with SGP rules



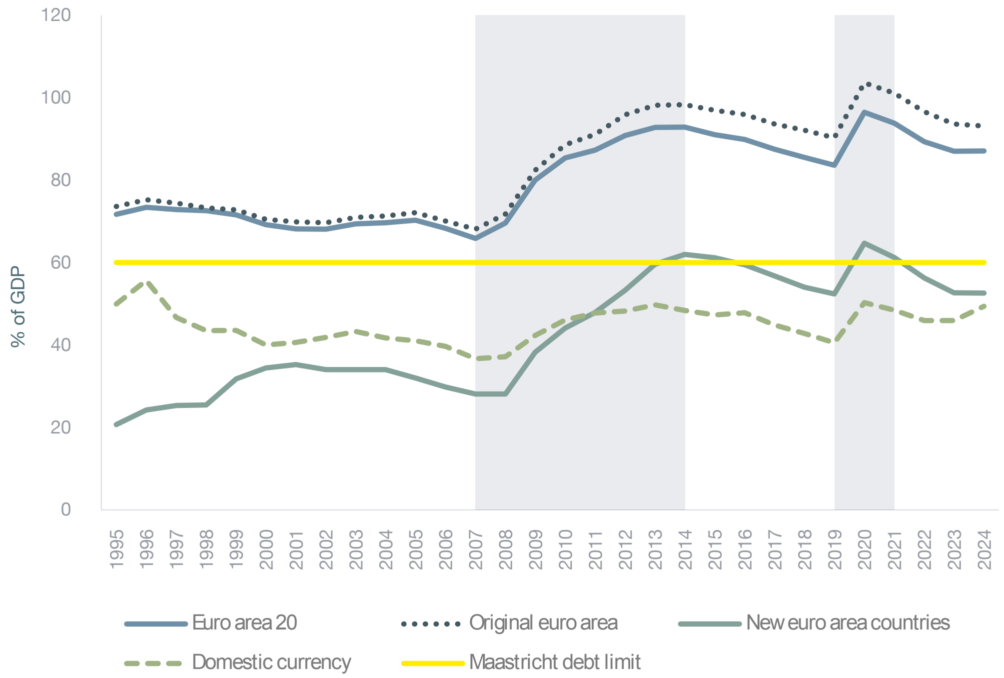
Source: Data from Larch, Malzubris and Santacroce, 'Numerical Compliance With EU Fiscal Rules: Facts and Figures From a New Database'.

Note: 0 = no compliance, 1 = full compliance.

[5] M. Larch, J. Malzubris and S. Santacroce, 'Numerical Compliance With EU Fiscal Rules: Facts and Figures From a New Database', *Intereconomics* 58/1 (2023).

Weak adherence to the fiscal rules is equally visible in the debt-to-GDP ratio. Since the introduction of the euro in 1999, aggregate debt has trended steadily upwards—from around 72% to approximately 87% of GDP in 2024, well above the 60% reference value. Among the original 12 member states, a majority have exceeded the threshold in most years. Luxembourg stands out as the sole exception.

Figure 2 Public debt-to-GDP ratio, 1995–2024



Source: Data from Eurostat, 'Government Finance Statistics'.

Several factors help explain why countries have persistently failed to adhere to the fiscal rules.

Macroeconomic disturbances

Public debt in the euro area displays a pronounced ratchet effect tied to major crises. As the shaded areas in Figure 2 illustrate, debt ratios have risen sharply during periods of severe stress—first during the global financial and sovereign debt crises of 2008–15, then during the pandemic of 2020–1. In each case, the subsequent recovery brought only modest consolidation. The pattern is consistent: debt surges in downturns, yet it is never adequately reduced during the upturn that follows. Countries therefore enter each new crisis carrying higher debt than before—a clear sign that consolidation during good times has been persistently insufficient.

The debt dynamics of countries that joined the euro after 2001 differ markedly from those of the original 12.[6] Although these newer member states saw pronounced debt increases during the financial and sovereign debt crises, they have broadly maintained debt ratios close to the 60% reference value—dipping slightly below during recoveries and rising modestly above during major disturbances such as the Covid-19 pandemic.

Economic incentives in a monetary union

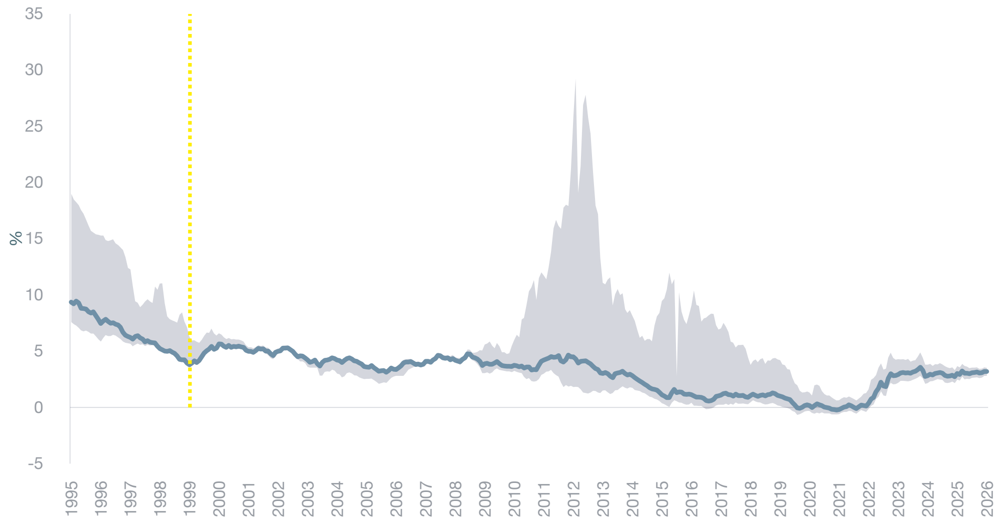
The separation of fiscal and monetary policy creates a distinctive incentive structure within a monetary union. In countries with their own currencies, fiscal policy is disciplined through several market-based channels: expansionary fiscal policy pushes up interest rates, raises inflation expectations and may trigger currency depreciation. Financial markets thereby act as an automatic corrective, providing rapid feedback on fiscal sustainability through borrowing costs and exchange-rate movements.

