

## Juncker's Priorities: A Deeper and Fairer Economic and Monetary Union

No. 10 January 2015

By Volker Nitsch

Jean-Claude Juncker's agenda for his term as the President of the European Commission lists 10 policy areas in which he sees both the need and the potential for policy responses from the European Union.<sup>1</sup> For each of these policy areas, a brief motivation is provided; the political guidelines even contain, in a few cases, some detailed proposals for policy measures.

Not surprisingly, European monetary integration has been identified as one of the policy areas to be tackled under this agenda. In particular, Juncker aims at "a deeper and fairer Economic and Monetary Union". He intends to achieve this goal, according to his policy guidelines, with a two-step strategy. During the first year of his mandate, Juncker plans the launch of initiatives to deepen the level of integration. To the extent that these initiatives are specified, however, they are of a highly conventional nature; they include, for instance, the review of previous legislative measures to counter the crisis (which is foreseen in any case) and further structural reforms. Juncker's agenda becomes slightly more creative, in contrast, for the medium term outlook where Juncker intends to put a stronger emphasis on the legitimacy and the social aspects of crisis-fighting policies. Reviewing Juncker's proposals on the reform of Economic and Monetary Union in more detail, three features are particularly noteworthy.

### What does "Deeper" Mean?

The policy guidelines are remarkably opaque on detailed policy measures. One would have thought that proposals for a reform of the Economic and Monetary Union would be drawn from a serious analysis of the causes of the crisis.<sup>2</sup> However, any reference to potential roots of current problems in the Euro zone (such as, for instance, insufficient integration among member countries if deeper integration is indeed considered to be the answer) is unfortunately missing. Instead, the short-term agenda mainly calls for a continuation (and a possible strengthening) of existing policies. This conservative approach leaves room for various interpretations, ranging from general satisfaction with current policy responses to a lack of innovative ideas on how to properly deal with the crisis.

The level of missing detail is particularly irritating with respect to Juncker's ambitions to further deepen Economic and Monetary Union. Of the three first-year initiatives that are explicitly mentioned in the policy guidelines, only one proposal – a more efficient external representation of the Euro zone (where it is debatable whether such a measure is indeed a key priority) – can be interpreted as a direct step in this direction.

### Enhanced Parliamentary Control

In the agenda, special emphasis is given (and

rightly so) to strengthening the legitimacy of reform policies. Over the last few years, many unprecedented emergency measures have been taken to counter the crisis; these measures have often lacked democratic control. Therefore, to review these measures and possibly replace them with more accountable structures makes perfect sense. However, it is interesting to note that the example of policies to be reassessed given in the policy guidelines is the “troika”, although there were probably some good reasons for the establishment of this mechanism (including the involvement of the International Monetary Fund). In contrast, a discussion of the future role and function of the European Central Bank, an extremely powerful and politically independent European Union institution, is missing from the agenda.

### What is “Fair”?

Another major new initiative concerns the social impact assessment of structural reforms. A stronger focus on the social effects of reform policies seems generally reasonable, especially since long-standing ignorance towards the social costs of such programs has undermined their acceptance amongst a wider public.

Still, the implications of this intended policy shift remain unclear. Current plans are not only very vague; they also raise a number of immediate questions. These unresolved issues include: What is the targeted distribution of burdens that is considered to be fair? Who decides about the fairness of a program, the European Union or the nation state? Does the social impact assessment implicitly reduce reform incentives?

### Summary

In his political guidelines for the newly appointed European Commission, Jean-Claude Juncker describes the reform of Economic and Monetary Union as one of his key priorities. While his ideas for future reform remain vague, he intends to re-balance reform packages towards more democratic legitimacy and greater social accountability. This shift in focus is reasonable, but also raises questions.

**Volker Nitsch** is a ZEI Senior Fellow and Professor of Economics, Darmstadt University of Technology

1. The document is online available at [http://ec.europa.eu/priorities/docs/pg\\_en.pdf](http://ec.europa.eu/priorities/docs/pg_en.pdf).

2. For an example, see Helge Berger and Volker Nitsch (2014) „Wearing Corset, Losing Shape: The Euro’s Effect on Trade Imbalances,“ *Journal of Policy Modeling*. 36 (1): 136-155.