

WG VI . 3 rev.

NOTE

du: Secrétariat

au: Groupe de travail sur la gouvernance économique

Objet: Réunion du 20 juin 2002: Contributions des membres

Les membres du groupe de travail VI voudront bien trouver ci-joint les contributions des membres relatives aux points 5 et 6 du mandat du groupe de travail.

Contribution de M. BARNIER:

Comments on point 5 of the mandate of the Group:
the Economic Policy Framework

Mandate of the Working Group on Economic Governance

– Point 5 : The economic policy framework –

- The Maastricht and Amsterdam Treaties, supplemented by secondary legislation, have bestowed the Union with an unprecedented, *sui generis* institutional architecture for the conduct of economic and monetary policies. This framework has come fully into force with the introduction of the euro and the conduct of the single monetary policy on 1 January 1999. The uniqueness of the framework resides in the fact that a single monetary policy is entrusted to an independent, supranational European Central Bank whilst the responsibility for economic policies (budgetary and structural policies) remains decentralised in the hands of national (or sub-national) authorities but subject to some common rules.
- The novel and *sui generis* nature of the economic policy framework, allowing a considerable degree of national policy autonomy in important fields, reflects the application of the principle of subsidiarity, which is based on a strong economic and political rationale. As a consequence, in some specific areas (such as the Single Market, competition policy and fiscal deficits) common rules and credible enforcement are indispensable; in other fields (such as the size and composition of government expenditure, structural policies, social welfare provisions) there are no compelling arguments that could justify a transfer of policy responsibility to the supranational level. Well on the contrary, policy decentralisation is an intrinsic design strength. It provides national authorities with the necessary room for manoeuvre both to pursue policies tuned to national economic structures and preferences and to adjust to country-specific economic developments. Furthermore, it offers scope for the beneficial effects of healthy policy competition. At the same time, the growing economic interdependence among Member States implies that close co-ordination of their policies is a fundamental principle of the policy framework.
- Overall, despite its *sui generis* nature and appreciable complexity, *the policy framework in EMU has functioned successfully* during the early years of EMU. It has delivered low inflation, low long-term interest rates and strongly improved budgetary positions. Furthermore, economic and monetary policies have responded flexibly and coherently to changing economic conditions and the Union has weathered much better than in the past a series of important adverse demand and supply

shocks. The policies pursued have stimulated strong employment growth and improvements in the economy's productive capacity in the medium term, whilst safeguarding long-term sustainability. Finally, the decentralised economic policy framework has offered the necessary flexibility to individual Member States to tailor their own economic policies to national economic circumstances. Indeed, different macroeconomic developments have been allowed to evolve and have not given rise to difficulties as Member States have had the ability to adjust their economic policies to domestic needs. On the other hand, the policy co-ordination process has urged Member States to take increasingly into account the EU dimension in their policy conduct.

- The policy framework will *in the future be viable and capable of producing coherent and effective policy outcomes* both for the euro area as a whole and the individual Member States provided that all policy actors assume fully their responsibilities, respect existing rules and honour their commitments. The convergence on the need for safeguarding stability and proceeding with structural reforms as well as the political momentum behind a determined implementation of the Lisbon strategy shows that the framework is able to address important policy challenges. At the current stage of European integration there is no apparent need in the field of economic policies to transfer further national competences to the Community level. However, it has been clearly recognised that economic policy co-ordination needs to be strengthened. Progress is already being made, for instance through improved euro-area statistics, systematic analysis of the euro-area policy mix, including sustainability issues in the stability programmes, increasing the focus of co-ordination on implementation. In addition, the Commission has made a number of suggestions with a view to strengthening policy co-ordination (Communication of February 2001 and contribution to the Convention of May 2002).

In the February Communication the Commission proposed to improve the common assessment, to agree a set of rules of conduct regarding how the different economic policy instruments could be activated to increase the growth potential and to cope with shocks, to establish the principle of informing beforehand other Member States and the Commission before adopting important policy measures.

In its contribution to the Convention, the Commission proposed the following: the Broad Economic Policies and the opinions on the stability and convergence programmes should be decided on the basis of a Commission proposal, the Commission should be able to address warnings to Member States directly, the functioning of the Eurogroup should be reviewed to allow Community institutions to play fully their role, a better implication of the European Parliament and national parliaments, and a single external representation of the euro area.

Comments on point 6 of the mandate of the Group:
the Stability and Growth Pact (SGP)

Mandate of the Working Group on Economic Governance

– Point 6 : the Stability and Growth Pact (SGP) –

- *Sound public finances are at the core of European Monetary Union (EMU).* Fiscal discipline contributes to maintaining an economic environment in which monetary policy can effectively pursue price stability. The fiscal framework of EMU (as established by the Treaty and the SGP) aims at combining budgetary discipline with budgetary flexibility through essentially two requirements. These are firstly the requirement for the general government deficit to remain below 3% of GDP (except in exceptional circumstances) and, secondly, the requirement to achieve and maintain a budgetary position ‘close to balance or in surplus’ over the cycle. Compliance with these two requirements both secures fiscal discipline and the sustainability of public finances and allows for flexibility in the conduct of national budgetary policies by ensuring the necessary room for manoeuvre for cyclical stabilisation through the working of the automatic stabilisers. Furthermore, the EMU budgetary rules and procedures provide incentives, and create the scope, to refocus the attention of budgetary policies towards medium-term concerns such as economic growth, employment and social cohesion. Finally, the SGP enhances the predictability and transparency of fiscal policies and facilitates the co-ordination of fiscal policies between Member States.
- *Although the SGP is codified in secondary legislation, its constituent elements are embodied in the Treaty.* The SGP builds on the legal basis of two Articles of the Treaty, namely articles 99 and 104.¹ The main framework of the SGP is therefore part of the Treaty, which includes both the concepts and most details of the multilateral surveillance and the excessive deficit procedure.² As a

¹ The SGP proper consists of two Council regulations and of a European Council resolution. Regulation 1466/97 on “strengthening of the surveillance of budgetary positions and the surveillance and co-ordination of economic policies” develops the content of article 99. With this regulation, the multilateral surveillance by the Council foreseen by article 99 is facilitated by the submission, the examination and the monitoring of stability programmes and convergence programmes. This so as to prevent, at an early stage, the occurrence of excessive general government deficits (foreseen by article 104) and to promote both the surveillance and co-ordination of economic policies (foreseen by article 99). Regulation 1467/97, on “speeding up and clarifying the implementation of the excessive deficit procedure”, sets out the provisions to speed up and clarify the procedure foreseen by article 104, having as its objective to deter excessive general government deficits and, if they occur, to further their prompt correction.

² For example, the idea of submitting programmes builds on the requirement of article 99(3)§2 where “*For the purpose of this multilateral surveillance, Member States shall forward information to the Commission about important measures taken by them*”

consequence, if the SGP did not exist, Member States would still be committed to maintain sound public finances in the medium term and their budgetary policies would be subject to multilateral surveillance, peer review and co-ordination.

- The experience so far with the SGP concerns only the implementation of Regulation 1466/97, as no excessive deficit procedure has been launched since the SGP entered in force on 1 July 1998.

This *experience with the SGP is largely positive*.

➤ Firstly, the SGP has worked well in the sense that most countries achieved a close-to-balance or surplus position in 2001.

➤ Secondly, the SGP has provided in most countries the necessary scope for the full working of the automatic stabilisers during the recent downturn without the risk of breaching the 3% of GDP reference value.

➤ Thirdly, and in contrast with previous economic downturns, Member States did not embark on unwarranted expansionary policies.

➤ Fourthly, the budgetary framework has been flexible enough to allow for promoting structural reforms. Indeed, Member States have been able to continue with planned tax reforms designed to remove supply-side rigidities. Furthermore, the reduction in the debt service burden allowed a shift towards more productive government spending.

- When problems have surfaced (e.g. early warning to Germany and Portugal), their very origin has been the fact that these countries have not concluded the transition process towards balanced budget positions. Once all Member States will have achieved this objective, the SGP will function smoothly and fully deliver its benefits.

There is certainly *room for improvement* on several accounts.

➤ Firstly, the process of the early warning mechanism has shown that it may prove difficult to be accepted by the Council with a qualified majority. A very small group of Member States can, even through abstention, block the process. The limited willingness to exert peer pressure in the Council suggest that it would be useful to strengthen the role of the Commission while strictly safeguarding its impartiality (i.e. ensuring equal treatment of all Member States). In particular, the Commission should have the right to issue first warnings to Member States directly, improving in this way the efficiency of the co-ordination. It should also have the right of proposal

in the field of their economic policy and such other information as they deem necessary". The idea of an "early-warning" builds on article 104(2) where: "*The Commission shall monitor the development of the budgetary situation and of the stock of government debt in the Member States with a view to identifying gross errors. In particular it shall examine compliance with budgetary discipline [...]*". The reference to the medium term budgetary position is already made in article 104(3) where the Commission, when preparing a report on the lack of fulfilment of one the criteria, shall take into account "*all other factors, including the medium-term economic and budgetary position of the Member State*."

instead of recommendation, thus the Council could only deviate from it by unanimity, allowing better consistency and coherence of the policy guidance.

➤ Secondly, in order to avoid a pro-cyclical fiscal stance and to strengthen the effectiveness of the SGP during ‘good times’ (i.e. to ensure symmetric working of automatic stabilisers during economic upswing), more emphasis should be placed on cyclically-adjusted data. The importance of cyclically-adjusted balances, in addition to nominal balances, was recognised in the Code of Conduct (agreed by the ECOFIN Council in July 2001), which provides the basis for the current interpretation of the SGP’s objective of a medium-term budgetary position close to balance or in surplus.¹ Thus, the distinction between nominal and cyclically-adjusted budget balances can be made within the current framework.

➤ Thirdly, expenditure guidelines could usefully complement and support budget balance targets.

➤ Fourthly, EMU budgetary rules could usefully be supplemented by ‘common standards’ on the warranted conduct of budgetary policy under different economic circumstances. The Stability and Growth Pact should not be changed but supplemented by such ‘common standards’

➤ Fifthly, in view of ageing, budgetary targets should more systematically incorporate long-term sustainability concerns.

➤ Finally, the Stability and Growth Pact rules apply to general government balances, thus it concerns all levels of government. Member States could consider to introduce, according to their internal procedures, ‘internal stability pacts’ in order to secure appropriate behaviour at all levels of government.

¹ The Code of Conduct agreed in July 2001 by the ECOFIN Council states that “the assessment of the appropriateness of Member States’ medium-term objectives and the examination of their fulfillment have to take explicit account of the cyclical position and its effect on the budget. Cyclically-adjusted balances should continue to be used, in addition to nominal balances, as a tool when assessing the budgetary position.”

Inleiding

Het verdrag stelt dat de lidstaten hun economische beleid moeten beschouwen als een aangelegenheid van algemeen belang. Zij dienen dit beleid te coördineren in het kader van de Raad.

Op dit moment gebeurt dat door:

dwingende regels voor het financieringstekort en de staatsschuld van de lidstaten (het stabiliteits- en groeipact, de procedures voor buitensporige tekorten)

Europese wet- en regelgeving ter bevordering van de vier vrijheden (het acquis voor de interne markt)

formele en informele advisering over de inrichting van de nationale economieën (de Lissabonstrategie, de globale richtsnoeren voor het economische beleid, het Luxemburgproces).

Het lijkt momenteel niet raadzaam over te gaan tot verdere centralisatie van het economische beleid. De resultaten daarvan zullen sub-optimaal zijn in vergelijking met de bestaande situatie. Nationaal beleid kan immers beter rekening houden met de lokale omstandigheden; inflatie, loonontwikkeling, situatie op de arbeidsmarkt, huizenprijzen zijn nationale ontwikkelingen die verschillen per lidstaat. Ook de stand van de economie zal verschillen over de lidstaten.

De bestaande vormen van economische beleidscoördinatie in de EU dekken de grensoverschrijdende effecten vrijwel geheel en voorkomen dat lidstaten beleid voeren dat ten koste gaat van andere lidstaten. Voorts dient de onafhankelijke positie van de ECB te worden gewaarborgd. De bestaande instrumenten van economische beleidscoördinatie kunnen echter beter benut worden.

De uitwisseling van informatie tussen de lidstaten kan beter. Op dit moment is er onvoldoende aandacht voor implementatie van afspraken. Bovendien kunnen de procedures van de verschillende coördinatieinstrumenten eenvoudiger en beter op elkaar worden afgestemd.

Het valt op dat de invalshoek die wordt gehanteerd in de discussienota veelal juridisch en institutioneel van aard is. Door deze benadering zou de discussie een wending kunnen nemen die afleidt van de werkelijke *issues at stake*. Hoewel de juridische en institutionele ophanging van economische beleidscoördinatie goed geregeld moet zijn, gaat de te voeren discussie in eerste instantie om de kwaliteit van het beleid. De economie laat zich maar in beperkte mate sturen.

Economisch beleid is dan ook vooral gericht op het scheppen van de juiste condities voor groei. Dat vereist betrokkenheid van alle economische actoren. Er is daarom meer winst te behalen bij een goede uitwisseling van informatie dan bij een discussie over bevoegdheidsverdeling. Meer aandacht voor een beter gebruik van de bestaande instrumenten die in grote mate zijn gericht op uitwisseling van informatie zou derhalve gewenst zijn.

