

Dear EU leaders,

The soaring cost of food and energy is plunging families across Europe into a cost-of-living crisis triggered by Covid-19-induced supply chain disruptions and worsened by the Russian invasion of Ukraine. The European Commission has proposed solutions, such as caps on profits from energy production. These short-term solutions are needed but must be complemented with a longer-term approach.

As civil society organisations think tanks and trade unions, supported by academics from across the European Union, **we believe this approach must address the underlying structural problems of our economic system.** The economy is not delivering for most people in Europe, for younger generations and for our planet. Long-term solutions include rapid progress on the EU tax agenda, including a genuine reform of environmental taxes, as well as a deep reform of the EU's fiscal framework - to support redistributive policies and a just green transition.

**To ensure equity and justice, the wealthiest should carry the heaviest burden.** We are urging you to tax polluting activities. The tax system must be strengthened, with socially balanced and progressive taxes. The richest should contribute the most and an ambitious and strict minimum corporate tax rate should be established across the EU to ensure the economy works for all. Without an ambitious progressive and gender-just taxation agenda, inequalities will continue to deepen, and the economy will continue to disproportionately benefit the wealthiest.

**The Stability and Growth Pact - the rules that regulate national budgets - must be amended through a democratic and open process.** Reform of such importance must not happen behind closed doors and instead should follow a democratic and transparent process that includes a formal role for the European Parliament (ordinary legislative procedure).

With the European Commission soon to launch its proposals to reform the EU's economic governance, especially regarding fiscal rules, there is a unique opportunity to start a fresh chapter in European economic policy-making. This new chapter must ensure the EU's fiscal rules are consistent with agreed EU macro-economic, social, and environmental goals, and establish a new approach to member state fiscal policies. Therefore, we are calling upon you to ensure the following principles are at the core of the reform:

- **Build a future-proof economy with jobs for all** - Allow fiscal flexibility to target a fully employed economy with decent and well-paid clean jobs available to all.
- **Fill the green funding gap and make Europe energy independent from fossil fuels** - Targeted and scaled-up green public investment is needed to remain below the 1.5 Celsius goal of the Paris Climate Agreement. A reformed fiscal framework should ensure the

alignment of Member States' public spending with the Paris Climate Agreement, as well as other environmental objectives including reducing resource use and zero pollution.

- **Reinvest in public services and social protection** - Social expenditure must guarantee universal access to quality basic public services, as well as a social safety net, so no one falls through the cracks and the care economy is central.
- **Target human, economic and environmental well-being** - Make durable well-being the primary objective of EU economic policy by establishing adequate indicators within the EU's fiscal policy framework and making sure the rules do not translate again into austerity. Economic growth as a primary objective does not work and governments should rather aim to achieve improved human, economic and environmental outcomes.

Given environmental breakdown is a prolonged and structural crisis, rather than a temporary one, preemptive spending and investment today is a must. It will also mean guaranteeing a good quality of life for all, better public services, and a more sustainable ecosystem for future generations.

The new European economic governance framework and ambitious common taxation rules need to be fit for the decades to come. If designed in the right way, they could reduce social inequalities, reinvigorate trust in the EU and democratic institutions, and help build bridges between the people of Europe.

With this review, we have an opportunity to design a fairer system built around a future-proof economy with jobs for all, solidarity and sustainability. We urge you to seize that opportunity without further delays.

Yours sincerely.