

Open letter to Herman Van Rompuy

Dear Mr. Van Rompuy,

Happy New Year

I wish you, wholeheartedly, happiness and success in the New Year. After an exhausting 18 months in which, despite your tireless efforts, European leaders failed to solve the crisis that began as a localized fire in Greece and now seems to affect the entire Eurozone, I think you, as [President of the European Council](#), deserve a quieter year. I suspect you will not have one.

Treaty change desires

You will receive advice from many sources. Nevertheless, I venture to contribute as well. I am fully aware of the fact that I am not in the midst of the political arena and hence able to submit proposals that are 'politically unrealistic'. Yet, you know that results which were completely out of sight before the crisis broke out, have in the meantime become reality. I point at the [strengthened economic governance](#) to be applied as of 2012.

Firmer budgetary surveillance

On fiscal discipline, the Heads of Government may have done enough by now. Some further strengthening of supervision may still be called for, such as a stronger role for the Commission in assessing whether national budgets adequately take into account the Community environment. In plain language: whether national Ministers of Finance are sufficiently aware of the fact that we share a common currency when they draw up frameworks for government spending.

Issuing Eurobonds

A new treaty, whichever form it will take, should enable the joint issuance, in due course, of government bonds. This is the vexed issue of Eurobonds. You are familiar with the [various proposals](#), including [one that I co-authored](#). The European Commission's consultation on "[Stability Bonds](#)" is still ongoing. Joint borrowing by European governments puts the volatility of the markets out of the way. At the same time, Eurobonds can strengthen the signals that currently only come from the financial markets, if the funds jointly borrowed from the markets are transmitted to the individual Member States at interest rates that increase in line with these States' lack of fiscal discipline.

Effective uniform supervision of European financial sector

Precisely on the issue on which the others fell out with the United Kingdom during the latest European summit, the Eurozone should take a step forward. After all, the crisis results from a combination of government indebtedness and instable financial institutions. Uniform effective supervision of banks and other financial institutions operating at the level of the Union is needed. Similarly, we require a

European mechanism to take insolvent financial institutions out of the market in an orderly fashion. After all, the State guarantees issued to quell the financial crisis seriously threatened public finances. And the national interests undermined the single financial market. A further step towards federal banking supervision and European resolution of insolvent financial institutions is required, instead of a step backwards. Speaking at the ECB in October, I submitted specific [proposals](#) for Treaty provisions.

Automatic stabilisers: a European fiscal policy

Ultimately, a vital monetary union is impossible without “a common economic policy”. The Heads of Government acknowledged as much in their latest [conclusions](#). Such a policy requires more than just repression if budgets get out of hand or the economy gets out of sync. It is time for automatic stabilizers to start working at the European level. Economic growth in one region will then attenuate decline in another area of the Eurozone by means of automatic public spending. Probably, basic spending on State unemployment benefits can already be funded by the Union on the basis of the current [Treaty](#). The Treaty also gives the Union its own resources. These revenues should be increased with the proceeds of a financial transaction tax and higher VAT remittances.

Perspective

A long wish list, I admit. But without the prospect of a properly functioning EMU we cannot overcome the crisis. The Heads of Government should not only focus on Treaty change but also provide a perspective to the Union’s citizens, notably those in Greece, Portugal and Ireland, by stimulating their economies. They could do this by dealing more creatively with the multiple crises we are faced with, including an energy and environment crisis. This includes European support for solar energy and expanding the interconnection between energy markets in Europe. As a poet, Mr. Van Rompuy, my request not to forget the cultural dimension of our (monetary) Union will appeal to you: leaders should show adherence to our common values and unity, instead of continuous bickering, and they should strengthen our ability to understand each other. Encouraging language skills and the development of European platforms of debate, rather than national ones, will both facilitate cross-border labour mobility and lead to shared feelings of participation in the joint European project.

I wish you much wisdom and success.

Kind regards,

René Smits

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