The EMU is Done.
How about the Fiscal Union and the Next Future of the United Europe?

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Abstract. *The economic and monetary union was actually compulsory, despite that the Maastricht Treaty does not express as such. Moreover, specialists argue that the monetary union is equally required to be fiscal as well. And what is this? Of course, strenghtening central governance, once more against the national one in the member states. Will this go well in the aftermath of the "No" for the new European constitutional project by several nations and for the Lisboa Treaty by the Irish people? Not easy to say, but actually the fiscal union is as much supposed to have started, as the monetary union had some decades ago, much earlier than the current common currency.*

Key words: economic integration; taxation; fiscal union; monetary union; public spending; governance.

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When one notices that "some clouds are gathering above the EU", one can notice that this is common place already. Only the communist ideologists of the past would take this as the "general crisis of contemporary capitalism". On the contrary, serious observers of the EU history are able to understand that a so genuine construction of the economic and monetary union would not be ever achieved off several historical deep crisis and challenge representative moments that will be described below in a large context.

1. Is the "European taxation" an appropriate term of debate?

So, let me put this issue in another way, meaning another debate. The today scholars argue that the *monetary union* could not last in the absence of the *fiscal union*, and that such a debate is not new at all (Vaknin, 2000). Or, the taxation activity in the United Europe yet stays out of the Community authority (still belongs to individual member states) even in the EMU area, whereas other scholars – the ones of the basic integration theory and practice. Viner (1950) and Balassa (1961) had stayed silent about this aspect.

So, this is not only about a vacuum of theory to talk about, but much more than what makes the fiscal aspect different than the monetary one. First, there comes the politicians' "nostralgia" about what was once the *exchange rate* policy, as an available "key" – instrument of many problems to solve: from exports-imports, foreign direct investments and external balance of payments to home private and public investments, consumption-output ratios, business cycle and anty-recession policies. It is really amazing when reading or hearing from politicians and even analysts expressing like this – do they forget so quickly which is the world that they have accepted to live in, or that the things have been settled to become as such just on purpose, and that because now the macro-troubles and deadlocks are expected to be faced throughout coopertion in a larger area?! Actually, politicians hide their fear that their persons arising from Bucharest, Berlin, Paris or Dublin will step down into the "province" of politics, whereas, first, their electorates will point on old political tools that they will be missing in order to achieve programmes presented, and second, the real decision-making and makers will concomitantly promote to the Union level.

But this aspect, as well as the whole area of politics, is only apparently a minor one. In reality, the *political class'* reaction is supposed to be complex as much as politicians are fighters by their own definition. Individual charismas might certainly come up in their favour, as well[1]. Plus, this less significant aspect, in its meaning, is not, unfortunately, the lonely one, not even the lonely one involved in politics. The *fiscal "inertia"* is mainly worked out by the weight of the State (Government) in the economy (here including, of course, the public sector), and here there is a real diversity in the today developed world (see the OECD member countries), and not even less within the

European Union map, in the internal context of what is already called the *"European Model"*[(2)]. The northern countries, especially Sweden, Denmark and Norway (who has rejected the EU membership a long time ago) founded their economical and political systems on strong and generous Government sectors, based in their turn on high progressive taxations. On the other hand, the *anglo-saxon* systems of countries, like the UK's one, and the *continental* ones, like the Germany's case, in a certain extension, prefer a more liberal foundation, basing on a more adjusted weight of the Government sector; and taxations move correspondingly down to those states.

The importance in such a context departs from the appearence that both the post-keynesian social democrat and newly adapted liberalism thinkings make a genuine difference among individual member-states within the Union. But more deeply, the same context includes taxpayers of all sides, with their mentalities building up the taxation "inertia", plus the fact that the State – Government ratio in the economy is supposed to keep a certain stability – welfare of large masses of people very depends on. Plus, even the people's vote is changing its context.

Let us figure out

For instance, a basic social-democrat Swedish or Danish types state, in which voters get angry, in a certain electoral moment, with their governors for certain peculiar reasons, and they vote for an opposition liberal type party. The last comes to power, let us assume, as well intended with a liberal view, for which there will be supposed both to restructure the Government sector and destruct the generous system of public spending, social aids and so on. Or, there are two questions here arising. The one is how much time, efficiency and social support and patience will be available to all of these during just a four years mandate interval. The other is whether the people really is ready for such a change in taxation, finally meaning habits and mentalities. Or, this imaginary exercise is supposed to be a lesson for the electorate on both short and medium-long terms, plus, its meaning touches on the real "freedom" of political option, in the election process. Let us also mention that this would be supposed to be at least similar on the converse political landscape, meaning the liberal one: instead of a generous public spending system, the local people might dispose of a facktly and traditionally large option to spend and invest their incomes[(3)] *and of a higher propensity for free business and be supposed to pay lower taxes. Or, this might be as stable as the other system, so replacing it by a change or restructuring might cause similar social problems.*

