



UNIVERSITÀ
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European Union and Budget Decisions (I)



UNIVERSITY OF SIENA, SCHOOL OF ECONOMICS AND MANAGEMENT

JEAN MONNET MODULE "EUCOLAW" THE EUROPEANIZATION OF CONSTITUTIONAL LAW. THE IMPACT OF EU LAW ON NATIONAL SOURCES OF LAW, FORM OF GOVERNMENT, RIGHTS AND FREEDOMS.

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Summary

- 1. Public Finance and State Budget
- 2. The European framework
- 3. The Italian framework
- 4. A comparative perspective
- 5. Open issues

1. Public Finance and State Budget

What is the State Budget?

- The state budget is a document which lists the revenues and the expenditures of the state in a given period of time, normally one year.
- The state budget is both an economic document and an expression of political choices. The budget has been defined as the transcription, in counting and economic terms, of the political program.
- The state budget is connected both to the form of the State and to the form of government.

The State Budget today

- The budgetary matters seems to represent one of the clearest cases of overlap between the supranational and the national dimensions.
- The budgetary autonomy for the European states (but not only for them) no longer exists.

2. The European Framework

The evolution of the European Economic Governance

- In 1957 the EEC Treaty established that:
- ARTICLE 2: The Community shall have as its task, by establishing a common market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between the States belonging to it.
- ARTICLE 3 For the purposes set out in the preceding Article, the activities of the Community shall include, under the conditions and with the timing provided for in this Treaty: (g) the application of procedures which shall make it possible to co-ordinate the economic policies of Member States and to remedy disequilibria in their balances of payments;

The evolution of the European Economic Governance

- ARTICLE 104 Each Member State shall pursue the economic policy needed to ensure the equilibrium of its overall balance of payments and to maintain confidence in its currency, while taking care to ensure a high level of employment and a stable level of prices.
- ARTICLE 105 In order to facilitate the attainment of the objectives stated in Article 104, Member States shall co-ordinate their economic policies. They shall for this purpose institute a collaboration between the competent services of their administrative departments and between their central banks.

The evolution of the European Economic Governance

- Between 1960 and 1964 advisory bodies are established
- In 1970 the Werner Plan provides the progressive transfer of decisions regarding the economic policy by the States to the Union.
- Between 1973 and 1978 the European Monetary Cooperation Fund (EMCF) and the European Monetary System (EMS) are set up.
- In 1986 the Single European Act incorporates these institutions and introduces the art. 102A (convergence of economic and monetary policies)

The evolution of the European Economic Governance

- In 1992, with the EU Treaty of Maastricht, the public finance becomes an important and central topic in European Union law.
- General aims:
 - establishment of an Economic and Monetary Union
 - sustainability of the public finance
 - Substantial and procedural principles.

The evolution of the European Economic Governance

- In 1997 the Stability and Growth Pact is approved. It is composed by a preventive arm and by a corrective arm.
 - Preventive arm (Regulation 1466/97)
 - Corrective arm (Regulation 1467/97)
- In 2005, following a European economic slowdown and an institutional crisis the Stability and Growth Pact is changed
 - Preventive arm (Regulation 1055/05)
 - Corrective arm (Regulation 1056/05)

The Economic Crisis: causes and consequences

- Great economic crisis of 2008
 - Problems at national level (sustainability of the public finances and lack or delay of structural reforms)
 - Problems at European level (lack of an economic governance)
- Risk of default or exit from the euro
- Solutions proposed:
 - financial assistance instruments
 - reform of the European economic governance.

The Economic Crisis: causes and consequences

- The financial assistance instruments are the result of the institutionalization and rationalization of the measures taken to try to solve the problem of Greece
 - 2010: European Financial Stability Mechanism (EFSM) and European Financial Stability Facility (EFSF), guaranteed by the Eurozone Member States
 - 2012: European Stability Mechanism (ESM)

The Economic Crisis: causes and consequences

- Alongside the financial assistance mechanisms, the European Union carries on governance reforms, of a different nature: political acts, normative acts reforming the European legislation, treaties of non-European nature.
 - 2011: Euro Plus Pact
 - 2011: Six pack
 - 2013: Two pack

The Economic Crisis: causes and consequences

- 2012: Treaty on stability, coordination and governance in the European Monetary Union (the so-called Fiscal Compact)
- Paragraph 2 of art. 3: the Treaty commits Member States to introduce one year after its entry into force the balanced budget principle through provisions of binding force and permanent character, preferably constitutional, or otherwise guaranteed to be fully respected and adhered to throughout the national budgetary processes.