

Discussion paper: From the Monetary Union to an Economic Union

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A monetary union cannot survive without an economic union. This lesson had to be learned in the last weeks and months.

Currently, monetary politics are organized on the European level, whereas fiscal, economic and social politics are with national responsibilities. This discrepancy leads to unsatisfactory and even dangerous developments in some Member States but as well for the European Union as a whole. The economic governance in the European Union must be strengthened. The crisis and its severe effects on some European countries has demonstrated once more that interdependence cannot work without solidarity between the Member States.

The following proposals should among others be discussed for the set up of a European economic government.

1. 'High representative' for fiscal and economic policies

Like the double-hatted High Representative for Foreign Affairs and Security Policy, the time has come to think about a similar construction of a 'High Representative for Economic and Fiscal Policies'. A Vice President of the European Commission should at the same time chair the Ecofin Council and the Eurogroup. S/he should manage supranational financial dossiers, the coordination of economic and fiscal policies between the 27 Member States and represent the EU in international financial and economic institutions, such as IMF and WTO.

Eurostat should provide the Commissioner with sufficient information on budget related data of the Member States. The Commission should use 'naming and shaming' as an instrument. A system of incentives and sanctions should be introduced to guarantee the implementation of the common economic and fiscal policy.

European regulation of financial markets is necessary, to limit the dangerous speculations and to allow for a level playing field. A single European Financial Supervisor should ensure an effective oversight for the financial markets and their products and a European rating agency should be established.

2. European Monetary Fund

A European Monetary Fund should be established to counterbalance monetary speculations against a Member State. A European Financial Stabilisation Mechanism could work as a loan-providing fund to help both eurozone and non-eurozone countries in financial difficulties.

3. Better European Budget

The EU Budget - 140€ billion for 2010 - comes from three sources: customs duties, a share of the harmonised value added tax (VAT) base of each Member State, and a further contribution from the Member States based on their gross national income (GNI). The size and the structure of the EU budget are overdue for reform. The EU needs real own resources by a 'European tax', for example a European carbon tax or a European financial transaction tax, replacing the VAT share and the direct contributions of Member States.

Next to a reformed budgetary strategy on the EU level there is a need for adequate and fair taxation and a more intensive fight against tax evasion.

The EU should be allowed to issue Eurobonds, in order to satisfy the implementation of its programs and action plans, especially the Europe 2020 strategy.

4. Outlook

The European summit in December 2010 should decide a comprehensive concept for the European Economic Governance that allows for a European response to the challenges of globalisation and international financial markets. The European Economic Union must follow as much as possible the community method, by involving the European Parliament, and must not be exclusively intergovernmental. The Europe 2020 Strategy should incorporate stronger instruments for economic governance and economic coordination.