

Political union – a European dream?

*Paul Lindquist*¹

The euro has created new opportunities for citizens and businesses, it has facilitated cross-border trade and investment, brought price stability, expanded business opportunities, and made travel cheaper.

It is something to be proud of. But it is also something that can work better. The crisis has revealed that closer coordination of economic policy is needed to complement the euro and to realize the full potential of our common currency to deliver jobs, growth, social fairness and financial stability. We know that already a lot has been achieved. However, some more work needs to be done.

It is in this context that the Five Presidents, in their report, have submitted proposals to make the economic and monetary union (EMU) more resilient to economic shocks. The European Committee of the Regions welcomes this report.

Local and regional authorities play a crucial role as far as the improvement of the EMU governance is concerned. The 5 Presidents' report is right to put significant emphasis on structural divergence within the euro area. This is an area where we, the local and regional authorities, can provide expertise.

Divergence - both between and within Member States - is increasing. If we want to reduce social, economic and territorial disparities we need a concept that includes a regional dimension and a results-oriented cohesion policy. Regional disparities have to be addressed if we want to tackle social inequalities, boost growth and jobs, and improve competitiveness and cohesion within the EMU and the EU.

The local and regional authorities play an important role in this context. They often care for deprived people. They can help creating a positive business environment. Their administrations have to manage national as well as EU legislation. They are responsible for more than 60% of public investments. They spend public money and may contribute to an increase or decrease of the national deficit. In this respect they could be affected by any of the measures foreseen in the report.

Local and regional authorities are also indispensable for the implementation of structural reforms. If they take ownership, it is much easier to implement reforms. Local and regional authorities can also contribute to competitiveness when we design and implement local and regional initiatives, looking for coordination and synergies with national and EU policies. That is why the Committee of the Regions urge the Commission and Parliament to adopt a code of conduct to guarantee that local and regional authorities are involved in a structured way in the European Semester.

Sound economy and stable public finances are prerequisites for the necessary short- and long-term public investments. However, investments in Europe have not yet gained the pre-crisis level, but local and regional authorities can promote and encourage investments as planners, as investors – also in partnership with private counterparts – and by improving regulation, infrastructure and the education and training system. They can help identifying and removing obstacles to productive investment.

We also know that despite all structural reform efforts it is not excluded that a new crisis might hit some Member States. That is why fiscal capacity is necessary to equip EMU with a temporary shock absorption mechanism.

¹ European Committee of the Regions' Commission for Economic Policy