Albania Law Journal
ISSN 2523-1766
LAWJOURNAL.AL ◆ Issue 3 September 2017

PILLAR IV
EUROPEAN UNION AND INTEGRATION

The future of the European monetary policies
By MsC. Sajmira Kopani

I. ABSTRACT

United Europe started a new era with the Maastricht Treaty, since the latter triggers the triumph of a numerous achievements both in the economic and political domain. The establishment of the monetary market and the preparations for introduction into the market of the common currency signals the maximum economic integration and refinement of the single market. The Economic Integration of the EU through promoted mechanisms of the Roma Treaty and later on of the Maastricht Treaty aims simultaneously at the economic growth of member states and the strengthening of the European Union as a competitor within global markets.[1] To complete the notion of the single European market, the Maastricht Treaty foresaw the Convergence Criteria for acceptance in the European Monetary Union. The latter it is thought to be the maximum of European integration and constitutes a great experiment (Van Veen, 2002). This is the reason why it is interesting to discuss regarding its history, legitimacy, costs and its future.[2] After the financial (global) crisis of 2008 and 2010, which affected the Eurozone, the regulations for the European monetary policy are streamlined and diversified even intervening at regulation of fiscal aspects. These regulations highlight that integration, as far as integration policies are concerned, is enhanced and this integration is seen as a theory that will assist on the prevention of future crises.

KEY WORDS: European monetary policy, Economic Crises, The Stability and Growth Pact, European Financial Stabilisation Mechanism.

ABBREVIATIONS

ECB	European Central Bank
ECJ	European Court of Justice
EER	European Exchange Rate
EFSF	European Financial Stability Facility
EFSM	European Financial Stabilisation Mechanism

[1]The USA-s have assisted for the creation of free market and its internal market is viewed as the chosen model for the common market. In addition, the Marshall Plan after the Second World War, aimed to increase the economic exchange and trade with EU.
[2]Milica Stanković. "*The advantages of being a member of the European monetary union and its influence on trade in the eurozone*". (2013). pg. 3, avaible at: http://www.vps.ns.ac.rs/SB/2013/2.3.pdf.

EMS	European Monetary System
ESCB	The European System of Central Banks
EU/Union	European Union
FMET	Foreign Monetary Exchange Transactions
GDP	Gross Domestic Product
PES	Pact for European Stability
SGP	The Stability and Growth Pact
TEU	Treaty of European Union
TFBE	Treaty of Functioning of European Union

II. HISTORIC DEVELOPMENTS OF THE EUROPEAN MONETARY UNION

First movements towards the European monetary union have started during the last days of the exchange rate "*Bretton Woods*", at the start of the 1970s. In the US dollar system, which started after the Second World War, the currencies of large industrial countries had a fixed price with reference to US dollar. Meantime, the US dollar had a fixed price of $35 for golden cube. This system also served to establish the exchange rates among European currencies. The fall of the "*Bretton Woods*" system opened the door for mutual exchange rates determined from market forces and not based on a government decree, or a similar executive act (bylaw). Triggered from this situation, a committee chaired from Mr. Pierre Werner, Prime Minister and Finance Minister of Luxemburg started its work in the 1970s and came with a report in which fixed exchange rates were proposed among EU countries and the establishment of a federated system of central European banks. This report was approved from the Council of Europe in March 1971.

A complete effort for a system of an exchange rate for Europe was the establishment of the European Monetary System (EMS), which started on March 1979, where eight out of nine members of the European Community (all except Great Britain) became part of a European Exchange Rate (EER) mechanism. On that period of time, the rates of inflation in member states of EER were high,[3] with different boundaries.[4] These differences of inflation made difficult the guarantying of EER stability, where with a fixed exchange rate the difference in inflation translated directly into changes of relative prices, which ruin competition among member states.[5] The report of year 1989, prepared from the committee chaired from Jacques Delors, President of the European Commission stated that "*A single market requires a single currency*." The Single European Act prompted for removing of all internal barriers on trade, free movement of capital and working forces inside Europe, up until the end of 1992. This act was another step towards