Hoofdpijnen van de discussie in de werkgroep van de Conventie *economic governance*

De discussienota bevat vragen op vier terreinen:

Wenselijkheid en noodzaak van versterking van de economische beleidscoördinatie (de vragen in paragrafen 5, 7, 8, 9 en 11)

betere benutting van bestaande instrumenten van economische beleidscoördinatie (de vraag in paragraaf 6)

verdere vervolmaking van de interne markt (de vragen in paragrafen 9 en 10)

institutionele aspecten van de economische beleidcoördinatie (de vragen in paragrafen 11, 12 en 13)

Ad 1. Wenselijkheid en noodzaak van versterking van de economische beleidscoördinatie

Als argumenten voor versterking van de economische beleidscoördinatie worden genoemd:

divergent economisch beleid van lidstaten leidt tot instabiliteit in EMU en brengt euro in gevaar;

afwijkend economisch beleid door een lidstaat leidt tot kostenomslag naar alle lidstaten;

de Gemeenschap als geheel is beter in staat te reageren op een recessie dan de lidstaten;

aangezien de ECB alleen inflatiebestrijding als taak heeft, is er een Europese politieke tegenhanger nodig die zorgt voor economische groei.

In de huidige omstandigheden lijken de eerste twee argumenten weinig reëel. Er is geen sprake van dreigende scheuren in de EMU. De markten zien geen gevaar voor de euro. Ook is er geen enkel geval in kaart gebracht waarin afwijkend economisch beleid heeft geleid tot kosten die worden omgeslagen over alle lidstaten. Er is geen theoretische onderbouwing voor de argumenten.

De opvatting dat de Gemeenschap als geheel beter in staat is te reageren op een recessie is zeer eenzijdig. Een recessie zal verschillend worden ondervonden en zal verschillend uitwerken in de lidstaten. Dit ligt aan de verscheidenheid van economische structuur van de lidstaten. De aanpak van de gevolgen van een recessie vereist dan ook een op maat gesneden beleid. Nationale overheden, die een betere kennis hebben van de lokale omstandigheden, zijn daarvoor per definitie

beter gepositioneerd dan de Gemeenschap.

Het argument van een Europese instantie die zorgt voor groei, past niet in het economische model van de lidstaten van de Europese Unie: een open markteconomie met vrije mededinging. Op het nationale niveau is er evenmin een instantie die zorgt voor economische groei. Hij is het immers resultaat van de vrije economische interactie tussen economische actoren.

Het huidige stelsel van economische beleidscoördinatie voldoet. Eventuele wijzigingen kunnen beperkt blijven tot een betere benutting van de bestaande instrumenten.

Ad 2. Betere benutting van bestaande instrumenten van economische beleidscoördinatie

Veel van de onvrede over de huidige coördinatieprocedures vloeit voort uit de gebrekkige implementatie van de afspraken en de complexiteit van de procedures. De discussie over economische beleidscoördinatie zou vooral aandacht moeten geven aan een betere benutting van de bestaande instrumenten:

verbeteringen zijn mogelijk in de stroomlijning van bestaande procedures (de Lissabonstrategie, de globale richtsnoeren voor het economische beleid en het Luxemburgproces);

grotere nadruk zou moeten komen liggen op implementatie van bestaande afspraken;

de frequentie van opstelling van de globale richtsnoeren zou kunnen worden teruggebracht tot eenmaal in de twee jaar.

Het stabiliteits- en groeipact is een centraal en waardevol element in de budgettaire coördinatie en werkt over het algemeen doeltreffend. Het principe van een begrotingssaldo dichtbij evenwicht of in overschot, dat in het Pact is verankerd, dient in het belang van een gezonde en stabiele EMU geen bewegend doel te worden. Bij de monitoring van de naleving van de afspraken op budgettair gebied vormt het conjunctuur-geschoonde begrotingssaldo een nuttig zijlicht naast het feitelijke begrotingssaldo.

Zolang er geen overeenstemming bestaat over de berekening van structurele en conjuncturele tekorten is het onwenselijk het pact op dit vlak aan te passen. Dat zou kunnen leiden tot een ongelijke toepassing van het pact op de lidstaten. Wel is het belangrijk de statistieken voor het eurogebied te verbeteren.

De Commissie dient een centrale rol in de economische beleidscoördinatie te houden. Erg belangrijk is de balans tussen Commissie-bevoegdheden ten behoeve van haar rol als hoedster van de Verdragen en de democratische legitimatie van economisch beleid in de lidstaten. Gezien de

discussie de in het voorjaar zou overwogen kunnen worden de Commissie een grotere rol te geven in de *early warning* procedure. Het voordeel is dat het de ontsnappingsroutes uit de huidige procedures verkleint omdat een grotere rol van de Commissie het de Raad moeilijker maakt een *early warning* te blokkeren. Wel zal de Raad een actieve rol moeten blijven behouden in het proces ter vaststelling van de *early warning*, zodat een eenzijdige waarschuwing van de Commissie niet eenvoudig terzijde zou kunnen worden gelegd en *peer pressure* plaatsvindt. Een beslissing van Raad tegen een Commissie-voorstel tot *early warning* zou in de toekomst kunnen geschieden op basis van unanimiteit in plaats van QMV. Een versterking van de Commissierol door wijziging van het recht van aanbeveling in het recht van voorstel inzake de globale richtsnoeren verschuift de institutionele balans te veel naar de Commissie; aangezien het hierbij doorgaans gaat om beleidsterreinen die geen communautaire bevoegdheden zijn is dit niet gewenst.

3. Verdere vervolmaking van de interne markt

Hoewel een goed functionerende interne markt van groot belang is, lijken nieuwe verdragsbepalingen voor secundaire wetgeving voor het functioneren van de financiële markten onnodig. Er is onlangs een werkbaar akkoord bereikt over de voorstellen van de Lamfalussy-groep over hetzelfde onderwerp. Voor de uitvoering van deze voorstellen is geen verdragswijziging nodig. Het is wenselijke eerst de uitwerking van deze voorstellen te bestuderen voordat wordt overgegaan tot een wijziging van het verdrag.

De voorziening van publieke goederen en het niveau ervan is bij uitstek een zaak van de nationale overheid. Er ligt daarmee een rechtstreeks verband met de omvang en samenstelling van de nationale begrotingen en de financiering ervan door de belasting- en socialezekerheidsstelsels. Zij zijn immers de financieringsbron van de publieke voorzieningen. Iedere discussie over belastingharmonisatie dient hiermee rekening te houden. Het verdrag biedt reeds voldoende ruimte om de grensoverschrijdende aspecten van belastingen aan te pakken. Unanimiteit voor fiscale hoofdzaken moeten behouden blijven (waaronder heffingsvoet, heffingsgrondslag, maatregelen ter voorkoming van discriminatie en dubbele belasting). Besluitvorming met gekwalificeerde meerderheid voor fiscale bijzaken zou eventueel kunnen worden overwogen (zoals wederzijdse bijstand, informatie-uitwisseling, samenwerking tussen belastingautoriteiten of maatregelen ter bestrijding van fraude en belastingontduiking en –ontduiking). In een Unie van 25 of meer lidstaten betekent dat overigens wel dat fiscale besluiten op hoofdzaken maar zeer moeilijk genomen zullen kunnen worden.

4. Institutionele aspecten van de economische beleidscoördinatie

De discussienota noemt drie institutionele aspecten van economische beleidscoördinatie:

formalisering van de Eurogroep;

de externe vertegenwoordiging van de eurozone;

een rol voor het EP.

Deze institutionele aspecten zouden een afgeleide moeten zijn van de discussie over de wenselijkheid van versterking van de economische beleidscoördinatie, niet andersom. Dit geldt in het bijzonder voor de formalisering van de Eurogroep en de externe vertegenwoordiging van de eurozone. Zij zijn geen doel op zich.

De formalisering van de Eurogroep is een terugkerend thema bij de discussie over versterking van economische beleidscoördinatie. Formalisering van de Eurogroep is echter geen instrument, maar een methode om de besluitvorming over instrumenten van versterkte economische beleidscoördinatie te vereenvoudigen voor de eurozone. De huidige vorm van economische beleidscoördinatie voldoet, formalisering van de Eurogroep is derhalve niet nodig. Bovendien biedt het informele karakter van de Eurogroep het juiste kader voor actieve uitwisseling van informatie en *peer pressure* op het economische beleid. Een formele *setting* zou deze voordelen teniet doen. Wel zou verder moeten worden nagedacht over de situatie direct na de uitbreiding van de Unie. Het kan dan zo zijn dat besluiten van direct belang voor de euro-landen genomen moeten worden door een Ecofin Raad die in meerderheid bestaat uit niet-eurolanden.

Bij de externe vertegenwoordiging geldt dat gemeenschapsvertegenwoordiging niet aan de orde is zolang er geen gemeenschapscompetenties zijn. Het economische beleid van de EU moet geen afgeleide zijn van haar externe vertegenwoordiging, maar externe vertegenwoordiging is een afgeleide van het economische beleid. Een gezamenlijke vertegenwoordiging van de EU in internationale economische instellingen is goed mogelijk bij de huidige stand van economische beleidscoördinatie. De oplossing moet veeleer gezocht worden in de opstelling van gemeenschappelijke standpunten en het actief uitdragen daarvan door de lidstaten in fora als het IMF en de G8.

Op dit moment doen de Raad en de Commissie reeds verslag van de Lissabonstrategie en de globale richtsnoeren aan het Europees Parlement. Ongevraagd brengt het Europees Parlement ook advies uit aan de Commissie en de Raad over de globale richtsnoeren en de Lissabonstrategie. Het Europees Parlement is een belangrijke speler in het economische beleid. Een formalisering van de adviesrol

van het Europees Parlement kan concreet invulling worden gegeven bij de totstandkoming van de globale richtsnoeren voor het economisch beleid van de lidstaten en de gemeenschap.

Samenvatting.

Het valt op dat de invalshoek in de discussienota juridisch en institutioneel van aard is. De discussie zou in eerste instantie echter moeten gaan over de *kwaliteit* van het beleid. Het huidige stelsel van economische beleidscoördinatie voldoet. Eventuele wijzigingen kunnen beperkt blijven tot een betere benutting van de bestaande instrumenten.

Veel van de onvrede over de huidige coördinatieprocedures vloeit voort uit de gebrekkige implementatie van de afspraken en de complexiteit van de procedures. Betere benutting van de bestaande instrumenten kan worden bereikt door stroomlijning van bestaande procedures, grotere nadruk op implementatie van bestaande afspraken en minder frequente opstelling van globale richtsnoeren.

Het stabiliteits- en groeipact is een centraal en waardevol element in de budgettaire coördinatie en werkt over het algemeen doeltreffend. Een grotere rol voor de Commissie in de *early warning* procedure is mogelijk, met behoud van een actieve rol van de Raad. Het adviesrecht van de Commissie inzake globale richtsnoeren zou ongewijzigd moeten blijven.

Nieuwe verdragsbepalingen voor secundaire wetgeving voor het functioneren van de financiële markten lijkt onnodig. Besluitvorming met eenparigheid van stemmen voor fiscale hoofdzaken zou behouden moeten blijven, besluitvorming met gekwalificeerde meerderheid voor fiscale bijzaken zou eventueel kunnen worden overwogen. In een Unie van 25 of meer lidstaten betekent dat overigens wel dat fiscale besluiten op hoofdzaken maar zeer moeilijk genomen zullen kunnen worden.

Bij de externe vertegenwoordiging geldt dat gemeenschapsvertegenwoordiging niet aan de orde zou moeten zijn zolang er geen gemeenschapscompetenties zijn. Een formalisering van de adviesrol van het Europees Parlement inzake globale richtsnoeren is evenwel mogelijk.

Contribution de M. FOLLINI

Economic governance" is an issue that must necessarily be on the agenda of the Convention.

It is a fact that the present legal and institutional configuration of the European Union has made it possible to introduce the single currency; a single currency which, after a period of weakness against the dollar, now seems to have acquired a status of a strong currency, corroborating the position of those who believe that the euro will be able to stand up to the other strong currencies, even in the absence an underlying single economic policy.

I personally believe, however, that the single currency must be based to the largest possible extent on a single and clearly perceptible economic and monetary policy. A closely integrated economic and monetary area, like Europe's, would be incompatible in the long run with the current high levels of fiscal and budgetary sovereignty that the member states continue to enjoy.

We must therefore modify the sharing of powers and competencies between the EU and the member states in terms of "economic governance", and define which principles of economic democracy have to be incorporated into the future European Constitution.

It is agreed that "economic policies" should include not only monetary policy but also fiscal and social policies (including education, health care, pensions and employment), and policies to support supply and demand, for markets and competition regulation, and consumer protection.

The reform project must therefore make provision for the following:

1) enshrining the following principles in the fundamental Charter:

social cohesion

consumer protection

economic freedoms, competition and market transparency

the independence of the European Central Bank and European Court of Auditors

balanced budgets

a single, uniform economic policy

statistical information

an effective and efficient public administration.

2) The reform of relations between the European Union and the Member States:

- a) strengthening the supranational level for economic policy in compliance with the principle of subsidiarity, with simple or qualified majority voting;
- b) framework legislation at the Community level and specific detailed legislation at the national level for both macroeconomic and microeconomic decisions;
- c) the setting of minimum levels of benefits and services and benchmark tax tariffs at the Community level;
- d) taking a gradual and flexible approach to transferring decisions and competencies over economic policy from the national level to the EU level, so as to make the distribution of competencies between European Union and Member States not rigid and not definitive.

3) When fully developed, the Treaty should contain the following:

- a) a stability and growth pact, possibly in a formulation which is less rigid, namely excluding expenditure on "qualified investments" from the calculation of the deficit;
- b) the establishment at the EU level of minimum tax rates (particularly on capital gains and corporate earnings);
- c) standard fiscal and budgetary behaviours, with the introduction at the European level of targets for public spending, tax revenues and deficits, binding on all the Member States, with the possibility of deviating from these targets only with the approval of the Eurogroup, after receiving the opinion of the ECB;
- d) the principle of social cohesion, in order to give substance to the process of convergence of welfare policies within the framework of the macroeconomic sustainability of the welfare systems of each member state; the integration of welfare systems and employment policies (pay, representation, etc.) could contribute both to improving long-term economic sustainability prospects

and to enhancing the level of social cohesion between different areas of the Union;

e) the principle of Community competence to standardise criteria for defining the quantity and quality levels of public intervention (both in relation to improving the efficiency of the economic system and incomes redistribution);

f) provision that regulations governing the operation, transparency and accurate information on the financial markets should be set at the Community level ;

g) the principle that only European law shall apply to matters of competition, and the requirement of international co-operation between all the national authorities responsible for protecting competition.

