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European Economics, Update. Another Ten Theses on the Economic Integration

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Abstract. *These theses, in their enunciation and debate sound like: I. There are both "incipient" and "advanced" integration processes; II. Integration changes its outline; III. There is also the „second European economics"; IV. The Communitarz Agricultural Programme (CAP), as a "mettre à l'abîme" of the whole integration process; V. The national economies convergency reads the condition of the Union itself; VI. The EU budget might be a political stake; VII. The European Monetary System (EMS) is a... paradox; VIII. The public economy might be a "thorn in the unique market's eye"; IX, Is the economic integration predestined to an unachieved strategy example?! X. Beyond all skepticism, it would be better out of the (need of) integration*

All of these above try to describe the picture of a half century process, in Europe. Plus, this tries to explain why Europe is different from the rest of the world, not necessarily more or less developed or well to do, as for a usual pattern.

Keywords: economic integration; incipient & advanced integration; European economics; European Monetary Sytem (EMS); Common Agricultural Policy (CAP); "European type" taxation; public economy.

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Here there is a kind of a provocation to be faced. Some rushed oppinions claim the European Union to be as different from the rest of the world economy, as even the current world-wide integration and the old economics dealing with early stages of integration might have become useless for clarifying this brand new model. I would not think about an appropriate retort to this, if there weren't not one – see, this joining the EU – but two large and shock processes, as successive, in this part of the world that we were "forced" to econter – the previous one had been the post-communist economic transition, as part of the world-wide concept of *emmerging* market economy.

So, let us first remember the nineties, in which there was not only about the "shock", versus „gradual" therapies of joining market economy to talk about, but there were also hearing some voices claiming a renewal of the "old" economics. The result was something much less spectacular: just a short polemics between apparently some individual theorists, in reality between the old schools of thinking economics – see especially neoclassics, with their liberal thinking structure, and neo-Keynesians; see liberals and social-democrats, on another plan – all likely to express as: "finally, I was right...", despite the remaining differences in their views.

Unfortunately, this one is the handicap of economics, itself: a kind of "ideology sickness", for which there were precedents in the former communist economic system. I mean that there were even brilliant mind economists forced to design solutions inside that system constraints, whereas afterwards the same scholars were taken for "Marxian-Leninist" type thinkers.

Just coming back to the integrated Europe's economy, in which even post-communist national economies now have found their place. Should we believe that it is to talk about "another economics"? No, I believe that neither the Europe's history, nor all the other histories allow such a thinking temptation. But, there is one, a truth of this "different kind" of issues. And this truth should be said as a whole.

Then, see below a syntethic description of what the author of these lines thinks that it might be the today United Europe specificity(1).

Thesis one: There are both "incipient" and "advanced" integration processes

Tsoukalis (2000, p. 268) sees three specific effective stages of integration in the Europe's case – as a world-wide extended process, integration might face different effective stages for each region in part. But this is different for "incipient", versus "advanced" integration processes, due first to basic conceptual terms. Then, the same classification extends from the basic conceptual picture which makes things common for all circumstances and areas of integration.

As for conceptual terms, first, Balassa (1961) stays in place with his "five stages" of economic integration[(2)]. So, the Hungarian native economist's theory was almost a programme document for this process, despite critics that there might be today. As for this moment, the "five stages" conversion into only two would relate the early incipient period to the free exchange area and the customs union, and the advanced integration to the unique (common) market, with economic convergence and optimum currency area (Andrei, 2009a).

And beyond the conceptual part of the issue, there is to be noticed that Europe really becomes a unique area, whereas the "incipient" integration equals such a project-initiative enlarged world-wide (Andrei, 2009a, pp. 65-66), together with its conceptual basics. Of course, Europe was the ultimate source for developments all over. Developments change when integration splits into incipient, versus advanced, the last.

Splitting the *incipient* from the *advanced* integration comes on the latter claimed by the EU only, so "Europe is unique" world-wide. In correct terms, all knowledge about this part of integration process works on the European corresponding region, up to a "universal definition" of the concept. No precedent of or retort to integration, as European so far. In other words, on the one hand, the distinciton between advanced and incipient integration is equally a geographical one between Europe and the rest of the world.

The other aspect of such an inside distinction of the two parts and time terms of integration comes on the one (see, the incipient one) in which the project of integration rather expects initiative, objectives formulation, strategy and action on, and on the other (see, the advanced one) in which the same subjective factor is rather going subordinate to facts and events acting by themselves as necesary and, sometimes, even urgent.

In the incipient integration conditions, the member state yet feels free to quit the agreement and come back to its former non-member state (on its own) and individual subject of the international law status – and that acting according to the national interest. Such events have already occured out of the EU (ibidem). On the contrary, in the advanced integration conditions, the member state is forced to act together with the other member states (with the union, as entirely) and any crucial initiative taken apart from the union – all the more, leaving the union for its former internatinal status – produces higher costs to be beared. Actually, these costs get higher on both sides: the one of the member state and the one of the union.

