About the economic constitution of the European Union
di Stefano Micossi

The new Constitution for the European Union is shaping up, with progress emerging in many areas. Alas, not so in economic matters, where proposals still diverge too much for constructive discussion.

On economic policy coordination, no one is questioning the basic allocation of tasks, with monetary policy entrusted to the European Central Bank (ECB) and fiscal policies left with the member states, albeit under certain constraints.

The European Commission claims powers of initiative in the formulation of the Broad Economic Policy Guidelines (Bepg), together with "own" powers in sending early warnings to the member states that do not comply with agreed policies and initiating sanctions against countries in excessive deficits. She has also proposed to grant the Euro-Group of economy and finance ministers formal decision-making powers for the policies of the countries in the euro.

The proposal to strengthen the implementation of common policies is sensible and can gain the support of the Convention, since it involves the technical evaluations of budgetary developments against the benchmark of Treaty prescriptions and policies already agreed upon by the Council.

On the other hand, Commission initiative in the formulation of the Bepg would in practice centralise at Union level the broad lines of national budgetary policies, thus fundamentally altering policy assignment. No convincing case has been made that this is needed; the member states will staunchly oppose it and little support can be expected in the Convention. This idea can be dropped without remorse.

Nor is there any solid reason for shifting to the Euro-Group policy decisions that now belong to the Ecofin Council (the economy and finance ministers of the Union). The Euro-Group already has considerable influence on Ecofin deliberations, thanks to its practice of meeting in advance to coordinate positions. However, financial stability and convergent economic performances are in the broad interest of the whole Union; eventually, all countries are expected to join the euro. Furthermore, a transparent goal of the proposal is to increase pressure on the ECB to accommodate the policies decided in the Euro-Group: clearly, a strong reason to reject any such idea.

As to tax matters, the proposal to move from unanimity to qualified majority voting (QMV) in the Council should not be rejected outright, but can be explored for those aspects of tax policy that directly affect the functioning of the internal market, building on harmonisation powers already in the EC Treaty (Article 94). More precisely, QMV could apply to tax measures that simplify Community rules, ensure their uniform and transparent application, help combat tax avoidance. A sensitive area where QMV should

also be considered is environmental taxes, where more effective decision-making would help reduce national measures that distort the internal market. Member states' freedom to decide their tax polices and tax rates would remain unfettered.
This proposal was discussed at the Nice intergovernmental conference, but was eventually dropped due to intransigent British opposition to any discussion of tax matters, regardless of purpose and content. Fortunately, the Convention open democratic process is less exposed to such blackmail by individual governments.

Finally, new decision-making is required for the Union budget, since present arrangements are inefficient politically and economically. Today, the size of the budget, its financing and a large share of spending (agriculture) are decided by the member states outside any Community procedures. The powers of amendment of the European Parliament only cover the distribution of money within "envelopes" of Community spending decided elsewhere. National parliaments and the public opinion play virtually no role in these decisions; no one is held accountable for them at Union or national level. This is deeply wrong and should be changed.

All budgetary decisions should be brought within Community procedures, with Commission initiative and co-decision by Council and Parliament (with QMV). The overall size of the budget should be decided by exacting majorities and, possibly, made subject to confirmation by national parliaments. The special regime for agricultural spending should be terminated, taking them away from the agricultural lobby and facilitating meaningful reform. Revenues should come *in toto* from a new "Union tax", simple and transparent; the chosen tax should be written in the constitution, its rates would be set by the budgetary procedure. In practice, a small surcharge to the personal income or value-added tax would offer suitable solutions.

Thus, voters would know the costs of the Union and could compare them with attendant benefits. Political parties would have to declare their intentions before European elections; the European Parliament would become accountable for the implementation of policies supported by the electorate.

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