

What do you think when you hear 'Maastricht'?

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What is your association with 'Maastricht'? For many, the name of this southernmost city in the Netherlands reminds them not only of the art fair or culture and culinary delights but of the Treaty signed there.

[Lees de column in het Nederlands: Waar denkt u aan als u 'Maastricht' hoort?](#)

René Smits



The [Maastricht Treaty](#) entered into force on 1 November 1993, i.e. twenty years ago. This has recently been celebrated in Maastricht with a law [conference](#) and a [book](#) on the legal provisions adopted there. For many, the name of the city and the treaty is synonymous with austerity and structural measures taken in

preparation of the introduction of the single currency. The Maastricht Treaty specified 'convergence criteria', i.e. tests a Member State needed to pass for it to be allowed into the euro area.

Avoiding excessive budgets

These criteria include avoiding excessive budgets. Nowadays, Maastricht's budgetary rules may remind Portuguese pensioners, Greek civil servants and Irish homeowners of the severe measures adopted as condition for financial assistance from Europe and the IMF. The budgetary rules have later been strengthened with the [Stability and Growth Pact](#) (SGP) – agreed in Amsterdam, so don't blame Maastricht!

With the benefit of hindsight, it is clear that Maastricht's version of Economic and Monetary Union (EMU) was not adequate. The Treaty's authors relied on free markets to discipline governments, and on voluntary cooperation among governments to achieve economic policy coordination. True, the budget rules and the SGP contain disciplinary measures but they exist on paper and have not been applied in practice.

These fault lines have been repaired with a notable [strengthening of Europe's economic governance](#). Another weak spot, the absence of joint banking supervision, is being repaired with '[banking union](#)'. The ECB is [gearing up](#) to assume direct supervision of the Euro Area's largest 125 banks and indirect supervision of its almost 6,000 other banks. The 125 banks will undergo a [comprehensive assessment](#) and a stress test.

Face the crisis

On the [monetary side](#), the ECB has gone as far as its mandate permits to face the crisis, with extraordinary long-term financing for banks, a widening of the collateral requirements, and the announcement of its readiness to buy sovereign bonds when the interest on these bonds signal the distortion of monetary markets, hindering the effective translation of monetary policy in the entire Euro Area.

Further steps will need to be taken. The joint issuing of bonds ('[Eurobonds](#)') is under discussion. Introducing a limited Euro Area budget has recently been put up for consideration by a [German group](#), so that automatic stabilisers begin to work in the currency union.

Cultural aspect of the single currency

An oft forgotten element is the cultural aspect of the single currency. Actively promoting language capabilities will further the mobility of labour and will allow better communication among the area's citizens. They now lack a common media space to discuss the policies affecting them. The predominance of markets and media, with their hypes and mood swings, in determining the outcome of the political process, rather than input from informed citizens, is what I consider the true democratic deficit of Europe.

Looking twenty years back, 'Maastricht' marked a major step, the introduction of the single currency, but it was only the beginning of what is becoming a **genuine EMU**, the contours of which are only now taking shape.

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