Overall, the *fiscal system*, whichever this is, is always supposed to be stable. A Romanian politician, but also professor of economics, argued that the "*fiscal code*" of every state is a kind of a consitution translated in different terms. Moreover, although politicaly based, *taxation* becomes a serious aspect, once its political perception extends from political interests and even ideologies to ordinary people, habits and their welfare. So, this might be a way of winning the political power and keeping it for good by a political party (or coalition), and, as another serious consequence, the "political bone" would be so able to reach more geniune forms than the small and vulgar welfare and interests of individuals, in politics. That is to recall from above: politics might be more complex that it apears to be.

Taxation in Romania: the "unique tax rate"

Besides, let us consider the current Romanian example, despite that it is less representative inside the EU and even less for the EMU. There are also other examples of transitional economy countries joining the EU and prefering the "unique tax rate" for the direct taxation, meaning the lowest rate. But the Romanian specific in such a concern is its high political nature, meaning the harmful political debate around it, as replacing any scholar and genuine debate. On the one hand, the liberal party, who, despite its permanent minority in the Romanian political landscape, succeded to be in power at least three times since 1990, recently imposed this system basing on several arguments. They argue that the former progressive taxation system had stiffen business, made the "black" economic activities flourish and so started diminishing the Government's fiscal incomes, in the past. On the contrary, lower taxes might be even able to increase the State budget incomes. That the low taxation could equally fight unemployment, stimulate jobs and careers and support investments of all kinds. That, finally, the "new" unique rate could bring maximum of transparency in, would be much easier to implement and be calculated by anyone, plus it wouldn't favour neither labour, nor capital, as being retributed, against each other. Though, the "liberal" conceptual problem of this undertaking then came up: the budget incomes went down, together with the low tax rate, here proving the "shock therapy" characteristic of this measure. As striking on budget incomes, the visible consequinces of the "unique tax rate" were, at least: increasing the indirect taxation and a new debate on the issues of this; so, delaying the new "fiscal code" project elaboration and coming into force. Plus, stories like the old "tax on seat", in the pubs, or like the more recent "car registration tax", involving basic legal and constitutional aspects, as contradictory, demonstrate at least that all these are about a real "fiscal revolution", for which not all parts of the economic system (see the institutions' funding, as for instance) are likely to be ready to face. On the contrary, the social-democrat part of politics and society now argue that the liberals have done nothing, but replaced the former progressive taxation on incomes (see, the direct taxation) by their progressive taxation on welfare (see, the indirect taxation) and have stucken into this one and in the basic legal terms of taxation. As the result, the social-democrats promiss to restore the old progressive direct taxation, once coming back to power.

Nevertheless, the most important here will be, certainly, the electorate's real perception of what happened in the economy and people's welfare during the recent political cycle period – we mean that there might equally arise other diverse effects of the new taxation in the social and economic areas. This is like a film to be seen or book to be read up to their end.

So, wherever one says politics, one sees divergence in the taxation terms, as on the opposite side of a presumable *optimum ratio of the State and public sector* in the total economy and GDP. However, there is not only politics – here considering all levels that we refered to above – engendering divergence and diversity in this area. As for other instances, Peacock and Wisemann argue about "*social trouble cycles*" – resulting into *upward pressures on the taxation and public spending levels* – and Buchmann and Tullock about the "*social illusion*" – of "low level" taxes, whenever high supplies of public goods and utilities (Hardwick, 1991). Other studies in EU and OECD member countries argue about a presumed compulsory trend *to strong Government in small and open economies,* or about *"authomatic fiscal stabilisers",* especially in the high-progressive taxation environments(4).

So, taxation is a complex issue world-wide and this fact becomes obvious when dealing with different and non-convergent fiscal systems among different States and economies. Whereas here, in this paper, the issue stays on an *expectable unique taxation in the European monetary union.* But the new EU context is not less complex and complicated. On the contrary, the same issue might include at least one more aspect on the *economic integration* side. There is to be mentioned that this Union of nations, as a conceptual model (Dinu et al., 2004), will not be supposed to be liberal either, but the old politics looks equally like thrown off this new landscape.

And let us explain some more about this aspect. All macroeconomic models in the literature, since the first and simplest one on François Quesnay(5), at the end of the eighteenth century, inspiring and continuing with the one of John Maynard Keynes, in his capital paper (known as "*The General Theory…*") later on, in thirties, and even not ending with the Wassili Leontief's macromodel (the "*input-output model*"), in seventies, regard individual markets, meaning national-wide level ones. Since the eighteenth and nineteenth centuries, market is structured on both authonomous national-wide and international-worldwide levels. Here comes the integration process in way, which have so far created some intermediary, meaning regional multy-country markets, but yet unauthonomous and just intefering with the old national – and world-wide markets. The *free-market areas* declared among some nations and even the *customs unions* are here supposed to be mentioned as integration forms. On the other hand, the EU project claims a newly created authonomous market, so a more *advanced economic integration*, with *supra-national* institutional components.