Membership of the euro area weakens this signalling system and delays market feedback. National exchange rates no longer exist among participating countries, removing a key channel through which fiscal imbalances were once reflected in relative prices. Sovereign bond yields remain a potential disciplinary mechanism, yet this channel has frequently been muted.

As Figure 3 illustrates, prior to the introduction of the euro, 10-year government bond yields across the original member states displayed a substantial spread. Following the launch of the common currency, this spread narrowed dramatically and remained compressed until the sovereign debt crisis, when it widened sharply as markets once again differentiated fiscal risk. Since the pandemic, spreads have again fallen to historically low levels. The compression of risk premiums among countries with markedly different debt ratios suggests that markets expect some form of collective support in the event of fiscal distress—an expectation that further weakens the disciplinary role of financial markets.

6 The most recent data are for 2024, so Bulgaria is treated as a non–euro area country.

Figure 3 10-year government bond yields among the original 12 euro area members



Source: Data from Eurostat, 'EMU Convergence Criterion Series – Monthly Data'.

Note: The solid black line represents the euro area average. The shaded grey area represents the spread in government bond yields across member states. The dotted vertical line marks the introduction of the euro.

Where market-based discipline remains intact, its effects are visible. Among non–euro area EU countries, public debt ratios have remained broadly stable and consistently well below the 60% reference value. Debt tends to rise during crises and decline during recoveries. In 1999 the average debt ratio stood at around 44%; by 2024 it had increased only modestly to approximately 49%. Countries outside the euro area have thus been considerably more successful in maintaining sound public finances than either the original or the newer members of the monetary union.

Slow economic growth

A third driver of rising debt is the sustained decline in economic growth. Figure 4 plots average growth over the period 1999–2024 against the change in the Maastricht debt ratio over the same interval. The figure distinguishes between the original 12 euro area member states and those that joined after 2001—the latter group largely comprising post-Communist economies that experienced rapid catch-up growth as they converged towards the income levels of the more developed original members.

The pattern is striking. Higher economic growth is associated with smaller increases in public debt. For the original 12, the correlation between growth and the change in the debt ratio is –0.51; for the newer members, it is even stronger at –0.63. Differences in long-term growth performance thus play a central role in explaining divergent debt dynamics within the euro area. By contrast, for non–euro area EU countries with their own currencies, the correlation is close to zero—consistent with the broadly stable debt ratios shown in Figure 3. In other words, the risk of fiscal dominance is closely tied to the institutional and political dynamics specific to the euro area.

The sustained decline in economic growth over the past quarter of a century points to deeper structural factors constraining long-term growth potential. Prominent among these is over-regulation.

Figure 4 The correlation between GDP growth and the change in the Maastricht debt ratio, 1999–2024 (in %)

Source: Data from Eurostat, 'Government Finance Statistics'.

Over-regulation

The regulatory environment of the euro area is intimately connected to its growth performance.[7] Regulations that restrict competition, raise compliance costs for firms and limit the capacity of markets to reallocate resources reduce the long-term growth rate and weaken the economy's ability to absorb major shocks. As the theory of creative destruction emphasises, economic growth is driven by continuous entry, exit and technological renewal—processes that demand flexibility and adaptability.[8] When these adjustment mechanisms are impeded, innovation slows and productivity growth falters.

Historical evidence confirms that rigid economic structures are associated with prolonged stagnation[9] and with more severe outcomes during crises.[10] Lower growth erodes the tax base and narrows fiscal space, while repeated downturns intensify the pressure for discretionary fiscal interventions—both during the crisis itself and well into the recovery. In an era of increasingly frequent shocks, from financial crises and pandemics to energy price spikes, geopolitical conflict and global trade disruptions, the interval between disturbances is often too short for highly regulated economies to complete structural adjustment and restore public finances. Weak growth and rising fiscal burdens thus reinforce each other, increasing the risk that monetary policy becomes entangled with fiscal sustainability concerns.

Figure 5 illustrates the relationship between the level of anti-competitive regulation and changes in public debt. Regulation is measured using the Fraser Index of Economic Freedom, specifically sub-index five, 'Regulation', which captures regulatory constraints in credit markets, labour markets and business activity.[11] The regulatory measure refers to 2001, the first year for which this sub-index is available, while the change in the Maastricht debt ratio covers the full period 1999–2024. Using the 2001 regulatory level reduces concerns about reverse causality. Countries are grouped into euro area and non–euro area EU members;

---

[7] M. Draghi, *The Future of European Competitiveness*, European Commission (2024); E. Letta, *Much More Than a Market: Report on the Future of the Single Market*, Council of the European Union (Brussels, 2024).

[8] J. A. Schumpeter, *Capitalism, Socialism and Democracy* (New York: Harper and Brothers, 1942); P. Aghion and P. Howitt, 'A Model of Growth Through Creative Destruction', *Econometrica* 60/2 (1992).

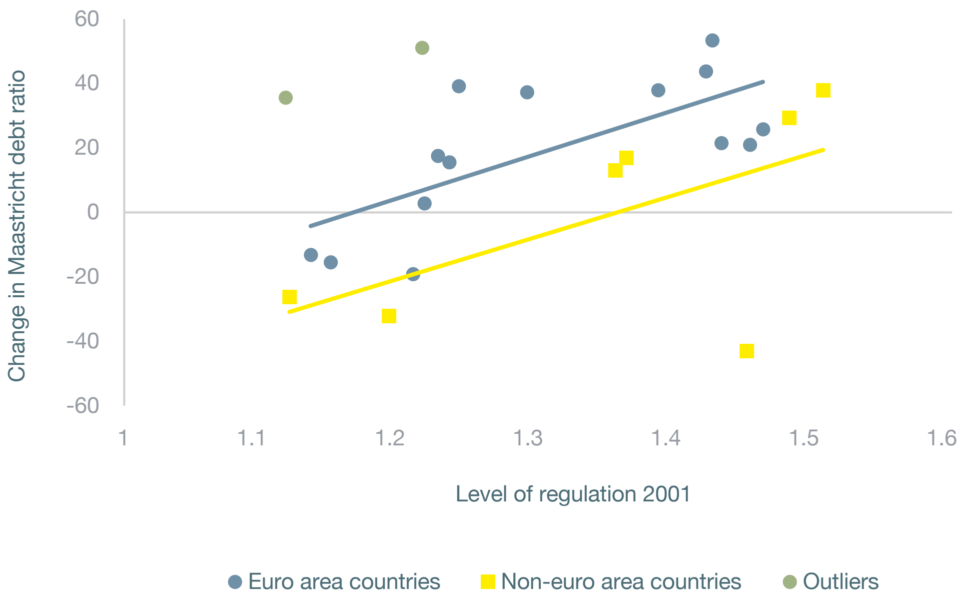
[9] M. Abramovitz, 'Catching up, Forging Ahead, and Falling Behind', *The Journal of Economic History* 46/2 (1986).