[3]The high inflation rate is a direct consequence of entering without control of the money in the market and on others the lack of public goods or services which are reflected with an uncontrolled decrease of prices. If a foreign currency will be exchanged with a local currency, it will result with considerable loses.
[4]The boundaries presume the immune rate against inflation which is defined from the leading institution of the national monetary policy.
[5]Bordo, Michael dhe Jonung, Lars. "The Future of EMU: What Does the History of Monetary Unions Tell Us". (1999). pg.6,7.

the European Economic Integration, which started with the Rome Treaty.[6] The Maastricht Treaty, signed at the end of 1991, defined a time limit for this process; specifically, it foresaw that the common currency will enter into circulation not later than first of January 1999.

III. LEGAL FRAMEWORK OF THE EU MONETARY POLICY

In the preamble of the Treaty of the European Union, it is stated that the founding states where: *"RESOLVED to achieve the strengthening and the convergence of their economies and to establish an economic and monetary union including, in accordance with the provisions of this Treaty and of the Treaty on the Functioning of the European Union, a single and stable currency…*". From this statement it results that one of the goals that the European Union has defined for itself is: *"…the establishment of the union based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress…*" goal that becomes more achievable and manageable with the application of a single currency.[7]

The common currency has a significant role even regarding the dimension of the European Identity. It has always been a symbol in the efforts for the creation of nations.[8] This effect increases considerably due to the direct relationship that citizens have with the currency on their daily dealings and helps in the creation of the feeling of belonging. The design of currencies override any symbol of the well-known national leaders, intellectuals, artists, and it is served with an abstract representation where are shown in one side bridges that symbolize the interactions among states and on the other side, multiple windows and doors that symbolize the openness to each other and cooperation.[9] By having a single currency, Europe becomes even more united, people move easier without exchanging currencies, feel more safe for their investments and savings and a better business environment is created regardless of the fact that crises has hit even this aspect.[10] Moreover the fact that European Union is divided into countries inside of the Eurozone and those outside of the Eurozone could be a destructive factor for the

[6]Capie, Forrest. "Monetary Unions in Historical Perspective: What Future for the Euro in the International Financial System". (1998). pg.74.

[7]TEU Article 3: Aims of the EU

(3)The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance. - It shall combat social exclusion and discrimination, and shall promote social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child. - It shall promote economic, social and territorial cohesion, and solidarity among Member States. - It shall respect its rich cultural and linguistic diversity, and shall ensure that Europe's cultural heritage is safeguarded and enhanced.

[8]**Risse Thomas. "The Euro between national and European identity". Journal of European Public Policy, Vol 10 (2003). pg. 9,10.**

[9]European Central Bank, Bankonotes design accessed on January 2016 in the official webpage: https://www.ecb.europa.eu/euro/banknotes/html/index.en.html

common European identity.[11] However the common currency has also been perceived as the loss of part of the national identity regardless of the impact that it might have had in the creation of the new European identity.[12]

The Treaty on the Functioning of the European Union foresees in its article 3 (c) the exclusive competence of the European Union in the monetary policy and the usage as the common currency of the "Euro".[13] The goal of a common currency is to eliminate the risk of the exchange market, to insure the transparency of prices and to facilitate trade and cross border transactions.[14] In Article 119 (2) of TFEU the chapter on "*Economic and monetary policies*" , it is provided among other things, the implementation of a monetary policy and a common single policy on the exchange rate, the main objective of which will be the safeguard of the price stability and support of general economic policies of the EU, in accordance with the principle of an open market economy, with free competition aiming at fulfilling one of the main goals of the European Union.[15] The presented framework of the chapter "*Economy and Policy of the EU*", is defined as asymmetric.[16] This for the reason that the monetary 'pillar' is much more advanced than the economic 'pillar'. The competences of the monetary policy are transferred to the System of the European Central Banks (SECB), while the economic policies are still dominated by the competencies of the Member States. Directive no. 2003/223 of the Council of Europe[17] does not give equal rights to each governor of the Governing Council of the ECB (the decision making body), but foresees a voting with rotation. In concrete terms with the adoption of Euro currency from Slovakia, the number of the members in the Governing Council of the ECB, exceeded the number 21. Article 10.2 of the Statute of ECB, defines that when the number of members in the Governing Council will exceed 21, each member of the Executive Board will have a vote and the number of members with the write to vote will be 15. For this reason, the member states of

---

[11]Schmidt, Vivien A. "In the light and shadow of the single currency: European identity and citizenship". Boston University (2012). Pg. 5 accessed on December 2015: http://blogs.bu.edu/vschmidt/files/2012/06/Schmidt-In-The-Light-And-Shadow-Of-The-Single-Currency-final.pdf.

