

## **Member State Integration Models – New Dimensions of Economic Governance in the European Union\***

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The conference *Member State Integration Models – New Dimensions of Economic Governance in the European Union* was held in the grand reading room of the Hungarian Academy of Sciences on 23 November 2015, as part of a series of events titled Hungarian Science Festival intended to provide a comprehensive, interdisciplinary view of today's most important issue concerning Europe, i.e. what will happen to the process of integration.

The opening lecture was delivered by Péter Halmi, Doctor of Economics. In his presentation entitled *New Geometry – 'Complete' Economic and Monetary Union?* he returned to the roots of integration, and at the same time he recalled that Europe's Economic and Monetary Union had never met the criteria known from the theory of optimum currency area. Halmi emphasised that although actual and real economic and monetary union (*ever-closer union*) and fiscal union were set as aims in the continuous integration of economies with different levels of competitiveness, a number of questions arise, as this would require a higher degree of transfer of sovereignty. Actually, the main motivation for the fulfilment of this goal may be the avoidance of peripherisation. All of this is reminiscent of the thoughts of *Wilhelm Röpke (1962/2000:12)*, who noted that the primary value and strength of Europe lies exactly in the fact that our continent embodies unity in diversity (*Einheit in der Vielfalt*).

The second lecture was given by Tibor Palánkai, ordinary member of the Hungarian Academy of Sciences, with the title, *Model and Regulatory Crises of European Integration: Welfare State and/or Ecosocial Market Economy as Reply to the Challenges of the 21<sup>st</sup> Century*. Palánkai did not content himself with merely mentioning the advantages of integration and the crisis phenomena of our time: using a model-type comparison of the welfare state to an ecosocial market economy he strived to prove that a more efficient and more sustainable European management of social, economic and environmental problems in the global system of modern capitalism can primarily be expected from the ecosocial model. To some

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\* The views expressed in this paper are those of the author(s) and do not necessarily reflect the official view of the Magyar Nemzeti Bank.

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extent he also commented on the book *Capital in the Twenty-First Century* by Thomas Piketty, or more exactly on the part regarding global progressive wealth taxes. The reviewer completely agrees with the lecturer for the very reason that he is not convinced that in the course of managing the highly complex problems of our time it is really sufficient to independently pick out the issue of inequalities in wealth and income, and treat them with one single instrument – moreover, a global one. At this point, Ferenc Jánossy's classical thought may come to mind: that the fabric of the social-economic system should not be raised by grabbing certain points: several areas must be treated and raised for a material implementation.

The third lecture, *Banking Union, Fiscal Union, 'Multi-Speed' Europe*, was delivered by László Csaba, ordinary member of the Hungarian Academy of Sciences. Three of the several important arguments in his lecture are highlighted here: First, Csaba emphasised that there are elements of European crisis management that can be strongly criticised not only in an economic, but also in a legal sense (he called attention to the practice of the European Central Bank, for example). Second, he also mentioned some of the dilemmas related to the banking union, underlining in connection with the fiscal union that intergovernmental solutions still seem to be more viable and, moreover, more politically acceptable. This contradiction can be pointed out in relation to the banking union as well. Here I would just refer to the fact that supervision by the ECB may already be problematic in itself. As a main rule, during supervision the ECB would carry out on-site inspections, but taking the text of the agreement literally, it turns out that it would actually be done by the national authorities.<sup>1</sup> Third, in his lecture, Csaba put David Cameron's letter to Donald Tusk<sup>2</sup> in a positive light, emphasising that Cameron does not really want to exit the European Union, but would much rather prefer to achieve a complete revision and renegotiation of the EU Treaties.

The next section on legal issues was opened by László Kecskés, corresponding member of the Hungarian Academy of Sciences, with his presentation *The Integrating Power of Legal Harmonisation*. He provided an overview of the process of legal harmonisation in the EU, which has accompanied integration so far. In his interesting presentation he also mentioned what shifts in focus have taken place among the directives, regulations and decisions, and touched on the circuitous nature of legal harmonisation as well, recalling, for example, the case when the legislators – in the spirit of legal unification – dealt with the EU conformity of forklift trucks for eleven years.

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<sup>1</sup> The text: '[...] may confer specific tasks upon the European Central Bank [...]'. Available at: <https://www.ecb.europa.eu/press/key/date/2012/html/sp120907.en.html> Downloaded: 7 December 2015.

<sup>2</sup> The letter is available at: [http://issuu.com/spectator1828/docs/donald\\_tusk\\_letter\\_001\\_d5d09dcc167f11](http://issuu.com/spectator1828/docs/donald_tusk_letter_001_d5d09dcc167f11) Downloaded: 7 December 2015.

