

Shared Perspectives

Macroeconomic and climate governance in the European Union

29 April 2022

Event report

The workshop met and discussed various issues.

Some points in which many attendees were in broad agreement included:

In relation to macroeconomic governance:

- Credible fiscal rules are required. These have to be realistic in terms of how rapidly high debt burdens are expected to be reduced.
- Expenditure rules may be required to ensure countercyclicality of fiscal policy in economic expansions.
- Fiscal rules need to somehow allow for investment into Union-wide public goods, in particular R&D and capital investments required for the green transition.
- In this respect, most (though not all) attendees agree that discussions of climate and green transition policies should be considered as an integral part of macro policy discussions.
- Some central fiscal capacity at the EU-level is justified to provide public goods such as support in the green transition. Such fiscal capacity can have a beneficial role also in terms of stabilization of economic fluctuations.

In relation to governance of the green transition:

- Political opposition to the green transition is substantial and comes from both industry and consumers. Opposition can be softened by allocating the rents associated with carbon pricing, such as permit auction revenues, to those who bear the largest costs associated with the green transition. Transfers are required especially in the initial phases of the transition.
- Support should also provide incentives for restructuring and investments (in the public and private sector) to facilitate adaptation to a low-carbon future.
- Russia's war in Ukraine provides a further reason to accelerate the green transition. However, the exact implications are unclear and gas has to date been seen as a 'bridging fuel' which could assist with the intermittency problem of renewable generation.
- The European Union's stance of being at the forefront of the green transition provides a global public good: information of the opportunities to transition to a climate-neutral economy.

- Long-term commitments to climate policies are central, to increase the confidence and also the commitment of private investors and to contribute to redirects investments in the appropriate directions.

How to know more about the workshop?

1) The ***unedited recording*** of the workshop is available on the Youtube channel of the Department of Economics of the University of Bologna:

- Morning sessions: <https://www.youtube.com/watch?v=mCiFrSeFros&t=1075s>
- Afternoon sessions: <https://www.youtube.com/watch?v=YTT5DICS6GQ>

2) The ***slides*** of the presentations given at the workshop are available for download at: <https://eventi.unibo.it/shaper/program>.

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Niko Jaakkola and Riccardo Rovelli