Coordination of the budgetary and fiscal policies in the Monetary Union

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The rapporteur, Mr André FOURCANS, took the view that the effective coordination of the economic policies of the Member States should be sufficient to ensure the harmonious economic and social development of the Union. As far as budgetary policy was concerned, he was of the opinion that, in order to combat unemployment and other exceptional problems, Member States should have the option of pursuing expansionary policies. In this context he believed that budgetary equilibrium and deficits should not be assessed annually, but in relation to the whole economic cycle. Penalty payments for deficits exceeding 3% should be decided in the light of the whole cycle. As regards fiscal policies, the rapporteur expressed concern that, in view of the direct comparability permitted by assessment in a single currency, there was a possibility of economic distortion which might result from certain tax differences between Member States of the Monetary Union. Furthermore, in his concern about the possible implementation of incentive strategies based on taxation and social provisions, resulting in unfair competition through dumping, and recognizing that the current political situation is scarcely conducive to abandoning the unanimity rule for tax harmonization, the rapporteur wished to see the practice of dumping averted, either by means of a code of conduct for taxation or by a minimum degree of tax harmonization. As far as EU economic policy was concerned, the rapporteur took the view that the implementation and monitoring of tax coordination, and the putting in place of regulatory mechanisms, presupposed the creation of a political body, with significant economic powers, composed of representatives of all the Member States and subject to strong democratic control.