1. ROLE OF THE EUROPEAN SOCIAL PARTNERS

IN ECONOMIC GOVERNANCE PROCEDURES

Since the establishment of the European Communities the social partners have always been involved in economic governance procedures. Certainly, in the early years involvement tended to concern mainly meetings with the Commission, but in the early 1970s contacts with the Council as well were formalised with the establishment of the Standing Committee on Employment, and then by Tripartite Conferences involving finance as well as labour ministers.

More recently, treaty revisions have formally recognized part of the social partners' roles. Apart from the Maastricht Social Chapter [which essentially concerns 'social governance'], the Amsterdam treaty [Art 130] explicitly foresaw consultation of the social partners by the newly established Employment Committee in the context of what became the Luxembourg Employment Strategy.

In June 1999, the Cologne European Council decided that a macroeconomic dialogue should be established, involving the Council, the Commission, the European Central Bank and the social partners, in order to exchange opinions on how to 'design a macroeconomic policy to increase and make full use of the potential for growth and employment'. This macroeconomic dialogue has met twice a year since then at both technical and political levels.

The Lisbon European Council in March 2000 decided to convene a High Level Forum, bringing together Union institutions and the social partners, to take stock of the Luxembourg, Cardiff, and Cologne processes. This ad hoc event was followed by similar meetings prior to the March 2001 Stockholm European Council, to the December 2001 Laeken European Council, and to the 2002 'Spring Summit' in Barcelona.

The adoption of the Lisbon integrated strategy and the supervisory role given to the Spring Summits led the social partners to reflect on what other institutional innovations were required concerning their role in the economic governance procedures. Thus, in their joint contribution to the Laeken European Council, the social partners said that:

“Since 1991, the areas for concertation between the social partners and the European institutions have multiplied. In addition, the term ‘social dialogue’ has progressively been used to designate any type of activity involving the social partners.

UNICE/UEAPME, CEEP and ETUC insist on the importance of making a clear distinction between three different types of activities involving the social partners:

- tripartite concertation to designate exchanges between the social partners and European public authorities;
- consultation of the social partners to designate the activities of advisory committees and official consultations in the spirit of article 137 of the Treaty;
- social dialogue to designate bipartite work by the social partners, whether or not prompted by the Commission’s official consultations based on article 137 and 138 of the Treaty.

In Lisbon, Heads of State and Government decided to bring together the whole approach to economic, structural and employment initiatives in the spring European Council.

Reform of the Standing Committee on Employment [in March 1999] has not led to a similar integration of tripartite concertation. The Standing Committee on Employment does not meet the need for coherence and synergy between the various processes in which the social partners are involved.

ETUC, UNICE/UEAPME and CEEP therefore propose that SCE be replaced by a tripartite concertation committee for growth and employment which would be the forum for

concertation between the social partners and the public authorities on the overall European strategy defined in Lisbon. In addition to its specific work on the broad economic policy guidelines, on the employment guidelines, and on structural reforms this committee would examine the Community's overall economic and social strategy ahead of the spring European Council."

In response to these proposals for strengthening tripartite concertation on the Lisbon Strategy, the Laeken European Council agreed "...that a Social Summit of this kind would in future be held before each Spring European Council" [point 40 of the communiqué].

The ETUC understands that the Commission supports the need for a concertation committee on growth and employment and that it will be making the necessary formal proposals very soon.

In the light of the above, the Working Group should include the ways and means of social partner involvement in economic [social] governance in their consideration of institutional issues.

1 July 2002

Contribution by George Jacobs, President of UNICE, on issues in paragraph 5 and 6
of the mandate of the Working Group on Economic Governance

1. UNICE, representing the business community in Europe, has always favoured the adoption of the common currency, bringing substantial benefits to the European economy as a natural completion of the single market. From a company point of view, the reform of the EU must lead to a strengthening of Europe's economies and full realisation of EMU's potential.
2. The structure of the Economic and Monetary Union, characterised by centralised monetary policy and decentralised fiscal policies, subject to some common rules (the Stability and Growth Pact), provides a framework for delivering a stable macro-economic environment.
3. UNICE considers an independent European Central Bank, with the objective of maintaining price stability, an indispensable pillar of the EMU construction. Only a strong and independent central bank is able to safeguard price stability, essential for creating conditions favourable to increased investment and employment.
4. Decentralised fiscal policies are a counterpart of the centralised monetary policy in the EMU architecture. However, a single currency implies that national fiscal policies are a matter of common concern. Failure to take into account externalities caused by the budgetary policies of Member States could create an inappropriate policy mix. **Member States have to recognise that close co-ordination of national budgetary policies is a necessary element of EMU.**
5. The Stability and Growth Pact (SGP) is an instrument of policy co-ordination, in order to ensure an appropriate mix between monetary and fiscal policy. This is a pre-condition for a stable macroeconomic environment. The SGP attempts to introduce a minimum degree of fiscal rectitude. Its credibility is a key element of the monetary union. However, the application of the rules of the Stability and Growth Pact has not so far been satisfactory from the point of view of business. Balancing public finances over the economic cycle implies

that the governments should take advantage of good economic conditions in order to lay the foundations for consolidated public finances. In many Member States this opportunity was not taken during the last economic upswing. Current signals give rise to worries about not only the ability but also willingness of some eurozone countries to achieve balanced budgets by 2004. This would have damaging consequences: if the rules of the SGP are undermined, the benefits of the single currency diminish.

6. Experience with application of SGP calls for strengthened coordination of budgetary policies in Member States, as well as improved enforcement of the SGP rules. A way has to be found for the Member States to respect their commitments. Pressure should be applied more effectively; enhanced communication mechanisms and close monitoring of how far Member States' budgets are consolidated are also necessary.
7. Population ageing adds a further dimension to budgetary consolidation, putting pressure on public finances. Unless the long-run sustainability of public finances is assured, there is a risk to economic stability in Europe. As such, it should be subject to clear and objective monitoring at European level.
8. The most appropriate way to measure progress towards budget consolidation is on the basis of the structural deficit. Unfortunately, the measurement of structural deficits is complex, and reliable data are not available yet. Before this can become a realistic option, timely and comparable data on structural deficits at European level must be established. Moreover, extreme care must be taken with any reformulation of the SGP, as it would send the wrong signal to the markets and undermine the credibility of the consolidation effort, and the fiscal framework in general.
9. The macroeconomic dialogue is an instrument of economic policy coordination highly valued by the business community. It provides an important forum for discussion where a direct dialogue between the EU level policy makers and the social partners takes place.
10. Sustained structural reforms are a necessary accompanying policy to budgetary consolidation. Sound budgets make structural policies more effective, while structural reforms make it easier to achieve a consolidated budget. This is especially true with regard to labour market and social security system reforms.

2. CONTRIBUTION OF MR. HENRICK HOLOLEI

3.

4.

5. WG ON ECONOMIC GOVERNANCE --

6. MONETARY POLICY (SPEAKING NOTES)

GENERAL REMARKS

1. Arguments for and against the transfer of some economic policy competence to the Community should be analyzed against the principles of theory of optimum currency areas (OCA). The objective of this exercise is to minimize potential costs of adopting a single currency so that the net result of the monetary union in economic terms – gains from minus costs of the single currency – would be as high as possible. That should be accomplished within the present and future general institutional framework of the EU as the Union of sovereign Member States, each of them retaining the ultimate responsibility for national economic policies.
2. The potential costs of the single currency stem from giving up exchange rate as an instrument of economic adjustment to confront either external or internal shock¹. The costs of adjustment by other channels than exchange rate are higher if:
 - ❑ Member States face asymmetric shocks, so that large adjustment of the relative price of goods produced in various Member States is required;
 - ❑ price setting mechanisms are rigid, so that the adjustment to shocks is postponed and related costs will build up over time;

¹ Economic benefits of the single currency will not be dealt with in this paper. They include, *inter alia*, lower transaction costs, elimination of relative price distortions, elimination of exchange rate uncertainties, and much lower costs related to collecting and processing information from the microeconomic perspective. From the macroeconomic perspective, the benefits stem, *inter alia*, from lower and more predictable inflation and interest rates. It is commonly assumed that the higher is the economic integration between countries of the single currency area, the higher are benefits of adoption of single currency.

- ❑ movement of labor and/or capital is seriously impeded, so that disequilibrium build up either in labor or capital markets in Member States as a result to a shock; that will result in disruptive capital flows and/or higher unemployment rates;
 - ❑ fiscal position of the Member States is weak so that budgetary adjustment to shocks will result either in forced pro-cyclical fiscal contraction or in sharply higher public sector borrowing requirement, putting upward pressure on rate of interest during economic downturn.
3. The division of competence between Member States from one hand and the Community from the other hand should address these four risks within the general political and institutional framework of the European Union.

BROAD ECONOMIC AND POLITICAL ARGUMENTS

4. **The first set of policy measures to reduce that should be looked to are those that reduce the probability of asymmetric shocks within the Euro Area and the EU in general.** The asymmetric shocks can be either
- ❑ external shocks that affect Member States through significant exposure of their exports and/or investment position *vis-a-vis* third countries where shock occurs or
 - ❑ internal shocks that stem from either real productivity shock or nominal shock in one or several Member States.
5. Asymmetric shocks can never be eliminated except in fully closed economic area. Their probability can be reduced, however, by policy measures that eventually will foster potential growth rate and result in further real convergence inside the EU before and after enlargement.
6. Increased integration and efficiency of single market is decreasing the probability of asymmetric shocks by, *inter alia*, increasing flexibility of prices and efficient use of resources. Single market of all goods and services, including telecommunications and other infrastructure services as well as of financial services should be accomplished to allow full competition and price determination according to supply and demand on pan-European market. Transaction costs in single market should further be decreased, in particular, by providing increased number of services via internet.

7. Increased productivity growth across the EU would increase the overall competitiveness of the Community and further real convergence. Decreasing income differentials inside the EU and higher value added of domestic economy will reduce the probability of asymmetric shocks and increase the ability to cope with external shocks. Community-wide innovation policies, promotion of entrepreneurship and best practices amongst the enterprises, access by start-ups to venture capital, access by private enterprises to public are, *inter alia*, policy measures to increase productivity growth and achieve further convergence.
8. These measures are part of the Lisbon Agenda and do not necessitate in further transfer of competence to the Community from Member States. Member States should honor their commitments under the Lisbon Agenda and the Commission should aim at its full implementation. Additionally, one may consider moving part of the competence for innovation to the Community to mobilize sufficient financing and to further knowledge transfer and networking between research centers.
9. **The second set of policy measures to reduce potential costs of single currency are those related to factor mobility.** Capital mobility and labor market flexibility should be promoted to the highest extent possible to achieve both rapid and effective transfer of resources across the Community.
10. Complete the integration of capital markets as foreseen by Financial Services Action Plan should be achieved to complement single money market of the Euro Area. Simplified procedures of secondary legislation in the field of financial services are a major step forward and the inclusion of these principles in the Treaty should be considered in detail. Financial market integration will necessitate not only in increased legal harmonization but also increased cooperation of supervisors of Member States and/or more efficient coordination of supervision function on the Community level.
11. Capital movements between Member States can be fostered by more harmonized legal basis for corporate entities. These include, *inter alia*, rules governing mergers and takeovers, bankruptcy procedures and state aid. Further legal harmonization that may include transfer of some additional competence to the Community shouldn't be ruled out to warrant level playing field and the most efficient use of capital across the Community.

12. Labor market flexibility is instrumental for efficient single monetary policy. It is unlikely, however, that Europe will achieve significant movement of labor across national borders in foreseeable future both before and after enlargement. That should be compensated by efficient single market of goods and services, high capital mobility and higher flexibility of domestic labor markets in Member States.
13. To conclude, market integration and factor mobility will likely result in reduced probability of asymmetric shocks and, by increased availability of production factors, in timely and smooth real adjustment. In case of sufficiently flexible product markets, less than full correlation of business cycles of Member States might, in fact, not be detrimental. Economies of Member States may also become less specialized and more diversified in monetary union as exchange rate is no more available as policy tool to protect inefficient industries.

6.1. Fiscal policy and Stability and Growth Pact

14. Fiscal policy has a key role to play in macroeconomic policy making both in Member States and on the Community level in case of monetary union. For sovereign (and let us assume that federal) entity, fiscal policy would act as an automatic stabilizer both on federal and intra-regional level. In federal state, general taxation and social benefits would be governed by one set of federal rules. These rules allow automatic stabilizers to work on federal level by adjusting general fiscal position) to smooth inter-regional disparities by automatic transfers of tax income from prosperous regions to less developed ones, thereby compensating lack of exchange rate as tool for adjustment.
15. There are, however, plenty of examples of relatively high regional disparity in federal states. That tends to underline the importance of regional policies even in one country with high labor mobility. Ultimately, the success of regions will depend on factor productivity and large transfers are likely to postpone necessary adjustments. It may be correct to say that fiscal federalism does not necessarily contribute to adjustment but rather finances the costs of shock in one region.
16. The aim of present fiscal policy coordination on the Community level is to ensure that fiscal policy allows for automatic stabilizers to function in every individual Member State while at the

same time minimizing the risk of nominal shock and high inflation. Stability and Growth Pact (SGP) establishes quantified framework for fiscal policy coordination on the Community level.

