



**European
Movement
International**

A fully-fledged Economic and Monetary Union The only way forward

The economic crisis has exposed the structural shortcomings in the setup of the current Economic and Monetary Union (EMU). An improved and comprehensive Economic and Monetary Union is necessary for Europe's economic growth, for the euro to be a stable and durable currency, and for the increased trust and involvement of European citizens, or, in other words: for the future of the European Union.

Political Union

The current rules-based approach to the EMU leads to problems with regard to compliance and enforcement. Furthermore, monetary policy is European, whereas fiscal and economic policy remains national. A Political Union is needed for genuine European Economic Governance and an effective common European economic policy. In this Political Union, Euro-

pean monetary policy is supplemented with joint budgetary and fiscal coordination, convergence in economic policies, a fiscal capacity for counter-cyclical policies, and a social dimension.

It involves enhanced decision-making powers, rule-enforcement, and solidarity through risk-sharing and temporary fiscal transfers. Such a Political Union must restore public participation and involve all stakeholders in European integration in order to ensure the legitimacy of the decision-making and implementation process.

European Economic Governance: the European Commission

A better division between legislative and executive powers will strengthen European Economic Governance. An increase in executive powers of the European Commission to act as the Eurozone's economic government, coupled with the establishment of a High Representative for the Eurozone, will lay the basis for effective and ac-

countable European Economic Governance. The High Representative will merge the positions of Vice Presidents for Economic and Monetary affairs

of the European Commission and Eurogroup chair, taking up the role of Eurozone Finance Minister both internally and in external representation, supervising Member States' budget policies, coordinate economic and fiscal policies, and handle crisis situations.



European Economic Governance: the European Parliament

The European Parliament has an important function with its co-legislator role and involvement in the Economic Dialogue. Full use of the community method with its democratic checks and balances is necessary to increase the democratic accountability of the Economic and Monetary Union. Therefore, strengthening the European Parliament's Committee on Economic and Monetary Affairs, with special information rights and scrutiny responsibilities, extending the co-decision procedure on EMU issues, will ensure the involvement of the European Parliament in EMU decision-making. As the majority of EU Member States have committed to eventually join the euro, the complete European Parliament will be involved in the development and monitoring of economic and fiscal policies, the appointment and dismissal of the High Representative, and the democratic scrutiny of intergovernmental agreements and institutions set up in the wake of the economic crisis. National parliaments should also have a greater involvement on EMU-issues, allowing them to scrutinise the decisions of their national governments.

“The economic crisis exposed the structural shortcomings in the setup of the current Economic and Monetary Union. An improved and comprehensive policy is necessary for Europe's economic growth, as well as for the euro to be a stable and durable currency.”

European Movement statement on 5 November 2015

Fiscal Capacity

Fiscal integration will create a stronger Economic and Monetary Union. An additional fiscal capacity for the EMU, drawn from new forms of own resources, could be used to promote structural reforms, increase economic convergence, and mitigate asymmetric macro-economic shocks. In this regard, the European Parliament should have a supervisory role over the fiscal capacity, and be involved in the implementation of contractual ar-



rangements, while the Eurozone fiscal capacity will be managed by the High Representative of the Eurozone. This 'Eurozone budget' could be financed by a European Financial Transaction Tax, European VAT, a European Carbon Tax, ETS revenue, a European Corporate Income Tax, or other new forms of own resources that are not directly linked to Member State contributions. Eventually, these own resources could replace Member State contributions to the EU budget in general.

Risk sharing: Eurobonds

The lack of risk sharing and a lender of last resort have rendered the EU unable to deal with systemic shocks. Strengthening the ECB's role as lender of last resort will instil confidence in the markets when certain parts of the Eurozone lose competitiveness or certain sectors are hit by external asymmetric shocks. Furthermore, common issuance of debt in the form of Eurobonds could increase financial and monetary stability by reducing contagion between sovereign states and the banking system. The design of Eurobonds should be based on a balancing act between stabilisation and moral hazard by enforcing budgetary discipline through better and common economic governance, while ensuring complementarity with other policy measures such as the banking union.

“An own resource of the EU, would help create the nucleus of a Eurozone budget within the EU's general budget, that is much needed to counter asymmetric economic shocks and to support structural reforms within the single currency.”

Jo Leinen MEP, President, European Movement International

Risk sharing: European Unemployment Insurance Scheme

In the absence of risk sharing instruments, Member States might be reluctant to support a stronger EMU governance. Apart from a fiscal capacity and temporary fiscal transfers, a European Unemployment Insurance Scheme could provide the necessary automatic stabilisers while introducing a social dimension to the EMU. The European Unemployment Insurance Scheme would function as a stabilisation and solidarity mechanism. Such a scheme will mitigate the effect of asymmetric shocks, support national efforts to deal with cyclical and structural unemployment, and could be financed by the Eurozone fiscal capacity. Furthermore, it will strengthen the link between the EU and its citizens, as citizens will benefit directly from the EU budget.

“Ever since the banking and sovereign debt crisis unfolded, the EU has been in a constant state of soul-searching. The structural shortcomings in the setup of the current Economic and Monetary Union (EMU) have been violently exposed, forcing the EU to reconsider the whole architecture of the Eurozone’s governance structure.”

Petros Fassoulas, Secretary General, European Movement International

Social Union

Economic, monetary and fiscal policy choices inevitably have a social impact. Mainstreaming the social dimension into the overall EMU governance structure will increase convergence, mitigate negative impacts of social divergence, and increase the connection with citizens. This Social Union includes binding common social convergence criteria, an obligatory minimum support scheme, parameters for minimum wages and minimum income, and the integration of social policy objectives in macroeconomic and budgetary surveillance. Eurozone ministers on Employment and Social Affairs will meet to discuss social issues in a similar set-up to the Eurogroup,

and social dialogue will take place at the Eurozone level as well. The Social Union will support and guide Eurozone states on the basis of common agreed standards, but leave Member States room for decisions on their specific social policies.



Jo Leinen, MEP, President, European Movement International

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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