There are many scholar voices here accusing a yet unachieved and imperfect

„unique common market” of the EU, and even within the *Euroland,* but this is a different story. Let us consider, on the contrary, that this is the EU construction in way and just an issue of time, since the *economic and monetary union* is actively working on. In such conditions, our Union will be supposed to become a *macroeconomic area*, taking over corresponding characteristics from the national-wide markets, whereas the last will remain just internal regions. Macromodels known so far will apply their scientific rules to the Union, instead of to the old countries.

But here there remains also the fact that the Union is gathering individual nation-states and stays far from what an individual country ever represents, even on its single economic dimension: an old individual country feels free to contain not only a single market of her own, but inside regional economic differences as well – actually, this is the *market economy*. In other words, there are regions inside all country areas of higher and lower levels of econmic activities and welfare. Or, this is what the integration process could not afford, just because the Union’s regions are supposed to be individual nations, with their free option for integration. On the contrary, the higher the integration level, the higher the expectations for a high and unique level of welfare. Once the Union would produce welfare differences among its national components, it is supposed to be in danger of internal ruptures.

Or, this is the entire *double integrational mechanism* on both shorter and longer terms: on the one hand, the *unique common market* is always declared as a main objective to be achieved by the programme – and concepts like *free market*, *competition* and *liberalism* look the most appropriate –; on the other one, there is another economy to be here claimed, the one not liberal at all, even opposite to liberalism, as regarding *interventions* and corresponding *budgeting* for inside activities, nations, regions and areas in need. In such a logic of facts, the current integration in Europe is not even supposed to wait for the unique market achievement. On the contrary, it is forced to manage a *mixed economy* with a vivid regional development and especially with high budgetings.

The contradictory substance of the integration process – the contradiction between the *liberal* and *mixed economies* – produce, in our view, corresponding effects on all plans of the economic (and not only economic) activities, and even since its earlier stages mentioned above[(6)] – and these might also be the basic cause of not surviving for other integration projects developed out of Europe.

So, which are the *integration influences on taxation*, and even on the EMU achieved? There are two aspects to further discuss about, of which one results from the approach developed so far. So, the first aspect is that the Union requires high budgets for its regional and structural policies, here including the agricultural and industrial ones, and thus its taxation on all individuals and member States remains high by definition and non liberal model. Or, this is, on the other hand, the European

(EU) way of "solving the problem" of the *optimal Government's weight in the economy*, over all member States' differences in the area: just *biasing on high taxes and public spending levels*, instead of searching for a new convergency.

As for the second and last aspect to be here debated, let us first remind that since the old times of all States, *taxation* was firstly founded and essential. *Money*, on the other hand, has a long and more than interesting history description, but it came later on, the way that there were ancient famous and civilised States, at their times, without currency issued. Then, when money came up, it helped taxation and public spending, but these latter also supported money, meaning the State's distinct currency. So, in those ancient times the fiscal system preceeded money, as conversely than in the current EU case. Besides, in those times economy, money and even taxation were certainly different than in the later modern world, except for presence and *cooperation between fiscal and monetary policies*. The monetary policy helped taxation essentially on collecting taxes and State revenues and expence evaluation – on the contrary, taxation was adjusting the ratio between the money issued and the one re-collected by the central authority; and, certainly, it was not an easy task at that time. Much later on, in the modern post-World War II economies, the fiscal policy roughly belongs to *Government* (its ministry of finance), whereas the monetary policy belongs to the *central bank*[(7)]. Today, all the State authorities know and apply the *"maximum 3% of GDP"* budget deficit ratio in GDP rule, as supporting *money stability* and/or *admissible inflation rates*, but this is an *institutional* issue as well – the relationship between *Government* and the *central bank.*

Or, let us remind the corresponding institutional structure of the EMU: the highest centrally positioned of her policies is the *monetary policy*, managed by the *European Central Bank (ECB).* As for the budget side, *the Union's budget is yet additional* and no deficit by definition. As much as the European Commission (EC) legally corresponds to the State Governments, its weak relationships with the ECB revail a reality in which the really strong actor of the EMU governance stays on the member States' side. Roughly speaking, the ECB mostly works with the member States' Governments on legally equal positions, as reproducing what happens in individual State institutional landscapes. But, as much as the high degree of the ECB authonomy, as a central bank, is also noticed and largelly recognised as a reality, the EMU political and institutional context remains enough complicated, in its turn. Consequently, the ECB-member States' Governments relationships currently base on the *"Convergency Criteria"* and *"Pact of Stability and Growth"*. Or, this is the real difficulty in the monetary policy, in the current and next future life of the Euro currency and in the one of the EU herself. The Union's position bases on the ECB only, as dealing with every member State in part, and these ones are so diverse, as contribution to the common budget and influence inside the Union. Plus, the EC and other EU central organisms rather stay out of question.

