

Everything Counts

— *Except Wages and the Climate*

Dany Lang

Associate professor, Université Sorbonne Paris Nord
Les Économistes Atterrés

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What counts, and what does not

- The fiscal rules count every euro — **except when the euro is for defence.**
- The only common-debt instrument expires in December 2026, **with no successor.**
- No equivalent clause exists for wages, for social spending, or for the climate.

The constraint is not one of means. It is one of purpose.

The national escape clause

- Activated under *ReArm Europe / Readiness 2030*, March 2025.
- Permits deviation of up to **1.5% of GDP per year for four years** from the net expenditure path — **for defence spending only**.
- Activated for 12 euro-area member states over 2025–2028; 18 EU member states in total.
- Beneficiaries include Greece, Portugal and Spain — countries disciplined for fifteen years.

Southern debtors and northern creditors are on the *same* side of this one.

What separates those who may spend from those who may not is **the purpose of the spending**.

One breach, widened

- European Semester spring package, 3 June 2026: the Commission proposes extending the *same* clause to energy-security measures.
- Not a second breach — the first one, made wider.
- No comparable clause for housing, health, social spending or the ecological transition.

Flexibility is available — **on condition that the spending is restated as security.**

National positions, 2026: one loosens, the rest hold

Country	Position on net expenditure
Germany	above the recommended ceiling in 2026, via defence flexibility
France	committed to significant austerity
Italy	within the recommended ceiling in both 2025 and 2026
Spain	above the annual ceiling, within the allowed deviation

Euro-area fiscal stance in 2026: **broadly neutral**.
One country expands, on one item. The others do not.

Sources: Eurogroup statement on the 2026 draft budgetary plans; Italian Parliamentary Budget Office, Focus 2/2026; Bruegel.

Germany: what the stimulus actually funds

- Defence: **€83bn** in the core budget for 2026, plus €25.5bn from the Bundeswehr special fund; rising towards 3.5% of GDP by 2029, with up to €380bn of defence borrowing authorised for 2025–2029.
- Infrastructure and climate: a €500bn special fund, exempt from the debt brake — but only **€24bn actually invested by end-2025**.
- 2025 execution: total investment €86.8bn against €115.6bn budgeted.
- Core-budget investment **falls** from €63bn (2025) to €56bn (2026).
- The ifo Institute (Munich): of the ten largest core-budget investment items (€24.4bn), only €5.8bn goes to infrastructure. The German Economic Institute (IW Köln): up to half of the fund may fail the additionality test.

Defence is spent. Infrastructure is announced.

Spain: a different case?

What worked

- Unemployment below 10% in Q4 2025 — first time since Q1 2008.
- Record employment: 22.46 million.
- Minimum wage up **66% since 2018**, to €1,221 in 14 payments.

What did not

- Real wages still **2% below** their Q1 2021 level (OECD).
- Among the OECD economies where real wages fell most since the pandemic.
- Labour productivity flat for a decade.

Employment growth without a growing wage share.

What closes: the Recovery and Resilience Facility

- Central pillar of NextGenerationEU — around 90% of the envelope; €672.5bn in grants and loans.
- Binding allocation rules: at least **37% to the green transition**, at least 20% to digital.
- Seven flagship areas: clean technologies and renewables, building energy efficiency, sustainable transport and charging points, broadband, public-administration digitalisation, cloud and processors, digital skills.
- All milestones due by **31 August 2026**; final payments by **31 December 2026**. €367bn disbursed as of October 2025.
- The 2028–2034 financial framework introduces **no instrument comparable to NGEU**.

Source: European Parliament briefing, 2026; RRF Regulation (EU) 2021/241.

What replaces it: “SAFE”

- “SAFE” — the *Security Action for Europe* instrument, adopted 27 May 2025.
- Up to €150bn for joint procurement of defence equipment.
- **Loans, not transfers**: the fiscal room for rearmament is paid for in national debt.

A green-and-digital instrument financed by common debt
gives way to a defence instrument financed by national debt.

Profits, wages and investment

Euro area, non-financial corporations, Q1 2026

- Profit share: 39.7% → **38.6%** of gross value added.
- Its complement — compensation of employees plus net taxes on production — accordingly rises from 60.3% to **61.4%**.
- Behind it: gross value added **-0.9%**, while compensation of employees and net production taxes rose 0.8–0.9%.
- Business investment rate: 21.7% → 22.2%, gross fixed capital formation +1.5%.

The wage share is not recovering because the cake is being shared differently.

It is recovering because **the cake is shrinking**.

Source: Eurostat, quarterly European sector accounts, Q1 2026. Non-financial corporations only; not the AMECO adjusted wage share.

The result

- OECD growth: 1.4% (2025) → **0.8% (2026)** → 1.2% (2027).
- IMF: higher energy prices cut euro-area growth by **0.5 points in 2026**.
- Euro-area inflation back up to 3.3% in August 2026.
- Public investment supported in 2026 by funds that expire in 2026.

Stagnant real wages, no industrial policy, no collective horizon but rearmament — this is also a political economy of the far right.

What the climate actually requires

- Meeting the EU's 2030 targets requires **€842bn per year** on average over 2025–2030 — **4.9% of EU GDP**.
- Actual climate investment in 2023: €498bn. **Gap: €344bn per year.**
- Adaptation adds around €70bn per year to 2050 (DG CLIMA study).
- For comparison: SAFE is €150bn in loans, once.

Sources: Institute for Climate Economics (I4CE), *The State of Europe's Climate Investment*, 2025 edition; European Commission (DG CLIMA), January 2026.

Alternatives

1. **A European emergency plan for the ecological transition**, financed by common borrowing — on the scale of the €344bn annual gap, not of a derogation.
2. **A permanent fiscal capacity** succeeding NextGenerationEU. NGEU raised €800bn once, as a temporary instrument. The gap is of that order *every year*.
3. **Put the pressure on the surplus countries.** Under the Macroeconomic Imbalance Procedure, the thresholds are +6% for surpluses and –4% for deficits. The excessive imbalance procedure has **never** been triggered; Germany ran above 8% in 2015–2017; the aim of symmetric adjustment was abandoned by 2015.
4. **A job guarantee** We need lower unemployment in order to obtain higher wages

Everything counts.

The Union counts every euro, and suspends its own rules
the moment it judges a threat to be existential.

*It has simply decided which threat that is —
and wages and the climate are not it.*

Thanks for your attention!