

Working Group VI

Working document 11

Working group VI Economic governance

Members of Working Group VI will find attached a paper by Mr. Gerhard Tusek.

Improved interaction of economic, monetary and employment policy

Working translation

Since the introduction of the single currency, Member States of the European Union and in particular members of the Euro area have strengthened their cooperation in the field of economic and budgetary policies. The Broad Economic Policy Guidelines as well as the Stability and Growth Pact on the whole have proven to fulfil their functions and substantially contribute to economic and budgetary convergence within the European Union. Discussions within the Euro Group and regular dialogue with the ECB have strengthened mutual understanding and brought originally controversial positions closer together. By introducing the method of open coordination, an instrument has been developed that allows for rapid reaction to new challenges while leaving sufficient scope for Member States, necessary for the de-centralised approach to fiscal policy coordination.

However, limits should be determined, particularly when narrowing this scope for Member States in areas that do not fall into the Union's competencies. The discussion is therefore closely related to the debate of delimitation of competencies.

The Lisbon European Council has set the course for the development of a global strategy. This has to be considered also in the discussion about the future of Europe. For a policy approach that is targeted towards economic growth, employment and price stability, it is important that the recently developed coordination and dialogue mechanisms are being further improved and gradually bundled within a comprehensive strategy. This aim could be expressed in a restructured title of the Treaty.

It is suggested to rename Title VII of the TEC into: "Strategy for economic, monetary and employment policy". The corresponding provisions of the TEC could be regrouped and remain unchanged. A common, comprehensive strategy could improve coordination between the economic policies of Member States.

The current delimitation of competencies in the field of economic policies as well as the independence of the ECB, as set out in the Treaty, should remain unchanged.

However, it should be ensured that the complexity of coordination mechanisms does not lead to unnecessary high costs. This could also be discussed in WP VI.

Suggestion for a modification of the TEC:

Title VII

Strategy for economic, monetary and employment policy

Art. XX:

The Member States and the Community shall develop and pursue a strategy for economic, monetary and employment policy that contributes to the achievement of the objectives of sustainable economic growth, a high level of employment and price stability in order to increase the potential for growth and employment of the Community. The Member States and the Community shall act in accordance with the principle of an open market economy with free competition, favouring an efficient allocation of resources.

Chapter 1 Economic policy

TEC Art 98 ff

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Chapter 2 Monetary policy

TEC Art 105 ff

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Chapter 3 Employment

TEC Art 125 ff