The *advanced integration* is something special in any way. The *customs union* evolves towards and does not feel as achieved in the absence of the *common-unique market* achieved. This meaning that facts like member states leaving customs unions world-wide were mostly due to the customs union specific phenomena of "*trade perversion*"[(3)]. The common market, in its turn, paradoxically, calls *policies,* in its favour, clearing the way for a later non-liberal evolving of the integration. The monetary and fiscal policies were coming later, but their precedent in the policy matter was the much earlier *Common Agricultural Programme (Policy/CAP).*

The unique European currency was coming a couple of decades later than that, as for a monetary union achieved. However, here there are some critics to be mentionned about. I skip the ones yet complaining about the "hard loss" of the nation's monetary policy instruments of foreign exchange and related, as against foreign inflows-outfows and globalizing, for the "new type" critics arguing that the monetary union might also miss the unique currency (Vaknin, 2000), that the monetary integration thus has got one more step further than the real economy one and that the unique currency Union achieved would end the member states' economic cooperation in the area (de Silguy 1998, 1999).

But this also is a debate that will be skipped in these lines in favour of another standpoint. It is largely agreed that the monetary unification in Europe still keeps a political content as heavy as the early postwar integration initiative of the fourties and fifties itself – and here there might be equally found the pretended "rushed" initiative for the euro just at the limit between the two centuries and milleniums. Agreed, in the same order, that on the other hand the old *European Monetary System* (EMS: 1979-1999) wasn't yet quite over (Story, Walter, 1997), the way that the Breton Woods IMS (1944-1971) had been at its time (1971-1972).

Actually, I re-assert here a previous idea of the "*monetary union calling for fiscal union*" (Andrei, 2000b) and the latter presumable undertaking might take another couple of decades, as a retort-process to the monetary unification, by its importance on both causes and effects. Nobody yet talks about fully achieving the fiscal reform in the EU, despite that this process, in its turn, keeps its precedents in late sixties (Tsoukalis, 2000, p. 105 and on) – the monetary union, in its turn, had its precedents in early seventies (see the monetary "snake" and on). The author sees an also "incipient" fiscal harmonising in late sixties, as called by the trade flows – trade was fully basing the European integration at that time-stage – and so focusing on the indirect taxation of the *value-added tax (VAT)* type.

Or, *achieving the fiscal reform* for the Union is actually called by the unique currency support need, together with the *EU budget* deep restructuring, as equally needed by consequent. And the next presumable stage of this reform will certainly focus on the other part, the *direct taxation*. Oterwise, the unique European currency, the emblematic performance of 1999-2002, is hanging on an increasingly thinner support, which is the Maastricht (1992) set of *Convergence Criteria*(4).

That is why I preferred to skip the above debate on a monetary union arriving or not too early. On the contrary, the *monetary union* was anyway called by the unique market achievement, as well as it calls for the *fiscal union*, in its turn, with an increasing force resulting from a "snow ball effect". It is true that either Balassa (1961) and other authors have skipped, or the EU's representatives yet keep silent about such an aspect. As for its presumable effects, a fiscal union achieved would be even much more than that the monetary union was and still is. It would be the real "climate change" of the United Europe of the twenty-first century: the Commission would be going to reinforce its position against the member states' one and something of the older "curtain" between "west and east" (actually, between the Euro area and the rest of the Union) would be remade, as for a real new provocation of the next future.

Just re-emphasising that the *advanced integration* is both European only(5), as so far, and an undertaking increasingly less appropriate to ruptures – given their unbearbly high costs. Paradoxically, here the Euro-skepticism is also increasing in democratic conditions.

Thesis two: The integration "outline" is (also) changing

This description will be tightly linked to the above one, as by context. Balassa (1961) here remains a significant reference, as a genius with his "mistery" sign. I personally admire an economist who foresaw the monetary union in 1961(6), when an international monetary system (IMS) and order setlled by the Breton Woods Agreement (1944) were in place and still well functionning. Not easy to foresee the future international money spoiling and need for regionalisation.

In other words, the lenght of the integration process, allowing a passage through several specific periods since the end of the second world war, implicitly allowed mentalities evolving in the meantime as well. Meaning that the old anty-war goal of Europeans of the fourties and fifties were turning little by little during the second half of the twentieth centrury into the awarness that regionalising has become the lonely alternative of reinforcing as against a so unpredictable world dynamic. Despite all these, it is just one process of integration to talk about – and we will detail on this aspect below.

The European Comunity's retort to Balassa (1961) was hardly coming in early seventies, the year of braking terms of the Breton Woods Agreement (1971). Exchange rates were back to their floating of 1931, as for a symptom of what was called at that time "international monetary disorder" (Triffin, 1973, p. 165 and on) [(7)]. It is also true that the current perception on floating exchange rates is also different. But at that time, in 1971, the Europeans' stupefaction was that of finding their dependence on America remade for a crisis time, as well as for the previous times of troups' landing in war, Marshall plan for American investments and gold convertibility of the dollar for ensuring the international monetary order in place. That was the time of the "*Monetary Snake*" (1971) [(8)].

Balassa had foreseen the monetary union since 1961, whereas the Community's authorities were taking their first monetary step one decade later on, and still not hundred percent aware of what would be happening some other decades later (Tsoukalis, 2000, p. 143) [(9)].

The *monetary* approach of the integration is a significant one, for this paper, but here there come equally critics on the Balassa (1961)'s basic theory of integration. Tsoukalis (2000, pp. 62-63) is right when criticizing the "five steps" outline: this was about "distinct" stages, a "concentric circles" image or a full integration of the successive descriptions, the one into the next. In other words, each new stage description was containing the previous ones, as entirely.