17. Introduction of the Euro poses two major questions for fiscal policy making in the EU – whether certain degree of fiscal federalism should be warranted and whether SPG is “too tight” to allow automatic stabilizers to function in full.
18. As long as the Community is the union of sovereign Member States, there is no need nor possibility to transfer additional competence to the Community, save for strictly specified cases to warrant smooth functioning of single market. Any fiscal harmonization on macroeconomic level would automatically be accompanied by sharply increased convergence of general level of taxation. Taxation is, generally speaking, one the most fundamental result of domestic policy choices in every Member State and, thus, reflects prevailing preferences of the society in general.
19. SGP assumes that “normal” functioning of automatic stabilizers shouldn’t exceed 3% of GDP, save for sharp and sudden shock. Additionally, SGP aims at balanced budget over business cycle. It, thus, assumes that there are no underlying structural reasons for Member States to run either prolonged budget deficits or surpluses.
20. It may be tempting to modify SGP so as to allow greater “fiscal room for manouvre”, having in mind both particular circumstances in individual Member State as well as general macroeconomic conditions on the Community level. However, it can be hardly seen how “greater flexibility” could be implemented in practice while at the same time maintaining robust and credible framework.
21. Any substantial modification of SGP is likely to bring along number of uncertainties and would seriously undermine the credibility of the whole arrangement. One may argue that 3% deficit rule may be too tight during economic downturn and wouldn’t allow for full functioning of automatic stabilizers. That argument, however, is valid only as far as relative position of the whole economy in medium term growth path can be estimated with sufficient precision. That task is impossible to accomplish for every Member State with adequate certainty. In addition, asymmetry of fiscal adjustment should be borne in mind.

22. One way to explore to increase the flexibility of SGP while at the same time maintaining necessary credibility is to extend fiscal forecasting period while assessing adherence of Member States to SGP. That would allow to take into account possible structural problems, e.g., forthcoming pension or other contingent liabilities.
23. The integration of markets and economies will in itself support smooth functioning of SGP framework. While business cycles may become more correlated, integrated markets would transfer of public savings in one Member State to their most efficient use Community-wide and *vice versa*. Most importantly, integrated and flexible product markets would reduce adjustment cost and, thus, reduce the significance of fiscal stabilizers during short-term adjustment.

Prof. Danuta Hübner
Representative of Poland's Government

Working Group of the European Convention on Economic Governance

**Comments on points 5) and 6) of the mandate of the working group of the European
Convention on Economic Governance**

Point 5: The EURO and the transfer of aspects of economic policy to the Community

In the long run it is hard to imagine that the adoption of a single currency does not result in certain level of centralisation of fiscal policy at the supranational level.

The McDougall Report in 1977 suggested that the introduction of a single currency would require the establishment of a Community budget of 7-8% of GDP. This would be sufficient to counter the adverse effects of asymmetric shocks.

However the Treaties do not require any transfer of fiscal powers to the Union and there seems to be little political will to grant such powers. Indeed with a Union budget now below 1.1% of GDP and falling, several countries within the EURO area are seeking to cut the budget further.

In this light, it is clear that there will be an effort to coordinate fiscal policy within the members of the EURO zone more closely, as a precaution against self-inflicted shocks occurring through irresponsible national fiscal policies. We have seen however that the Monetary Union does not really have the political power to enforce compliance.

Indeed at a stage where the structure of the different economies in the EURO zone are still rather different, running a centralized monetary policy (one interest rate fits all policy) gives support to the idea of having a decentralized fiscal policy with a degree of freedom for the member states to determine their own fiscal policy within overall limits. To a certain extent the market will supply

the discipline necessary to avoid unsustainable fiscal policies, through punishing countries which are less prudent and where the risk of default is higher.

This argument is also applicable to the new member states, which will need to maintain a degree of flexibility after joining the EURO. In fact however these countries may have to run a tighter than normal fiscal policy as the Balassa-Samuelson effect may well tend to support inflation.

Thus at the present stage of development, it seems unlikely that there will be transfers of competence in fiscal policy to the centre from the member states and at the same time unlikely that attempts to coordinate fiscal policy will have much success while the capacity of the Union to enforce coordination is so weak.

In the much longer term, as economic structures come closer together, there will of course be a greater possibility of transfers of competence and possibly a larger redistribution of resources through the Community budget.

Point 6: Functioning and efficiency of the Stability and Growth Pact and the Excessive Deficit Procedure

The main valid criticism of the SGP and the Excessive Deficit Procedure is that the deficit should be judged over the economic cycle, rather than from budget year to budget year. Theoretically there is no reason not to require budget balance over the cycle; that is to say the structural deficit should be zero. Insisting on strict adherence to the excessive deficit procedure will lead to sub-optimal policy in an economic downturn, as the functioning of the automatic stabilizers will be restricted.

Even if the excessive deficit procedure works over the cycle, in the early years of monetary union, it may be easier for some countries to reach a zero structural budget deficit than others, due to differences in the structure of the economy and of government expenditure. Some observers fear that insisting on the cyclically adjusted procedure may lead to a new division between the fiscal centre and the periphery.

It has also been suggested that countries with a total public debt well below 60% of GDP could run

higher budget deficits than countries with debt well above 60%, again causing political as well as economic tensions in the Union.

Politically it has been shown that it is extremely difficult for the monetary union to impose the full rigour of the excessive deficit procedure especially on the large member states. There appears to be considerable solidarity between finance ministers. Therefore it is worth reconsidering the disciplines associated with this procedure.

Contribution de M. GLOTZ

Point 5

The introduction of the euro in the accession countries will lead to a significantly enlarged number of ECB council members. This might adversely affect the efficiency of monetary policy decisions. A change in voting procedures alone on the basis of the enabling clause agreed upon in Nizza will not address the basic underlying problem.

The Group might consider whether additional measures are needed to ensure efficient working procedures in the Governing Council of the ECB.

Point 6

The use of structural (cyclically-adjusted) deficits instead of actually measured deficits in the framework of the Stability and Growth pact is not advisable. The structural deficit is an "artificial" indicator which cannot be calculated reliably, nor controlled by fiscal policy. Given this uncertainty, it is inadvisable to use this instrument as a basis for specific fiscal policy decisions alone. It may be used only as an additional tool.

Monetary Policies: Some Initial Observations

The Euro and the Stability and Growth Pact

The introduction of the euro has been associated, from the beginning, with a policy of tight fiscal discipline (the public deficit and public debt criteria of Maastricht). This regime of discipline was further specified and reinforced in the Stability and Growth Pact which aimed at Member State governments achieving balanced budgets by the year 2004. This target is currently coming up against difficulties in a number of Eurozone Member States (Germany, Portugal, Italy, Belgium). Economic activity lower than forecast lies at the root of such difficulties. Revenues turn out to be lower than expected, taxation in certain cases has been reduced to give some additional stimulus to certain Member State economies. The target of budget-balance in 2004 has been challenged by such developments. There should be nothing sacrosanct about such a target, especially in an epoch of economic slowdowns and high rates of unemployment. On the other hand the achievement of a target unanimously agreed and set should not be shaken as a result of uncoordinated measures adopted under pressure by Member States. Either the target itself should be revised or relaxed or agreed measures of strengthening its pursuit should be adopted. A rigidly predetermined common fiscal policy is not sustainable in the context of a volatile economic reality. This seems to point to the need for the establishment, within the limits of the ECOFIN, of a Financial Council specifically authorized to take stock of the overall fiscal balance in Member States and to recommend measures for sharing out the burden of common policies in a flexible, fair and orderly manner. The level of public debt together with policies associated to its management should also come under similar scrutiny.

External Representation of the Euro

The rate of exchange of the Euro against other major countries is essentially fixed in the international currency markets. One of the determinants influencing the behavior of these markets is expectations about the degree of support – or otherwise – relevant authorities are prepared to extend to their own currency. It is a matter of common knowledge that the rate of exchange of the dollar has often responded to mere pronouncements by monetary officials in the US government rather than to any material action undertaken by Central Banks on the stock of currencies available for

circulation. Europe could benefit a lot if it developed a similar capacity of influencing the markets. To this effect the exercise of leadership by the ECB is insufficient. There has to be also a political authority with competence in the monetary area, recognizable and respected by the markets. Such authority does not exist at the moment and should be created, possibly in the form of a President or Spokesperson of the Eurogroup. The Eurogroup, equipped with a permanent Secretariat, should also assume the responsibility of fixing the inflation target, which the ECB should then undertake to implement, enjoying full independence regarding the use of the instruments at its disposal (as is the case in the United Kingdom).

Exchange rate, rate of growth and investment.

The strength of a currency is not a function of fiscal probity only, to a large extent it is also determined by the growth prospects of the real economy. The key to higher rates of growth is investment, both private and public. The Stability Pact, as it stands, is exercising an anti-investment bias because governments have refused to interpret it in such a way as to exclude from the definition of budget deficit economically justified public investment. Given the pressure of day-to-day demands it is investment (which concerns long-term economic activity and future generations mainly) which is the first thing ministries of finance will sacrifice to achieve budget balance. European economic governance must include an explicit rule, similar to the Golden Rule applied by the British Treasury, to exclude public investment from public deficits.

The European Investment Bank

Given the weakness of the private investment process in the European economy (owing to the fact that the Single Market is in fact made up of differing business and industrial organization philosophies), measures to strengthen the availability and efficacy of public investment tools have to be considered. To that effect the European Investment Bank must be given explicit authorization to issue bonds in the name of the European Union with the proceeds to be directed to specific large investment projects associated either with the Lisbon process or with the older scheme of Trans European Networks or any other investment projects of common interest as the case may arise. The Financial Council proposed above should be authorized to consider such projects regularly.

Conclusions:

- (a) Formation, within the limits of the ECOFIN, of a fiscal and investment committee (Financial Council), endowed with a permanent secretariat, to coordinate fiscal and public investment activities among Member States.
- (b) Explicit introduction of the golden rule for public investment in the Regulations concerning the stability and Growth Pact.
- (c) Creation of a post of President or Spokesperson for the Financial Council exclusively authorized to make statements on behalf of the Euro.
- (d) The rate of inflation target to be a political decision to be adopted by the Eurogroup and implemented by the ECB, whose functional independence remains unaltered.
- (e) The European Investment Bank to be explicitly authorized to issue Eurobonds to finance European investment projects approved by the Financial Council.

Contribution de Mme KAUFMANN

Ergänzungen zum Mandat der Arbeitsgruppe

Allgemeines

Generell sollte festgelegt werden, dass das Mandat der Arbeitsgruppe so weit gefasst ist, dass sie es auch im weiteren Verlauf der Sitzungen noch ausweiten kann, wenn sie in Zusammenhang mit der Bearbeitung des Mandats auf weitere Fragen stösst, die der Klärung bedürfen.

Struktur des Mandats

Die Struktur des Mandates ist, was die Kapitel II und III betrifft, nicht ganz einsichtig, da Geld- und Währungspolitik selbstverständlich Bestandteile der Wirtschaftspolitik sind und somit gemeinsam diskutiert werden müssten. Da es aber im EGV diese Unterscheidung zwischen Währungs- und Wirtschaftspolitik gibt, kann die Kapitelstruktur so beibehalten werden, wobei selbstverständlich erscheint, dass die Arbeitsgruppe sich auch mit einer Koordination dieser beiden Bereiche befasst.

Zur besseren Übersichtlichkeit und sinnvolleren Bearbeitung sollten die zu den Kapiteln gehörenden Fragen allerdings neu überschrieben, geordnet und z.T. ergänzt werden:

Kapitel II: Geld- und Währungspolitik

Geldpolitik (Punkt 5)

Wechselkurspolitik (Punkt 5)

Kapitel III:

Fiskalpolitik (Punkt 6 und 9)

Sozialpolitik (Punkt 8)

Beschäftigungspolitik (Punkt 8)

Finanzmarktpolitik (Punkt 10)

Koordinierung der Wirtschaftspolitiken (Punkte 7, 8, 9)

Liberalisierungspolitik (neu)

Anmerkungen zu einzelnen Punkten des Mandats :

Kapitel II : Währungspolitiken

Zu Punkt 5:

a. Grundlegend ist hier die Überprüfung der Rolle der EZB, d.h. die Diskussion über die unzureichende demokratische Kontrolle der EZB sowie ihre alleinige Ausrichtung auf Preisstabilität.

b. Der erste Satz ist insofern falsch, als die „Währungspolitik“ als Politik, die das Verhältnis der europäischen zu anderen Währungen betrifft, gerade nicht in der Zuständigkeit der EZB, sondern überwiegend in der Zuständigkeit des Rates liegt (Art. 111 EGV). Das Missverständnis liegt darin, dass der englische Ausdruck „monetary policy“ sowohl Geldpolitik (= innere Geldpolitik innerhalb der Eurozone) als auch Währungspolitik (Wechselkursregimes etc. engl. auch ‚exchange rate policy‘) bedeutet. Hier ist die falsche Übersetzung gewählt. Dieser Hinweis ist keine akademische Haarspalterei, sondern sehr bedeutsam. Er bezeichnet nämlich eine weitere Inkohärenz: Für die innere Geldpolitik ist die EZB, für die äußere (= Wechselkurspolitik) aber der Rat zuständig. Geld- und Wechselkurspolitik haben aber offensichtlich etwas miteinander zu tun.

