Commission des Episcopats de la Communauté Européenne
Commission of the Bishops' Conferences of the European Community
Kommission der Bischofskonferenzen der Europäischen Gemeinschaft

42, rue Stévin
B – 1000 Brussels
Tel. + 32 (0)2 235 05 10
Fax + 32 (0)2 230 33 34
comece@comece.org

European Monetary Union

Reflections of the COMECE Secretariat for the Convention

1. A stable euro thanks to consistency in the implementation of the current concept

The statement by the Bishops of COMECE[1] on European Monetary Union in December 2000 was based on the recognition, still valid today, that the basis for the existence of EMU is a political one. The euro is only partly motivated by economics. The amalgamation of the national currencies and their transformation into the euro has led to a permanent community characterised by solidarity and peace and a common policy to promote stability. European Monetary Union represents a step towards political union, a step on a road from which we should not deviate. Monetary union would benefit if, in the process, it were to be embedded in a more comprehensive political union. As indicated in the Treaty of Maastrict, however, the two paths should not be joined together. The royal way of monetary union must be kept open. Given this prerequisite, the experiences of monetary union offer some general impulses for the deliberations of the Convention.

In no other core area has national sovereignty been transferred in full to the EU, let alone placed in the hands of a specially created institution. Monetary union is based on an overall concept which is both coherent and convincing. This concept passed yet another test with the introduction of the euro as a currency. It does not need modification. Rather, the strengthening of the euro requires consistency in the implementation of what has already been decided, for confidence cannot be reinforced by questioning the positive.

The Convention could confirm the separation of the two integration processes and thus work to promote confidence. A stable currency cannot be achieved without persevering with the concept which has already been laid down in constitution-type provisions.

[1] The Commission of the Bishops' Conferences of the European Community (COMECE) is composed of bishops delegated by the 14 Catholic Bishops' Conferences in the EU. Bishops' Conferences from Central and Eastern Europe, Malta and Switzerland contribute to the work of COMECE as observers. In December 2000, COMECE published a statement entitled "A Stable Monetary Union: Hope for a Europe of Solidarity". The current text issued by the COMECE Secretariat is based on the statement, which was prepared by a group of experts. Dr. Andreas Kees played a significant part in the drafting of this contribution.

2. A model for integration policy driven by principle

Which elements of this concept are exemplary when viewed from the standpoint of the integration process? Firstly, it is the spiritual convergence of initially very different concepts which has been achieved over several decades. Monetary union is the child of a spiritual and economic process of maturation which was driven by political impetus. At the outset was the setting up of the European Monetary System (EMS) in 1979, an initiative led by Valéry Giscard d'Estaing and Helmut Schmidt. This process was crowned by the gradual transition to European Monetary Union. This epoch-making step took advantage of the watershed in world politics in 1989.

A further feature of this integration-promoting approach was its orientation towards a higher goal: in political terms, to safeguard peace in Europe, and in economic terms to create internal currency stability. This dual political goal served both to drive and to control the gradual process and has determined the fate of the euro ever since. In this manner, elements of preparedness and agreed political compulsion have been consciously brought to bear.

No less important was the possibility of differentiation according to the countries involved. Because of these characteristics, European monetary integration has been determined by its objectives and directed by its principles. Examples of this are:

- The principle of preparedness. It is essential always to proceed only when both political and economic preparedness are proven. The EU is often confronted with situations in which members are politically, but not economically ready. In certain cases, the reverse can also be true. From this principle criteria for preparedness and convergence can be determined. It is also a basis for differentiation. The previous model of the principle of unity of the original community of six has been modified by the principle of preparedness. In the core area of political integration, all-encompassing and simultaneous unity has proved inappropriate.
- The principle of voluntary participation in political integration in the core areas. This means that no country should be compelled to political integration against its will. When Community processes have not been fully respected, actual integration has subsequently found its own way (as in the case of Denmark).
- Closely connected to this is the principle of the elimination of the veto. Non-participating countries do not have a veto in the joint decision-making process.
- The principle of continued openness. Countries joining subsequently receive a guarantee of admission under the same conditions.
- The principle of irreversibility. This presupposes that there is no provision for subsequent withdrawal. In the core areas, the EU practices a mechanism of integration that excludes regressive options. That is the nature of a permanent community of solidarity with advancing political integration.
- The supreme regulative principle of European Monetary Union is the commitment to price stability: the safeguarding of internal currency stability measured by price index. The obligations of general economic policy derived from this supreme regulative principle support this aim. Given that for political reasons it is very unlikely that, even after the conclusion of the work of the Convention, there will be a common economic policy implemented by a federation, in the future everything will be based on co-ordination of national economic policies to ensure stability.