Or, as much as the European authorities were unable to prove the Balassa's foreseeing capacity of a decade earlier, their primary approaches of the *Snake* (1971) and *European Monetary System* (EMS/1979)[(10)], as preceeding the final monetary union fulfilled another two decades later, skipped the same basic integration theory. There might be some voices arguing that the monetary union would have developped between 1999 and 2002 and be in place as the last stage of integration, whereas the "Snake" and IMS would have been just some meaningless preceedent episodes as specific for crisis times – but this is as superficial and false view, as misleading for practice and decision making.

Factly, the monetary policy approach of the Union neither is coming as the last in order, nor its environment contains all that the integration is ever assumed and expected to perform. A correct and comprehensive view about facts first sees the primary monetary approaches of the seventies as concomitant not only with several crisis matter symptoms and accumulations, but also with strategy steps for the unique market approach, for founding different policies and for the fiscal harmonisation and budget of the Union building.

Second, the *monetary approach* was going on in the next nineties, but as no longer concomitant with a similar context of developments. As for instance, the fiscal approaches were not continuing in nineties, but they might be expected onwards, when the monetary approach will be over (see the above "thesis one"), but the *"Convergency Criteria..."* (Maastricht 1992) work for the unique currency, but previously in order for reinforcing the financial condition of the Union.

Third, here recall from above the *fiscal approach* – as a "virtual" one, for the time being, whereas its corresponding *monetary approach* is supposed to be the one already in place. Recall that the fiscal approach was starting when the monetary one was not yet and that due to some incipient trade base integration stages with requirements on the *indirect* part of *taxation*, in detail on the *value-added tax (VAT)* [(11)].

Today, in the aftermath of the monetary union achieved, the Maastricht *Criteria...* would be supposed to weaken, as a real support of the unique currency and the problem of "to whom does the unique currency belong to?" would come up instead as an increassing pressure on transforming the *EU budget* into the one of supporting the euro as directly. It is equally true that, on the one hand, the unique solution would come on completing the fiscal approach through a "European taxation" and that would act directly to the other part of taxation – the *direct* taxes – and that, on the other hand, developments on taxation have been mostly absent during the last period (Andrei, 2009b). "... adopting a common income tax system hasn't been followed by harmonising the taxation bases and corresponding coefficients... the next pace, in a logical order, ought to be the *rates* harmonising" (Tsoukalis, 2000, pp. 106-107).

As summarising, the fiscal approach is directly called by the monetary one and directly resulting from. Plus, the two might be compared as two several decade time strategies, both finding precedents in the earlier developments of the integration process.

This above comparative analysis is just an example, in a larger context or events, for suggesting that the previous description of "successive stages" (Balassa, 1961) is becoming obsolete. The Balassa's "stages" turn into integration objectives, whereas the real stages change description. During some stages, the objective approaches work together, whereas during other stages, the objectives association change – this being the real specific of each period, as significant. There are developments of some objectives during some stages, whereas the same or other objectives might not develop during some periods. The long process of economic integration also meets strategies starting much earlier than their expected achievement and this makes the long strategy components.

The view of Balassa (1961) is also incomplete(12) by limiting to the *liberal* part of the integration. Or, this is to be deepen below.

Thesis three: There also exists the "*second European economics*"

The below analysis and idea are linked to the previous above ones – the integration is compulsorily undetached from the liberal type strategy: free exchange and customs areas, common market, together with all its complementary environment concepts, from economic convergence to monetary union achieved through the unique currency. This is the "capitalism" of the integration, as translated into the left politics, but it is just one face of it and so limited to such issues.

But, at such a point an analysis like the above ones is likely to start assessing the effective developments of facts, whereas the current one is first assumed to take the liberal strategy as fully achieved. So, assume a hundred percent common market, its unique currency as well functionning and competition acting as well. Then, what can be expected from? Of course, economic development, technological advance as in world-wide terms – in the largest competition with the America, Japan and China, in recent terms, areas – and *welfare* produced. But the last (welfare) would encounter a very problem: the market economy equally produces economic inequality, as for a deepen description. And this means inside regions, companies and people, all of them yet related to the member States of the Union. In the absence of any interventionism, the unique market will engender more and less developed and prosperous regions, as all over at the national scale.

No state stays indifferent to this collateral phenomenon, but for the union of States this problem becomes as essential as "yes or no" existing on. Beyond any written status of the union, each member State looks for a higher and unique economic level to achieve by the common strategy aceepted. No differenciations, as of principle, no discrimination against any member State, region or group of people, no "different speeds" of performances and achievements. All these would cause new tensions, remake something of the previous conflictual landscape, and jeopardise the union, as existant, by interests ruptures within the area. Crises inside the union would come up even in the non-crisis economic conditions, as reflected by statistics. That is why the union is never supposed to stop to the liberal strategy achieved. Its job is to work well on this primary strategy, but also to step further "beyond".