This is why specialists claim the fiscal union, as reinforcing the economic and monetary one. This hypothesis would remake the simple and much stronger relationship between the monetary and fiscal policies, as well as the inter-institutional relationship, as correspondingly. In other words, there is not too much space for inovation in this economic, political and institutional area.

2. Out of theory: what does it mean a "fiscal union" and which is the current situation about it, in the EU?

The above debate already results into two determinant characteritics of the expected *fiscal union,* and they are just the fiscal aspect of the Union, as an integrated economies unit. Taxes will be paid "to Brussels", instead of Bucharest, Berlin or Paris, except for local taxation. Our home politicians will become "provincial", as well as their refered citizens. This "new kind" of union expects a *reinforced central governance,* probably as a *federative* political system, see a federation of member States. Second, the reinforcing governance in the united Europe will go even further than this: the liberalism of the here assumed *unique market area* will be supposed to give up – probably, step by step and/or stage after stage – to a high taxation level and central budget funding intense activities and flows to regions and member states, as for concrete and casual conditions.

On the contrary, the member-states and regional districts will still recieve *local taxes,* as on the other part of the common fiscal system. Individuals and organisations will be supposed to pay either direct and indirect taxes, or *central* (to Brussels) and *local taxes* (to Berlin, Dublin, Paris, Bucharest and so on). Plus, there are serious limits faced by any supposable change in taxation Europe – and EU – wide.

And let us here consider the recent and harmful event, as a serious challenge for the presumable project of the expectable fiscal union. The "central" EU member States have faced negative votes for the project of the Unions's Constitution from their citizens. And this in circumstancies of a timid enough approach of the EU Government structure. According to the Media, the electorates, in their turn, seamed sensitive just to a perspective of overwhelming immigration from the Eastern part or the Union.

Or, there is supposed to be not a quite simple answer to the question how would be supposed to react the same electorates to another constitutional project including an essential change in governing the EU-4? But what is known is another picture of facts. As for instance, that the Union has enlarged against all these negative reactions of their electorates, and despite an increasing regional economic, political and cultural heterogenity riched. The same played even against a not too good economic developing of the "*EU-15*" on the short term, whereas the rest of the world

– China, Russia and regions around, here including the new EU member countries, but also Africa, Latin America and the US; the UK's concomitant recovery seems also due to the outside EMU environment – meat a real growth at least in 2002 and 2003.

The fiscal union seems a true "ghost" crossing the united Europe and encountering serious obstacles.

Taxation in the EU: a synthesis

(1) taxation belongs to the member states and there is no "European fiscality", except for some terms and rules imposed by the Union to member-states(see below);

(2) as consequently, the EU budget is an additional one to the member-states' budgets, as for an 4% weight in the cumulated budget revenues of all member-states and being formed by direct contributions of the same member-states;

(3) the EU's main policies, as for a keynesian view – the fiscal-budgetary and monetary ones, respectively –, are working in a complex picture. Only the monetary policy is central, whereas the fiscal-budgetary policy stays on the member-states side;

(4) a context in which the relationship between the two policies is ruled mainly by the Convergency Criteria of the Maastricht Treaty and the Pact of Stability and Growth;

(5) a context in which, concomitantly, the EC governing position sees itself enough weaken.

We rather believe that there still are conceptual problems to solve on, or at least to consider, as in detail. One of these is the unique market achievement, which is still in way, as a parallel objective to the other ones, on the mixed economy side. This way, liberalism should remain strong, as on both conceptual and directly working terms. Only once the unique market achieved, all taxes and their corresponding budget repayments will regard the same area, produce effects for and meet feed-backs from.

Or, in the ancient States taxation was previous to the currency issued. Much later on, the States federations of the US and Canada meat a genesys different than the EU case either. Then, in the aftermath of the World War Two the State and federal banking systems were formed throughout a *new status of central banks* (Patat, 1991). In such a concern, the EU alone did come up with its both *money, previous to the unique taxation* and *central bank,* versus several individual and component to the Union Governments.

Another aspect is that the current *EU budget* system contains contributions from individual member-States, as all additional, not influential upon the euro currency state and *mostly resulted from negotiations* between the Union and member-States, from which a common law and behaviour stay far away. On the other hand, such an imperfection isn't, but the "peak of the aisberg", meaning that it hides many other hard aspects. Shortly, there are different contribution capacities to the EU on the member-States side. There is a diversity of individual member-States, as regarding every individual member-State's contribution to the EU budget and internal ratio between this contribution and, conversely, the latter's repayments through fundings. Moreover, the EU extension increases such an adverse diversity of cases.