[12]Besanko, Matthew. "The single currency and the draft constitution: a crisis for European commonality" . Cross-sections, Vol. 1 (2005). pg 4,5.

[13]Article 3(4) (c) TFEU: e Union shall have exclusive competence in the following areas: Monetary policy for the Member States whose currency is the Euro;

[14]Duisenberg, W. "The euro as a catalyst for European integration". (Speech delivered at the 'One money, one Euregional market' conference, Maastricht, 6 February 2002, European Central Bank).

[15]TFEU 119(2) Concurrently with the foregoing, and as provided in the Treaties and in accordance with the procedures set out therein, these activities shall include a single currency, the euro, and the definition and conduct of a single monetary policy and exchange-rate policy the primary objective of both of which shall be to maintain price stability and, without prejudice to this objective, to support the general economic policies in the Union, in accordance with the principle of an open market economy with free competition.

[16]Fabian Amtenbrink and Jakob de Haan. "Economic governance in the European Union: fiscal policy discipline versus flexibility" .(2003) fq 40; Jean-Victor Louis, "The Economic and Monetary Union: law and institutions," .(2004). fq 41.

[17]Decision 2003/223/EC of the Council on an amendment to Article 10.2 of the Statute of the European System of Central Banks and of the European Central Bank [Official Journal L 83 of 1.4.2003].

Eurozone are divided in two groups, based on their economic and financial strength (power). To define to which group each governor will belong to, a list is approved. Governors representing the states ranked in the list of five countries with the largest economic power, more specifically Germany, France, Italy, Spain and the Netherlands, are each spared 4 voting rights.

All the other states, 14 in total, share 11 voting rights. The Governors take their seat to exercise the voting right based on a monthly rotation. The main criteria in which it is based this system is the monetary contribution for the EU of the member states. Out of two groups currently categorizing member states, they will be categorized in three groups when the number of countries in the Eurozone will reach 21. Currently there are 19 member states of Eurozone and we are getting close to the moment that the states will lose even that little impact that they had on monetary policies, while the democratic deficiency of the EU will increase in parallel.

IV. EUROPEAN SYSTEM OF CENTRAL BANKS

European System of Central Banks includes national central banks and the European Central Bank.[18] The principle of independence of the European System of the Central Banks is very important. During the exercise of the competences and duties that are defined to it, this system is independent and does not take into consideration any guide from the institutions, bodies or different agencies, this for the reason of the delicate domain that it covers.[19] However, the Council, based on the proposal of the Commission and after consultation with the European Parliament and the European Central Bank, may approve measures to harmonise costs and technical specifications of all currencies dedicated for circulation, but this decision making is more technical and not interventionists in the policies that the Economic System of Central Banks does apply.[20] The high degree of the independence of the European Central Bank (a positive element according to the opinion of the author) it is not balanced by a strong controlling procedure on the work of the ECB. The lack of a centralized supervision of the banking system in the Eurozone helps to explain the severity of the financial crises 2007-08.[21] Thus the ECB does not enjoy all attributes of a Central Bank, for example it lacks the function of direct last lender; it does not exert the supervisory and regulatory role of a central bank etc. The structure of

[18]TFEU 127(1-2) The primary objective of the European System of Central Banks [i.e. The ECB and the national central banks]shall be to maintain price stability...

[19]TFEU 130 When exercising the powers and carrying out the tasks and duties conferred upon them by the Treaties and the Statute of the ESCB and of the ECB, neither the European Central Bank, nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from Union institutions, bodies, offices or agencies, from any government of a Member State or from any other body.

