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The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union

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Abstract
For the proper functioning of economic and monetary union requires the Member States of the European Union to work jointly towards an economic policy in which, while based on the mechanisms of economic policy coordination, as defined in the Treaties on which it is based European Union, the Contracting parties undertake necessary actions and measures in all areas essential to the functioning of the euro area and to strengthen the economic pillar of economic and monetary Union by adopting a set of rules that aim to foster budgetary discipline through a fiscal compact, consolidation coordination of their economic policies and improving governance in the euro area, thus supporting the European Union's objectives for sustainable growth, employment, competitiveness and social cohesion.

Keywords: fiscal pact, financial stability, fiscal policy, the European Union, Member States

JEL codes: K22

1. INTRODUCTION

The debates and views on competition and fiscal harmonization at EU level were visible in the literature, especially since the 90s, when many experts, politicians and authors have ruled differently on architecture a common fiscal policy, oscillating between a centralized fiscal policy as a result of uniformity of tax, including tax rates (total harmonization) or compatibility of diversity as a result of a simple coordination of national tax systems. Tax reforms in the most Member States differ in scope and depth, ranging between policy implementation own tax by increasing or reducing fiscal burdens. The implementation of some elements of European tax policy, according to the charges or EU recommendations, has implications above the level of taxpayers and public decision makers. The practice has shown that the processes of economic integration, led to outsourcing within the union, of problems specific to each state, including those of a fiscal nature, the impact of which can have effects on other member countries, or may affect two decisive factors: freedoms guaranteeing the Community and protecting the single market. Winter at the European Council on 8-9 December 2011 decided an intergovernmental agreement on fiscal governance that is part of the 17-nation euro-zone, along with states outside who want to join this endeavor. Negotiations on the agreement - whose name evolved into "Treaty on Stability, Coordination and Governance in the Economic and Monetary Union" - took place in an ad hoc working group and ECOFIN. Unresolved issues within this framework were agreed during the informal European Council of 30 January 2012.

2. The main provisions of the Fiscal Pact

Revenues and expenditures of the Member States signatories will be balanced or in surplus. Member States may have temporary shortages just to take into account the budgetary impact of the economic cycle and, outside of this impact in the case of exceptional economic circumstances or in periods of economic downturn severely, provided that this does not endanger fiscal sustainability the medium term.

• The annual structural deficit does not exceed 0.5% of GDP and will respect the medium-term budgetary objective, as it is defined in the Stability and Growth Pact.

If the public debt is significantly below the 60% and believes that the risks to the sustainability of public finances in the long term are low, the budgetary target in the medium term may have a higher than specified above, up to a maximum of 1 % of GDP.

Rule national budget is inserted through legally binding provisions, preferably by the Constitution. Member States will put in place a correction mechanism to be triggered automatically in the event of significant deviations from the reference value or the adjustment path.

• States subject to an excessive deficit procedure under EU treaties establish a budgetary and economic partnership program mandatory, to include a detailed description of the structural reforms necessary to ensure a durable correction of their excessive deficits effective. These programs are submitted to the European Commission and Council.

• Member States shall undertake to send the European Commission and Council reports on plans ex ante their public debt issuance.

• Member non-euro ratifying the Treaty will participate in discussions Summits Eurozone on economic competitiveness, the changing global architecture of the euro area and the fundamental rules that will apply in the future and whenever you need and at least once a year, in discussions on specific aspects of the implementation of TIG. At the European Council, Romania has made a political commitment to sign the Treaty and to apply its provisions before joining the euro area. The treaty was signed at the European Council of 1-2 March 2012, and will enter into force when 12 countries ratify the Eurozone.

The obligation to transpose the national budget rule must be met within one year after the entry into force of the Treaty. EU sources of income include contributions from Member States, the import duties on products from outside the EU and fines imposed on undertakings which do not comply with European standards. EU countries agree on the size of the budget and how it will be funded in the coming years.

The EU budget supports economic growth and creates jobs. In the cohesion policy, it finances investments to alleviate major economic differences between countries and regions. Also is contributing to the development of rural areas in Europe.

The three main sources of income are:

• A small percentage of GNI of each Member State (generally around 0.7%) - the largest source of revenue to the budget. The basic principles are solidarity and ability to pay, but the amount may be adjusted to avoid overloading certain countries;

• A small percentage of the proceeds from the harmonized value-added tax of each Member State (generally around 0.3%);

• Much of the import duties levied on goods from outside the EU (country they charge only retain a small percentage of them). EU receives also taxes the European Institutions staff salaries, contributions from third countries to certain EU programs and fines imposed on companies that violate EU rules and legislation. Multi-annual Financial Framework (MFF) defines limits and long-term priorities of EU spending.

The EU budget finances activities ranging from rural development and the environment, to promoting human rights and protection of external borders. The size of the budget and how it is allocated are determined by the Commission, Council and Parliament. But the responsibility rests on expenditure Commission.

EU countries and the Commission share responsibility for approximately 80% of the budget. The budget is established jointly by the Commission, Council and Parliament. The Commission shall prepare a draft and submit it for consideration by the Council and Parliament, who can make changes. In case of disagreement, the institutions must negotiate to reach a compromise.

Each year's budget covers the amounts agreed in advance by the MFF. This allows the EU to plan expenditure programs a few years before. The current framework covers 2014-2020. The ultimate responsibility for budget allocation is European Commission. However, 80% of EU funds are managed by EU governments. If it is determined that improper payments were made, the Commission is working with Member States concerned to recover the money.

To ensure transparency, information on organizations and enterprises benefiting from European funds are made public. Currently, the bulk of budgetary resources is geared towards stimulating economic growth, creating jobs and reducing economic disparities between different regions of the EU.

Agriculture, rural development, fisheries and environmental benefits are for significant share of allocation process. Among other spending areas include the fight against terrorism, organized crime and illegal immigration.

3. Conclusions

Financial governance concerned consistently great economists of the world. The sovereign debt crisis has revealed the shortcomings of Economic and Monetary Union, notably the absence of a crisis management device. Article focuses on failures of supervision. A treaty establishes Economic Stability Mechanism (ESM) which aims to ensure the continuity of the European Financial Stability Fund. The second is the Treaty on Stability, Coordination and Governance (TSCG), the main building budgetary policies in the euro area. Both treaties are based on financial solidarity imposed by the European Financial Stability Mechanism between euro area Member States, focusing on budgetary discipline facing the states of this region. TSCG adoption by the European Council drew numerous critics.

Appreciate Parliament on January 18, 2012 that the fiscal surveillance were detailed in previously adopted texts. Since the treaty is not European but intergovernmental, national parliaments are sovereign to rule on government decisions. In other words, the legal criticism TSCG site does not disqualify political text, but appears compromise between an embryo of financial solidarity between Member and tighter control debt and deficits. TSCG criticism refers mainly to the rules established by it with respect to both content and their impact.

Thresholds provided no economic justification a priori and do not guarantee satisfying financial markets. It states that the Treaty rules can not be applied in all situations, and what was shown in the early 2000s, when the slowdown. At a time of economic downturn, reducing deficits and debt is becoming more difficult and can be risky if you have the negative effects of reduced public demand, especially when it occurs in all states simultaneously.

The authors underline that the rule of balancing public finances in the medium term has no economic justification. The government budgetary situation is in balance or in surplus according to the art. 3.1 of TSCG. Interpretation of the text leads to the conclusion that the state has no role in stimulating demand or in financing investments. It shall be noted that the concept of structural deficit, which the Commission considers excessive deficit is actually questionable.

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