And, as above related to, there is to clarify whether the expected fiscal union will restrict to the current EMU (the "*Euro area*"), in which case the other member-States will still stay out and be involved in a "*parallel*" budgeting system; and so wether the Union could be ready to work with two alternative budget systems.

The ratio between the central and local taxations, as for the authorities' revenue, will come further on. And here, there are supposed to negociate on specific taxes applied by every member-state in part, and these taxes, as kept in force, will be included in the *local taxation* lists. Back on the central budget side, the direct and especially the indirect taxes lists will be supposed to be drawn, and here the *value-added tax (VAT)* is in top position.

One of the important and currently pressing questions to be asked is whether the centralised taxation and the supposable newly transformed EU budget into a non-additional one – as currently – would mean an effective tax rise, or on the contrary: such a strategy might be able to reinforce the liberal dimension of the Union? In theory, the Union might equally centralise its political power and re-create liberalism region-wide, so play for lowering the tax level. Nonetheless, in our view the expected unique taxation will strenghten, on the contrary, the non-liberal part of the so called *European economy,* the one of *sustainable development, regional and structural policies* and *structural funds*, as against the one of *market integration, unique market, competition* and *economic and monetary union.*

The bottom line recalls the above remark that the economically integrated States formation cannot afford what an individual country can: inside territories of different developments and life standards, as an externality of the market economy working. So, the Union requires high budgets for funding the less developed inside areas, as one of its top priorities. So, as answering the question, taxes might be expected to rise, but such an argument comes together with a double reservation: (1) a not too high tax rise and (2) a behavioural diversity of such a consequence within the region. Here recall especially the northern EU member countries for a much higher than average tax level situation.

One of the both current and long-term issues of this system will regard taxation, on its both sides: the one on the individuals' and organisations' side, as for ressenting the actual *fiscal pressure* and its dynamic; the other one the Union's and local authorities' side, as accounting for results, so as factly evaluating the basic efficiency of implementing the new taxation system. Some adverse results are supposed to arise from creating parallel markets, new fiscal deficits and all items accusing the unavoidable increasing distance between the central authority and the real economy and social aspects.

The capacity of the *fiscal system* to permanently adapt to the changing economic reality inside the Union's territory is supposed to be the other pillar of the efficiency of the system, and so on.

But, facing all these above, which is the current reality of the Union, as for her fiscal and budget terms? The central governance of the Union yet stays in theoretical terms. Let us remind that Norway refused to join the Union, as well as two other northern and well to do nations (Sweden and Denmark) refused later on the EMU, at the same. The project of the EU constitution has also been refused by Denmark and France, so the current French president called it a "dead project" in his recent electoral campaign; other politicians call it a "missed train" for a "new Europe". Or, the problem here arising might be the one of a real rupture between the Union's populations: ones of them peripherical and poor, ready for migration, benefiting and expecting benefits from the Union; the others, on the contrary, well to do, far from any propensity to migration and understanding that they will be supposed to give up some welfare to others, and firstly to real and potential immigrants.

The "Irish case"

Even more recently, Ireland rejected the Lisboa Treaty (2000), and a lot of comments and analyses are here expected about, because Ireland is a real case inside the EU and EMU. This is partly because Ireland is a small country, and her blocking the step further and progress procedures of the Union reminds the ridiculous episodes with other small states in the Council of Europe, in the past, while the East-West "cold war" was still in place. But the most significant "Irish aspect", in our view, is that Ireland really is the country having achieved all her expectable economic objectives by joining the EU and EMU, and becoming a real inventory example in such a sense. So, why...? Should we consider a too fast changing reality in Europe today? Or, on the contrary: the economic changes went too fast in a country who's people conserved most of their native mentalities? Or, alternatively, the answer to such a question might not be quite simple.

Finally, let us not only suggest (and not fill) a complex picture for a supposable *fiscal union*, but also consider and develop below the reference of a comparable experience recently concluded by the Union. This is the *monetary union* achieved, once more. This has been the performance of the 20th century end, whereas the expected fiscal union might belong to the next further 21st century decades.

3. The other EU project, the monetary one, which is finally done

The subject of this paper is not supposed to be changed, when talking about the *monetary approach of the EU*. These two approaches – the fiscal and the monetary ones – stay linked to each other and such a link might even be deepen for some important conclusions. The difference between the fiscal and monetary approaches, for the same Union, is the one between something in way and the other thing already done, so between present and past. Plus, past means experience to learn from. So, how was, briefly, the monetary project of the Union? Balassa (1961) was seeing the integration strategy as a succession of *stages*[(8)]. We believe that this Hungarian by origin scholar's genius was proven when debating about the *monetary union* when there was no political thinking about monetary disorders world-wide; on the contrary, the IMS was very well in place[(9)]. On the other hand, Balassa was wrong, as considering the *monetary* stage of integration just the ending one, strongly basing on the precedent stages accomplished.

