



*Reflections on the future of EMU*  
René Smits

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**ADEMU Closing Conference Florence, 9-11 May 2018**  
**European University Institute**

# Disclosure and disclaimer

- ❑ *Alternate Member, Administrative Board of Review (ABoR), European Central Bank*
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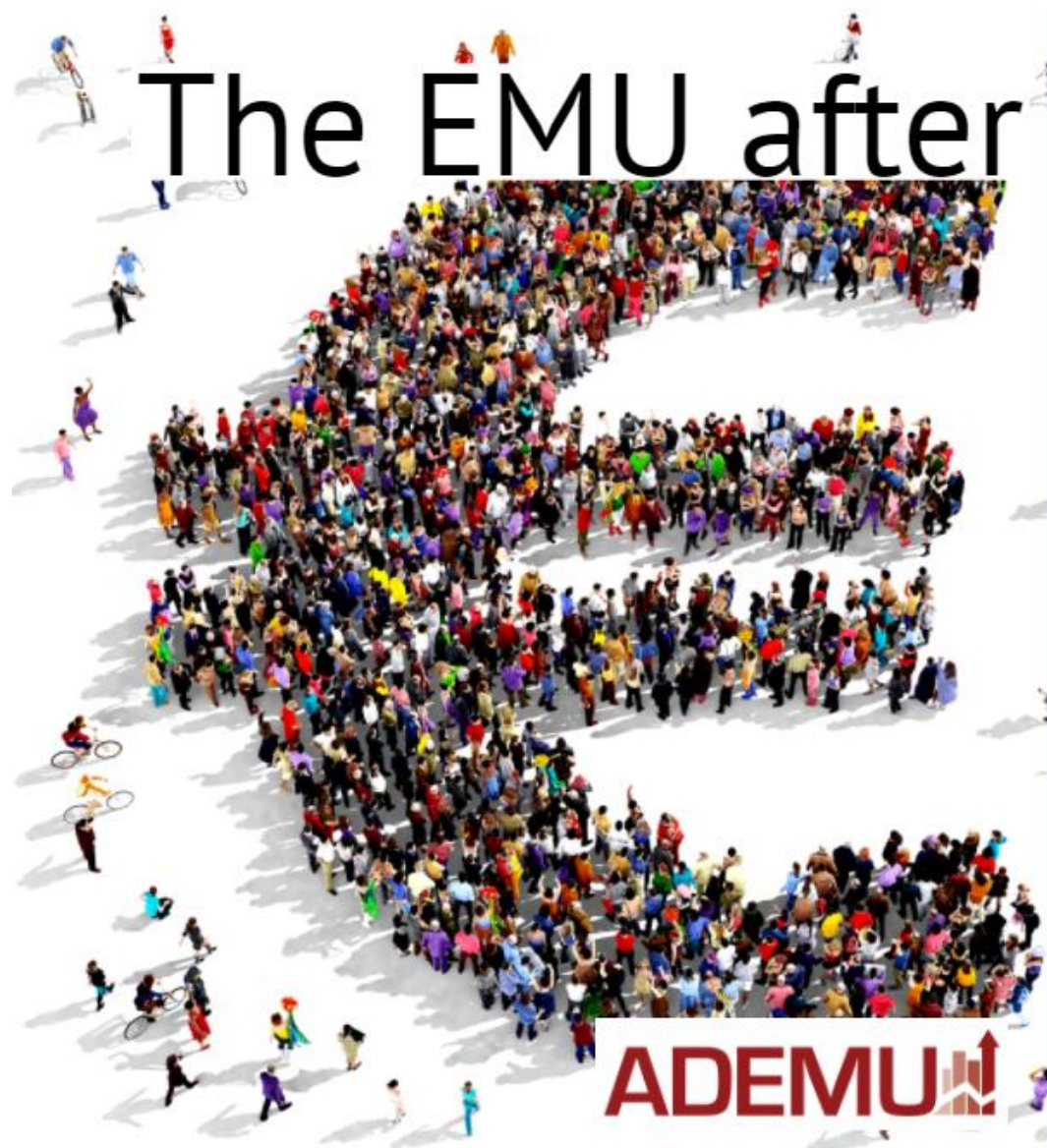
- Subject to confidentiality constraints (ABoR, BCA)
- All views my own



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# The EMU after the Euro Crisis: Lessons and Possibilities

Findings and Proposals from the  
Horizon 2020 ADEMU project

Edited by Ramon Marimon and Thomas Cooley



# Contributions and conclusions

Congratulations to Ramon Marimon  
and all researchers and contributors on  
this project, including PhD researchers

Presence at opening conference (Cambridge)  
and participation in the Advisory Committee

**10 October 2016:**  
**ADEMU lecture by René Smits on**  
**Sustainable Economic and Monetary Union in Europe**  
**in turbulent times**

## ADEMU WORKING PAPER SERIES

### Competences and alignment in an emerging future

*After L-Bank: how the Eurosystem and the Single Supervisory  
Mechanism may develop*

René Smits October 2017 [WP 2017/077](#)



**HOW MUCH OF A FISCAL UNION**  
**FOR THE EMU?** *Banco de España,*  
*Madrid, 18-19 May 2017*  
Policy Panel “Are current fiscal  
rules credible? What is the role of  
fiscal rules and of independent  
fiscal councils?”

