European LEFT

Party of the European Left
Square de Meeûs 25,
1000 Brussels Belgium
info@european-left.org
+32 (0)2 50 22 606/616
www.european-left.org

POSITION PAPER

THE MULTIANNUAL FINANCIAL FRAMEWORK 2028–2034

The European Left Executive Board has adopted a position on the EU's 2028–2034 budget, calling for greater public investment, fair taxation and an end to austerity. The position was adopted on 10 November.

EUROPEAN LEFT DEMANDS A FAIRER EU BUDGET: INVEST IN PEOPLE, NOT WAR AND PROFITS

Rising costs of living, climate change, the loss of industrial jobs, overdependence on US technology and dwindling social cohesion — the European Union faces major challenges. Instead of actively addressing these challenges, the EU remains preoccupied with allegedly excessive labour costs, budget cuts, military build-up and deregulation, thereby pushing forward its neoliberal agenda under the guise of competitiveness and driving Europe further into crisis.

The argument is that, in the face of geopolitical and economic crises, Europe must become safer and more competitive. In practice, this means more money for a spiralling arms race and Fortress Europe, but less for real security, especially climate protection, the development of human capacity and for social cohesion. It also entails cuts to the EU's long-term budget and the dismantling of environmental and social standards as part of deregulation initiatives. The primary goal is to make the European Union attractive to businesses and investment by any means necessary. The red carpet is rolled out for capital, while the socio-ecological transformation and the interest of the general public, in favour of the common good, fall by the wayside.

INVESTMENT, NOT AUSTERITY

The figures are alarming: every year, Europe faces an investment shortfall of €200 billion, equivalent to 1% of the EU's gross national income, in decarbonisation, environmental protection, digitalisation and social infrastructure.[1] If the EU wants to achieve its goal of "net-zero" emissions by 2050, it must invest an additional 2% of EU GDP[2] each year in the ecological transformation of the economy. To do this, the European Union needs a budget that recognizes climate protection, a sustainable and just economic transition, and social cohesion as necessities and closes investment gaps.

But instead of making Europe fit for the future, the EU is cutting its way deeper into crisis, threatening the future of the younger generation. With the Commission's draft budget from last year, Europe would, even in the best-case scenario, barely be able to maintain the current disappointing prospects. The European Parliament's call for an ambitious budget falls on almost deaf ears and is drowned out by the demands for cuts from some member states.

[1] Koch and Biegon (2025). Public Investment in the proposed 2028-2034 EU Budget. Foundation for European Progressive Studies Policy Brief. https://feps-europe.eu/publication/public-investment-in-the-proposed-2028-2034-eu-budget/

[2] Pisani-Ferry and Tagliapetra (2024). An investment strategy to keep the European Green Deal on track. Bruegel Policy Brief. (https://www.bruegel.org/policy-brief/investment-strategy-keep-european-green-deal-track

Party of the European Left
Square de Meeûs 25,
1000 Brussels Belgium
info@european-left.org
+32 (0)2 50 22 606/616
www.european-left.org

Yet one thing is clear: an economic policy based exclusively on cuts and austerity will not save domestic industry, will not support local value chains, and will ultimately make Europe less socially just. A smaller EU budget destroys good, secure jobs and makes the socio-ecological transition impossible. It also fails to create affordable housing and address social inequalities and regional disparities. The neoliberal agenda jeopardizes the Union's cohesion, increases poverty, worsens the lives of people in Europe and is harmful for democracy.

Instead, the EU needs a larger budget that enables Europe to act in the face of ecological, social, and economic crises. A budget amounting to 2.2% of EU GNI would allow the European Union to finance the socio-ecological transition, strengthen domestic production and increase funding for public services and social and economic cohesion within the Union, all of which are key for success in such a transformation.

FAIR TAXATION TO FINANCE EUROPE'S FUTURE

To date, the EU has been financed primarily through contributions from member states, in addition to shares of nationally collected value-added taxes and customs revenues. Given tight budgets, this is a problem: Countries that want to make budget cuts justify this primarily by citing the strained financial situation of their national governments. Because national governments are cutting spending, the EU is now expected to do the same.

The truth is this: The high cost of living in Europe leaves no room for additional burdens on working people and reinforces the need for redistribution by taxing the rich. The wealth of EU billionaires is growing by more than two billion euros every day, the valuations of major tech companies, which pay hardly any taxes in Europe, have been rising rapidly for years, and energy companies are raking in billions in profits while people suffer from high energy and food prices.

The question of how to finance the EU budget is therefore also a question of justice. So far, the people of Europe have borne the main financial burden of the EU through the taxes they pay. However, a sustainable EU budget must not rely on member states and citizens to foot the bill while corporations and the ultra-wealthy are spared. The real dividing line in financing the European Union is not between member states and the EU, but between the rich and the poor.