[20]TFEU 128 Member States may issue euro coins subject to approval by the European Central Bank of the volume of the issue. The Council, on a proposal from the Commission and after consulting the European Parliament and the European Central Bank, may adopt measures to harmonise the denominations and technical specifications of all coins intended for circulation to the extent necessary to permit their smooth circulation within the Union.

[21]Grauwe, Paul. "Behavioral macroeconomics". University of Leuven (2010). pg 64-78.

the European Monetary Union constitutes what most consider as its fatal flaw (draw back).[22] This situation was tempted to be corrected through two large programs of the European Union: the Pact for European Stability (PES) and the Banking Union.

The PES was created after the changes of Article 136 (1) of the TFEU, which prescribes that to insure the proper functioning of the monetary and economic union for all the states of the eurozone: *"...the Council shall adopt measures (a) to strengthen the coordination and surveillance of their budgetary discipline; (b) to set out economic policy guidelines for them, while ensuring that they are compatible with those adopted for the whole of the Union and are kept under surveillance"* After the crises, aiming to solve it, through Article 1 of the Decision 2011/199[23] , it is prescribed the amendment of article 136 of the TFEU, adding article (3) s below: *"The Member States whose currency is the euro may establish a stability mechanism to be activated if indispensable to safeguard the stability of the euro area as a whole. The granting of any required financial assistance under the mechanism will be made subject to strict conditionality".*

This amendment has been appealed to the Court of Justice[24] (the Pringle case) which through its decision making considered it as legal, with the main and far-fetched argument that <u>this was a credit not an assistance.</u> Article 122 of the TFEU regulates assistance pursuant to which: *"Where a Member State is in difficulties or is seriously threatened with severe difficulties caused by natural disasters or exceptional occurrences beyond its control, the Council, on a proposal from the Commission, may grant, under certain conditions, Union financial assistance to the Member State concerned".* The main debate in the Pringle case was the limits of competences of the EU in relation to economic policies, by 'disguising' economic policies as monetary ones, which is contrary to the TFEU. Article 3/1(c) of TFEU, states with regard to monetary policies, that the <u>Union has specific competences</u>, while for the economic policy, the formulation of Article 5.1 TFEU provides that "*The member states coordinate their economic policies as part of the EU*". As a consequence, <u>economic policies are still preserved by the member states</u> and the EU does not have any competence apart from the coordinating role. The objective followed by this mechanism, which is the safeguard of the stability of the Eurozone as a whole, is evidently different from the objective of the safeguard of the price stability which is the main objective of the monetary policy of the EU. According to the decision of the Pringle case, even though the stability of the Eurozone may affect the stability of the used currency in that zone, the measures that impact the monetary policies cannot be treated as equal with those having impact on

[22]Young Terry; McCord Linnea dhe Crawford Peggy. "The European Debt Crisis – It's Back". Academy of Business Research Journal, Vol. 4 (2014). pg 103.
[23]European Council Decision of 25 March 201,1amending Article 136 of the Treaty on the Functioning of the European Union with regard to a stability mechanism for Member States whose currency is the euro(2011/199/EU) of the European Union L 91/1.
[24] ECJ Case C-370/12 *Pringle kundwr Irelandws*.

economic policies, simply with the argument that they might have indirect impact on the stability of the Euro. [25]

Under the framework of the changes of Article 136 of the TFEU, an international body was created with the headquarters in Luxembourg, the European Stability Mechanism (ESM). This body will ensure when necessary, financial aid in the form of loan to member states of the Eurozone (in the quality of debtors), if they are found in financial difficulty to the extent of 500 billion euro. ESM substituted two funding programmes which were established for a limited period of time: "*the European Financial Stability Facility (EFSF*) and the "*European Financial Stabilisation Mechanism" (EFSM*). Currently ESM is responsible for all the new landings that serve to save countries from the economic collapse. Meanwhile, EFSF and EFSM will manage only the previous landings from Ireland, Portugal and Greece.[26]