Das Mandat wäre also etwa folgendermaßen zu erweitern:

Die Gruppe könnte prüfen, inwieweit sich aus den unterschiedlichen Zuständigkeiten für die Geldpolitik (EZB) und die Wechselkurspolitik (Rat) Probleme und Widersprüche bei der Stabilisierung der Währungsbeziehungen und der inneren und äußeren Geldpolitik ergeben (external and internal dimensions of monetary policy) und inwieweit weitere Instrumente zur Koordinierung dieser beiden Aspekte erforderlich sind.

c. Die Gegenüberstellung von Geldpolitik (hier fälschlicherweise als Währungspolitik bezeichnet) und Wirtschaftspolitik ist nicht nachvollziehbar. Geldpolitik ist selbstverständlich Bestandteil von Wirtschaftspolitik. Gemeint ist im Text Wirtschaftspolitik im Sinne von Fiskalpolitik. Statt „und der

Wirtschaftspolitik“ müsste die Formulierung lauten: „und anderen Bereichen der Wirtschaftspolitik“. Diese Umformulierung ist wichtig, weil sonst die Geldpolitik praktisch außerhalb jeder wirtschaftspolitischen Diskussion gesetzt wird. (Das betrifft auch die Überschriften II und III)

d. Auch wäre hier darauf hinzuweisen, dass es sich nicht nur um eine Asymmetrie in den Zuständigkeiten, sondern auch um eine Asymmetrie im Machtpotential zwischen EZB und Mitgliedstaaten handelt. Die EZB kann die Politik der Mitgliedstaaten durch ihre Geldpolitik konterkarieren, während diese keine Möglichkeit haben, irgendwelche Maßnahmen gegen die Politik der EZB zu ergreifen.

Hinsichtlich des Mandats könnte man formulieren:

Die Gruppe könnte prüfen, ob die unterschiedliche wirtschaftspolitische Interventionsmacht von EZB und Mitgliedstaaten bzw. ECOFIN eine einseitige Ausrichtung der Wirtschaftspolitik in der EU bewirkt und flexible Reaktionen blockiert und welche Instrumente hiergegen eingeführt werden können.

Zu Punkt 6:

a. Bei diesem Punkt sollte grundsätzlich die Sinnhaftigkeit des Stabilitäts- und Wachstumspaktes und der darin enthaltenen Vorgaben für die öffentliche Neuverschuldung für die Preisstabilität diskutiert werden.

b. Ausserdem sollte hinzugefügt werden, dass es immer sinnvoll ist, Haushaltsdefizite nicht nur konjunkturell-strukturell zu unterscheiden sondern auch zu fragen, ob Verschuldung zur Finanzierung investiver oder konsumtiver Ausgaben erfolgt. Investive Ausgaben können nach konventioneller Theorie per Schuldenaufnahme finanziert werden, weil sie zu Erträgen führen, aus denen die Schulden bedient werden können. Dies wird von Stabilitäts- und Wachstumspakt vernachlässigt.

Mögliche Ergänzung der Formulierung:

Die Gruppe könnte prüfen, ob der Stabilitäts- und Wachstumspakt mit den darin vorgesehenen

Konvergenzkriterien für die Erhaltung der Preisstabilität notwendig und sinnvoll ist.

Darüber hinaus ist zu prüfen, wieweit bei der Beurteilung öffentlicher Defizite die Bindung der Schuldenaufnahme an investive öffentliche Ausgaben zu berücksichtigen ist und ob der Stabilitäts- und Wachstumspakt zumindest im Hinblick auf diese Unterscheidung zu revidieren wäre.

Kapitel III. Wirtschaftspolitiken

Zu Punkt 7:

Hier sollte das Mandat insofern erweitert werden, als dass die Diskussion der Koordination der Wirtschaftspolitik mit einer Überprüfung der bisherigen Koordinationsinstrumente beginnen muss. Zusätzlich sollte in der Frage eine Prüfung der Ziele der wirtschaftspolitischen Koordination enthalten sein.

Mögliche Formulierung:

Die Gruppe könnte prüfen, welche Ziele durch die Koordination der Wirtschaftspolitiken erreicht werden sollen.

Weiterhin könnte sie prüfen, welche Massnahmen zur wirtschaftspolitischen Koordinierung in Frage kämen und wie diese evtl. ergänzt werden müssen.

Zu Punkt 8:

Sozialpolitik ist auch Bestandteil des Vertrages und wird nicht nur durch mitgliedstaatliche Koordination geregelt.

Daher ist das Mandat in diesem Punkt folgendermassen zu ergänzen:

Die Gruppe könnte prüfen, inwieweit sich aus der Einführung des Euro Notwendigkeiten für eine Übertragung von Zuständigkeiten im Bereich der Sozialpolitik auf die Gemeinschaft ergeben.

Bei diesem Punkt sollte auch die Rolle der Syntheseberichte zu den Frühjahrstagungen des Rates diskutiert werden.

Ausserdem ist zu fragen, inwieweit das Projekt der integrierten Nachhaltigkeitsstrategie und die wirtschaftspolitische Koordination zusammen gehören.

Zu Punkt 9:

Dieser Punkt sollte ausgeweitet werden in dem Sinne, dass eine Beschäftigung mit dem ganzen Gebiet der Fiskalpolitik möglich wird, d.h. neben Steuerfragen sollen auch die Fragen nach der Rolle des EU-Haushaltes, der Koordination der nationalen Fiskalpolitik etc. geprüft werden.

Zu Punkt 10:

Dieser Punkt sollte breiter gefasst werden und eine Diskussion über die Regulierung des integrierten EU-Finanzmarktes ermöglichen.

Mögliche Formulierung:

Die Gruppe könnte prüfen, welche Möglichkeiten zur Regulierung des integrierten EU-Finanzmarktes bestehen, ob diese ausreichend sind oder zusätzliche Regulierungsmassnahmen und –instrumente notwendig sind.

Kapitel II: Monetary Policies

Vorbemerkung

Es gibt bei der Interpretation des Wortes Wirtschaftspolitik eine Differenz in der Terminologie des Vertrages sowie der der Wirtschaftswissenschaften, die durch Übersetzungsfehler im deutschen Dokument noch komplizierter geworden sind.

Daher soll hier eine kurze Begriffsbestimmung vorangestellt werden.

In der Wirtschaftswissenschaft umfasst der Begriff Begriff Wirtschaftspolitik auch die Geld- und Währungspolitik.

Im Vertrag von Amsterdam wird zwischen diesen insofern unterschieden, als dass die Geld- und

Wechselkurspolitik gemeinsam unter dem Oberbegriff Währungspolitik (Titel VII, Kapitel 2), aber getrennt von der Wirtschaftspolitik (Titel VII, Kapitel I) behandelt werden.

Da sich die Arbeitsgruppe noch nicht darauf geeinigt hat, welche Interpretation sie verwenden wird, im Mandat aber die Vertragsterminologie benutzt wird, wird diese auch für diesen Beitrag verwendet.

Zu Frage 5:

1. Geldpolitik

Grundsätzlich stellt sich hier die Frage, welche Regelungen zur Geldpolitik im Vertrag enthalten sein sollen. Dabei geht es zum einen um die Institutionen, welche für die Geldpolitik verantwortlich sind, zum anderen um die Ziele, die mit der Geldpolitik verfolgt werden sollen.

Zur Zeit ist das Europäische System der Zentralbanken (ESZB) für die Geldpolitik allein verantwortlich (Art. 105ff EGV). In ihren Entscheidungen ist die EZB unabhängig, d.h. Rat, Kommission, Parlament und nationale Regierungen und Parlamente sind nicht an den Entscheidungen beteiligt (Art. 108 EGV).

Das einzige Ziel, welches mit der Geldpolitik verfolgt wird, ist das der Preisstabilität. Andere Ziele der Gemeinschaft werden nur dann unterstützt, wenn dies die Preisstabilität nicht gefährdet (Art. 105 Abs.1 EGV).

In der Wirtschaftstheorie ist es strittig, ob mit Hilfe der Geldpolitik nur das Preisniveau, oder auch andere Ziele wie Beschäftigung oder Wachstum beeinflusst werden können. Da dieser Streit nicht entschieden ist, ist nicht einsehbar, wieso im Vertrag nur das Ziel der Preisniveaustabilität für die Geldpolitik vorgesehen ist. Daher sollten als Ziele der Geldpolitik (wie es auch als Zielbestimmung für die Wirtschaftspolitik – Art. 98 EGV - allgemein der Fall ist) die in Art. 2 EGV genannten Ziele angeführt werden. Dies bedeutet, den Vorrang des Ziels der Preisstabilität aufzugeben und zumindest ein hohes Beschäftigungsniveau und ein nachhaltiges Wachstum als gleichberechtigte Ziele daneben zu stellen.

Wenn die Geldpolitik somit in eine breitere wirtschaftspolitische Strategie eingebunden wird, muss auch die Frage der Unabhängigkeit bzw. demokratischen Kontrolle neu gestellt werden. Auf jeden Fall ist eine Koordination der Geldpolitik und der übrigen Wirtschaftspolitik notwendig, d.h. die

EZB muss sich bei ihren Politiken mit der Euro-Gruppe absprechen.

Ein weiteres Argument für eine demokratischere Beschlussfassung bei der Geldpolitik ergibt sich, wenn man die Asymmetrie im Machtpotential von EZB und Mitgliedstaaten betrachtet. Die EZB kann jede ihr nicht genehme Fiskalpolitik der Mitgliedstaaten konterkarieren, während die Mitgliedstaaten keine Möglichkeit haben, irgendwelche Massnahmen gegen die Politik der EZB zu ergreifen. Dies führt zu einer einseitigen Ausrichtung der Wirtschaftspolitik in der EU am Ziel der Preisniveaustabilität und blockiert flexible Reaktionen.

Vorschlag:

- a. Im Vertrag sollte es eine Bestimmung zum ESZB und zur EZB in dem Sinne geben, dass sie zuständig für die Verwirklichung der monetären Bedingungen sind, die zur Verwirklichung der in Art. 2 genannten Ziele der EU erforderlich sind. Das erfordert innerhalb der EU die Bereitstellung einer ausreichenden Geld- und Kreditversorgung, die Gewährleistung eines reibungslosen Zahlungsverkehrs, der – systemischen – Stabilität der Finanzmärkte, der inneren Preisstabilität sowie die Vermeidung übermäßiger Schwankungen der Wechselkurse.
- b. Bei der Diagnose der Situation und Perspektiven der ökonomischen Entwicklung sowie bei der Festlegung der bzw. Diskussion über die Prioritäten der gemeinschaftlichen Politik zur Förderung der genannten Ziele stimmen sich ESZB und EZB mit dem unter Kapitel III noch zu diskutierenden bzw. näher zu bestimmenden Gremium zur Koordination der Wirtschaftspolitik ab.

2. Koordination zwischen europäischer und nationalstaatlicher Ebene bei Wirtschaftskrisen

Nach dem Wegfall der Wechselkurse und nach der Zentralisierung der Geldpolitik lässt sich eine Asymmetrie erkennen zwischen der Währungspolitik und der nationalstaatlichen Wirtschaftspolitik. Zwar behalten die Mitgliedstaaten auf diese Weise eine gewisse Flexibilität (zur Eingrenzung der Flexibilität in der Fiskalpolitik s. Frage 6), eine effiziente Bewältigung von Wirtschaftskrisen ist so jedoch schwierig, und zwar sowohl bei asymmetrischen wie bei symmetrischen Schocks.

Krisenbekämpfung bei asymmetrischen Schocks

Frage: Reicht der Spielraum in der Wirtschaftspolitik auf nationaler Ebene zur Bekämpfung von

Wirtschaftskrisen aus oder sollen auf europäischer Ebene Instrumente eingeführt werden, die die Länder bei der Bekämpfung von asymmetrischen Schocks unterstützen?

Vor der Einführung des Euro bzw. der Zentralisierung der Geldpolitik hatten die Mitgliedstaaten bei Wirtschaftskrisen die Möglichkeit, mit Hilfe von expansiver Geldpolitik oder durch eine Abwertung ihrer Währung auf diese zu reagieren. Diese Möglichkeiten sind nun nicht mehr vorhanden, die Geldpolitik kann nicht mehr auf die Situation einzelner Länder eingehen, Wechselkurse gibt es innerhalb der Eurozone nicht mehr. Wenn man davon ausgeht, dass der Stabilitäts- und Wachstumspakt in seiner jetzigen Form bestehen bleibt (s. dazu Frage 6), ist auch eine Reaktion durch expansive Fiskalpolitik nicht mehr möglich.

Es ist deshalb notwendig, dass auf der EU-Ebene Instrumente gefunden werden, mit denen die Union Länder, die von Wirtschaftskrisen betroffen sind, unterstützen kann, auch, damit diese Krisen nicht auf andere Länder der Union übergreifen.

Eine Möglichkeit ist die Errichtung eines sog. Stabilisierungsfonds, aus dem Länder, deren Produktion einen überdurchschnittlichen Rückfall erlitten hat, Transfers erhalten. Dieser Fonds würde wie ein automatischer Stabilisator auf europäischer Ebene wirken, die Nachfrage in dem betroffenen Land stabilisieren und so die Krise abfedern. Dazu muss gewährleistet sein, dass die Länder die Transfers zur Stabilisierung der Nachfrage verwenden, was durch die Kommission überprüft werden könnte.

Krisenbekämpfung bei symmetrischen Schocks

Frage: Wie soll bei symmetrischen Schocks (Rezessionen, die die gesamte EU betreffen) vorgegangen werden?

Bei Wirtschaftskrisen, die die meisten oder alle Länder der EU betreffen, muss zum einen die Geldpolitik in die Lage versetzt werden, angemessen darauf zu reagieren (s.o.). Zum anderen müssen aber auch die nationalen Politiken besser koordiniert werden, um die Krise gemeinsam zu bekämpfen. Hier ist v.a. eine Koordination der Fiskalpolitik hervorzuheben, welche in diesem Fall mit einer Lockerung des Stabilitäts- und Wachstumspaktes einhergehen müsste.