In reality, the monetary stage was the ending one so far and it started in 1971 and ended in the 1999-2002 last period of implementing the European common currency[(10)]. Overall, there are to be noticed at least two aspects. The one is that, as reduced to the Euro implementing, the monetary stage might look similar to the Balassa's theory (1961). The other aspect considers, on the contrary, that the monetary approach should be treated as extended to the first approaches, but even thisway, since the *Treaty of Rome* (1957), the same monetary approach of the integration strategy had to wait for two and a half decades for its start. The author was also wrong as considering the earlier integration stages – see the *common market* and the *economic union,* respectively – as achieved when the monetary approach was started working. Authors of the next generations see the monetary strategy as implemented together with the *common market* and *economic union* approaching (Pelkmans, 2003).

Exactly four decades earlier than the 1971 monetary events, in 1931, the gold convertibility of the pound sterling had been once more suspended. And this was the last one and forever, meaning that the *international gold standard* (the precedent of the Breton Woods international Agreement) destruction. Then, in 1971, there was the turn of the next *international monetary system* to get bankrupted. As against this reality developed, can we imagine what would be happening whether the international monetary order had been keeping up its forthcoming reality? What would be and become, in other words, the present monetary union?

But, what about 1971, for the today EMU? First, it demonstrates that the monetary sytrategy could wait for a moment in which the international monetary relations dropped in their first postwar serious crisis. Plus, whereas the Union – or Community, at that time – could wait for two and a half decades[(11)], it acted the same year of the IMS destruction and as a retort of. But there are also other significances of the moment already called by the name of Pierre Werner[(12)]. This monetary approach, called the "*Monetary Snake",* was just an "emergency" (and less strategical) movement. Some states (see Italy and the UK) participated to the Agreement, but further on left it at least temporarily. In a word, there were no ambition in this initiative and so it partly has been a failure. But the real significance of the "*Snake*" was that Europeans saw themselves dependent on the American currency not only while the last was acting in a healthy IMS, but even out of this, when it was largelly floating and re-creating the international money disorder of the interwar interval.

As a consequence, the next strategical step, as monetary, was proceeding to eliminate such a passive and loser relationship. This was, of course, the *European Monetary System (EMS),* in 1979 (Roy Jenkins[13]). Despite some problems of dynamic – as similar to those belonging to the previous "*Snake*" –, the EMS was more "strategical", as compared to the "*Snake*"[14], and so more ambitious and successful. In other words, this *System* has performed at least two „inovations" in the area (Andrei 2007a). The one was the *fixed exchange rate without any metal base* – see the preceedents of the *international gold standard (1818-1931)* and the *Bretton Woods System (1944-1971),* basing on the gold-metal value for their units of currency. The other was even the way that the EMS finished its proper stage, meaning not through crises, shocks or any system bankruptcy, but by the Maastricht Treaty (1992) and stage of the Union proclaiming the *new common currency,* meaning the next and final stage of the strategy (Jaques Delors[15]). Do not forget, in the same time, that unlike the former IMS' ends in crises, the EMS (1979-1999) was functioning in a period of exchange rates stabilising trends all over – see the "*La Platza-Louvre*" event of 1985 (Andrei, 2000).

Nevertheless, McKinnon (1993) argues that the EMS was not qualitatively superior (in 1979) to the Breton Woods IMS, settled three and a half decades earlier, in the most severe economic crisis following the last world war, and so ranges the IMS basic components on two collumns (Andrei, 2007a)[16]. In the McKinnon's view, the EMS running into an inevitable crisis was basing on the *optimum currency area* theory (Mundell, 1961, 1973), including the perspective of the nominal anchor bankruptcy. The Union succeeded to avoid this by *replacing the EMS by the common currency,* and this was the winning strategy of the Europeans.

The fact is that *the EMU is now achieved* in the context of a long succession of stages and strategic measures taken, for which the management of the Union did apply the Duke of Levis' wisdom of: *"le passé est soldé, le présent vous echappe...soyez à l'avenir!*[17]*"* The early steps (see the "*Snake*", once more) were timid, less ambitious and not looking like strategical, whereas the strategy was increasingly energetic (see the EMS and and so on) and the final stage, the one of the *unique currency* implemented, was something of exception, as scientifically outlined, as management and results (Andrei, 2007b)[18]. It is also true that the EMU done is not able to solve all problems. But even polemmics about whether the Union could rather postpone the Euro about that this implementation might be able to end the cooperation in the area, or that the region might not be enough integrated for the monetary union achieved base on an abvious fact: the *EMU is done.*