Those who have earned billions in recent years and benefited from the EU single market must also contribute a fair share to the financing of Europe. To achieve this, we need new EU own resources: a windfall profits tax on energy companies, as well as EU-coordinated taxes on large wealth, financial transactions, and digital and platform services. Additional EU funding through these taxes is economically necessary in light of the required investments in climate action and social programmes, and it ensures fairness in the distribution of the financial burden within the EU. Furthermore, European taxes on mobile and cross-border tax bases such as profits and wealth are in line with the principle of subsidiarity.

Based on the experience with the loan-financed recovery fund designed to mitigate the consequences of the COVID-19 pandemic, the EU's own-resources system must be supplemented with the option to finance necessary and strategic investments in the future through bonds or by creation of a European Fund for public services, financed, in particular, through money creation by the ECB (as

Party of the European Left
Square de Meeûs 25,
1000 Brussels Belgium
info@european-left.org
+32 (0)2 50 22 606/616
www.european-left.org

permitted under Article 123(2) of the Treaty on the Functioning of the European Union (Lisbon Treaty), supervised under democratic governance.

JOBS, NOT BOMBS

There is supposedly no money for the people of Europe, yet elsewhere it is being wasted with both hands. Compared to the current budget, the Commission's budget proposal calls for a tripling of spending for Fortress Europe, while defence spending is set to increase tenfold to €131 billion over the seven-year MFF period.

The Commission is selling these massive investments in weapons and military equipment as part of a strategy intended to boost the economy. Yet the only ones who benefit from higher defence spending are defence contractors and their shareholders. Furthermore, investments in military equipment are economically unproductive. Tanks and weapons create no productive added value or goods that can be used to produce other goods. They create almost no jobs, and they certainly do not build schools or hospitals.

While investments in education, health care, or infrastructure generate many times more economic value, investments in military and rearmament seep away without any significant social added value. Even worse, the Commission's and the Council's budget and foreign policies seem to add fuel to the geopolitical fire, failing to learn from our not-so-distant history.

The displacement of investments in a socially just transformation and funds for social and economic cohesion in favour of defence spending is not a geopolitical necessity, but a political choice. This benefits only a select few, while imposing high costs on the general public. The EU must not prioritize rearmament over living conditions in Europe. Rather, we need investment in education, health care, climate protection, infrastructure and good jobs that pay off in the long term and for everyone.

THE COST OF PUTTING COMPETITIVENESS FIRST

In addition to cuts, the EU budget is facing a fundamental restructuring that, in a neoliberal manner, subordinates EU spending more strictly and flexibly to the goal of competitiveness. To this end, 14 previously independent programmes with different objectives are being consolidated into a "Competitiveness Fund."

Consolidating funds and programmes for digitalisation, health and environmental protection under the overarching goal of competitiveness dilutes their objectives and hinders their implementation. The Competitiveness Fund's objective of making the EU more efficient, simpler, and more flexible based on private investment runs counter to the idea of a sustainable and resilient Union. Financial markets and private investors stand to benefit even more than before, while the transition toward an environmentally and socially just European Union continues to be hindered. Furthermore, the Competitiveness Fund undermines democratic principles by increasingly concentrating budgetary control and decisions regarding the allocation and use of funds in the hands of the Commission, thereby deepening the democratic deficit.

Competitiveness where it is felt to be at all appropriate, will not be achieved by deregulation, simplification, or by making investments in the environment, health, and social welfare subordinate

Party of the European Left
Square de Meeûs 25,
1000 Brussels Belgium
info@european-left.org
+32 (0)2 50 22 606/616
www.european-left.org

to primary economic objectives. Programmes such as the European Social Fund and the LIFE environmental protection programme must remain as independent and robust funds. For true competitiveness, Europe needs a budget that focuses on people rather than investors, that strengthens domestic demand, guarantees sufficiently high wages, and ensures secure jobs. Public funds and subsidies must be invested productively, create decent work and comply with social and environmental standards. They must secure good jobs and create ecological and socially useful value, rather than merely safeguarding private investment value and increasing profits. In addition, the democratic role of the regions in the allocation of funds must be strengthened; there must be no allocation of funds based on the principle of "money in exchange for reforms."

The current draft budget contains disastrous cuts, is unfairly financed, sets the wrong priorities, jeopardises democracy and betrays European values. We therefore call for a budget that addresses the issues facing the EU, funds a socially just ecological transition, prioritises people's lives over profits, and defends European values.

About the European Left:

The Party of the European Left (EL) brings together more than 40 left-wing, progressive, and transformative political parties from across Europe. It works to promote peace, social justice, democracy, feminism, workers' rights, and ecological transformation at the European level.