To cope with the crises ECB presented the programme "*ECB's Outright Monetary Transactions*" (OMT)[27] where it was legitimised to purchase treasury bonds on the secondary markets. With regard to the validity of the ECB's decision making regarding OMT, the Federal Court of Germany required an interpretation by the Court of Justice. The Court of Justice, through its decision determined a standard. The objection of the Federal Court of Germany was related to the fact that the OMT programme was not approved on the proportional way as provided by Article 5(4) of the TEU, and furthermore it was not drafted as a legal act since it consisted in a simple press statement of the President of the ECB, Mr. Draghi, where the latter explained the way of functioning of the OMT programme. As a consequence, as the German Federal Court held, its validity could not be examined by the Court of Justice which had no jurisdiction for these type of issues. With regard to this aspect, the Court of Justice holds in its jurisprudence that for an act to be qualified as admissible for judicial review it suffices for it to be obligatory and to bring about effects/legal consequences despite its form ,[28] and when dealing with a general action programme with an obligatory nature for a specific subject(obliging the latter to take a decision) and when the act contains measures that creates rights and obligations for third parties, the admissibility criteria should be more flexible. This is due to the fact that the general programme of the authorities might have non-typical forms and may be able to have direct impact on the legal situation of persons.[29]

According to the Court decision no. C-62/14, refusal to admit judicial review of this type of decisions would exclude a large number of ECB's decisions from judicial review because these

---

[25] ECJ Case C-370/12 *Pringle kundwr Irelandws*, prg 56.
[26] Scheherazade Rehman."The future of EU". Global Economy Journal,(2015). pg. 213-230.
[27]"ECB's Outright Monetary Transactions".
[28]Siekmann, Helmut. "The Legality of Outright Monetary Transactions (OMT) of the European System of Central Banks". Institute for Monetary and Financial Stability. (2015)
[29] ECJ Case C-62/14. Peter Gauweiler and others Vs. Deutscher Bundestag. prg 75.

press releases are not formally approved and published on the official gazette.[30] But this practice bears the risk to open the way for the European institutions to be governed with non legal measures and we should keep in mind the fact that the necessity for quick measures is not proportional with the mechanisms and legal procedures that should be, well weighted and follow the law requirements of the entire process.[31]

In order to enforce the monitoring role of the ECB, the Banking Union was established. It determines that the ECB is not only the main partner of the system but also a monitoring body of banking activities within the Eurozone. More importantly the Banking Union has made the ECB a *de facto* last direct lender of the European banks, instead of the governments.[32] Aiming to facilitate and safeguard the Economic and Monetary Union (EMU), based on Articles 121 and 126 of the TFEU, the Stability and Growth Pact has been elaborated.[33] It was not respected by the states and this might have had the impact of harshening the crises, which might have been easier should the states have kept in mind and controlled the parameters such as the budget deficit at the threshold of 3% of Gross Domestic Product (GDP); the public debt in the scale of the 60% of the GDP. In 2011 the Stability and Growth Pact (SGP) was amended aiming to take into consideration the national conditions of the member states, and to add more economic reasoning to the rules applying to it.[34]

Having established the midterm objectives, the Council, as part of the multilateral monitoring framework pursuant to Article 121 of the TFEU, was given the competence to elaborate the midterm budget objective presented by the particular member state; to assess whether the economic assumptions on which the programme is based are convincing; whether the road towards the midterm budget objective is appropriate and whether the undertaking and/or proposed measures are sufficient to reach the midterm objective during the cycle. The lack of mechanisms to implement fiscal policies is another reason of the crises that hit the Eurozone during 2010 and the lack of fiscal consolidation is a consequence of safeguarding national sovereignty of each member state concerning the field of taxation. The legislation on the monetary policies improved through the group of regulations known as *"Six Pack"*. The monitoring of the budgetary and economic policies is planned to be organised according to the European Semester and other details for the implementation of the rules on the Stability and Growth Pact are prescribed on the *"Code of Ethic*". This was followed by the "*Two-Pack*" programme which further improved the budgetary monitoring in the Eurozone. Based on the procedure of the European semester, every country that use the Euro shall submit its project

