assessing the budgetary impact of additional investment, which may not be significantly negative or even positive. This would mean that such additional investment could be irrelevant at least under the excessive deficit procedure as it would not (or hardly not) increase the deficit. Reconsideration of the EU Commission's method of cyclical adjustment – e.g. to be more in line with the OECD method and results – may create further leeway as it might increase the cyclical part of the budget deficit thus reducing the structural deficit (Truger 2014).

Some or all of the mentioned interpretational leeway could be used to push up public investment on the level that would be consistent with a Golden Rule in the medium term. However, the permanent recourse to exceptional circumstances which would be necessary to permit permanent use of the rule for public investment in general would most probably overstretch the interpretational leeway inherent in the current framework. Therefore, in order to solidly implement the Golden Rule on the EU level a permanent change in the institutional fiscal framework would be adequate and most probably also necessary from a legal perspective.

Such a change could be adopted as primary law in the form of an 'Investment Protocol' that would be annexed to the Treaty under the simplified revisions procedure of Art.48 of the Lisbon treaty (see table 3). On the member states' level further legal changes would be required if following the fiscal compact there were other legal provisions put in place that would prevent a reinterpretation of the budget balance as net of net spending on public investment. This would for example clearly be the case under the German debt brake.[10]

5.2.2 A European Investment Programme and an expansionary overall fiscal stance to spark off the recovery

As discussed in the previous section, the implementation of the Golden Rule of investment would probably take some time until the necessary political and legal steps could be completed. It should therefore mainly be seen as a fiscal policy framework focused on safeguarding public investment in the medium term, and not so much as a readily available instrument for providing the – urgently needed – boost to the European economy in the short run. Because the Juncker-Plan will not be able to provide this boost in

[10] See Burret and Schnellenbach (2014) for an overview of the state of implementation of the fiscal compact in the different signatory member states.

the short run – and most probably not even in the long run – the Golden Rule would have to be complemented by other forms of short-term fiscal stimulus.

As argued in the previous section the leeway inherent in the current institutional framework is sufficiently large to permit such a stimulus. Probably the most convincing way to do this would be to use the provision concerning a severe downturn in the Euro area or the EU to justify a temporary deviation from the consolidation path, thus allowing for a substantial European Investment Programme (see table 3). The Commission has explicitly made a comparison with the 2008 European Economic Recovery Plan (European Commission 2008) to give an example of the potential use of this provision (European Commission 2015: 17). As a condition for the use of this provision it "should remain limited to exceptional, carefully circumscribed situations to minimise the risk of moral hazard." (European Commission 2015: 17). Actually, one may well argue that the Euro area is right now in such an exceptional situation after years of recession and stagnation and the threat of deflation while monetary policy is at the lower bound.

Such a European Investment Programme should provide an annual stimulus of at least one per cent of GDP for two or three years. One option for the direction of the programme would be to use it in order to start phasing in traditional net public investment up to the desired level after the final implementation of the Golden Rule. Alternatively or additionally such a programme could also be used to allow for investment needs beyond the narrow national accounts definition to contribute to public investment in a broader sense.[11] Such a direction would meet concerns that the Golden Rule alone would only promote traditional tangible investment and neglect other important forms of investment in the economic sense of the word. This could be investment in education, including child care, but it could more generally focus on spending with a view to achieving the currently neglected Europe 2020 goals such as social inclusion or other areas that have strongly suffered from austerity over the last years. Last but not least the fiscal stimulus provided should not be thwarted by cutting other public expenditure. Instead, the leeway within the current institutions should be actively used to provide a substantial fiscal stimulus to the European Economy.

[11] Aiginger (2014) has made a similar proposal which he called the 'silver rule' proposal. Whereas the Golden Rule allows permanent debt financing of all net investment, the silver rule allows temporary debt financing of additional investment.

Table 3: 10 opportunities to strengthen investment and facilitate an expansionary overall fiscal policy stance in Europe

goals	measures
short term (use interpretational leeway within present framework to come close to the Golden Rule of public investment)	
strengthening investment + expansionary overall fiscal policy stance	(1) more active use of the 'investment clause'
	(2) allow for temporary investment programmes (analogous to EFSI)
	(3) interpret temporary investment programmes as structural reforms
	(4) incorporate realistic investment multiplier in budgetary analysis ex ante
	(5) use leeway in economically bad times
	(6) implement better methods of cyclical adjustment
	(7) temporarily higher spending with a view to Europe 2020 goals
	(8) use exception for severe downturn in EU or Euro area
medium term (solid implementation of the Golden Rule of public investment)	
EU implementation	(9) 'investment protocol' as annex to the Treaty (simplified revisions procedure Art.48)
national implementation	(10) change national legislation to allow deduction of net public investment from deficit where necessary

Source: author's compilation.