[10] F. N. G. Andersson, 'A Blessing in Disguise? Banking Crises and Institutional Change', *World Development* 83 (2016); C. Bjørnskov, 'Economic Freedom and Economic Crises', *European Journal of Political Economy* 45/Suppl. (2016).

[11] J. Gwartney et al., *Economic Freedom of the World: 2023. Annual Report*. Fraser Institute (Vancouver, 2023).

no meaningful differences can be observed between original and later euro area entrants, so they are therefore treated as a single group. The degree of anti -competitive regulation is normalised relative to the US, which takes the value of one, such that higher values indicate a higher level of regulation compared to the US benchmark.

Figure 5 The level of regulation in 2001 and the change in the Maastricht debt ratio, 1999–2024.



Source: Data from Eurostat, 'Government Finance Statistics' and Gwartney et al., Economic Freedom of the World: 2023.

Note: The level of regulation is measured relative to the US. Finland and France are the two outliers.

The figure confirms that higher levels of regulation—that is, less economic freedom—are positively correlated with increases in public debt. For euro area countries, the correlation is 0.70; for non–euro area countries, it is 0.59. At the same time, consistent with Figure 2, non–euro area countries have largely maintained stable debt ratios. This suggests that heavier regulatory burdens are associated with rising public debt regardless of euro area membership, while countries outside the monetary union have been better able to preserve fiscal stability—a pattern consistent with the stronger incentives for fiscal discipline that come with retaining national monetary sovereignty.

Figure 5 also highlights two notable outliers—Finland and France—which have experienced significantly larger increases in public debt than peer countries with comparable levels of anti-competitive regulation. This underscores that while regulation plays a central role in shaping long-term growth and fiscal outcomes, country-specific economic, institutional and political factors matter as well.

In summary, the continued rise in public debt across the EU reflects the combined effect of weak incentives for compliance, subdued trend growth, and structural rigidities that have amplified the need for fiscal support during and after economic disturbances. Taken together, these factors demonstrate that the challenge of fiscal dominance and deficit bias cannot be addressed through further revisions of the rules alone. The focus must shift to the underlying structural and institutional drivers of debt accumulation.

The ECB's new toolbox

The weak fiscal position has also contributed to gradual mission creep in monetary policy. Legally, fiscal and monetary policy remain clearly separated. The ECB is prohibited from directly financing government deficits through the purchase of government bonds or treasury bills. This separation was designed to serve as a firewall between the two policy domains. In practice, however, maintaining that firewall has proved increasingly difficult during macroeconomic crises.[12]

Market pressures on government bond yields escalated rapidly during the debt crisis in 2010–12, until ECB President Mario Draghi's 2012 commitment to doing 'whatever it takes' to preserve the euro stabilised the situation.[13] This episode demonstrated how high public debt and market fragmentation could directly influence the conduct of monetary policy.

The ECB's crisis interventions have repeatedly faced legal challenges before the European Court of Justice and the German Constitutional Court. To date, these challenges have been resolved in the ECB's favour, primarily on the

12 P. De Grauwe, *The European Central Bank: Lender of Last Resort in the Government Bond Markets?*, CESifo Working Paper 3569 (Munich, 2011); P. De Grauwe, 'The Governance of a Fragile Eurozone', *Australian Economic Review* 45/3 (2012).

13 M. Draghi, speech at the Global Investment Conference, London, 26 July 2012.

grounds that the measures were necessary to safeguard the monetary policy transmission mechanism.[14] While this justification is formally consistent with the ECB's mandate, it nonetheless weakens the conceptual boundary between fiscal and monetary policy.

Since the global financial crisis of 2008–9, the ECB has introduced several unconventional instruments that extend well beyond traditional interest-rate policy. These include programmes based on explicit commitments to intervene in sovereign bond markets as well as to make large-scale asset purchases. Two commitment-based instruments are of particular importance. First, the Outright Monetary Transactions (OMT) programme, announced in 2012, allows the ECB to purchase sovereign bonds of countries subject to an adjustment programme under the European Stability Mechanism. Second, the Transmission Protection Instrument (TPI), introduced in 2022, applies to all euro area member states and is designed to counter unwarranted market dynamics that threaten the transmission of monetary policy. While formally justified as a tool to safeguard the transmission of monetary policy, the TPI lowers the threshold for debt monetisation in the event of a new sovereign debt crisis.[15]

Neither the OMT nor the TPI has been activated to date. Yet empirical studies demonstrate that the mere announcement of these instruments was sufficient to stabilise the financial markets and compress sovereign bond spreads.[16] Because the instruments have not been deployed, they have not generated any direct balance-sheet effects. Nonetheless, both would permit extensive monetisation of public debt if activated—raising serious questions about the long-term implications for the ECB's mandate. The fact that QE has survived legal scrutiny suggests that similar instruments may also be judged compatible with EU law.

QE differs from the OMT and the TPI in an important respect. It was not introduced in response to acute market stress but rather to counter weak growth, low inflation and rising public debt. Initiated in 2015, the ECB's QE programme involved large-scale purchases of government bonds across all euro area coun-

---

14 L. P. Feld and V. Wieland, 'The German Federal Constitutional Court Ruling and the European Central Bank's Strategy', *Journal of Financial Regulation* 7/2 (2021).