[30] ECJ Case C-62/14. Peter Gauweiler and others Vs. Deutscher Bundestag. prg 89.
[31] ECJ Case C-62/14. Peter Gauweiler and others Vs. Deutscher Bundestag. prg 115, 122.
[32] Schoenmaker, Dirk. "Firmer Foundations for a stronger European Banking Union" (2015) accessed on December 2015: http://bruegel.org/wp-content/uploads/2015/11/WP-2015_132.pdf.
[33] Resolution of the European Council on the Stability and Growth Pact (Amsterdam, 17 June 1997) [Official Journal C 236 of 02.08.1997], as amended
[34] Council Regulation (EC) No 1055/2005 of 27 June 2005 amending Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies.

budget at the Commission at the middle of October. If the Commission assesses that this project budget does not fulfil the rules of the single currency, it may require changes and revisions.

All amendments made to legislation on monetary and structural policies and the increase of the competences, are important to address the roots of the crises and to create the favourable conditions for economic growth, to create new jobs and to improve the competition which are interlinked fields of each other.[35] Many critics have argued that the economic policies disguise as monetary ones and are being diverted from the exclusive competences of the states. There are others that argue that after 2008, it was noticed that the economies were much more integrated with each other and the states should modify their structures in their global contexts and that the crises of the 2008/2010 was not the financial crises but the first global crises. This is an argument that supports the idea that the existence and the strengthen of the competences of international institutions is a necessary measure.

V. COSTS OF EUROPEAN MONETARY UNION

The inclusion in the Eurozone, apart from the good will of the establishment of this zone, produces costs for member states.[36] The main reason is that the state loses the ability of using national instruments concerning the monetary policy (for example, the norms of exchange rates). This problematic is evidenced in particular when the economy of a country experiences asymmetric shocks. Analyses for the assessment of those costs are based on the recognised contribution of Robert Mundell (1961). If we suppose that France and Germany are affected from these asymmetric shocks and specifically this is reflected with the decrease of the aggregate demand in France and the increase of the demand in Germany, by analyzing the management of this crisis in both regimes (the Monetary Union and independence on monetary policy) costs will be evident.

None of the member states cannot stimulate or limit the demand using national monetary policies. However, there are alternative mechanisms of the European Monetary Union like for example flexibility on payments or movements of the working force. We should take into consideration that the movement of the working force is very limited in Europe, in particular for the unqualified workers and the main reason is that of the social security schemes. In case the payments and prices will not be flexible, the movement of working force will be restricted (limited), the cost will be that large that the countries will regret being member of the Eurozone. This because if they would have preserved their independence, sovereignty on the monetary policy they would be able to use even other instruments such as exchange rates, interest rates,

[35]Altar, Moisă; Cramer, Alexandru-Adrian dhe Altăr-Samue, Adam-Nelu. "Sovereign Financial Asset Market Linkages across Europe during the Euro Zone Debt Crisis". Romanian Journal of Economic Forecasting –XVIII (2015). Pg. 42-44.
[36]Goodhart. "Lessons for monetary policy from the euro-area crisis". Special Conference Paper: The Crisis in the Euro area. (2013).

while as the situation currently stands they are becoming debtors of a currency over which they have no control.[37]

Thus, the loss of the monetary independence causes a change on the capacity of a government to finance their budged deficiency, but this does not make the states of the EU not to have any control over their deficit. EU institutions of define the amount of public debt they would have and their period of time to manage it. The goal is that the states shall become more responsible in managing the public debt. The aim is that member states become more accountable on managing the public debt, a feature that the EU elaborates on its programme on "*Corporate social responsibility".* [38] which aims to establish a mechanism that commits to a self regulatory programme. Moreover, this does not imply that countries outside of the Eurozone do not have problems since even they are faced with asymmetric shocks and the financing of the debt through money issuance, in order to overcome the situation, may increase the level of inflation in those countries.[39]

VI. THE FUTURE OF EUROPEAN MONETARY POLICIES PURSUANT TO PREVAILING THEORIES

The European monetary policy has been viewed in different perspectives from different thought theories . The intergovernmental theory of thought does make a liberal interpretation, according to which the moving force of European integration is the agreement amongst Member States, only to the extent that it serves their interests. The common monetary policy has been positive concerning the benefits they would enjoy, while the Stability and Growth Pact failed according to this theory,[40] and this is evidenced by the amendments undertaken almost every two years to it to strengthen efficiency and efficacy of its dispositions.