But, there is one more aspect to here take into account. This step "further beyond" the liberal strategy is not a distinct stage as in the Balassa's view. Meaning that the *liberal strategy* is not supposed to be achieved for this second, non-liberal work to do, but this is about a true *complementarity* between the two – liberal and *non-liberal (interventionist)* – ways of thinking and acting, as from the very beginning. Just recall that the EU is "something different" than the rest of the world – a rest of the world which might equally contain integration initiatives and processes, but the integration strategy is all over forced to assess and face its horizon from the very beginning, as well. Some strategies might limit to non advanced integration, whereas the others (see the European case) would work much more thoroughly about and consider the *mixed economy* as a job weighted at the same with the *liberal strategy.*

The European economic integration process of the second half of the twentieth century up to the end of the century and millennium has worked something out for the general economics topic. See the double language, liberal and non-liberal, as joint together – *liberal:* integration, globalising, unique market, together with its labour and financial markets, competition, economic convergence and unique currency; *non-liberal:* the union's budget, mixed economy, interventionism and policies, structural funds and policies, social inclusion and cohesion and the European social model(13). All these for considering two distinct areas of the *economics* of the integration – instead of two strategies of stages for practice and decision making –, meaning two areas of concepts, methodologies and approaches. The communion of these is supposed to be searched for in the one of the European aimings, beyond differences expressed by the *European social model* (Dinu et al., 2004). None of these characteristics of the advanced integration is dominating the other, whereas contradictions between the "two strategies" are iminent in practice.

Besides, the two aspects are different descriptions. The liberal strategy is chronically more coherent in its objectives and construction, whereas the other yet keeps more "white spots" in its definition and its commandements arise mainly from outside economics.

So, let us summarise about an economic integration process, once seen as emblematic for the "contemporary capitalism", the way that it inevitably turns into a kind of "neo-socialism" *sui-generis,* as for a postponed satisfaction for the dead communist regime of the Eastern and Central Europe.

Thesis four: The Common Agricultural Policy (Programme/CAP), like a "*mêttre à l'abri*" of the integration as a whole

There is to appologise here for this French formula, due to the critics of the famous writer André Gide, for his novel called "*Lex Faux Monnaieurs*" – see a literary style procedure through which the author was reflecting the essential idea of his book in a short episode of the story. Or, here there is about the Common Agricultural Programme (CAP), as a part of and as related to the whole story of the economic integration in Europe.

First of all, the CAP (started in 1961) can be taken as similar to the unique currency implemented (1999-2002), as for their strong political emphases (Tsoukalis, 2000, pp. 170-194). The integration itself had started mainly for political reasons in 1947, by the two Treaties of Rome. The programme objectives atributted to CAP were a true opportunity for the Communities, at that time, to assert themselves as a counterpart of the member States' authority(14).

The essential difference between CAP and the euro currency implemented and issued is the one of time and perpetuity of the previous. CAP started almost founding the set of European policies (Pelkmans, 2003), so preceeding the advanced integration for a significant lenght of time. It was through this Programme that the difference was made between the European and the other integration initiatives throughout the world. The Community's budget was going to allow mostly of its resources to CAP; even currently the CAP's part of the Union budget keeps about 41%.

As a quite long term undertaking, CAP beared important changements and restructuring along; here included even its expectations and objectives of its "zero time" (Bârsan, 2005). Or, the time way between the CAP foundation and the present seems to be a kind of strategical equivalent between an expected shield against the immediate postwar poverty – a large geographical area world-wide has not been able to escape from – and the current commandments of efficiency and the sector's "restitution to the States' authority", as expressed by some analysts. But let us see two more characteristics of CAP, as "painfully" similar to integration in the region.

This is first about the "*knot" of contredictions* faced by the Programme, as for its real endless fight against a not friendly at all environment and reality around. Its generous aiming of feeding the European populations was quickly encountering the need of interventionism and subsidies for supporting a traditional and quite special industry, like agriculture – it was about both a price level expected to satisfy both consumers and producers. Then, the need for subsidies was harming the Statutory market and competition, as declared and required. Then, the contradictions that the Community was so pushed against the rest of the world – as strictly with GATT and its WTO successor, as an international organisation caring for the free trade, but also with the United States, in the same context.

Then, on the contrary, as playing for competition, other contredictions and obstacles came up: Spain and Portugal were joining the Community and their tyde climate was favouring productions significantly more than the temperate and oceanic climate of France and other northern countries. And this when the French farmers were already constrainted by their life condition even in the absence of such new competitors.

There was also a time when the Community was seeing itself forced to impose production “quotas”(limits) to producers, as a new defy for competition on market – this procedure was ended as a result of international pressures.

When the Community was extending on, in seventies, some other contredictions arisen, but on another plan than the one of competition – the UK’s “arrival” in the area, after so long negociations, and with new problems, instead of happyness. The UK has almost no agriculture, except for some livestock-breeding, so the British taxpayer was called to contribute to a new budget feeding, let us say, the French farmers’ business, and so on.

The other aspect to be here emphasised, on the contrary, invites to some reflection about facts. Let us admit, for the above described reasons, that the previous euphoria and “glory” of CAP is over for a longtime already. There is rather no stage or strategy reform to perform without paying a new harmful price in new problems and inconvenients.

But, despite all these, this Programme is still working – or, this is what makes a new difference, as compared to the euro currency and other strategy components of the European integration. CAP is even representative for an undetaking exposing so many opportunity costs and facing more and more difficulties – “everything has a price to be paid” seems to be the hidden slogan of CAP.

In conceptual terms, the Programme is just one policy, a “policy among the other policies”, but there might be to conclude that it is something more than that. We can assert that the integration itself keeps its bases of understanding either in *theories* of the *international trade* and *customs union* – on the theoretical side of the integration bases –, or in *CAP*. The last comes on the practical strategic side of the integration and the integration has a lot of things to learn from. In a word, see CAP in order to understand the integration itself, as a whole.