15 ECB, 'The Transmission Protection Instrument', Press Release, 21 July 2022.

16 O. Saka, A.-M. Fuertes and E. Kalotychou, 'ECB Policy and Eurozone Fragility: Was de Grauwe Right?', *Journal of International Money and Finance* 54/C (2015); M. Falagiarda and S. Reitz, 'Announcements of ECB Unconventional Programs: Implications for the Sovereign Spreads of Stressed Euro Area Countries', *Journal of International Money and Finance* 53/C (2015); M. Ehrmann and M. Fratzscher, 'Euro Area Government Bonds—Fragmentation and Contagion During the Sovereign Debt Crisis', *Journal of International Money and Finance* 70/C (2017).

tries.[17] Overall, the programme contributed to lower long-term interest rates and somewhat higher inflation, although estimates of its macroeconomic effects vary.[18]

For a time, QE was portrayed as a largely harmless instrument once policy rates had reached the effective lower bound. This view gained traction during the 2010s, when the persistent decline in bond yields was widely interpreted as evidence of secular stagnation. Revived by Summers,[19] the secular stagnation thesis held that advanced economies faced chronically weak demand, excess savings and structurally low natural interest rates, and therefore required prolonged fiscal and monetary stimulus to sustain growth.

Over time, this narrative fostered the illusion that low interest rates were a near-permanent structural condition rather than a transitory phase shaped by post-crisis deleveraging and balance-sheet repair.[20] The fiscal implications were significant: if interest rates were expected to remain below growth rates indefinitely, higher public debt appeared sustainable and even desirable.[21]

The sharp rise in interest rates following the pandemic decisively refuted the secular stagnation thesis. Rather than reflecting a permanently depressed equilibrium rate, the low-interest environment of the 2010s appears to have been driven primarily by deleveraging dynamics and post-crisis balance-sheet repair following the global financial crisis.[22]

This experience with expansionary monetary policy illuminates a broader risk: extending monetary policy far beyond its conventional domain may generate consequences that are imperfectly understood. Leijonhufvud's corridor

---

17 Sovereign bonds were purchased across all euro area member states in line with the ECB capital key. The capital key determines each national central bank's share in the ECB's capital and is calculated on the basis of each member state's share in the EU's total population and GDP, with equal weights assigned to both components.

18 S. Hohberger, R. Priftis and L. Vogel, 'The Macroeconomic Effects of Quantitative Easing in the Euro Area: Evidence From an Estimated DSGE Model', *Journal of Economic Dynamics and Control* 108/C (2019); S. Papadamou, C. Siriopoulos and N. Kyriazis, 'A Survey of Empirical Findings on Unconventional Central Bank Policies', *Journal of Economic Studies* 47/7 (2020); B. Fabo et al., 'Fifty Shades of QE: Comparing Findings of Central Bankers and Academics', *Journal of Monetary Economics* 120/C (2021).

19 L. H. Summers, 'Have We Entered an Age of Secular Stagnation? IMF Fourteenth Annual Research Conference in Honor of Stanley Fischer, Washington, DC', *IMF Economic Review* 63/1 (2015).

20 Ò. Jordà, M. Schularick and A. M. Taylor, 'When Credit Bites Back', *Journal of Money, Credit and Banking* 45/S2 (2013); Fabo et al., 'Fifty Shades of QE'; K. Rogoff, 'Debt Supercycle Versus Secular Stagnation', *Journal of Policy Modeling* 47/4 (2025).

21 O. Blanchard, 'Public Debt and Low Interest Rates', *American Economic Review* 109/4 (2019).

22 Jordà, Schularick and Taylor, 'When Credit Bites Back'; Rogoff, 'Debt Supercycle Versus Secular Stagnation'.

of stability offers a useful analytical lens.[23] Within the corridor, standard policy tools operate predictably; outside it, transmission mechanisms weaken and extraordinary measures may be required. The danger arises when instruments designed for exceptional circumstances become embedded as permanent features of the policy framework.

These developments illustrate how readily policy narratives shift in response to crisis. Measures introduced as temporary and exceptional are gradually reframed as normal, even permanent, features of the policy toolkit. What begins as emergency stabilisation can, over time, reshape expectations about the proper scope of monetary policy. The sovereign debt crisis expanded the role of the ECB and altered fiscal incentives simultaneously. Crisis-driven changes in monetary policy have not remained confined to the monetary domain; they have fed back into fiscal policy and expectations, reinforcing the structural tensions within the monetary union.

Rising fiscal pressure in the near future

Short-termism is a recurrent weakness in the design of economic policy. One rationale for granting independence to central banks is precisely to counteract this bias and anchor a long-term focus on price stability. The original ECB strategy reflected this ambition through its two-pillar structure, combining short-term economic analysis with longer-term monetary analysis intended to provide a durable anchor for price stability.[24] The formal removal of the monetary pillar in the 2021 strategy review weakened this explicit long-term reference point and signalled a shift towards a more discretionary framework.

Policies aimed at temporarily stimulating the economy through QE and ultra-low interest rates risk entrenching this short-term perspective. By providing immediate relief from what are presented as abnormal interest-rate conditions, such measures may obscure the fact that the challenges ahead are structural and persistent rather than cyclical and temporary.

[23] A. Leijonhufvud, 'Effective Demand Failures', *The Swedish Journal of Economics* 75/1 (1973).

[24] ECB, 'ECB Monetary Policy Strategy Statement', 8 July 2021.

We now turn to a number of such challenges. Demographic change, defence spending, the energy transition and technological transformation all require sustained investment and fiscal capacity. Meeting these challenges demands forward-looking discipline, not repeated reliance on extraordinary monetary accommodation.

Ageing puts pressure on public finances

Europe is entering a phase of pronounced demographic transition. Rising life expectancy combined with persistently low fertility rates has produced a steadily increasing old-age dependency ratio. This trend is set to intensify: the total population of the EU is projected to begin declining during the coming decade. According to Eurostat,[25] the working-age population (aged 20 to 64) is expected to fall by around 5% between 2026 and 2040 and by roughly 9% by 2050. Holding productivity and labour-force participation constant, such a decline implies materially lower potential output.

At the same time, the population aged 65 and above is expected to expand markedly—by approximately 23% by 2040 and close to 30% over the coming decades. This demographic shift places direct and persistent pressure on public finances. Pension expenditures rise as the number of beneficiaries grows, while a shrinking workforce contributes relatively less to payroll taxes and social contributions. An ageing population also drives higher healthcare and long-term care spending, as older cohorts require more intensive medical and support services.