PhD candidate Miklós Király essentially continued the presentation of László Kecskés. In his lecture *The Ways of the Codification of International Private Law in EU Member States*, he focused on the aspect of private law standardisation, touching upon a number of interesting topics, which prompted the audience to ask questions (for example, whether it is possible or necessary to deem the legislation, rights and obligations, etc. according to the country of residence to be governing in connection with the migration issue).

Following the legal dimension, economics and economic policy topics were the focus of the conference again. In his lecture entitled *Fiscal Indiscipline – Different Qualities of National Governance at Member State Level*, Associate Professor István Benczes pointed out that the disciplinary power of EU institutions is far from perfect, and internal, Member State commitment is necessary for steady compliance with fiscal criteria. The application of fiscal rules may help (balance rule, debt ratio rule, etc.), but is not a precondition for success. Accordingly, achieving fiscal union in the current system of relations between institutions and Member States is deemed inconceivable by the author because the Member States are very heterogeneous in terms of fiscal discipline. Of course, we cannot see what the future brings, but it still holds true that European integration is an open-ended project (*open finalité politique*).

Associate Professor Gábor Kutasi analysed the issue of *External Imbalance in the Single Currency Area – Is Multi-Level Governance a Solution?* In the lecture, Kutasi presented the phenomenon of *asymmetrical interdependence*, namely the fact that the growth of core countries (Germany and France) depends to a great extent on whether the goods and services to be exported to periphery countries can be absorbed there; for this, it is necessary to finance these countries. This is how external indebtedness and external imbalance evolves on the periphery, and the external surplus in the core countries (mainly in Germany). One need only recall the period in the early 2000s (2002–2003), when stagnation was more typical than growth in the German economy as well. Therefore, one should not be surprised that in those days the loosening of the Stability and Growth Pact (as also mentioned in the lecture of István Benczes) was put on the agenda. Restrictions had to be softened, because continuous expansion brought the centrifugal forces of deceleration to the surface. It was exactly after this easing (the absence of sanctions in the case of Germany and France) when a surplus started to evolve in the external balance of core countries, in parallel with an increase in deficits in the periphery countries (see *Cesaroni and De Santis, 2015:20*).

In his lecture entitled *Multi-Speed Europe and Hungary's Interests*, Géza Hetényi, Head of Department of the Directorate-General for Economic and Financial Affairs of European Commission, focused on the relationship between the various cornerstones of economic governance (e.g. fiscal pact, European Semester, two-

pack and six-pack, Euro Plus Pact, banking union, etc.) and Hungary. In his opinion, a country with a currency of its own, such as Hungary, may approach the principles laid down; and furthermore, may even apply them cautiously (e.g. banking union). In his view, considering the measures and prospective plans, there is a shift from intergovernmental solutions towards EU-level approaches.

The last section of the conference featured case study approaches. In her lecture *Member State Case Study I: Greece and the EMU. GREXIT?*, Dóra Győrffy, Doctor of the Hungarian Academy of Sciences, elaborated on this issue with exemplary thoroughness, emphasising that the main source of troubles in Greece is the excessive size of the state and the low quality of its functioning. The reviewer agrees with this view to a great extent, adding that the entwined relationship between the market and the state in Greece would be worth examining. Economic growth in Greece (and together with that the possibility of reducing the debt ratio) is mainly based on sectors (tourism, catering trade), the international competitiveness of which can be considered low (even compared to other periphery countries, e.g. Spain).<sup>3</sup> In plain English, in addition to the fact that the size of the state should decrease, good governance as well as good quality public services available for a wide strata should be pursued in a way that in the meantime a kind of structural modernisation can also take place in the various sectors of the economy. In fact, however, there is no existing recipe for this and implementation can only be imagined in slow steps, over a period of decades. For this very reason, we agree with Dóra Győrffy, who believes that the probability of an exit from the EU/euro area is very low. Greece would have to pay a very high price for that, not to mention the possibility of a chain reaction, for example in the case of Portugal. Accordingly, the key to the development of Greece can be the sobering, master role of integration, which has already started by the EU actually taking over the role of governance, as Dóra Győrffy emphasised.

The conference was closed by Associate Professor Boglárka Koller's lecture, which echoed László Csaba's thoughts earlier in the day that the United Kingdom does not intend to exit the European Union. Her lecture *Member State Case Study II: Great Britain and the European Economic Integration. BREXIT?* reviewed the famous letter and analysed its points. Although the capital market of the United Kingdom is enormous, an exit does not seem to be its interest. On the contrary, the crisis and its management offer an opportunity for the EU charters and treaties to be put on new foundations, i.e. to be adjusted to the new times, as the case may be.

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<sup>3</sup> This is confirmed by the World Economic Forum, Travel and Tourism Competitiveness Report 2015. Greece is only the 31st among the 141 countries in the ranking, while Spain is the 1st, Italy is the 8th and Portugal is the 15<sup>th</sup>. Available at: <http://reports.weforum.org/travel-and-tourism-competitiveness-report-2015/> Downloaded: 7 December 2015.

## **References**

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