Um die Nachfrage bei einer Wirtschaftskrise effektiv zu stärken, ist ein einheitliches europaweites Vorgehen erforderlich. In diesem Fall könnte die Kommission (unter Mitentscheidung des Europäischen Parlamentes) beispielsweise die Mitgliedstaaten dazu auffordern, nationale Investitionsprogramme aufzulegen, welche die Nachfrage stärken. Diese müssten in diesem Fall

schuldenfinanziert sein, um nicht die Nachfrage auf anderem Gebiet durch Steuererhöhungen zu schwächen.

Beide Verfahren belassen der nationalen Ebene weiterhin den festgelegten Spielraum, führen aber bei Rezessionen dazu, dass schnell, einheitlich und nachhaltig reagiert werden kann. Zur Koordination der Wirtschaftspolitik, insbesondere der Fiskalpolitik, welche bei derartigen Schocks zusätzlich notwendig ist, und anderen Massnahmen zur Stabilisierung wird bei der Behandlung von Kapitel III des Mandats Stellung genommen.

Zu Frage 6: Der Stabilitäts- und Wachstumspakt

Der Stabilitäts- und Wachstumspakt (SWP) wurde im Rahmen der WWU eingeführt und stellt Regelungen für die öffentliche Verschuldung der Mitgliedstaaten auf.

So sollen die Mitgliedstaaten mittelfristig einen ausgeglichenen Haushalt oder einen Haushaltsüberschuss erreichen und auf dem Weg dorthin ein übermässiges Defizit vermeiden, was im SWP als eine Neuverschuldung von mehr als 3% definiert ist.

Bei Nichteinhaltung drohen nach Art. 104 EGV Massnahmen bis hin zu Bussgeldern.

Damit stellt der Stabilitäts- und Wachstumspakt eines der strengsten wirtschaftspolitischen Koordinationsinstrumente der EU dar und muss unter diesem Aspekt besonders sorgfältig geprüft werden.

Da ein Zusammenhang von wenig verschuldeten bzw. ausgeglichenen Haushalten und der Preisstabilität nicht nachweisbar und die Begrenzung auf fiskalpolitische Indikatoren nicht einsichtig ist, wäre zu fragen, ob die Stabilitätskriterien wirklich angemessen sind.

Überdies ist im Zusammenhang mit Frage 5, v.a. was das Vorgehen bei Rezessionen angeht, darauf hinzuweisen, dass der SWP die Fiskalpolitik der Mitgliedstaaten, die insbesondere bei Wirtschaftskrisen wichtig ist, sehr stark einschränkt.

Der grundsätzliche Ansatz, ein weiteres Koordinierungsinstrument auf europäischer Ebene zu schaffen, wird als sinnvoll erachtet, die einseitige Ausrichtung des SWP auf ausgeglichene Haushalte ist jedoch nicht nachvollziehbar. Daher sollte der SWP durch eine umfassendere Regelung zur Koordinierung der Wirtschaftspolitiken der Mitgliedstaaten ersetzt werden, in der die Möglichkeiten erweitert werden, flexibel mit geld- und fiskalpolitischen Instrumenten auf

konjunkturelle Schwankungen zu reagieren und die wirtschaftliche Entwicklung in der Gemeinschaft zu stabilisieren. Wie die genaue Koordinierung der Wirtschaftspolitik aussehen soll, wird bei der Diskussion des Kapitels III dargestellt werden.

Mit dieser Umwandlung des SWP muss eine entsprechende Änderung des Art. 104 EGV und des zugehörigen Protokolls, welches die Referenzwerte beinhaltet, einhergehen.

Contribution de Mme KAUPPI

1. Mandate of the Working Group

The mandate as currently defined is satisfactory. The emphasis of the working group is, as its name "Economic Governance" states, on economic issues. An extension to other issues would unavoidably lead to a detrimental blurring of the working groups' work. The working group has to reach founded, concrete conclusions. It is thus essential to concentrate on the essential issues.

2. Comments on Current Economic Issues

These comments have been drawn up in close co-operation with fellow EPP-Members of the European parliament.

ECOFIN-codes of conduct:

Observance of a code-of-conduct depends naturally upon the will of the involved parties. More robust means of enforcement are required for the code-of-conduct to be able to resist the electoral and political changes within the Member States. Observance of the code-of-conduct and thus the credibility of the Stability&Growth Pact as well are threatened by its unconstitutional elements and not by their alleged rigidity. The structure of the Stability&Growth Pact is currently under danger of swift, unforeseeable electoral change. It is therefore appropriate to cement the salient characteristics of the Stability&Growth Pact by writing them into the Constitutional Charter. This guarantees the credibility of the Pact

b. Broad economic policy guidelines:

The procedural elements of the economic policy have a great impact on the characteristics of the economic system. More specifically, these elements include procedures governing public finances, which really affect market operation.

The assessment of the procedures should be based on a correct interpretation of horizontal and vertical subsidiarity, which are two disparate yet complementary versions of the same principle. Without a clear indication of constraints and procedures, the principle of subsidiarity remains an

empty vessel, leaving an enormous margin for discretionary power in terms of defining the limits of functional powers. (Petroni and Caporale, 2000) The role of the European Constitution should be to give the principle of subsidiarity a precise, unambiguous content.

When preparing proposals for a European Economic Constitution, we have to take into account that cultural constraints still are the main impediment to the success of large-scale top-down economic and social reforms. We shouldn't ignore the specific needs of each country, but at the same time, anything that, if left to the hands of national governments, could give rise to opportunistic or free-riding behaviour, must be constitutionalised on an European level.

Opportunities of free-riding are themselves factors that undermine the role of voluntary co-operation, since they normally end up becoming a barrier to market efficiency for all, not only to the perpetrators of such a behaviour. The opportunism of national governments might benefit the population or part of the population in one MS, but ultimately and inevitably it also harms other citizens and future generations, slowing growth and hampering cohesion.

Especially in the context of monetary union, we need to avoid risks of free riding. A MS in debt shouldn't be able to use its influence within the ECB and benefit from other governments seeking to achieve budgetary balance and prevent defaults, thus obtaining lower interest rates on the debt than those it would have otherwise have paid. This creates a justification for the independence of the central bank and common procedures in the field of budgetary policies.

c. Stability&Growth Pact:

The "Blue-letter-procedure" does currently not function in foreseen manner. According to the procedure, the Council alerts a Member State at an early stage of the need to take necessary action to prevent the government deficit from becoming excessive; the Council may enforce and publish its recommendation, if the Member State's doesn't take corrective action.

This measure requires qualified majority voting by EU Member States. The credibility of the institutional structure of the Stability&Growth Pact is undermined by the possibility of co-operation between Member States. The tendency to reciprocate favours is evident. This was clearly demonstrated by the way the ECOFIN dealt in February 2002 with the Commission's recommendation to reprimand Germany and Portugal, in comparison with the treatment of Ireland last year.

The "Blue-letter-procedure" does currently not guarantee equal treatment of Member States.

The goal of the Stability&Growth Pact is to attain balanced or even surplus budgetary positions in the Member States. Yet, Member States have difficulties in attaining these goals before the deadline. The attainment of these goals is critical though for the success of the EMU, as it guarantees the observance of the 3% of GDP deficit criterion and enables the automatic stabilisers to work freely in case of economic recession.

It is crucial that the Stability&Growth Pact goals are met in accordance with the commitments undertaken within the framework of the BEPGs. The constant deferral of attaining these goals undermines the credibility of the euro. The Stability&Growth Pact has to be free from collusion and tactical manipulation by Member States, as this is the only real guarantee to safeguard the financial stability in the euro area.

All conditions necessary to render the constitutionalisation of the Stability&Growth Pact as the basic, credible principle underpinning the single currency exist already.

Vakaus- ja kasvusopimusta koskevaan kysymykseen:

Mun ajatukset menevät aika lailla yks yhteen niiden ajatusten kanssa, joita Brunetta esittää paperinsa sivuilla 14-15. Olen alleviivannut tärkeimmät lauseet, joista voit muotoilla mun vastauksen.

Sivulla 13 Brunetan paperissa on lueteltu vakaus- ja kasvusopimusten nykyinen juridinen oikeusperusta. Kun siis suullisesti annoin sulle ohjeen, ettei Maastrichtin sopimuksessa muotoilluista tule luopua, tarkoitin itse asiassa, että Art. 104c luultavasti on ok, mutta näitä sen perusteella tehtyjä neuvoston asetuksia 1466/97 ja 1467/97 ei pitäisi nyt muuttaa.

Code of conducteihin liittyen, niitä käsitellään sivulla 16.

Contribution de Mme KORKHONEN

Preliminary comments to para 5

The division of competences in monetary and economic policies between the Community and ECB and the member States was agreed on as a condition for the introduction of the euro. No particular grounds to amend this division have emerged. Any encroachments on the competences of the ECB might lead to repercussions on the markets and should thus be approached with caution.

Preliminary comments to para 6

The Stability and Growth Pact was one of the preconditions for the introduction of the euro. It can only have the necessary stabilising influence if it is applied objectively, i.e. it must apply equally to large and small member states. A treaty revision that ensured stricter application of the Pact would be welcome.

Structural deficits are frequently the product of uncontrolled and continued short-term deficits. No meaningful distinction can be made, particularly as short-term deficits are a normal part of the economic cycle. The Stability Pact already contains a clause concerning sudden economic disruptions.

To aid policy-making we need to improve the statistical information available on the Euro area and to increase its visibility (as the Commission has proposed ¹ and which the Barcelona European Council also has called for²). The Barcelona European Council also rightly insisted on harmonising the methodologies used to draw up Eurozone statistics and indicators.

¹COM(2001) 82 final, 7.2.2001

²SN 100/02 ADD 1.

Contribution de Mme McAVAN

1. The Mandate of the Economic Governance Working Group

As Laeken says, we must focus on issues that are relevant to the people of Europe, and we need to ensure that the people understand the relevance of the institutional debate to issues that matter to them. Our report to the Convention will deal with vital questions, and we should play our part in ensuring that the work of the Convention gains the widest possible public acceptance. We should therefore set out in the first instance the economic challenges facing the EU – and our mandate and our report in October should reflect this - and then introduce the questions we need to look at that are relevant to these challenges.

The main challenge is ensuring Europe meets its economic potential. This means achieving its potential output, tackling unemployment, increasing the EU's low rates of employment, enhancing labour productivity by increasing investment, competition, innovation, enterprise and skills; and realising the full benefits of the single market. The test of our institutional proposals must be whether they further these aims.

In this context we should consider whether the list of policy areas is complete. The mandate rightly refers to the regulation of financial markets as a key policy area. But there are other factors. The group should also look at what changes can be envisaged to ensure better regulation is firmly embedded as a principle in the Treaties, and improve the effectiveness of the state aids and competition frameworks.

I suggest that the mandate should also address issues relating to the ECB so that we have covered the full range of economic governance issues : is the ECB functioning effectively? Does it have the right framework for decision-making? How will the Governing Council be restructured to deal with enlargement?

On the issue of using the Florence text as a point of departure, there are two issues I would like to raise. Firstly, I am assuming that use of the Florence text will not prejudice any proposals from the working group on Treaty Simplification or the Convention as a whole on how a new treaty should

be structured. Secondly, I believe that some treaty revisions relating to economic governance were agreed in Nice which we would also need to examine.

2. Agenda for 19 June Meeting of the Economic Governance working group

Some thoughts on items 5 and 6 of the mandate from Linda McAvan MEP

Item 5 “The Group may wish to consider how the introduction of the euro affects the broad economic and political arguments for and against transferring competence for some aspects of economic policy to the Community.”

The introduction of the euro has been a clear success, most recently demonstrated by the successful introduction of euro notes and coins. Our paper should recognize this.

The system of economic governance for the single market, especially now that we have the euro, is based upon respect for national sovereignty within a Community framework with some supranational rules. As such, we are dealing with issues which are of keen interest to national parliaments and governments and any systems established should reflect this .

Some are arguing that as more states join the EU, the current system cannot work effectively. But is this necessarily the case ? The current system has worked reasonably well so far and before making any changes, we should instead look to draw lessons from the functioning of the existing rules and procedures, and to apply the existing system effectively, particularly with regard to policy implementation. This could include, for example, improvements in the quality of statistical information from member states.

The mandate asks whether the “ability of Member States to continue to manage their own economic policies according to national circumstances as offering flexibility” is “ an essential corollary of a single monetary policy.” I would argue that such flexibility needs to be retained, particularly in relation to tax. The traditional view has been that, in keeping with the principle of subsidiarity, tax is a matter for Member States and I see little evidence of a need for change. The economic priority for Europe is reform to promote growth, prosperity, jobs and social inclusion. Any proposals on tax must be, and must be seen to be, consistent with this agenda.

Item 6 : “The Group may wish to consider whether the SGP operates effectively, and if not, how it might be improved. Particular consideration might be given to the Excessive Deficit Procedure. Does the introduction of the euro affect the arguments for adapting it to take into account the difference between structural and conjunctural deficits?”

This is a very important issue for our working group and there is certainly a need to consider whether the SGP is operating as effectively as possible: can it be strengthened; can we enhance its credibility – all the time safeguarding long term, sound government finances ?

The current excessive deficit procedure, or at least the way it has on occasion been interpreted, is proving too rigid. A broader, yet nonetheless robust, interpretation of the SGP, that takes into account, for example, the economic cycle, could strengthen the Pact, and enhance its credibility. Such a re-interpretation of the Pact could be achieved without a re-writing of the Pact itself. This is something the working group could explore with experts. If that is indeed the case, we would focus instead on reforming the way in which the Pact is implemented and impacts on policy decisions.

The SGP’s excessive focus on nominal deficits over a very short time horizon does not deliver stability nor, in turn, credibility. So yes, we should take account of the difference between structural and conjunctural deficits.