Populism puts pressure on public finances

A defining shift in the European political landscape over the past two decades has been the steady rise of parties that position themselves against established institutions, existing rules and traditional elites. The term populism, as used here, refers to a political orientation that challenges the prevailing institutional framework, whether from the left or the right. In a growing number of countries, such parties are no longer confined to opposition; they participate in, or lend support to, national governments.

[25] Eurostat, 'EUROPOP2023 – Population Projections at National Level 2022–2100. Population on 1 January by Age, Sex and Type of Projection' (2023), proj_23np.

This development carries implications for fiscal and institutional stability. The EU's fiscal architecture rests on rules-based governance, legal predictability and mutual trust among member states. Parties that explicitly question existing rules and supranational structures risk weakening this institutional coherence. Where the rule of law is contested and compliance with common frameworks becomes politically contentious, enforcement of fiscal rules grows correspondingly more difficult.

A central feature of many populist platforms is the prioritisation of immediate electoral appeal over long-term fiscal sustainability. Policy proposals frequently include expanded public spending, tax reductions or resistance to EU fiscal constraints. Economic discontent is mobilised politically, often in ways that favour short-term fiscal expansion. In competitive electoral systems, these incentives can erode budget discipline and reduce the willingness to undertake politically costly consolidation.

The rise of European populism also has a generational dimension. The EU and the euro were shaped by leaders with direct experience of the Second World War. For figures such as Helmut Kohl and François Mitterrand, European cooperation was inseparable from peace and stability, and compromise was regarded as a strategic necessity. That generation is no longer active in political leadership. Today's decision-makers operate without the same historical reference points; European cooperation is increasingly assessed through the lens of national interest and short-term political calculation. This generational shift does not predetermine instability, but it alters the political foundations on which rules-based fiscal cooperation was originally built.

Investments in national security and resilience put pressure on public finances

Public finances are also coming under strain from rising national security and resilience requirements. The geopolitical environment has shifted in ways that imply structurally higher expenditure, not merely temporary crisis outlays. Defence spending illustrates the point clearly. NATO members have agreed on a new benchmark of 5% of GDP[26]—for many European countries, a substantial and permanent increase over recent spending levels. In parallel, the European Commission has outlined the ReARM Europe initiative, mobilising up to €800

[26] NATO, 'Funding NATO', 18 December 2025.

billion in defence-related investment by 2030.[27] These commitments signal a permanent reallocation of resources towards military capacity, infrastructure and strategic autonomy.

Resilience extends well beyond defence. The climate and technology transitions require a sustained increase in investment. According to the ECB,[28] annual investment in new technologies and climate-related capital must rise from roughly 5% to around 8% of GDP, combining private and public sources, to meet agreed objectives—a structural increase in capital formation across the economy. These demands unfold against a backdrop of already strained public finances. The implication is not a reduction in expenditure pressures but the opposite: security, resilience and transformation will require more public resources, not fewer. The central fiscal question is how these rising structural commitments can be financed without further weakening debt sustainability.

Taken together, these developments point to a fiscal environment that is becoming more demanding, not less. An ageing population reduces potential growth while increasing age-related expenditure. Political fragmentation complicates rules-based fiscal coordination and weakens incentives for consolidation. At the same time, defence, security, the climate transition and technological upgrading all require sustained and substantial public investment. These are structural commitments, not temporary deviations.

In such a setting, public finances will face persistent upward pressure. Slower growth, higher mandatory spending and rising investment needs narrow the room for manoeuvre. The combination of elevated debt and structurally higher expenditure increases the risk that fiscal sustainability concerns will once again begin to shape monetary policy decisions. The probability of fiscal dominance therefore grows in an environment characterised by weaker growth, stronger spending pressures and a more contested institutional framework. Safeguarding monetary independence under these conditions will be more challenging than at any point since the creation of the euro.

[27] European Commission, 'Acting on Defence to Protect Europeans: Future of European Defence' (19 November 2025).

[28] M. Andersson, P. Köhler-Ulbrich and C. Nerlich, 'Green Investment Needs in the EU and Their Funding', ECB (2025).

How to avoid fiscal dominance

Fiscal dominance does not produce improved economic outcomes. The European sovereign debt crisis can be read either as an isolated policy failure or as the first episode in a potential sequence of future crises—depending on the policy decisions taken from here. The measures adopted to date to reinforce fiscal discipline are insufficient. This inadequacy reflects a deeper failure: an inability to address the fundamental structural weaknesses that continue to undermine fiscal and monetary stability in the EU.

The following section outlines the principal policy options and assesses their implications for long-term economic resilience. The two options are (1) restoring fiscal stability by raising taxes and/or reducing government expenditure; and (2) ensuring higher economic growth. Let us look at these two options in turn.

Raising taxes and cutting public expenditure

One traditional path to restoring fiscal balance is to combine higher taxes with lower public expenditure. In the euro area, however, both channels are severely constrained. On the revenue side, the tax-to-GDP ratio already stands at around 40%, compared with roughly 34% across the OECD and about 25% in the US.[29] Further tax increases risk weakening competitiveness, discouraging investment and reducing the labour supply—particularly in an environment of subdued trend growth and adverse demographic developments.

On the expenditure side, pressures are moving in the opposite direction. New commitments related to defence, the climate transition, resilience and demographic change imply structurally higher spending, not retrenchment. While expenditure reductions are theoretically possible, the composition of public spending limits the scope for adjustment. Social benefits and transfers account for approximately 46% of total euro area expenditure.[30] Compensation of public-sector employees represents around 21%, consumption of goods and services about 12%, subsidies roughly 3% and gross fixed capital formation close to 7%.

[29] Eurostat, 'Tax Revenue Statistics' (31 October 2025); OECD, *Revenue Statistics 2025* (Paris: OECD Publishing, 2025).

[30] Eurostat, 'Government Finance Statistics' (2026).

In practice, meaningful expenditure cuts would require reductions in social spending. Against a backdrop of ageing populations, weak growth and rising political fragmentation, such measures are both politically and economically difficult to implement. The remaining expenditure categories are comparatively small and unlikely to yield savings of sufficient magnitude to finance the projected increases in defence and age-related spending. Even substantial consolidation efforts would struggle to offset these structural pressures, let alone restore balanced budgets.

