"Economic and monetary union: Transitional issues and third-stage dilemmas"

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Abstract

Despite the agreements negotiated in 1996, a number of difficult and contentious issues pertaining both to the transition to the third stage of EMU and the functioning of economic policy after the transition remain unresolved in the run-up to 1999. This paper examines two of the most consequential transitional and post-transitional issues. One—certainly the most consequential of the transitional issues—involves the question of which member states will qualify for participation in the third stage in 1999 by satisfying the 'convergence criteria' described in the Treaty and thereby earning the right to participate in the third stage. The other involves an important issue that will confront the member states participating in the third stage after 1999—the question of whether they will be able to redress the long-standing problems of low rates of economic growth and high levels of unemployment that afflict most of them. The paper concludes with a brief discussion of a larger issue of institutional design and governance in the EU—specifically, how, if at all, economic policy will be coordinated and conducted among the governments of the member states participating in the third stage of EMU, whether, finding themselves no longer able to control the exchange rate, monetary policy, and, to a large degree, fiscal policy, the governments of the participating member states will be able to exercise collective control of their economies.
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. 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. Economic and monetary union (EMU) in general, and the euro in particular, is designed to create the foundation for sustainable long-term economic growth, by providing macroeconomic stability, while, at the same time, constituting a compilation, issued jointly by the General Secretariat of the Council of the European Union and the European Commission, brings together the core legal and political texts on EMU and the euro, a concept of this publication is to cover the key provisions governing EMU in the format of a handy booklet. The Economic and Monetary Union (EMU) is an umbrella term for the group of policies aimed at converging the economies of member states of the European Union at three stages. The policies cover the 19 eurozone states, as well as non-euro European Union states. Each stage of the EMU consists of progressively closer economic integration. Only once a state participates in the third stage is it permitted to adopt the euro as its official currency. As such, the third stage is largely synonymous with the Economic and Monetary Union (EMU) represents the final stage of economic integration in the EU. The decision to form the EMU was taken by the European Council in Maastricht in December 1991. Provisions regarding the establishment of EMU in accordance with a specific timetable were laid down in the Treaty on European Union (the Maastricht Treaty). EMU is based on a single currency and monetary policy and the coordination of economic policies. EU Member State and the European Community must act in accordance with the following principles: stable prices, sound public finances and monetary discipline.