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EU Claim of an Incoming €800 Billion Arms Spree Is a Complete Joke

No reason to think members will actually invest remotely that much

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Do you remember the headline about how the EU had agreed on a plan to spend 800 billion euros more on defense? A document that was published today by Von der Leyen's office explains how they arrived at that number.

First, they created a new instrument that will make available 150 billion euros in loans, which member states may or may not avail themselves of. Second, they decided that, if that's to increase defense spending, member states could invoke the national escape clause of the Stability and Growth Pact.

The Pact ordinarily commits member states to limit their deficit to 3% of the GDP. In theory, if they exceed that limit, they can be subject to penalties. With that decision, if they increase their deficit because they raised their defense spending, it won't count toward the 3% rule.

To illustrate the idea, the Commission explains that if member states increase their defense spending by 1.5 points of GDP (it's just a totally arbitrary example, they don't give any reason to think member states will do that and they sure as hell haven't committed to doing so), **it will amount to 650 billion euros of extra defense spending.**

Since 150 billion euros + 650 billion euros = 800 billion euros, that's apparently where the 800 billion figure comes from. 🙃 **I know it sounds like a joke but that really seems to be the explanation for the headline figure.**

They say that, by exempting defense spending increases from the Stability and Growth Pact (frankly it's not even clear exactly how this will work, because it's not as obvious as it seems once you start thinking about it), they will create fiscal space.

Of course, that's complete nonsense, because fiscal space is not primarily determined by EU rules on the deficit (which many countries, such as France, have been systematically violated for 30 years), but by the market. **There is no reason to think that member states will actually increase their defense spending by 650 billion euros.**

Even the 150 billion euros in loans is nothing more than a possibility that is given to member states. There is no guarantee that it will actually be used and, even if they do use it, it will be counted in defense spending, so the other 650 billion euros would have to come on top of that.

Moreover, even if they do spend an extra 800 billion euros on defense (which to be clear has virtually zero chance of happening), this figure is apparently for a period of 4 years.

Since last year defense spending in the EU amounted to ~326 billion euros, **it would result in a ~60% increase, barely enough to raise the bloc's defense spending to** the **3%** that Macron and other European leaders mentioned, which in fact may be the reason why they chose a 1.5% of GDP increase — again it's purely ad hoc — to illustrate their decision on the national escape clause.

They mention a few other things, but they're even more vague and don't include any figures, not even bullshit figures like the 650 billion euros one. Once again, all the talk about how they see the war in Ukraine as "existential", the virtue signaling and the chest thumping is complete bullshit, nothing fundamental is going to change.

Source: **Twitter**