The federalist theory of thought argues that the common monetary policy is an essential factor for a total integration and the establishment of a federalist union, but the analysts argue that there is a considerable gap between the actual system and system considered as a federalist one. This stance is based on some components of macroeconomic stability. First of all the lack of a definition and capacities to apply the fiscal rules even after the reform of the Stability and Growth Pact; also the lack of fiscal policy coordination among member states and the lack of financial autonomy.[41]

[37]Mongelli. "European economic and monetary integration and the optimum currency area theory". Economic Papers 302. (2008).

[38]"Corporate social responsibility" accessed in January 2016 in the official web page: http://ec.europa.eu/growth/industry/corporate-social-responsibility/index_en.htm

[39]Meltzer, Allan H. "Monetary Union: Benefits, Costs and a Better Alternative". Carnegie Mellon University. (1996). pg. 3,4

[40]In 2001, Portugal was the first that exceeded the defined limitation defined from EU Stability and Growth Pact. Moreover, other countries from Germany to Greece followed violating permanently these criteria's and avoiding penalties. In average most of the member state countries to have had a budget deficit more than twofold the allowed threshold of 3%

[41]Afonso, Oscar and Alves Rui Henrique "Fiscal Federalism in the European Union: How Far Are We?" (2008) pg. 6-24

According to the neo-functional theory of thought, the autonomy of the Member States is lost in favour of EU institutions, of the Commission in particular. This is evidenced with the devolution of national currencies in favour of the Euro currency regulated by central Institutions.[42] One of the most well know neo-federalists, Ernst Haas, based in this theory of thought, has predicted, that the common monetary policy should by all means be followed by a common fiscal policy. Having a common currency requires indispensably a common framework on expenses, so that the deepening of integration is a necessity and the crisis confirmed it. At the end of 2013 there was an intergovernmental agreement for the *Fiscal Treaty* signed from 25 countries of the European Union (all EU countries except GB, Czech Republic and Croatia).[43]

Regardless of the fact that this agreement does not have the status of an EU regulation, the ECJ is authorised to set a sanction (0.1% of GDP) towards the member state which does not fulfil correctly the set expectations of the treaty or fails to make them part of the mandatory domestic legislation. Thus, it is evident that EU is moving towards common fiscal policies. All recent measures taken in particular as part of the European monetary policies, apart from the fact that saved the Eurozone, practically enhanced the integration of countries, and it appears that the neo-functional theory of thought, is the one that gives a reasonable explanation concerning the trends of European integration.

VII. CONCLUSIONS AND RECOMMENDATIONS

It is noticeable that European Union is taking another direction, it is shifting away from the federalist agenda and policies and it is moving towards a policy coordinator of member states as well as of those states aspiring to join the EU. This is highlighted even in the recent policies undertaken by the EU, asking to EU Member States and those states on the path to join the EU, to prepare *"National Planning Programs"*, which were previously named *"Programmes for National Recovery".* Through these initiatives, EU is providing recommendations for states to establish self regulatory programmes and improve failed policies. Thus, the European Union is more and more orienting itself toward the role of a policy coordinator leaving room for self regulation. This position of the EU was taken even regarding monetary policies.[44] As a result, it is recommendable for Albania, to take into account to the extent possible, during the negotiation stage of the monetary policies chapter with the European Union, this new direction of the EU.

---

[42] Cooper, Ian."The euro crisis as the revenge of neo-functionalism". Euro observer. (2011) accessed in January 2016 at: https://euobserver.com/opinion/113682

[43] "Q&A: EU fiscal treaty to control Eurozone budgets" BBC. (2012). Accessed in January 2016 at: http://www.bbc.com/news/world-europe-16057252

[44] Terpan, Fabien. "Soft Law in the European Union-The Changing Nature of EU Law". European Law Journal, Vol. 21 (2015) pg. 78-80