The aim should be the long term sustainability of public finances and provided this is clearly established, short-term deficits, within limits, could be allowed.

When assessing the sustainability of public finances, this broader definition of the SGP should take into account other issues too such as the important issue of ageing populations as well as public investment, or ‘quality’ of public finances (including structural reform).

This issue of the quality of public finances needs to be prioritised, in particular through greater recognition of the role of public investment, but also through targeted tax reform, and more general structural reform. In the context of sound public finances and economic stability, public investment not only raises welfare provision through high quality public services, but can also help raise the overall productive potential of the economy. But, only once they have achieved sustainability, should Member States give themselves the flexibility to focus on the quality of public finances.

So in summary, a more economically rational interpretation of the Pact would ensure longer-term fiscal discipline and sustainability. It would also enhance credibility, while allowing appropriate flexibility over the economic cycle to increase public investment in key public services.

Contribution de M. McSHARRY

Introduction This paper elaborates my views on the issues outlined in paragraphs 5 and 6 the Mandate of the Economic Governance Working Group (Doc CONV 76/02) as requested at the Working Group meeting on 7 June.

Paragraph 5: *The Group may wish to consider how the introduction of the euro affects the broad economic and political arguments for and against transferring competence for some aspects of economic policy to the Community.*

EMU was founded on the basis of the European Central Bank having responsibility for monetary and day to day exchange rate management and economic and budgetary policies being the responsibility of individual Member States, supplemented by a process of EU economic surveillance.

I am supportive of moves to streamline the various economic policy co-ordination ‘processes’ such as making the BEPGs multi-annual, and reducing the complexity of the ‘Cardiff’ (economic reform) and ‘Luxembourg’ (employment) processes. I am also fully supportive of using the existing instruments of coordination to achieve greater communication and co-operation aimed at ensuring an appropriate – growth supportive - EU economic policy mix.

The BEPGs process plays a key role in EU and in economic policy coordination generally. Continuing to ensure an open exchange of views between the Member States involved in the economic policy coordination process is important.

As regards involving the European Parliament in the BEPG process, this would raise issues of the balance between Member States and the European Parliament on fiscal matters (e.g. taxation) for which the Member States have clear competence.

I am willing to consider measures to better manage the current structure within which the Eurogroup operates. We need to bear in mind here that a key success of the Eurogroup is its informal character, which allows for frank discussion. It will be important that this should not be

lost. In the context of Enlargement, the Union may have to further examine the ideas for a move towards a more formalised Eurogroup structure with decision making powers. However, the issue of ensuring a balance of treatment in the context of a wider (at least initially non-Euro) EU membership will have to be kept firmly in mind in this context. The issue of a more formalised Eurogroup structure is being discussed in the Eurogroup itself but the debate is only at an initial stage. I do not favour a longer, elected chair of the group, which is currently being mooted.

As regards transferring more economic or budgetary competences to Community institutions, the current challenge is to nurture political support for the existing Community competences and institutions and we would encourage a focus on this.

From an economic point of view I would agree that the flexibility inherent in the ability of Member States to manage their own economic and budgetary policies according to national circumstances is important. Indeed, given the asymmetric impact of many economic shocks this flexibility allows governments to respond in a manner appropriate to the structure of their economies and thereby maintain economic stability.

Therefore, I would question the need for a re-allocation of core competences between the EU institutions and Member States.

Fiscal/Tax Harmonisation I do not favour measures to harmonise fiscal measures, especially income and corporation taxation. I do not believe that a case has been made that the introduction of the Euro makes such harmonisation either necessary or desirable.

In relation to public expenditure policy, countries at different stages of economic development have different needs. Ireland, for example, is facing the need to build its infrastructure to the level required to support its economy but is facing an arguably lesser – and certainly later – challenge from ageing. Tax harmonization (like expenditure harmonisation) would ignore the varying needs and motivations of the Member States' differing social and cultural backgrounds.

Paragraph 6: *The Group may wish to consider whether the SGP operates effectively, and if not, how it might be improved. Particular consideration might be given to the Excessive Deficit Procedure.*

The SGP has, to date, been relatively successful in improving the budgetary position in the EU as a whole. For example, the aggregate EU General Government Deficit has fallen from 2.5% of GDP in 1997 to around 0.6% in 2001 with all but four member states now showing positions of close to balance or in surplus. Twelve member states were in deficit in 1997.

My primary concern is to ensure that the Pact continue to support sustainable economic and budgetary outcomes, in a transparent and fair manner. I would be in favour of strengthening the Pact in the following ways:

Early Warnings Some have suggested that the Commission rather than the Council should issue SGP 'Early Warnings'. I am also aware that some commentators see a merit in giving the Commission more powers. However, in our view, the Council should retain the central role. The Commission would like if a proposal for an early warning or a BEPG recommendation could only be overturned by a unanimous vote of the Council instead of QMV at the moment. My view is that existing procedures are appropriate and are a reasonable balance between the duty of the Commission and the fiscal rights of Member States and that the political agreement to the Council giving the Early Warning gives it more force. I am not convinced that there is a need to give the European Commission any additional powers in this area.

Structural Budget Analysis *Does the introduction of the euro affect the arguments for adapting it to take into account the difference between structural and conjunctural deficits?*

Structural or cyclically adjusted budgetary analysis can be a useful tool in analysing compliance with the Stability and Growth Pact. Cyclically adjusted budget balances are already currently calculated as part of the EU surveillance of Member States Stability Programmes.

However, structural budgetary analysis needs to be treated with caution particularly with regard to small open economies such as Ireland. The European Commission has indicated that "calculations of the output gap are subject to a particularly large margin of error in Ireland"¹. The uncertainty relating to estimates of how far Ireland's economy is above or below its trend growth position (i.e. its estimated output gap) casts considerable doubt on the related estimates of the Cyclically adjusted budget balance and the inferences to be drawn from such analysis about the budgetary stance.

¹ Public Finances in EMU, European Commission, July 2001, Page 122

In Ireland's case actual general government balances and debt ratios may convey more critical information about the appropriateness of policy. In this context, I feel that while analysis of Member States' structural budget positions are useful, they must be supplemented by judgement as to their relevance for different Member States. I would therefore not be in favour of adapting the SGP to take any further account of structural budget analysis.

5. Transferring competence for some aspects of economic policy to the Community

The citizens of Europe expect a higher involvement of the Union, in what concerns sound economic growth, sustainable development and inter-generational burden share.

In the context of globalization, the main purpose of the European governance should be to re-establish the right balance between the objectives of the Single market and the social dimension.

The overall functioning of the labour markets and the mobility of labour, along with the enhanced efficiency, flexibility and openness of goods, services and capital markets can play an important role in reducing the economic asymmetric shocks.

The Lisbon Strategy goals cannot be achieved only through single market legislation, but rather a mixture of policies measures, using the open method of coordination. In our own view, in what concerns the key players for achieving a real economic policy coordination, they should be the following:

the Ecofin Council that is given a much stronger role, becoming a “Super Council” by taking the authorities of the General Affairs Council in the economic sphere;

the Ecofin Council chair that would have a longer term than that of the presidency of the Council of the European Union, ensuring thus not only continuity in the efforts for coordination but also higher transparency;

the Commission that would provide expertise and information and would prepare legislation;

The ECB that will be play a consultative role;

the European Parliament that would have to observe the process and to ensure the dialogue with the civil society.

The Member States that would continue to set convergence programs and that would also consider fast exchange of information and improvement of the common statistics.

6. Growth and Stability Pact

In order for the Stability and Growth Pact to become a real instrument for economic policies coordination, we consider that the following changes should be brought:

Even though according to Art. 104, par.2 of the TEC, the excessive government deficit is defined both by the ratio of the government deficit to the GDP and the ratio of the government debt to the GDP, the Stability and Growth Pact takes into consideration only the one definition, the one

regarding the government deficit. Thus, we do believe that harmonization between the Treaty articles and the Stability and Growth Pact regarding the definition of the excessive government deficit is highly necessary not only for reasons of better use of this instrument of coordination, but also to ensure more transparency and clarity to the policies.

Sanctioning the EMU members with excessive deficits should come in due time, since the interval between the reporting of the figures indicating that an excessive deficit exists and the decision to impose sanctions may be up to ten months. There are also proposals to remove the right of the states with excessive deficits to vote further on.

Elimination of all the uncertainties regarding the implementation of the Stability and Growth pact may reduce the risk of coordination failure between national fiscal policies and the single monetary policy.

The Stability and Growth Pact should also envisage elements of positive economic coordination, providing ways to stimulate investments, sustainable growth and employment creation and to ensure better protection against pro-cyclical effects and asymmetric shocks.

Contribution de M. SANTER

Réponses aux questions 5 et 6 du questionnaire du 30 mai 2002 (CONV 76/02)

Ad question 5

La division claire des compétences par l'attribution de la politique monétaire à la banque centrale indépendante et de la politique économique (y compris budgétaire) au(x) Gouvernement(s) constitue un élément fondamental de la constitution de l'Union économique et monétaire européenne. Cette approche a été inspirée par la situation ayant existé en RFA depuis 1949. Il ne paraît pas qu'il y ait de velléité sérieuse de mettre en cause cette option essentielle.

Quelle que soit d'ailleurs la répartition des compétences choisies, la nécessité de maintenir la cohérence entre politique monétaire et politique économique existe toujours, que ces politiques soient fixées par une ou plusieurs institutions, qu'elles le soient au niveau national ou à un niveau supranational.

Dans l'UEM, l'existence d'une politique monétaire unique, fixée par la BCE de façon unilatérale, sans coordination *ex ante* avec les autres institutions, et avec comme seul objectif le maintien du pouvoir d'achat de l'euro, présente l'avantage que la politique monétaire constitue une donnée objective, exogène, sur laquelle la politique économique doit s'orienter ; et le désavantage précisément que la politique monétaire doit s'y orienter en devant chercher sa propre cohérence sans pouvoir influencer sur la politique monétaire.

Il est dès lors essentiel qu'il existe une relation de confiance avec la BCE, notamment au sein de l'Eurogroupe, qui permet à la BCE d'expliquer sa politique monétaire et de fournir ainsi à la Commission et aux Ministres les indications sur l'orientation de cette politique monétaire dont ils ont besoin pour déterminer leur politique économique.

Ce cadre étant tracé, le fait qu'il existe une seule politique monétaire pour l'ensemble de la zone qui a adopté la monnaie unique, alors que les politiques économiques (toujours y compris budgétaires) sont fixées par chaque Gouvernement national pour son Etat ne doit pas être considéré comme un désavantage, à condition que la nécessaire cohérence entre la politique monétaire d'un côté et chacune des politiques économiques nationales ainsi que l'ensemble de ces politiques économiques

nationales de l'autre côté soit établie.

A cette condition, la multiplicité des politiques économiques face à l'unicité de la politique monétaire n'est assurément pas une faiblesse de l'UEM, mais un élément structurel qui la renforce, lui évitant de rompre alors qu'elle peut plier. De même que dans une économie nationale, la politique monétaire risque de ne pas tenir compte et partant d'aggraver les disparités régionales, la politique monétaire unique de la BCE doit être complétée et, au besoin, contrebalancée par des politiques économiques adaptées aux situations nationales, voire régionales, qui malgré tous les progrès dans la convergence, restent fort différentes.

Pour assurer la cohérence entre les politiques économiques, nationales mais coordonnées, et la politique monétaire, les structures et les textes sont en place et fonctionnent. Le fait que la coordination fasse parfois grincer des dents, montre qu'elle a commencé à mordre et que les décisions nationales ne peuvent plus être prises hors du champ communautaire.

Ce n'est certainement pas l'introduction de l'euro qui devrait influencer sur les arguments relatifs à un rééquilibrage des compétences nationales et communautaires, étant donné que la répartition actuelle a été mise en place précisément en vue de l'introduction de l'euro. Le diagnostic après trois ans et demi d'union économique et monétaire ne conduit dès lors pas à la conclusion qu'un transfert important de compétences décisionnelles vers le niveau communautaire soit requis en matière de politique économique. Toutefois, un renforcement au niveau communautaire des pouvoirs d'initiative et de contrôle devrait être envisagé en vue d'améliorer encore l'efficacité des mécanismes en place.

A cet effet, il devrait être envisagé de doter la Commission d'un pouvoir d'initiative (et non seulement de recommandation) en matière de Grandes Orientations de Politique Economique et à l'encontre de décisions nationales mettant en cause la stabilité macro-économique. Le pouvoir de décision toutefois devra rester ancré au niveau du Conseil, statuant à la majorité qualifiée. Par ailleurs, le rôle de la Commission dans la surveillance du respect des GOPE et du Pacte de stabilité pourrait être renforcé, de nouveau sans qu'elle puisse passer outre à une décision majoritaire du Conseil.

Ad question 6

Faisant suite à la réponse fournie à la question 5, il convient de noter que le Pacte de stabilité fonctionne effectivement, de même que la procédure concernant les déficits effectifs. La preuve en est que, finalement et quel que soit l'habillage politique donné aux décisions prises, chaque Etat membre s'efforce de respecter le Pacte et l'ensemble des budgets des Etats membres se rapproche de l'objectif de l'équilibre budgétaire.

De nouveau, ce n'est pas l'introduction de l'euro qui doit plaider pour une adaptation du Pacte, créé précisément en vue de cette introduction. Mais l'évolution des situations réelles, relevée à juste titre dans l'introduction du questionnaire, recommande effectivement de mieux prendre en considération la différence entre déficits structurels et déficits conjoncturels, cette différence prenant d'autant plus d'importance que les déficits nominaux sont réduits et que les niveaux d'endettement sont ramenés dans les normes.

A cet égard également, un renforcement des compétences de la Commission dans le sens indiqué à la réponse n° 5 devrait être envisagé.