Thesis five: The convergence of the member States' economies discloses the Union's condition

All our current students memorise the *"Criteria..."* of Maastricht (1992) for supporting the unique euro currency[(15)]. Recall the specialits of the Union comparing the *budget deficit* and *public debt* with the water pipe feeding the recipient. Or, this is about *inflation* in all ways, here including the conditions of *interest rate* and *exchange rate*, as the two expressed prices of the same money. Actually, this is *monetary* inflation, as much as *"Criteria..."* cover one part of the economic *convergence*, meaning the *nominal* one.

Or, for nearly two decades time everybody understands the *"Criteria..."* as a lecture of economics and money topics. But there is also another aspect to be here noticed, as starting in the nominal convergency area and continuing in the other *real economic convergence* area. This is *inflation,* once more: it is to be found in the correlation among budget deficit, public debt, interest and exchange rates, on the one hand, but once more listed by the *"Criteria..."* , as distinctly, on the other.

Then, let us read here two more aspects, as consequently. First, the aspect that the member States are not supposed to limit their preocupation to available political instruments and expect results on inflation, as confirming the European authority's theory about. Second, the aspect that listing inflation as a distinct criterion equals identifying the „other part" of causing inflation, in theoretical terms, once more. A zone on which the member State authority can manage on its own, whereas the other *nominal criteria* were listed as a common preocupation for all the member States and Union.

Then, all that still needs to be clearifyed is this last "other part" of causing inflation and why did the Treaty authors prefer a less transparent expression on this criterion. Or, this is certainly the *non-monetary* inflation[(16)]. We might think about even the *demand* inflation, which can arise on market, despite its volatility, but especially to the *cost inflation* and its deeper determinants, as identifyed in the *basic resources*, plus *labour* price levels. So, the conception of the *"Criteria..."* is now fully obvious: the real economy origin of inflation is assumed to be managed by the member States, and their assignment in this way is consistent with the existing Status of all parts. Once more, the Union is preocupied on both some transparent performing on the monetary side of all economies and keeping the member States' competences on controlling the price of resources and wages in their areas of exercise.

In other words, there is no management preocupations of the Union for issues like these above, and that in the context of the advanced integration state. Then, stepping outside the *"Criteria..."* into the *real convergence* area, the Treaty's and other European explicit requirements are just over. This clears the way to a real and necessary academic debate(17), whereas, the further the *"Criteria..."* remain back, the more obvious the reality that their claiming for the lesson of economics definition and status vanishes.

And this because, actually, there was no intended lesson of economics on the Union side, but the aim of explicitate a condition and an attitude. There is another kind of *asymetry* between the nominal and real economic convergence, but this is especially regarding the Union's perception and bias. Conversion defines the advanced integration, the "supranational" notion linked to the EU is even older, plus, the Maastricht Treaty and its *"Criteria..."* were born nearly two decades ago. However, the Union's authority in the region has not stepped further than the „old" and unchanged relationship between the central authority of Brussels and the capitals of the member States.

Or, there is a new problem, and here recall the question rised above: *"to whom does the unique currency belong?"* And, as a pale and largely incomplete answer to this question, two things are already certain. First, the existance of the *European Central Bank (ECB),* as the unique monetary authority reached by the Union. Second, the fact that the above referred *"Criteria..."* might not even have been expected to do more than reflecting a situation as existant... in 1992, at least.

Besides, it is less certain wether the interval since the Treaty and current times might be invested with enough significance for a presumably change in strategic terms. Once in the next future there will be the time for answering this question.

Thesis six: Might the budget of the EU become a real political and strategic stake?

The EU budget is "additional" to the national budgets, it mostly comes from the direct contribution of the member States and results from negociations and amiable terms between the Union and States' authorities. It serves for the Union's policies runned in the region by the Commission and – among a list of principles(18) rules and procedures – is defined by no deficit – formally, the Treaty expresses the "no excedent", as well.

Then the two actual handicapes of the "additional" and "no deficit" characteristics are completed by a third one: this budget stays far from supporting the euro currency, as for a well known rule of correlation between budgetary and monetary policies. Or, instead of such a policy correlation, there results the vicious correlation among the three handicaps of the Union's budget. This works as significantly and efficiently against the policymaker, the European Commission, in its position of the statutory "Government" of the Union. This Government is pretended to be "*supranational*" and imposes its "Criteria..." to the member States, in the region. In reality, it steps off the Union's currency game, whereas its monetary counterpart, the EBC, works on the euro management together with the Governments of the *member States* – and these are a plurality, unequal with one-another and not unitary coordinated action, except for the Union formula itself.

Fortunately, the monetary authority of the Union, the EBC, is an institution proven as very reliable (Soto, 1999). And fortunately, again, there is no any inconsistency in the Union's budget regime to talk about either. But these favourable facts, on their side, don't do, but paradoxically underline the *de facto* institutional rupture surounding the unique currency functionning.

On the contrary, the former *European Monetary System (EMS)* seemed to have been more appropriate to the current institutional picture of budget, here including the Commission and even (and paradoxically) *"Convergence Criteria",* newly born after the EMS' end. As much as the step further to the unique currency is recorded as a political and even historical success of the years 1999-2002, this seems to act equally as an increasing pressure on reinforcing the political and legal entity of the Union face to its member States.