# Reflections on:

*“the coexistence of the Union institutions and of a permanent intergovernmental mechanism such as the ESM generates a complex landscape where judicial protection, respect of fundamental rights and democratic accountability are fragmented and unevenly implemented.”*

*Commission in Saint Nicholas [package](#) on EMU, 6 December 2017.*

- ESM reform: use of Article 352 TFEU; democratic legitimacy and judicial control may be considered to fulfil the ‘necessity’ criterion of this ‘flexibility clause’.
- Social consequences, actual monitoring & reporting on effects of policy injunctions  
*It is all about the people in the ADEMU banner, walking towards the € logo*
- Need for EA-wide budgetary stimulus or retraction – solidarity is a core EU value
- A *Single Fiscal and Economic Governance Rulebook* – less complexity in budgetary rules & political discretion in application (budget at heart of democratic constitution)
- Emphasis on values, as technocratic approaches – necessary because of the complexity of issues – alone will not prove helpful.

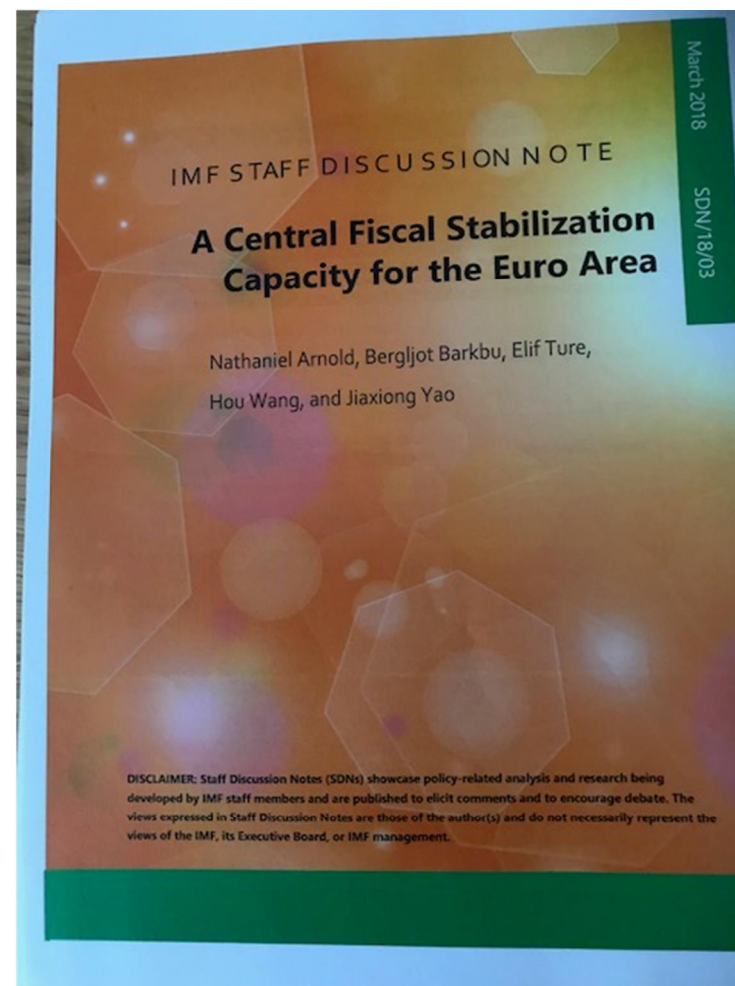


# Policy and the law

- “ Importance of agreed terminology or avoiding generic undefined words: ‘political union’, ‘transfer union’ and the like
- “ Such terms may confuse or lead astray, even in excellent research or policy proposals
- “ Policy research should think imaginatively and be limited by (imagined or real) political constraints
- “ By restricting our thinking to what is deemed feasible, we confine solutions to the kind of approach that has brought us where we are now, not at a different place

10 May 2018

“EA needs more risk sharing but it is not a political union”, [IMF SDN](#) on a central fiscal capacity for the Eurozone



# Elaborating these themes

- “ Europe should go beyond an adversarial economic governance system
- “ **ESM set-up strengthens North/South divide**: creditor nations’ parliaments consent requirements pit them against debtor nations’ legislatures (Lorenzo Bini Smaghi) **ESM needs to be incorporated in EU framework, for legitimacy and reviewability reasons**
- “ Euro Area in need of legislative enactments on economic policy, subject to democratic control and judicial review
- “ **Uneven application of economic policy across EU/EA**: discrimination between EU citizens in respect of economic policy decisions enacted at EU/EA level **and absence of application of Article 120, 121(1) TFEU**  
Post-crisis, we need a joint economic stance for the Euro Area affecting citizens evenly

## *Further – legal – research and proposals*

- Mandate to re-write Europe's budgetary rules and propose a *Single Fiscal and Economic Governance Rulebook* – an area for joint contributions by economists, statisticians and lawyers
- Continued use of expertise and input in on-going policy discussions – continue ADEMU Project when ideas are being put into practice

*Panel's title: **legal limits**; my approach: thinking in **options** and **potentialities***

- Imaginative solutions welcome instead of half-way houses
- Even when EMU's roof is only partially repaired, let's keep full reconstruction of the house in sight