Item 5

One of the causes of the doubts and uncertainties about Europe that are quite widespread among certain sections of our public opinion is precisely the question of economic policy. There has been a transfer of monetary policy to the European level, while the responsibility for interest rate adjustment has been transferred to the competence of the ECB. Tax and fiscal policy is, however, left at the national level, albeit within the constraints set down in the Stability Pact.

In other words, also due to the Pact on monetary stability that was introduced to strengthen the euro, the nation states can no longer, even if they wished to, conduct economic policy along Keynesian lines, while at the level of the European Commission there is no economic policy instrument similar to what the nation states had formerly had. Part of our public opinion therefore has a feeling of a vacuum.

This raises a problem: the European Union's budgetary policy, which is mainly designed to deal with geographic imbalances (the more disadvantaged regions) or sectoral imbalances (for example, agriculture), is equipped to implement a full-blown anti-cyclical policy.

It would therefore be appropriate to coordinate the national tax policies of the Member States precisely to manage the asymmetrical - that is to say, local - shocks.

One might also envisage a European-level solidarity Fund along the lines of the one that exists in the Federal Republic of Germany.

Item 6

The Stability and Growth Pact has worked well in the pursuit of the convergence objectives set at Maastricht. The reordering of the public accounts of the national economies has been a very important step, and must not therefore be challenged. But it would certainly be a good idea to adapt the Pact to take account of the difference between structural deficits and cyclical deficits. This could pave the way for public investment financing that would increase the output capacity of the economy as a whole.

The Pact reformed in this way would not only act as a "guardian" of the national economies but it would also be an instrument for coordinating economic and national development policies.

It therefore follows that if national economic policies are eventually to be coordinated, the quality of expenditure, and hence of the deficit, needs to be differentiated.

POLITIQUES MONETAIRES

Point 5.

Comme les Etats membres en transférant leur souveraineté en matière de politique monétaire à la BCE, perdent un instrument important d'ajustement, le risque subsiste qu'un Etat membre soit séduit à suivre une politique atypique p.e. lors qu'il serait confronté avec une crise. Des politiques budgétaires divergentes peuvent nuire la stabilité monétaire et provoquer des déséquilibres. Il est donc nécessaire que les Etats membres coordonnent leurs politiques économiques et budgétaires. Le pacte de stabilité et la coordination de la politique macro-économique des Etats membres et de l'Union sont les instruments prévues par le Traité.

Pourtant les faits prouvent que ces instruments ne fonctionnent pas de manière efficace.

Confronté avec la crise monétaire asiatique (1998 – 1999) et plus tard à une nouvelle crise suite à la montée des prix du pétrole en 2000 et la crise suite aux événements du 11 septembre, le Conseil ECOFIN a joué un rôle très modeste et les Etats membres ont surtout réagi en baissant les impôts et en diminuant les dépenses. Ils n'ont pas été en mesure de cueillir pleinement les fruits de la croissance de 2000 en ce qui concerne p.e. la promotion de l'emploi. Il y a un coût important de non-Europe en la matière.

L'élargissement de l'Union et la possible adhésion dès 2006 de nouveaux Etats membres à la zone euro va amplifier les problèmes signalés. L'intégration monétaire actuel se fait entre des systèmes économiques très similaires et qui étaient déjà en cours d'intégration monétaire, l'élargissement se fait avec des Etats dont l'économie est beaucoup plus instable et en phase de rattrapage. Il faut donc réfléchir comment renforcer la coordination économique, afin de parvenir à une gouvernance socio-économique.

- Le manque d'une politique fiscale coordonnée, surtout vis à vis des revenus mobiliers provoque l'érosion des revenus publiques suite à la concurrence fiscale déloyale entre Etats membres sur ces types de revenu. Afin de garantir aux Etats membres un niveau suffisant de moyens publiques et d'éviter une pression sur les bases d'imposition liées à l'emploi [revenus immobiliers], une politique européenne en la matière devient très urgente.

- Le manque également un bon 'policy mix' et une politique économique active promouvant l'emploi, la cohésion sociale et le développement durable, fait que l'Union et les Etats membres doivent se contenter d'une politique économique défensive. Pour combler ce déficit une concertation entre les différents acteurs (la BCE, la Commission, les Etats membres, les partenaires sociaux) est une « condition sine qua non ». Le Conseil Européen de Cologne a mis sur pied le dialogue macro-économique et il nous semble souhaitable de renforcer cet instrument afin de parvenir à une concertation préalable avec les institutions, les Etats membres et les partenaires sociaux. Sans vouloir mettre en discussion l'indépendance de la BCE, il faut donc renforcer la concertation entre les acteurs économiques, responsable de la politique monétaire, la politique budgétaire et la politique économique et salariale et ajuster les principes de base du mandat de la BCE.

- Les Etats membres et l'Union sont conscient du fait qu'il faut approfondir et améliorer la capacité d'agir de l'Union et des Etats membres. En ce qui concerne la coordination et la définition d'un policy mix, depuis Maastricht et sur base des expériences et de nouvel acquis, une certaine évolution a eu lieu, afin de mieux équilibrer la politique économique avec l'emploi et la cohésion social. Le Traité de Amsterdam prévoit une compétence communautaire pour la lutte contre l'exclusion sociale et la politique de l'emploi, le Sommet de Lisbonne introduit des objectifs à long et moyen terme et les Sommets de Printemps qui sont sensé de mieux équilibrer la coordination économique, l'emploi et le social. Il faut dès lors réfléchir à l'insertion de la méthode de Lisbonne (programmation à moyen terme et procédure de suivi et d'évaluation annuel) dans le Traité.

Il me semble opportun de prévoir le renforcement de la procédure de coordination. 1) Le renforcement du rôle de la Commission dans le cadre de cette coordination socio-économique afin que les intérêts communs seront mieux prise en charge ; 2) L'implication des partenaires sociaux et du Parlement européen, ainsi que celle des autorités compétentes au niveau national et régional, afin de garantir la démocratisation de la gouvernance socio-économique et la meilleure prise-en-compte des diversités nationales et régionales.

Afin de renforcer le rôle des partenaires sociaux dans la politique (macro-) économique, la politique de l'emploi et la coordination de la politique sociale, le dialogue macro-économique devrait être formalisé dans le cadre d'un comité tripartite pour la concertation sociale pour la croissance, l'emploi et la cohésion sociale, entre autre avant le Sommet du Printemps.

Point 6.

Le pacte de stabilité et de la croissance doit fournir le cadre de référence également en cas de ralentissement économique. Mais, comme cet instrument a montré son inefficacité lors des récents incidents d'un avertissements ou non vis à vis de certain Etats membres, il me semble opportun de renforcer à ce point la position de la Commission comme gardien de l'intérêt commun.

Il existe de bonnes raisons pour lesquelles un pacte européen de stabilité, comme défini par le Conseil européen, reste nécessaire. Ne contestant pas le fait que des budgets saines et durables sont une « conditio sine non » pour une bonne politique sociale, il ne faut pas non plus économiser de manière aveugle sur des investissements socialement nécessaires : les autorités doivent pouvoir répondre aux attentes des citoyens concernant un service publique de qualité ; elles doivent également pouvoir préparer l'avenir des états providences vis à vis des nouveaux défis sociaux, i.c. le vieillissement de la population. Une politique budgétaire saine devrait être accompagné d'une politique d'investissement sociaux sains. Cela implique une flexibilité dans l'application du pacte de stabilité et de croissance afin de pouvoir stimuler une politique active d'investissement en faveur de l'emploi et la cohésion sociale, tout en respectant le consensus sur la nécessité de mener une politique budgétaire saine.

Pour qu'on puisse cueillir les fruits du pacte de stabilité, il faut que la discipline budgétaire des gouvernements soit récompensée par une certaine souplesse monétaire de la BCE, p.e. en adoptant une politique analogue à la « golden rule » au Royaume Uni.

Il convient dès lors de réfléchir sur une clarification du mandat de la BCE et d'un élargissement de ses missions, p.e. avec l'objectif de poursuivre le plein emploi. Dans le même but et afin de augmenter la stabilité monétaire et la prévisibilité, il nous semble souhaitable que la BCE fonctionne plus transparente entre autre en rendant publique les comptes rendues et en ayant une obligation de justification vis à vis du Conseil (Euro-groupe) et du PE.

Asymmetry between monetary and fiscal policies within the EMU

Two instruments for managing modern macroeconomic policy and the essence of their existence

Modern macroeconomic policy, as it has become understood during the second half of the twentieth century, is based on two managing factors: on monetary policy administered by a Central bank and on fiscal policy administered by political representatives.

Although these instruments are relatively independent, their application in harmony between the administrator of the currency and the administrator of public finance is beneficial. On one hand this coordination increases the capacity of the economy to absorb shocks and to smooth economic cycles, and on the other allows to greater benefit from opportunities the economy faces in an increasingly interconnected world economic system.

General problem of the current EMU situation

Current situation: monetary policy is at the European level concentrated in hands of the ECB, while the fiscal policy is divided among national governments of individual Member States. EMU is therefore an asymmetrical and rigid system.

The Stability and Growth pact is a manifestation of the efforts to address the risks of this asymmetrical situation, but the pact nevertheless increases the rigidity of the system. The danger of divergence between the monetary and the fiscal policies (for example, excessive deficits that cannot be supported by the value of the currency) should be prevented by stability pact system, which constrains individual countries to keep fiscal discipline within specified limits. However, instead of a standard system of two levers – monetary and fiscal – this is a rigid system with one large monetary lever and 15 small fiscal levers. In addition, the possibility for those who administer these 15 national levers to take important actions is restricted.

Consequence of this situation: several dangerous bottlenecks emerge and the chance to exploit certain opportunities is limited.

Historical parallel: this is a system, which as a whole has no analogy in the history of economics and currency. However, it can be compared with some analogous historical elements. The Euro, essentially an external currency for national economies, works in much the same way the Gold Standard did, so long as the European central bank will maintain a rigorous credible regime.

Basically it functions as a currency the administrators of a national economy cannot manipulate. Thus, from the European point of view on the economy there is de facto a defined rigid fiscal

policy, consequence of this comparable “gold standard” of the Euro as administered by the ECB. That is why the entire system in a sense represents a return to the very limited opportunities of economic governance, as we know it from the period prior to the abolition of the Gold Standard.

Positive and negative aspects of this situation

Pressure on the structural dimension of the economy: The system places unprecedented pressure on the homogenisation of the European economic zone and on the synchronisation of cycles within this economic area. The risks stemming from the fact that the Euro-zone by definition not necessarily an optimal currency area are therefore reduced by this mechanism (e.g. the danger of asymmetric shocks are reduced). Pressure is generated on the implementation of structural reforms in national economies, which can no longer be avoided by means of short-term manipulation with the instruments of cyclical macroeconomic policy.

Issues of flexibility and competitiveness: The resulting system on one side prevents opportunist manipulations with fiscal and monetary policy, but on the other it is also a system that possibly reduces both the ability to absorb external shocks of global nature and take advantage of opportunities that governments can provide in coordination with the central bank, specifically pro-growth incentives. Such limitations can become a factor of comparative disadvantage for Europe in relation to large markets where the central bank and the government have more opportunity to react flexibly. This is true particularly in comparison with the US economy and possibly in the future with the China, Europe's largest potential competitors over the next decades.

Conclusion: The current system may only be provisional

The system based on a single currency, restrictive monetary policy and the stability pact, which limits the government's latitude in fiscal policy makes it possible for the European economy to survive and stabilise as long as serious external shocks do not occur. For this reason we can consider the current system to be a satisfactory temporary solution for the transition period between the introduction of the single currency and the eventual situation where monetary and fiscal components of macroeconomic policy can work together in harmony. In other words, where both these levers are active partners in the definition of macroeconomic policy. There is no doubt that if the European union fails to take this path, the Euro and between 15 to 28 national fiscal policies may never attain the degree of co-operation and harmony that would allow the European economy to benefit from all growth opportunities as well as minimise the consequences of external shocks. Unquestionably, European competitiveness will decrease as a result. One aspect of this lost in competitiveness will probably be a long-term decrease in the credibility of Euro in its role as a

second global reserve currency.

Can this provisional system be improved?

In the context of continuing asymmetry between single monetary policy and fragmented fiscal policies, the key element of the system is the stability and growth pact (SGP).

The working group should focus on the three following questions in this matter:

- *Is it possible to make a sufficiently clear distinction between structural and actual deficits, so as to define a reference value of structural deficits?*
- *Is it possible to create a motivation system in order to make member states to actually pursue the objective of budgets „close to balance or in surplus“?*
- *Is it possible to enhance the credibility of the SGP?*

Towards what long-term solution should the current provisional system evolve?

The optimal situation is the above-mentioned symmetrical situation we know from national economies, where a single administrator of the monetary lever faces a corresponding single partner handling the fiscal lever. Such a situation can be reached by at least partial creation of European fiscal policy. Specifically it means the creation of a European budget at least partially on the basis of direct tax collection and the situation where the European budget has sufficient volume to be in itself a factor of macroeconomic policy. Another question is whether the chance to attain a harmony between the central bank and the government should be enhanced by means of the enlargement of the objective assigned to the ECB.

Therefore we should focus on following questions:

- *Should the objective assigned to the ECB be modified (for example in the manner of the US FED)?*
- *What should be the relation between national fiscal policies and European fiscal policy?*
- *What is the necessary volume of the European budget to make the European fiscal policy able to play an active role in the European macroeconomic policy?*
- *How to reform budgetary rules of the EU in order to allow to lead an active cyclical fiscal policy?*
- *Should a European tax be established and if so, what form should it take and how should it be collected?*
- *What institutional solution is optimal for the administration of the fiscal policy at the European level?*

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