No to EUsterity

The European Parliament threatens to veto a hard-won budget

THE bitterest family rows are often over money. So it is with the European Union's leaders. For three years they have argued over who should pay what to save the euro. Earlier this month presidents and prime ministers battled through a sleepless night and a day over the EU budget. Back home, some of the disputed sums might have been approved on the nod.

It is an absurd way to run the world's biggest economy. The comedy of interminable haggling is compounded by the farce of each leader twisting the numbers to claim victory. Such is the misery that the EU now draws up budgets for seven-year periods. But this is too rigid—even the Soviet Union limited itself to five-year plans. And it magnifies the sums at stake: nearly a trillion euros for 2014-20. Looked at another way, though, the budget is only about one-fiftieth of public spending in the EU. For rich countries, net contributions amount to about 0.3% of GDP.

One reason for the budget mess is that the money comes from national treasuries, creating a zero-sum game. Another is that the budget must be agreed unanimously. A third is the economic crisis. Most net contributors cannot see why the EU should be exempted from the austerity it preaches to others. And for those running deficits every pound, crown or euro sent to Brussels is an extra pound, crown or euro that must be borrowed.

As if steering a budget past 27 national vetoes were not hard enough, there is now the threat of a 28th, from the European Parliament. A rejection would be its most confrontational act since it forced the resignation of Jacques Santer's European Commission in 1999 over allegations of corruption. Would MEPs really dare be so bold, not to say insolent?

Voting in the European Parliament is unpredictable. Without such notions as a government or an opposition, party discipline is weak. One Eurocrat quips that "the whole parliament is the opposition". The single idea that unites most MEPs is a desire for "more Europe", which usually means more euros. Power derives from the ability to spend. Because the EU does not raise taxes directly or borrow, there are no votes in calls for spending cuts.

MEPs were outraged when EU leaders decided, for the first time, to trim the budget for 2014-20 by 3% from the previous period. This was a triumph for Britain's prime minister, David Cameron, who also preserved his country's much-hated rebate. How, critics asked, could he dictate a budget for the whole EU, running to 2020, when Britain might not even belong after

2017, when Mr Cameron wants to hold a referendum on membership? In truth, the budget was dictated by Angela Merkel. The German chancellor lined up with Mr Cameron against France's François Hollande, who clumsily allied himself with the parliament. The budget ended up where she wanted it: at 1% of gross national income.

Even before the summit ended, the leaders of the four parliamentary "families" had issued a joint statement declaring the deal to be unacceptable. Their leverage is enhanced by the 2009 Lisbon treaty, which stipulates that the budget must be approved by an absolute majority of the whole assembly (ie, absences and abstentions count as No votes). Fringe parties of left and right will probably vote against, as could several in opposition at home. French Socialists are being urged by some in Paris to "improve" the terms secured by Mr Hollande.

A stalemate would suit a few. It would push the EU to annual budgets based on 2013 levels, producing higher spending than agreed on by the summit. Yet it would antagonise two groups: recipients of cohesion funds, who would struggle to plan multi-year projects, and net contributors with temporary rebates that will lapse without a new budget (Austria, Germany, the Netherlands and Sweden).

Many MEPs will come under strong pressure from national capitals. The threat of removal from party lists for next year's European election explains why some want a secret ballot, strange as that may seem. Behind the posturing lies a readiness to compromise. Governments hint they would accept some of the parliament's demands, such as a commitment to review the budget in two or three years' time or greater flexibility to move money between headings and from one year to the next. Catherine Trautmann, leader of the French Socialists, says: "We seek a negotiation, not the politics of the empty chair."

Time to cut the CAP

Euro-federalists say it would all be much easier if the EU could raise taxes directly. "The Americans said no taxation without representation. But in the EU we have representation without taxation," complains Sylvie Goulard, a French liberal MEP. Yet most governments treat the EU as an international organisation and want to retain control over its money.

The argument boils down to the question of where democratic legitimacy really lies. Little-known MEPs can scarcely claim to command greater popular allegiance than national political leaders, unloved as some may be. And the European Parliament is unlikely to make itself more appealing by overruling national treasuries and parliaments, let alone seeking to exact European taxes on top of already high national ones.

Rather than moan about marginal cuts to a small budget and pursuing the chimera of "own resources" (eg, EU taxes on carbon or financial transactions), the parliament would do better to focus on the real outrage—that EU leaders did so little to change outdated spending priorities. They have left close to 40% of the budget going to agriculture, an industry that generates less than 2% of GDP. Slashing the CAP could release resources for areas where the EU can genuinely enhance growth, like research, education and cross-border infrastructure. The EU could have the best of both worlds: less spending and more European value.

Fonte: The Economist, London, v. 406, n. 8823, p. 56, 16 a 22 Feb. 2013.