Monetary policy is able to fulfil its role if destabilising influences, in particular excessive national budget deficits, are avoided.

The principal lessons to be learnt by the Convention from the principle-driven process of monetary integration are: the directing of all activities towards a higher goal and the possibility of differentiated approaches to membership based on objective accession criteria. These have both represented the bread and butter of European monetary integration for decades.

3. The euro is flourishing even in an incomplete economic union

The Treaty of Maastricht only provided elements of economic union. They are restricted largely to protecting the currency against potential threats. One such element is a range of far-reaching procedures, including sanctions, designed to avoid excessive budgetary deficits. The co-ordination of general economic policies plays a supporting role in this regard. Both were made more concrete and stated in greater detail in the Stability and Growth Pact. The Convention might be inclined to propose an even stronger legal basis for this pact. More important in terms of lasting confidence in the euro, however, is probably the spirit in which the pact is implemented. In any case, a single economic policy within the EU is not a prerequisite for the completion of monetary union. Even the current institutional form is sufficiently flexible and open to development. The same applies to the Euro Group.
Proposals for further institutional differentiation by the Convention should not be allowed to drown in the complexity of procedures.

In terms of social policy, the statement by the Bishops of COMECE in December 2000 highlighted the fact that European Monetary Union in itself does not require a common social policy. Social policy pursues other aims and objectives such as, for example, the promotion of the family or insurance against individual risks to life. However, it is not without effect on currency stability, as social security expenditure represents the largest part of most national budgets and it affects the mobility of the workforce within the monetary union. Nevertheless, it is generally true that the more comprehensively that monetary stability is achieved, the greater the room for manoeuvre in social policy. Furthermore, a stable currency is a significant social asset.
The avoidance of excessive budgetary deficits promotes economic growth and social justice between the generations, because it makes it harder to shift burdens from one generation to the next.

The Convention will debate questions of external monetary policy. According to the Treaty of Maastricht, competence in this area is shared by national governments and the European Central Bank (ECB). In the field of tension between the EU Council of Ministers and the ECB, the common external representation of the currency must be nurtured in the spirit of the Treaty of Maastricht. It was an area hard fought at the time of the treaty negotiations and many saw in it the danger of an open flank which inflation would one day be able to breech. However, the reshaping of relations with third countries could also have a negative effect on stability. For example, pressure from important non-EU nations could force the EU into an exchange rate-led policy at odds with the initial concept.
The task of the EU is to act as an anchor of stability, through the euro, for the good of the world economy.

4. The narrow gate to an integration policy characterised by monetary stability

Monetary stability is the path through the narrow gate which alone will lead to the lasting formation of a political union. It means turning away from the supposedly easier path along the wide road and through the wide gates of uncontrolled monetary policy that leads to disintegration. What are the signposts?

- The Treaty of Maastricht created a currency regime based on the stability of the value of money. It has now become the core of the entire process of European integration and the expression of an order of peace which prevents the outbreak of conflicts over currency.
- History teaches us that lasting integration without internal monetary stability will go astray. Europe has experienced several misguided attempts at integration, some taking us through conflict and inflation to catastrophe. Good monetary policy means an opportunity for our societies to grow together in peace and justice.
- The realisation of internal monetary stability stands and falls with the independence of the ECB. Without it, European unification will lose radiance.
- In the long term, all routes lead to the completion of the small political union of the euro by a larger political union, in such a way that monetary policy continues to realise its own responsibility.
- The euro is a means of creating a society. A stable euro provides a store of value and makes for reliable planning and prudential spending. Citizens will increasingly recognise the European dimension of their life's work in the euro.
- The international political value of the euro is determined by confidence in the economic power of the EU Member States taking part in monetary union and in the power of the European currency regime.
- European Monetary Union has proved itself a robust buffer against global economic difficulties.
- It has been possible within the system to resist occasional excesses in the countries of the EU.

At the end of the 16th century, Dutch ducats bore the motto "Concordia res parvae crescunt" (Small matters grow by consent) and inspired the start of the first political union of modern European history. The work of the Convention is endeavouring to find a similar constitution. It represents a great opportunity for the future of European integration.

One day, today's national symbols on the reverse of the euro coins will disappear, to be replaced by a European symbol. The question of the design of this symbol will probably remain unanswered for some time. However, we can already make out the direction it will take: confidence and belief are the path through the narrow gate to a real currency.

Brussels, August 2002

(Translation from the original German version)