Plus, there also comes the essential difference between Europe and other integration areas world-wide, together with the one between *advanced* and *incipient integration* contexts. The literature mentions that more than hundred states of the world are or at least were once involved in economic integration processes, but most of them given it up[(19)]. Europe is currently the lonely one of advanced integration (common market and so on), as representative in specialty. It is the lonely States formation ressenting an interior "*force built*" for new stages and an accelerating advance, as unlike the early integration stages, in which integration was alternatively able to freeze or be given up. Our finding is that, on the one hand, the *monetary union* stage had ressented such kind of acceleration process and so became compulsory at its time, as called by the *common (unique) market* and its deepeness; on the other hand, there apears to be the same force calling for the *fiscal unification,* as just completing the picture of the *monetary union*. In other words, arguments that the integration process would end and fears that the internal cooperation in the area would do the same are false, in our view: the same "*force built*" seems to continuously call probably for achieving the structural unity and homogeneity of this area.

4. But, the "fiscal union" strategy has already started

The *fiscal union* belongs to present and next future, as much as the *monetary union* belongs to the immediate past. They are different from one another, as for distinct moments, in which the Union itself was different descriptions, as for details, relationships among the member-states and implications of facts. But they are similar to each other, as well. First, they are two *policies* of the *same decision level* and so of comparable areas of exercise. Second, this similarity of space ought correspond to the one of times, as for strategies implemented – there is to conclude from describing above the multiple aspects of both strategies that they are for couples of decades times, on both sides.

Third, the above descriptions are for two kinds of lessons about the united Europe development. The first one is indicating that the Union has encountered problems of existence to solve in every moment and step taken – so, it has now. These problems were and are particular and unprecedented each of them. The other lesson is arising especially from the *monetary strategy* and so displays, as face to the range of problems encountered, a similarly real experience and set of performances.

That is to say, the *monetary strategy* is able to "serve" as a model for the next *fiscal strategy* through all its time of development, comparative degrees of problems encountered and solved, and a specific events approach starting from "little steps" to the increasing dynamic of measures taken and facts. Let us explain this. The 1971 moment ("*Monetary Snake*") was, besides the first monetary strategy step taken, a timid and a rather no strategic in its apearence one, as already described above. Only now, about four decades time later, it is obvious that this weakeness of the Community's attitude was related to the fact that least of its decision making was aware of a possible long-term effective and finally successful strategy of the European money. There was a large complexity of facts and international conditions in early seventies, meaning a very adverse landscape. Nevertheless, there were people (decision makers) with a strategy perspective at the time, so this has not been an uphazard developement eversince. So it is at present for a presumable *fiscal strategy* in the EU: the world and facts within the region are complex, contradictory and many of them adverse. Plus, the higher the adversity of these facts, the lower the courage to talk about a new taxation and/or a new governance for the Union.

Four, there come facts proving our view for the fiscal approach in the EU, instead of debatable terms or speculation in the area. Let us take facts like (once again) the Maastricht *convergency criteria* and *Pact of Stability and Growth*. Of course, they serve the EMU, but it becomes increasasingly obvious that a *fiscal union strategy* might also be feeded by – see their targets and involvement in the *member-states' budget* terms. And this might not be just a supposition when here considering a larger rule of the whole EU project applied: all distinct EU development stages worked equally concomitantly in time and through *common instruments* – so was, at least, between the *monetary union*, on the one hand, and the *common market* and *economic union*, on the other. Moreover, there come the EC's *approaches of the VAT* within the Union – and this is only fiscal matter, this time.

Recall from above the argument that, despite appearances, the trend towards a fiscal unification within the EU looks like compulsory. Plus, the achieved monetary union of the „EU-15" goes on producing effects on several scales and in several ways. Here I mean at least that the EMU will directly get enlarged (by Slovenia, Slovakia and so on), on the one hand, and that it will deepen its effects of the *euro-nominal anchor* for national currencies of the region around the *Euroland,* in the *optimum currency area* context of Mundell (1961, 1972) and McKinnon (1993). Or, this is about both the rest of the EU and Russia and countries around.

Moreover, joining the EMU was never compulsory in law (EU agreements) terms, whereas or due to its compulsory terms on the real economy side. So might be the fiscal union condition.

5. A moderate optimism: what can we remain afraid of?

Let us make it clear: we dare to assert that the fiscal union is a strategy, so a fact already, much more than a debate. But this is also obvious that – similarly to the EMU developed in its early stage of seventies, once again – performancies stay much backwards, as compared to intentions. Plus, the last remain still untold by a Commission that we see this way remaking something of her governing position in the Community.