Recall from above that we see in such a respect no alternative to the achieving of the *fiscal union*, as a successor of the monetary union (Andrei, 2009b), and this one will produce its appropriate and deep consequences – among which turning the EU *Government* and *budget* into something else… which yet makes everybody in the area scared to talk about.

But whether, on the contrary, the existing institutions ought to be preserved as they are, here including the budget, whether the policies of the Union ought to stay dependent on the relationship between the Union and member States, then another sacrifice would become possible. Paradoxically again, that would be just the common currency, as the most recent and explosive success of the Union.

Though, it is equally true that, despite all ups and downs and hesitations of the past, the Union has never given up an already reached target. What we can here assert is that it is now confronted with a kind of “knife-edge” experience. Is this for the first time?

Thesis seven: The European Monetary System (EMS), as one more paradox

Tsoukalis (2000, pp. 143-148) tells, in his turn, the story of the *European Monetary System (EMS/1979-1999)* with its constructive ups and downs. Meanwhile, in a description of the contemporary international money history, McKinnon (1993) argues against the *international monetary system (IMS),* as needed by the contemporary international economy – called as *theory of the IMS.* Such a need was for the extreme economic situation of the immediate post-war period(19),whereas today the *optimum currency area* was to be approached as more appropriate Mundell (1961, 1968). A comparative analysis between the immediate postwar IMS (1944-1971) and the yet existing *EMS* at the time of the study was resulting into an interesting structural similarity. Ironically, that came up in the aftermath of a two and a half decades IMS filled by both an unprecedented development and a substantial literature of criticizing the same IMS.

Moreover, despite its temporal and economic advance based advantage against the “old” IMS, the EMS supporting and supported by the *fixed exchange rate*, in its turn, was even missing the highest appropriate foundation of it: the *metal parity* of money. The rethoric question, as resulting too from the McKinnon (1993)’s story, was not “whether”, but “when, exactly,...” the EMS would be supposed to crack down, in its turn.

Or, there is absolutely no need to sustain any theory against the other in order to understand that acting for a workable fixed exchange rate system, in the absence of the metal parity of money, would be a kind of “Sissif endeavour”, see the way from proper difficulties to losing motivation, sense and logics. However, McKinnon(20) was supporting the *optimum currency area* (OCA) theory against the one of the IMS – so, he showed that the EMS rule was actually less important, here including its fixed exchange rate system, but determined by the prior OCA. Besides, the OCA is limited life, due to the continuous and increasing pressure on the *nominal anchor* currency of the area.

Then, the next following reality, in the late nineties, was going to be different than expected by McKinnon. The removal of the EMS by the new common European currency made this specifically European history different than the one of the old IMS: there was *no collapse of the EMS,* but a strategy of the progress between an "old type" international (see, regional) monetary system and the brand new condition of a currency, as implemented (Andrei, 2007). Moreover, throughout the passage between the EMS and euro currency, the previous was paradoxically not over, but actually it is still in place by the so called *second exchange rate mechanism (ERM2)* – this is about the member state not yet or expected for joining the *Euro Area*. So, in reality, the EU strategists were surprisingly enough considering both the OCA and the Germany's and the DM's excess of responsibility for the whole EU monetary condition: a DM's destiny, as similar to the US dollar's one, would be supposed to threaten the whole integration process. Once more, the McKinnon's arguing was right, in its basic principle – it was the EU's undertaking responding and retorting it through facts. As much as the EMS' removal by the unique currency was curing the European money from the asymetric pressure on the DM, the Europeans looked not only forward, to what a new currency context means by definition, but equally backwards, to the no future for the old type monetary system, based on nominal anchor, versus the rest of national currencies.

But then, the problems of the new currency quickly came up and stay on – see successive depreciations and apreciations against the dollar, just as expressions of the euro's ups and downs. On the other hand, the euro implemented does not miss its own specific criticism in the literature – some critics argue that so the monetary strategy would have left the real economy integration behind; others argue that the cooperation spirit in the area will come to its end, and so on.

Or, in an increasingly contradictory context, here including the one of the events of the Greek economy in 2009-2010, when there are voices claiming this country's leaving the Euro Area, the memory of a still valid EMS in 1999-2002 might reinforce its significance, as theoretically and not only. As for another aspect, the current EU region is extended already and still extending, so making the "outside Euro Area" larger and heavier.

Let us take these above description and assertions just like some notes of *looking back, as well.* All monetary systems, as international, regional or national, are part of the financial system, and this is a genuine historical construction, meaning a step by step and stage by stage one – the today built up floor is actually founded on the other down floors; not all of floors are equally vulnerable. There is to reflect about one more question: does the EMS still belong to the past?

Thesis eight: The public economy might be a "thorn in the unique market's eye"

The public economy is a distinct area all over the national economies. As roughly, this is formed by public spending-purchasings from the rest of the economy, plus production of the public sector, as the State area of the economy – this might require some academic distinction of the State and the public areas, this below description is not for this.

On the contrary, this current debate starts where the State sector is alleged as threatening market and competition on. It actually does it on several ways: see, from turning the market usual condition into distinct parts – see, special price levels, high quantities in contracts and other conditions – to "agreeing" – as a positive discrimination of – some suppliers, as against the rest of competitors(21). In a word, the State economy is undermining market, as in a "natural" way.

