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CENTRE FOR EASTERN STUDIES 4.08.2010 www.osw.waw.pl

The German-French minimalist approach to eurozone reform

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On 21 July, the German and French finance ministers, Wolfgang Schäuble and Christine Lagarde, announced a common German-French stance on eurozone reform. The joint document is intended to demonstrate that Germany and France are able to lead the discussion on the reform of the eurozone. However, it contains no breakthrough solutions which could have prevented subsequent crises.

The proposals presented in the French-German stance concern the supervision of the fiscal policies of eurozone member states (including monitoring of national budget bills and the level of national debt by member states, determining the admissible debt limits at the national legislation level and increasing Eurostat's competences) and the imposition of sanctions for violating budget discipline (including a faster launch of a mechanism designed to curb budget deficit). Most of the proposals have already been discussed in the EU and represent a consensus. Germany and France have also accepted the controversial proposal, which envisages depriving eurozone member states which have failed to meet the provisions of the Stability and Growth Pact the voting right at the EC.. However, the latter solution is unlikely to be adopted, given its radicalism and the high probability of the need to amend the treaty as a result. The most significant element of the German-French stance is the consent to monitor the private sector's debt. This debt may affect the level of public debt when major market players face the risk of bankruptcy thus requiring the state to offer public help.

The German-French proposals will not resolve the structural problems of the Economic and Monetary Union since the consolidation of the common market is still underway. <krut>