

DESIGNING THE NEW EUROPEAN UNION

Edited by

Helge Berger Free University Berlin, Germany

Thomas Moutos

Athens University of Economics and Business, Greece



Contents

PREFACE

PREFACE		xiii	
LIST	OF CON	NTRIBUTORS	XV
PART	Γ Ι :]	INTRODUCTION	1
СНА	PTER 1	DESIGNING EUROPE - A SURVEY OF TASKS AHEAD	3
		Helge Berger, Thomas Moutos	3
1	Introduc	tion	3
2	Europe's	institutions: the constitution	5
3	Europe's	institutions: other aspects of EU organization	8
4	Fiscal ar	nd financial policies	16
5		ney, one economy?	20
6		ing remarks	25
	Reference	es	26
PAR'	Г II:	EUROPE'S INSTITUTIONS	31
СНА	PTER 2	IN PRAISE OF THE EUROPEAN	
		CONSTITUTION: A POLITICAL	
		ECONOMICS PERSPECTIVE	33
		Gerard Roland	
1	Introduc	etion	33
2	A prime	r on the constitutional treaty	35
3	Evaluati	ng the constitution	40
	3.1.	A cleaned up intergovernmental institution	
	C	or a parliamentary confederation?	40
		Which public goods will the EU deliver with the	
		Constitution?	47
4	Conclusi		51
		edgement	52
	Referenc	es	52
Com	ment: Lan	nbros Pechlivanos	53

CH	HAPTER 3 INSTITUTIONAL ASPECTS OF E ORGANIZATION: AN ECONOMIC ANALYSIS Massimo Bordignon	
1	Introduction	57
2	On enhanced cooperation	59
	2.1. The problem	59
	2.2. What are ECAs?	61
	2.3. ECAs: the debate	63
	2.4. The analysis	65
	2.5. Policy implications	72
3	The allocation of powers inside the EU and the	
	"open coordination method"	75
	3.1. The problem	75
	3.2. The analysis	77
	3.3. Results	78
	3.4. Policy implications for the EU	80
4	Concluding remarks	80
	Acknowledgement	81
	References	82
Cor	omment: Stefan Voigt	85
СН	HAPTER 4 WELFARE POLICY INTEGRATION INCONSISTENCIES Giuseppe Bertola	ON 91
1	Introduction	91
2	Welfare policy in an integrating world	92
4	2.1. Choices and changes	93
3	Economic policy in the EU	96
4	Social policy and the EU	100
•	4.1. Principles and policies	101
	4.2. Incoherence	104
5	Enlargement, delays, and reforms	105
	5.1. Integration, delayed?	107
	5.2. Redesigning and modernizing welfare del	
6	Summary and prospects	114
J	Acknowledgments	117
	References	117
	Appendix	119
Cor	omment: Laszlo Goerke	121

CH	APTER 5 THE EU BUDGET: HOW MUCH SCOPE FOR INSTITUTIONAL REFORM? Henrik Enderlein, Johannes Lindner, Oscar Calvo-Gonzales, Raymond Ritter	129
1	Introduction	129
2	Some theoretical considerations	131
	2.1. The EU's institutional framework between	
	supranational and intergovernmental decision modes	131
	2.2. Budgetary procedures - a balance between	
	efficiency and legitimacy	134
	2.3. The EU budgetary procedure under the constraint	125
2	of limited political integration	135
3	Reforming the EU budgetary procedure: an assessment 3.1. Proposals for reform at the general level	137 140
	3.2. Proposals for reform at the level of	140
	multi-annual planning	143
	3.3. Proposals for reform at the level of the annual procedure	148
4	The state of play following the intergovernmental conference	153
5	Conclusion	156
	Acknowledgement	157
	References	157
Cor	nment: Margarita Katsimi	161
PA	RT III: FISCAL AND FINANCIAL POLICIES	165
СН	APTER 6 FROM THE STABILITY AND GROWTH PACT TO)
	A SUSTAIN ABILITY COUNCIL FOR EMU Jurgen von Hagen	167
1	Introduction: Europe's fiscal framework under stress	167
2	Fiscal discipline in the EMU	168
	2.1. The Excessive deficit procedure and the	
	stability and growth pact	170
2	2.2. Proposals for SGP reform	172
3	Fiscal performance under the EDP and the SGP	173
	3.1. Experiences in the 1990s	173
	3.2. Fiscal policy stance 1998-20033.3. Patterns of fiscal adjustment in the EMU	175 177
4	A sustainability council for the EMU	182
-	4.1. Mandate	183
	4.2. Method of operation	184
	4.3. Enforcement	185

5	4.4. Independence, accountability, and transparency 4.5. Appointments, composition, and resources Conclusions References Appendix: calculation of fiscal stance	186 187 188 188 189		
Comr	Comment: Wolfgang Eggert			
СНА	PTER 7 SUPERVISION OF THE EUROPEAN BANKING MARKET Martin Schiller	195		
1 2 3	Introduction The rationale for integration of banking supervision in Europe Banking supervision in the EU 3.1. The national arrangements 3.2. The internationalization of banking supervision 3.3. Proposed reform of the supervisory arrangements in the EU	195 197 201 201 202 205		
4 5	Evaluation of the supervisory arrangements Open issues in crisis management 5.1. Lender of last resort and central bank involvement 5.2. The European situation - do we need a European LOLR? 5.3. A European observatory of systemic risk	209 210 210 212 214		
6	Conclusions References Appendix	215 216 220		
Comment: Tuomas Takalo 22				
PART IV: ONE MONEY, ONE ECONOMY? CHAPTER 8 REASONS AND IMPLICATIONS OF INFLATION				
	DIFFERENTIALS WITHIN THE EUROPEAN MONETARY UNION Ignazio Angeloni, Michael Ehrmann	231		
1 2 3 4 5	Introduction Stylised evidence and interpretations A model of inflation differentials in EMU The role of inflation persistence Effect of changes in the monetary policy rule	231 233 241 244 245		

	Conclusions Acknowledgement References	
	Comment: Andrew Hughes Hallett	255
СН	IAPTER 9 BLACK TIE REQUIRED? HOW TO ENTER	
	A CURRENCY UNION? Volker Nitsch	263
1	Introduction	263
2	Implementing a monetary union: two case studies	264
	2.1. Greece	264
	2.2. Ecuador	265
3	Background and literature	266
4	Data	267
5	Empirical results	269
6	Robustness	280
7	Conclusions	281
	Acknowledgements	282
	References	282
Cor	mment: Sarantis Kalyvitis	285
SU	BJECT INDEX	289