Let us also, once more, admit such a pattern as valid all over, whereas the difference is made by the differenciation of the State weight in the economy as a whole. Plus, the State sector gets multiplied between the central and local public administrations, while both quantitative ratios and subordination between play their own roles for. The question to be here rised is about how this pattern does act in an economic integration, see the plury-State economy context. Or, actually, what does it really become?

Or, whether the basic economic principle, as above described, is assumed to stay on, there is one more aspect, as doubly-defined, to be taken into account. First, the solid links between central and local administrations stay at the member States level; on the contrary, the EU public administration economy is not similar, as seen in the *central Union*, versus the *member States* report description. As a result, there will be, at least, as numerous *public economies* as the number of member States (*n*), and no inter-relations amongst. The same for parallel markets, as defined and founded inside... national (internal) boundaries.

The second aspect finally includes the Union itself, with its central administration and bureaucratie, as respecting the same above rule of non-report with the member States administration. Actually, the central Union administration will just be the *(n+1)* component of the public economy in the economic integration context, and still unable to restructure any of the given context.

As so described, the *public economy* of the economic integration gets some specific on its *qualitative* side. The *quantitative* side of this story is not less important, but even more complex to be described in numbers like: weights of the member States' economies in the total of the EU's one; weights of the State sector in each of the member States' economies, as expected to differentiate from one-another; weights of the central member States' administration in the total State economy and so on.

Thesis nine: Is the economic integration predestined to an unachieved strategy example?!

Aged people, like the author of this text, can easily remember the discourse and deep analyses of communist ideologists as regarding the "contemporary capitalism", as going to stick into its own internal contradictions of development, which would get impossible to be fighted once in the future. Now there is, first, to be more easily understood that the artifice here used was the very concrete example and landscape of the European Community at that time for the seventies and eighties periods, in which either the basic economic problems of the region were getting more painful, or the integration strategy was facing significant specific problems.

Second, things look different today: there are also significant performances of the Union, and they come from a unique continuous endeavour. But not only.

It might look like a tragic fate such an endeavour of Europeans for changing another historical tragedy: a geographical landscape boiling in warrior and revenge attitudes that was once in the past. Now, those have got replaced by strategies and programme components yet unfinished when new problems and historical needs come up; there are rather no periods without apparently unsolved problems. So, the same question rises once again: which exactly can be the common explanation or denominator, the definition for an European economy, as apart from the rest of the world.

But I believe that such an answer exists and even it is less complicated than expected. Actually, the integration process starts like a limited internationalisation of national economies and so avoids both the closed economy and its unlimited, as imaginable, opposite internationalising. Neither of these are aimed for integration, in which conditions the aim of it gets off the area of well defined or pre-defined concepts – whereas both the closed and the open economies are very well (pre-)defined.

Then, the *unique market* that the same process is searching for suffers on conceptual and structural ways just as the result of *defining integration:* it gets limited and closed at the same, in a present economic development in open and globalising context. As directly linked to the market design, *competition* suffers as well, very deep inside its basic principles.

The *liberalism* is suffering, as in a domino principle: it sees itself mutilated for distorted market and competition on, on the one hand, unsufficient and criticised for a presumable Union, as compromised from the very beginning and forever, when limited to liberalism, on the other one.

Back to the nations ready to integrate their economies, as for a limited internationalising, integration extends from the strictly economic dimmension – the States formation here resulted passes first throughout *cooperation* for thinking about a *common Governance* on the next following step. But, either cooperation yet stays not entirely put into value, or the common Governance gets stuck, as reminding of a very old reflection of Aristotle about the Europeans of his time – just see the example of the interests rupture threat between populations of center and of outskirts of the region when the Union's extension results into an also increasing people migration within the common area.

Then, the same story might continue on other issues, as here finding a space defined as common for unachieved principles and issues that the integration is – ironically, the last is supposed to be a systemic type construction, here including a construction-reconstruction of some basic principles of economics, and not only. Plus, wherever "constructions" of such a kind, as non pre-defined, *ideology* makes itself present, whereas such a scenario reveals at least to a part of today Europeans some not so old controversial memories. Or, as much as the European integration tends to be unique, let us do not forget that all ideologies, together with their products, see themselves as "unique".

An alternative to an ideological based construction working with incomplete concepts might be the same States formation turning into a new State of (on the contrary) a classical and pre-defined structure, as the example of *federalism*. It would be the end of the story, in all (good and bad) senses. Concepts will be finally clearifyed (see once again: market, competition, currency, national, versus international, cooperation, governance and so on). Besides, it would not be a vicious circle, as it appears to be, but a full cycle of reaching resources, territories and populations for a transformed area in the twenty-first century.

Nevertheless, the most difficult thing that here remains is asserting that such an alternative really exists, that it stays viable and that it is really unique. Recall that the today astronomers still recognise how difficult is to measure cosmic distances among stars and planets, even using the highest performing telescopes.

Thesis ten: Beyond all skepticism, it would be better out of the (need of) integration

The 1944-1945 immediate postwar euphoria, correlated with the awareness of the time, were able to give birth to some world-wide management institutions, among which the Breton Woods *international monetary system (IMS),* founded in 1944(22). Some decades time later this system was going to crack and critics were coming up in place. Overall, these critics explained that such an international monetary order had been appropriate and limited rather to the economy just destructed by the war, than to the forthcoming development of the aftermath. Then, in 1971-1972, when the terms of the Breton Woods Agreement (1944) were falling, the primary symptom world-wide was interestingly looking like what had happened four decades earlier, in 1931-1933, when the older IMS of the gold standard was falling in its turn.