Higher GDP growth

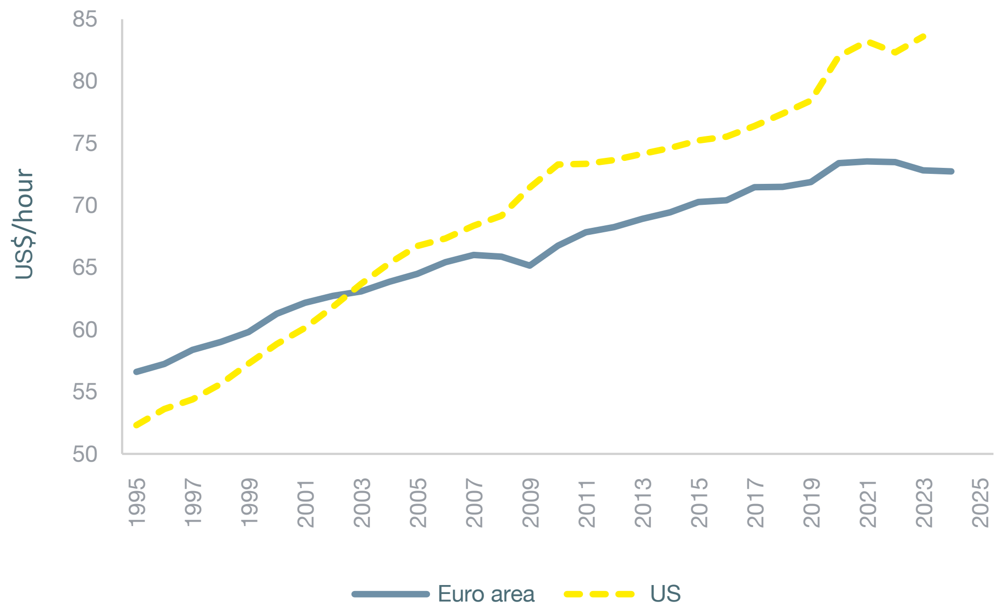
The second and more promising route to easing fiscal pressure runs through growth. Figure 4 demonstrated how closely the debt ratio tracks the pace of economic expansion. When growth strengthens, public finances improve almost automatically: tax bases expand, revenues rise and expenditure linked to weak labour markets declines. At the same time, the arithmetic of the debt ratio shifts. Even if nominal debt remains unchanged, a larger economy reduces the relative burden. In those few euro area countries where the debt ratio has fallen since the 1990s, the improvement has come less from paying down debt than from expanding the economy against which that debt is measured.

To raise long-term growth, two issues are particularly important. The first one concerns productivity performance. Raising productivity requires sustained investment in technology, research, education and infrastructure, combined with reforms that sharpen competition and improve the allocation of resources. This is no easy task. For the euro area, the central challenge is to recover the ground lost relative to the US. Since the early 2000s, a transatlantic productivity gap has opened up and steadily widened.

Figure 6 shows GDP per hour worked in constant 2020 prices, adjusted for purchasing-power differences. Until 2002, productivity levels in the euro area slightly exceeded those of the US. Thereafter the trend reversed. By 2024 output per hour worked in the US stood roughly 13% above the euro area level—a divergence driven by differences in productivity growth rather than cyclical fluctuations.

This gap is not predetermined. The euro area possesses comparable, and in some cases superior, levels of human capital, technological capacity and institutional quality. Lower productivity growth is therefore not a natural outcome; it reflects policy choices, regulatory structures, innovation incentives and the broader economic environment. Were the euro area to match current US productivity levels, aggregate GDP would rise by more than 10%. With nominal debt unchanged, the average debt ratio would fall mechanically from around 88% to approximately 80%—and higher output would simultaneously lift tax revenues by an amount corresponding to 4% of present GDP.

Figure 6 Labour productivity in the euro area and the US, 1995–2024, in US dollars per hour, based on 2020 fixed prices and adjusted for purchasing power



Source: Data from OECD, 'PDB: Level of GDP per Capita and Productivity'.

The second issue concerns labour-market reform. According to the OECD,[31] employment rates among those aged 20 to 64 are around 75% in both the US and the EU27. However, participation among those aged 65 to 69 differs markedly: roughly 32% of this age group remains in employment in the US, compared with around 16% in the EU on average. In countries such as Belgium, France and Austria, employment rates in this age group are as low as 8%–11%, whereas in the Nordic countries and the Netherlands they approach 30%—comparable to the US.

[31] OECD, 'Employment and Unemployment by Five-Year Age Group and Sex, Indicators'.

As the labour force ages and the 20–64 cohorts shrink, raising the participation rate of older age groups becomes increasingly important. As the US and the northern EU members demonstrate, it is possible to achieve significantly higher employment rates among older workers. Doing so would ease the burden on public finances and boost tax revenues by expanding the economy.

Closing the productivity gap with the US and the employment gap with the strongest northern member states does not require untested ideas. Proven policy models already exist within Europe and across the Atlantic. The challenge lies less in identifying the right reforms than in implementing them with consistency and political resolve. Much of the adjustment must occur at the national level, and the reform agenda varies across countries. In several member states, productivity levels already match or exceed those of the US; in them, the binding constraint is labour-market performance. In others, weaker productivity and lower employment reinforce one another, demanding a broader reform effort on both fronts simultaneously.

The scope for improvement extends well beyond national reforms. Europe's aggregate performance is also shaped by how effectively the single market functions. Recent analyses by Draghi and Letta emphasise that unrealised integration represents a major growth opportunity.[32] The International Monetary Fund estimates that regulatory and administrative barriers within the single market correspond to implicit trade costs equivalent to tariffs of 45%–100% in several sectors.[33] These frictions arise from fragmented standards, supervision and implementation rather than from formal tariff barriers. Reducing them would sharpen competition, improve resource allocation and deepen cross-border integration.

A more complete single market would not merely support national reform efforts; it could lift Europe's growth trajectory beyond simple convergence with the US. Unlocking that potential requires institutional coordination and regulatory simplification at the European level, complementing and reinforcing the structural reforms undertaken by member states.

[32] Draghi, *The Future of European Competitiveness*; Letta, *Much More Than a Market*.

[33] International Monetary Fund, 'Europe's Declining Productivity Growth: Diagnoses and Remedies', *Regional Economic Outlook*, November 2024.

