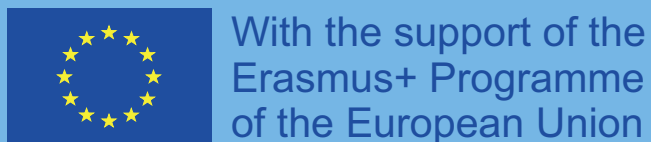


Jean Monnet Module

“Economic Policy in the European Union”

Session 4.4. Towards fiscal federalism in the EU:
a budget for the Eurozone

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- A two-speed Europe
- A budget for the Eurozone
- Final reflections

ECONOMIC AND MONETARY UNION

- A peculiar *sui generis* construction
- Important institutional asymmetry (monetary policy vs. fiscal policy)
- Its proper functioning requires national governments to ensure:
 - The sustainability of your own public finances
 - The competitiveness of their national economies
 - The stability of their financial systems
- Economic and Monetary Union and the Crisis

A TWO-SPEED EUROPE

- **Two-speed Europe** based on a **selective narrowing of integration or enhanced cooperation** in line with eurozone countries and in certain areas such as deepening Economic and Monetary Union, **without changing the current legal framework of the Treaties.**

ENHANCED COOPERATION

- Set out in the Treaties of the European → Art. 20 TEU
- Allows you to go at different pace
- It makes it easier to match the demands of member countries (which do not have to be the same or go even)

ENHANCED COOPERATION - KINDNESS

- It does not require changing the → institutionalized informal cooperation
- Eurozone EMM can use the mechanism of Article 136 TFEU
- Unified representation in international financial institutions (Art.138 TFEU)

REINFORCED COOPERATION - INCONVENIENT

- The flexibility of the agreements could lead to the dispersion of the EU's objectives
- Interference by the other institutions of the same (EC and PE)
- Bringing cooperation through intergovernmental channels rather than institutional channels
- The EC and doubts about intergovernmental solutions
- The flexibility clause → Art.352 TFEU

REINFORCED COOPERATION - SUMMARY

- Main advantage → authorization by the Council
- It is not a specific mechanism for the euro area
- Reduced room for manoeuvre

- Pronouncement of the CJEC (2012, 362), Case C-370/2, Paragraph 167:

"enhanced cooperation can only be established where the Union itself has jurisdiction to act in the field of such cooperation"

TREATY REFORM

- Comprehensive reform → path to move towards a true federal union (Spinelli Group)
- A one-off → art. 48 TEU
- A one-off reform + the flexibility clause → Art. 48 TEU + Art. 352 TFEU

A BUDGET FOR THE EUROZONE

- Completing the initial structure of EMU
- Exclusively financing the euro area's counter-cyclical economic policies
- Contributing to macroeconomic stability
- It would be nurtured by regular contributions from eurozone states
- Size → depends on its stabilizing function
- Art. 123. TFEU → ECB and the Central Banks of the Member States

A BUDGET FOR THE EUROZONE: HISTORY (I)

- Informe MacDougall (1977) → 7,5%-10% PNB
- Delors Report (80 years) → 2.5% GNP
- Glienicker Group → Euro Treaty
- Herman Van Rompuy (2012) → 2014-2020 MFF Negotiations

A BUDGET FOR THE EUROZONE: HISTORY (II)

- European Parliament (2012) → Report "Towards Genuine Monetary and Economic Union"
- Commission (2012) → Master Plan
- European Council → Report "Towards genuine EMU"
- Commission (2015) → initiative to achieve true EMU by the end of 2025
- Budgetary instrument for convergence and competitiveness (BICC)

LEGAL CONFIGURATION AND REGULATORY BASE

- **Option 1** → A subsumed budget within the General Budget (Community budget method)
- **Option 2** → Fund independent of the General Budget (managed by the EC or an independent Agency)
- **Option 3** → Article 352 TFEU or a new Treaty



**OPTION 3 → ARTICLE 352
TFEU OR A NEW TREATY**

- Art. 352 TFEU
- A new Treaty

A NEW TREATY: ADVANTAGES AND INCONVENIENTS

- **Advantages:**

- Avoid political problems to achieve the required political majority
- Promotes global coherence of the legal system
- It can use the existing institutional framework

- **Disadvantages:**

- It is carried out through mechanisms external to the Treaties
- Loss of "community method"
- Increased complexity of the current EU legal framework
- Institutional lace required

FINANCING THE EURO AREA BUDGET

- Contributions from eurozone member countries
- Loans
- A new own resource

CONCLUSIONS

- The existence of a single currency carries certain benefits as costs
- The economic, financial and budgetary crisis → enhanced European economic governance
- New budget for euro area → balance sheet

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