The central and eastern (CEE) countries – here including current EU member and candidate countries –, in their turn, have quite recently faced a precedent experience. This is the one of their economic transition from the former communist economic system. It has been similarly long and harmful, plus as unprecedented as the current EU experience. There were, during that strategy time, many facts and events developed able to disturb and distort the process as a whole. So might be the current EU strategy. However, the difference between the economic transition and the EU past and present developments is essential either: the first did develop in a national isolation context, whereas the last assumes the union of States cooperation one.

From another viewpoint, the "*increasing dynamic*" of this kind of *strategies* might base, not only on a diversity of opinions inside the EU's management, but equally on a large imprevisible matter of facts. And, as for the time of these lines, let us have a quite *adverse inventory of situatios:*

(1) all facts explained above as for blocking this strategy approach;

(2) the adverse effects of the EU extension;

(3) the adverse effects of a presumable federalisation – meaning those feeding separatism and anty-European political movements;

(4) influent politicians inside their own nations fearing their presumable "provincial" (new) status;

(5) the gap recently demonstrated between the "center" and "periphery" of the Union, as for different levels of welfare;

(6) beyond so many reticences from Denmark, Sweden, UK, and, more recently, even form France and Ireland, versus the EU extension, any imaginable "leaving the Union" event, as a beginning of a large rupture;

(7) keeping in mind the McKinnon (1993)'s theory of: *the nominal anchor in bankruptcy* – as part of the author's theory of the *optimum currency area* – the Euro keeps its *larger area* around the so called "*Euro Area*" or "*Euroland*".

Euro is certainly expected as a strong currency in the world, but its extension and influence might also meat adverse effects rising once more the question about its validity.

But beyond all the above descriptions and analysis keeping position for the Union, let us no forget facts and principles rather keeping on rational terms, than ever turning into Euro-skepticism. Europe is a culture, as much as it is a phisical continent. But the EU creation was an economic and political project basing on an *international deep crisis* which favoured a contemporary *regionalism*. Can we ever think about remaking a worl-wide harmony?!

Notes

(1) There are just political interests making Moldavians deny the largely available fact that they speak Romanian, Romanian not to reconsider the constitutional monarchy as constitutional alternative and Turkish deny the one century old Armenian genocide, as for some instances of how strong the politicians' cultural influence can be.

(2) Let us remind that this concept includes, on the one hand, a series of unanimously accepted principles, as the free market economy coexisting with democracy and human rights, and on the other one at least four "sub-models" – (1) Northern, (2) Anglo-Saxon, (3) Continental and (4) Mediterranean– as distinguished by cumulative criteria like: taxation level and Government ratio in the economy, social security and policies on employment and unemployment and so on.

(3) Similarity to the American model society and way of living.

(4) Here there are studies in way at the Institute of Finance and Money, as part of the Romanian Academy of Sciences.

(5) A "stocks and flows" type model.

(6) See, for instance, the "trade creation and perversion " in the customs union case (Viner 1950).

(7) As the lonely macro-policy conveyed by governments to other institutions in all modern economies (Patat, 1991).

(8) They were: (1) the free trade area; (2) the customs union; (3) the common market; (4) the economic union; (5) the economic and monetary union.

(9) A new IMS, as replacing the formerly existing "international gold standard" – bankrupted in the 1931-1933 interval by the gold convertibility suspended for the Pound Sterling, French Franc and US Dollar – was founded in 1944, at Bretton Woods (USA). It functioned up to 1971, when the terms of the Bretton Woods agreement fallen down. The US Dollar beard three successive devaluations during less than one year time and then its gold convertibility was suspended forever.

(10) The Euro was born in 1999, but in accounts and financial terms only; 2002 was the year of the effective Euro currency.

(11) Actually, the Europeans have waited for one more decade, as considering the importance of the end of the war and the start of the George Marshall's plan to help the Europe's reconstruction. The Marshall Plan went hand in hand with the postwar IMS and OECD foundation, and that ensured political and economic order on the old continent.

(12) The EC president at that moment.

(13) The EC leader at the time.

(14) This rather had been and acted like an emergency measure taken.

(15) The EC leader at the time.

(16) Meaning: (1) the nominal anchors (the US$ and the EUR); (2) the financial Institutions of management (the IMF and the EMI); (3) the account currencies among member-States (the SDR and the ECU); (4) the exchange rates which were fixed on both sides.

(17) "When the past is passed and the present is likely to skip, in its turn, let us go to face the future!".

(18) See also Soto (1999), Yves-Thibault de Silguy (1999) and Andrei (2001).

(19) See Arab and other Near East states, as well as Northern African and Central and Latin America regions.

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Abreviations

EC	European Commission
ECB	European Central Bank
EMI	European Monetary Institute
EMS	European Monetary System
EMU	Economic and monetary union; see the Euro area
EU	European Union
GDP	Gross domestic product
GNP	Gross national product
IMS	International monetary system
OECD	Organization for Economic Cooperation and Development
USA	United States of America
VAT	Value-added tax