Concluding remarks

The euro area enters the coming decade in a position of acute fiscal vulnerability. The SGP has not prevented a sovereign debt crisis, has not reversed the upward drift in public debt and has not established lasting fiscal discipline. Demographic pressures, structurally higher defence commitments and the investment demands of the climate transition will compound these weaknesses. The risk of fiscal dominance is no longer hypothetical. The steady expansion of the ECB's operational role already reflects the growing subordination of monetary policy to fiscal necessity.

The costs of fiscal dominance are well established. When the central bank becomes a de facto financing arm of the state, the result is an inflation tax—regressive in its incidence and corrosive in its effects on price signals, savings behaviour and the allocation of capital. History is unambiguous: this path is chosen not by design but by default, when governments fail to confront the structural roots of fiscal weakness.

The fundamental problem is not the design of the fiscal rules. Successive reforms of the SGP have left long-term debt dynamics essentially unchanged. The root cause is chronically insufficient economic growth. Productivity has stagnated, labour markets remain rigid, and regulatory barriers continue to obstruct competition and reallocation. The severity varies across member states—some combine strong productivity with high employment, while others underperform on both—but debt vulnerabilities are concentrated among the original euro area members. Regulatory fragmentation within the single market compounds the problem at the European level.

Growth is therefore not merely desirable; it is the indispensable condition for restoring fiscal sustainability. Without it, stabilisation demands tax increases or spending cuts of a magnitude that no democratic polity can sustain indefinitely. With it, the arithmetic of debt reduction shifts decisively, and adjustment becomes politically viable.

The path to higher growth is not unknown. Several member states and peer economies already achieve the productivity levels and employment rates that the euro area as a whole must reach. The challenge is not analytical but political: the reforms required are well identified, and the models for success are already operating within Europe itself.

The choice before European policymakers is therefore stark. Inaction leads to entrenched stagnation, rising debt and the progressive erosion of the ECB's independence through fiscal dominance. The alternative—decisive structural reform at both the national and European levels—offers the only credible route to fiscal sustainability, monetary independence and durable price stability.

Bibliography

Abramovitz, M., ‘Catching up, Forging Ahead, and Falling Behind’, *The Journal of Economic History* 46/2 (1986), 385–406.

Aghion, P. and Howitt, P., ‘A Model of Growth Through Creative Destruction’, *Econometrica* 60/2 (1992), 323–51.

Andersson, F. N. G., ‘A Blessing in Disguise? Banking Crises and Institutional Change’, *World Development* 83/C (2016), 135–47.

Andersson, F. N. G. and Jonung, L., ‘Will Sweden Have to Pay for the High Public Debt of the Euro Countries if It Joins the Euro?’, in L. Calmfors (ed.), *Time for Swedish Euro Membership?* (Stockholm: Swedish Free Enterprise Foundation, 2026), 303–38.

Andersson, M., Köhler-Ulbrich, P. and Nerlich, C., ‘Green Investment Needs in the EU and Their Funding’, ECB (2025), accessed at https://www.ecb.europa.eu/press/economic-bulletin/articles/2025/html/ecb.ebart202501_03~90ade39a4a.en.html on 10 December 2025.

Bjørnskov, C., ‘Economic Freedom and Economic Crises’, *European Journal of Political Economy* 45/Suppl. (2016), 11–23.

Blanchard, O., ‘Public Debt and Low Interest Rates’, *American Economic Review* 109/4 (2019), 1197–229.

Blanchard, O., Leandro, J. and Zettelmeyer, J., ‘Redesigning the EU Fiscal Rules: From Rules to Standards’, *Economic Policy*, 36/106 (2021), 195–236.

Bordo, M. and Jonung, L., ‘A Return to the Convertibility Principle? Monetary and Fiscal Regimes in Historical Perspective. The International Evidence’, in A. Leijonhufvud (ed.), *Monetary Theory and Policy Experience* (London: Palgrave, 2001), 225–90.

Calmfors, L., *Nytt ramverk för finanspolitiken* [A New Framework for Fiscal Policy], Appendix 7 to the Long-Term Investigation, Swedish Government, SOU 2023:92.

Darvas, Z., Welslau, L. and Zettelmeyer, J., *The Implications of the European Union’s New Fiscal Rules*, Bruegel Policy Brief 10/2024 (2024).

De Grauwe, P., *The European Central Bank: Lender of Last Resort in the Government Bond Markets?*, CESifo Working Paper 3569 (Munich, 2011).

De Grauwe, P., ‘The Governance of a Fragile Eurozone’, *Australian Economic Review* 45/3 (2012), 255–68.

Draghi, M., speech at the Global Investment Conference, London, 26 July 2012, accessed at https://www.ecb.europa.eu/press/key/date/2012/html/sp120726.en.html on 6 May 2026.

Draghi, M., *The Future of European Competitiveness*, European Commission (2024).

ECB, ‘ECB Monetary Policy Strategy Statement’, 8 July 2021, accessed at https://www.ecb.europa.eu/mopo/strategy/strategy-review/ecb.strategyreview_monpol_strategy_statement.en.html on 11 November 2025.

ECB, ‘The Transmission Protection Instrument’, Press Release, 21 July 2022, accessed at https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.pr220721~973e6e7273.en.html on 11 November 2025.

Ehrmann, M. and Fratzscher, M., ‘Euro Area Government Bonds—Fragmentation and Contagion During the Sovereign Debt Crisis’, *Journal of International Money and Finance* 70/C (2017), 26–44.

European Commission, ‘Acting on Defence to Protect Europeans. Future of European Defence’ (2025), accessed at https://commission.europa.eu/topics/defence/future-european-defence_en on 19 November 2025.

Eurostat, ‘EMU Convergence Criterion Series – Monthly Data’ (2026), accessed at https://ec.europa.eu/eurostat/databrowser/view/irt_lt_mcby_m__custom_20119169/default/table on 11 January 2026.

Eurostat, ‘EUROPOP2023 – Population Projections at National Level 2022–2100. Population on 1 January by Age, Sex and Type of Projection’ (2023), proj_23np, doi:10.2908/proj_23np.

