



**European
Movement
International**

Future of Europe Deepening the Economic and Monetary Union



The publication of the European Commission reflection paper on the deepening of the Economic and Monetary Union (EMU) is an opportunity to propose bold and innovative solutions that will strengthen the common currency, and build the necessary public support and political commitment to move forward.

Moving urgently from crisis response to structural reforms

It has been almost a decade since the economic and financial crisis exposed structural shortcomings in the setup of the Economic and Monetary Union. Intergovernmental solutions to the crisis such as the European Financial Stability Facility and the European Stability Mechanism offered initial assistance. Proposals to further strengthen the EMU led notably to the European Semester cycle of policy coordination, the 'six-pack' legislation strengthening the Stability and Growth Pact, the Fiscal Compact on balanced national budgets, as well as the 'two-pack' legislation strengthening the monitoring of Member States' fiscal policies. Furthermore, concrete steps were taken towards a Banking Union with the implementation of a Single Supervisory Mechanism and the Single Resolution Mechanism, and discussions on a European Deposit Insurance Scheme are underway.

It is a widely shared view that the Economic and Monetary Union needs further structural improvements to guarantee a stable cur-

rency and foster economic growth.

Several proposals have been put on the table over the years, the latest being the 'Five Presidents' Report' Completing Europe's Economic and Monetary Union, which proposed a two-stage process. The Commission undertook actions to implement the 'first stage' measures, such as strengthened external euro area representation and a 'revamped' European Semester, while a White Paper on more far-reaching second stage measures was expected in spring 2017. However, as the reflection process on the future of the EU27 has taken centre stage the EMU White Paper has been put on hold. Instead, a 'reflection paper on the deepening of the EMU' has been planned, which might not include the concrete steps foreseen in the EMU White Paper.

The hesitation of the European Union when it comes to taking concrete steps forward on EMU reform has to end. The Economic and Monetary Union, as a core pillar of the European Union, is in urgent need of strengthening. The current approach, with limited means of enforcement, is insufficient in addressing the differences between Member States' levels of economic development or the discrepancy between the common monetary policy and national policies. Furthermore, the integration of the crisis response mechanisms in the EU legal framework is long overdue, and there is a clear tension between the current opaque system of decision-making and democratic and accountable decision-making.



The push for deepening the EMU needs to come from all sides. Based on the inter-institutional Five Presidents' Report, the Presidents should compel their respective institutions to move forward on the first stage proposals and push for the drafting of the second stage White Paper. The European Parliament and the European Commission should urge Member States to take concrete action based on their respective proposals for the deepening of the EMU. **The aim must be to take joint steps towards a deeper Economic and Monetary Union.** This means that all Member States need to be on board going forward, as the goal is for all Member States to eventually join the Eurozone. A joint Franco-German proposal after the French and German elections could provide a new impetus and establish a concrete basis for discussions in the Council, also taking into account recent proposals for further integration from Spain, Italy, and others. The fear of a 'multi-speed Europe', held by some non-Eurozone Member States, is unwarranted if they engage with the process of deepening the EMU in order to include their vision in the next steps.

Building blocks to deepen the Economic and Monetary Union

A legitimate and accountable European Economic Governance needs a clearer and more democratic decision-making structure. To this end, intergovernmental crisis solutions need to be fully integrated into the EU legal framework, and subject to scrutiny by the European Parliament.



Clearer decision-making also warrants the appointment of a Eurozone Finance Minister with stronger executive powers, who would assume the functions of Eurogroup chair and Commission Vice President for Economic and Monetary Affairs, be the internal and external representative of the Eurozone, supervise Member States' budget policies, coordinate economic and fiscal policies, manage a new Eurozone budget, and handle crisis situations.

To strengthen democratic accountability, the European Parliament

should be co-legislator on all EMU issues. To this end, the European Parliament Committee on Economic and Monetary Affairs should be strengthened with special information rights and scrutiny responsibilities. The complete European Parliament should be fully involved in the development and monitoring of economic and fiscal policies and the appointment and dismissal of the Eurozone Finance Minister, as the idea is that all Member States will eventually join the euro. The role of national parliaments can be strengthened to allow them a greater role in scrutinizing the decisions of their national governments on EMU issues.

A fiscal capacity should be created to provide a stabilisation function for the Eurozone. An automatic stabiliser or 'Eurozone budget' could mitigate asymmetric macro-economic shocks in the Eurozone. It could further promote much-needed structural reforms, increase economic convergence, and offer room for Member States to invest during recessions. A Eurozone budget could be realised in different forms, as shown by recent proposals from Member States, academics and institutions. **Any form of fiscal capacity should be subject to the control of the European Parliament and be managed by the Eurozone Finance Minister.** Furthermore, priority should be given to own re-

sources as a source of financing the Eurozone budget.

This fiscal capacity could take the form of a **European Unemployment Benefits Scheme** as a stabilisation and solidarity mechanism. A genuine European Unemployment Insurance System with substantial harmonisation could introduce a stabilisation function as well as a direct link between the EU and citizens and support the development of the European Pillar of Social Rights.

Eurobonds could provide another form of risk sharing. The common issuance of debt in the form of Eurobonds could increase financial and monetary stability and reduce contagion between sovereign states and the banking system. Their design should balance stabilisation and moral hazard by enforcing budgetary discipline through better common economic governance.

The Economic and Monetary Union should become more social and focus on upward convergence. The social dimension should be streamed into current processes such as the European Semester as soon as possible. Furthermore, a binding convergence code as proposed by the European Parliament should be introduced, whose converging targets should also focus on labour markets, labour mobil-

ity, taxation, social cohesion and other social aspects. Moreover, a 'silver rule' for public social investment should be introduced to incentivise public investment by the Member States and remove limitations in the current governance framework for specific areas of social investment with substantial economic and social returns. Integrating a governance structure on social issues into EMU governance would support and guide Eurozone states on the basis of common agreed standards, while leaving Member States room for decisions on their specific social policies.

The EMU should support a European economy that is modern, sustainable, socially just and globally competitive. It should encourage a circular economy and responsible consumption. Structural improvements to the EMU should not only make the Eurozone more robust in the event of future shocks, but also support related policies such as the European Pillar for Social Rights, the implementation of the Paris Agreement, and develop-

ments towards a sustainable and just tax system. The free movement of people, products, services and capital is another important European value that should underlie its economic policies.

Moving forward

The European Movement International welcomes a Europe-wide debate on the future of Europe and the EMU where all stakeholders can share their views and citizens have the opportunity to actively engage in the discussions. If coupled with concrete venues for dialogue and participation, the reflection paper on the deepening of the EMU might achieve a real debate on the steps forward. At the same time, it cannot be an excuse to postpone much-needed reform. Work on existing proposals and the necessary public and political support should go ahead as foreseen, and an expert group to write the White Paper on second-stage EMU reform as foreseen in the Five Presidents' Report should be convened as soon as possible.

The European Movement

seeks to provide a platform to encourage and facilitate the active participation of citizens and stakeholders in the development of European solutions to our common challenges. We offer thought leadership on the issues that affect Europe and we give the opportunity to representatives from European associations, political parties, enterprises, trade unions, NGOs and other stakeholders, through our 39 National Councils and 34 International Associations, to work together, towards improving the way that Europe works.

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Co-funded by the
Europe for Citizens Programme
of the European Union