However, since the middle seventies the international landscape was changing: the US $ stepped back, but not in the same proportion with the previous pound sterling, in thirties. On the other hand, the *dollar's* step back equalled the step forward – into the international money top – of other national currencies, like the *Japanese yen* and the *Deutsch mark*. Besides, the old *French franc* and *pound sterling*, once more, were making their new appearences. Actually, there was designing a "*new international money*" landscape, in which all these currencies – together with the dollar – were reaching specific *currency areas* – to be noted that the US dollar, despite its relative fall at the world-wide scale, was still keeping the largest currency area, as aferent.

Europe was a different story world-wide, once more, in a kind of a parallel context to the integration process, as within. Meaning that there was not only the Deutsche mark to talk about, internationally, but also the old French franc and pound sterling. These latter were still keeping, together with their former colonies outside Europe, specific *currency areas* (Guitton, Bramoulé, 1987).

Then, the seventies were followed by the eighties, as here representative by the "*La Platza-Louvre*" international Agreement (1984)[(23)]. It was a real success for the objectives proposed by organisers for its fully different monetary and financial world – it was proven that the international monetary order was able to be remade in the absence of an IMS, just by a new exchange rates stability „among the few big" currencies.

As concomitantly, the old integration, started in Rome (1957) on rather political ambitions and commandments, was now finding a new opportunity for relaunching its basic ideas. The European Community of that time was founding its proper *European Monetary System (EMS)* at the end of seventies, especially due to redefining the corresponding *currency area.* Then, the unique European currency were here coming at the twentieth century end to replace the EMS – the "new" European region, as previously re-birth in 1957, so stopped being just an illusion.

It became a true "culture", as a distinct space. Other multy-country regions of the world were also getting distinct by monetary bases, and not only – even the underdevolpment here played a role for "distinctions" achieved.

Once more back to the wold-wide propensity euphoria of the mid twentieth century, let us think about what would be supposed to happen whether our post-war history had not provided as much economic frustration world-wide, but a (finally) harmonised development and well spread welfare. Why if the Breton Woods IMS had proven a viable money order as international and very deliberate way. This is for making another aspect as obvious as it worths. I mean that, whether instead of this harmful world there had been a good and frendly environment world-wide, what would be the European distinction, as regionally based? Let us admit the cultural reality of this, but things would really be much different than today perceptible, no matter how much are we able to realise it.

Notes

(1) See Tsoukalis (2000, p. 263 and on) for a previous expression like “ten theses on integration...”.

(2) (1) free exchange area; (2) customs union; (3) common market; (4) economic union; (5) economic and monetary union (Balassa 1961).

(3) This is mostly about the advantage of companies residents in the member states area and exporting to the region, as tax exempted, face to similar companies from the rest of the world. In basic theoretical terms, this kind of competition vice is not able to be repaired even in the later advanced stages of integration.

(4) We will come back to this aspect below, with more details.

(5) See Andrei (2009a, pp. 30-43) for details.

(6) However, such ideas were going together with the ones of Mundell (1961).

(7) Actually, it was about a floating exchange rate as off all authorities’ controll and that was considered at that time the consequence of the international monetary systems (IMS) bankruptcies. All IMS were supporting the fixed exchange rates. McKinnon (1993) had a different oppinion, while he was supporting the *optimum currency area* theory, as the alternative of the IMS theories: the international monetary disorder was due (not to the IMS falling, but) to a bankpruptcy of the “nominal anchor”. Or, that was the cases of both the pound sterling (1931) and US dollar (1971).

(8) See also Urwin (1991) and Baker Peace (1999).

(9) See the so-called „Monetary Snake” (Bale Agreement, 1971).

(10) According to Story & Walter (1997).

(11) See also Robson (1987).

(12) Not only by no reference on the fiscal approach.

(13) See also (Tsoukalis, 2000, pp. 194-231).

(14) As for the unique currency, the political aspect comes by definition regarding all about the currency concept. Since the ancient times towards nowadays, any new currency issued has come as tightly linked to the corresponding political endeavour of the issuer, as for large perspectives expected.

(15) (1) Budget deficit under 3% of the GDP value; (2) public debt up to 60-65% of the same GDP value; (3) reduction of the intrest rate on the short term to under 3% difference, as compared to member States economies with the lowest interest rate levels, plus stability of the same interest rate on the long term; (4) exchange rate stability for three years before joining the Euro area, meaning no devaluations; (5) inflation rate dropping under the 3% difference, as compared to member states with the highest price stability.

(16) Recall that John Maynard Keynes, himself, was seeing inflation priory on the non-monetary economy.

(17) See especially Iancu (2006).

(18) See the principle called “*juste retour*”, meaning the equality between the individual member State’s contribution and benefit from the budget’s benefits – this is another expression of “no deficit” principle –; the “*capacity of payment*”, regarding expences reductions and so on – see the Fontainbleu Agreement (1984) and the European Council session of Brussels (1988).

(19) See also Mossé (1967).

(20) As an American professor at the Standford University.
(21) See also the "positive" economic policies (Hardwick, 1992) etc.
(22) As aimed for the after war period, but founded when the World War II was yet during.
(23) According to Corden (1984) şi Wolf (1984).

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