Eurostat, ‘Government Finance Statistics’ (2026), accessed at https://ec.europa.eu/eurostat/databrowser/view/nama_10_gdp__custom_19769334/default/table?utm_source=chatgpt.com on 16 January 2026.

Eurostat, ‘Tax Revenue Statistics’ (2025), accessed at https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Tax_revenue_statistics on 31 October 2025.

Fabo, B. et al., ‘Fifty Shades of QE: Comparing Findings of Central Bankers and Academics’, *Journal of Monetary Economics* 120/C (2021), 1–20.

Falagiarda, M. and Reitz, S., 'Announcements of ECB Unconventional Programs: Implications for the Sovereign Spreads of Stressed Euro Area Countries', *Journal of International Money and Finance* 53/C (2015), 276–95.

Feld, L. P. and Wieland, V., 'The German Federal Constitutional Court Ruling and the European Central Bank's Strategy', *Journal of Financial Regulation* 7/2 (2021), 171–91.

Fischer, J., Jonung, L. and Larch, M., '101 Proposals to Reform the Stability and Growth Pact. Why So Many? A Survey', *Public Finance and Management* 8/3 (2008), 226–50.

Goodhart, C., *The Changing Role of Central Banks*, Bank for International Settlements, Working Paper no. 326 (2011).

Gwartney, J. et al., *Economic Freedom of the World: 2023*. Annual Report, Fraser Institute (Vancouver, 2023).

Hohberger, S., Priftis, R. and Vogel, L., 'The Macroeconomic Effects of Quantitative Easing in the Euro Area: Evidence From an Estimated DSGE Model', *Journal of Economic Dynamics and Control* 108/C (2019), 107–35.

International Monetary Fund, 'Europe's Declining Productivity Growth: Diagnoses and Remedies', *Regional Economic Outlook*, November 2024.

Jordà, Ò., Schularick, M. and Taylor, A. M., 'When Credit Bites Back', *Journal of Money, Credit and Banking* 45/S2 (2013), 3–28.

Larch, M., Malzubris, J. and Santacroce, S., 'Numerical Compliance With EU Fiscal Rules: Facts and Figures From a New Database', *Intereconomics* 58/1 (2023), 32–42.

Larch, M., van den Noord, P. and Jonung, L., *The Stability and Growth Pact: Lessons From the Great Recession*, European Economy Economic Papers no. 429 (2010).

Leijonhufvud, A., 'Effective Demand Failures', *The Swedish Journal of Economics* 75/1 (1973), 27–48.

Letta, E., *Much More Than a Market: Report on the Future of the Single Market*, Council of the European Union (Brussels, 2024), accessed at https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf on 16 January 2026.

NATO, 'Funding NATO', 18 December 2025, accessed at https://www.nato.int/en/what-we-do/introduction-to-nato/funding-nato on 16 January 2026.

OECD, 'Employment and Unemployment by Five-Year Age Group and Sex, Indicators', OECD Data Explorer, accessed at https://data-explorer.oecd.org/vis?df[ds]=DisseminateFinalDMZ&df[id]=DSD_LFS%40DF_LFS_INDIC&df[ag]=OECD.ELS.SAE&utm_source=chatgpt.com&dq=.....&lom=LASTNPERIODS&lo=5&to[TIME_PERIOD]=false on 11 December 2025.

OECD, 'PDB: Level of GDP per Capita and Productivity' (2025), accessed at https://data-explorer.oecd.org/vis?df[ds]=DisseminateFinalDMZ&df[id]=DSD_PDB%40DF_PDB_LV&df[ag]=OECD.SDD.TPS&dq=.A.GDPHRS......&lom=LASTNPERIODS&lo=5&to[TIME_PERIOD]=false on 16 January 2026.

OECD, *Revenue Statistics 2025* (Paris: OECD Publishing, 2025), accessed at https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/global-tax-revenues/revenue-statistics-highlights-brochure.pdf on 11 November 2025.

Papadamou, S., Siriopoulos, C. and Kyriazis, N., 'A Survey of Empirical Findings on Unconventional Central Bank Policies', *Journal of Economic Studies* 47/7 (2020), 1533–77.

Pench, L., *Three Risks That Must Be Addressed for New European Union Fiscal Rules to Succeed*, Bruegel Policy Brief 08/2024 (2024).

Rogoff, K., 'Debt Supercycle Versus Secular Stagnation', *Journal of Policy Modeling* 47/4 (2025), 723–37.

Saka, O., Fuertes, A.-M. and Kalotychou, E., 'ECB Policy and Eurozone Fragility: Was de Grauwe Right?', *Journal of International Money and Finance* 54/C (2015), 47–63.

Schumpeter, J. A., *Capitalism, Socialism and Democracy* (New York: Harper and Brothers, 1942).

Summers, L. H., 'Have We Entered an Age of Secular Stagnation? IMF Fourteenth Annual Research Conference in Honor of Stanley Fischer, Washington, DC', *IMF Economic Review* 63/1 (2015), 277–80.

Wyplosz, C., 'Reform of the Stability and Growth Pact: The Commission's Proposal Could Be a Missed Opportunity', *VoxEU*, 17 November 2022, accessed at https://cepr.org/voxeu/columns/reform-stability-and-growth-pact-commissions-proposal-could-be-missed-opportunity on 5 May 2026.

About the authors

Fredrik N. G. Andersson is Associate Professor in the Department of Economics at Lund University. His research covers the impact of structural change and macroeconomic crises on fiscal and monetary policy. He has published extensively in both macroeconomics and economic history.

Lars Jonung is Professor Emeritus in Economics at Lund University. His research focuses on the euro area, monetary regimes, inflation expectations and monetary policy. Between 2000 and 2010, he served as a Research Advisor at the European Commission's Directorate-General for Economic and Financial Affairs. He was also Chair of the Swedish Fiscal Policy Council from 2012 to 2013.

Credits

The Wilfried Martens Centre for European Studies is the political foundation and think tank of the European People's Party (EPP), dedicated to the promotion of Christian Democrat, conservative and like-minded political values.

Wilfried Martens Centre for European Studies
Rue du Commerce 20
Brussels, BE 1000

For more information, please visit www.martenscentre.eu.

External editing: Pole Star Editing CommV
Typesetting: Victoria Agency
Printed in Belgium by ABIJ

This publication receives funding from the European Parliament.