

When Will Maastricht Rules Be Abandoned?

by Rainer Apel

The European Union's austerity-oriented budget-balancing rules which were put in place by the Maastricht Treaty, are coming under increasing attack by the very nations which originally approved them.

In November 2003, the European Union (EU) Commission prepared the final steps for launching a "sanctions" procedure against France and Germany, for continued violation of the Maastricht Stability Pact rule which dictates that annual budget deficits can not exceed 3% of GDP. But the French and German governments, which then had deficits close to 4% of GDP, pushed through a vote of the majority of the EU finance ministers (Ecofin) on Nov. 25, 2003, suspending the Commission's attempt to impose sanctions. This prompted the EU Commission to take Ecofin to the Court of Justice of the European Communities in Luxembourg.

After studying the case for several months, the court ruled on July 13 that the Commission should not have been overruled by the finance ministers, whose Nov. 25 vote was against existing European Union law. Having stated that, however, the court did not make any specific recommendations, adding that there was no such thing as "automatic sanctions." Then the Court stated that there was no substitute for the consultative mechanisms arranged under existing law.

This court ruling leaves ample room for interpretation, and, significantly, leading mouthpieces of the financial oligarchy are deeply disappointed, because they had hoped the Court would decide for a clear repudiation of the finance ministers. This was expressed by numerous neo-liberal economists, exemplified especially in a full-page article in the July 10 *Frankfurter Allgemeine Zeitung* written by Jürgen B. Donges, leading member of the German Government's Deregulation Commission (1988-1991) and the absurdly-named "Lean State" Commission (1995-1997). Donges, who had anticipated the soft court ruling, warned against the growing undermining of the Stability Pact by EU governments, who argued in favor of budgetary "exceptions": France, in favor of military expenditures; Italy, in favor of public infrastructure funding (the Tremonti Plan); and Germany, in favor of education expenditures. Donges added a warning: the planned EU Charter with its downgrading of the European Central Bank (ECB) into only one among numerous other EU bodies, would play into the hands of Stability Pact violators.

Pressure Against Maastricht Increasing

For example, French President Jacques Chirac used his annual July 14 television interview to attack the Stability Pact harshly, for its "too brutal" deficit criteria. He also attacked the ECB, charging it had an "obsession" with price stability, and demanded a "new mission" for the ECB. In addition, Italian Prime Minister Silvio Berlusconi urged "modifications" of the Pact, as did EU Commissioner for Finances Joaquín Almunia. But, none of them has called the Pact itself into question.

This were, however, the first real step towards improving the economic and fiscal situation in the European Union, and it were a step long overdue. Apart from what this or that establishment economist thinks about it: In the real world, the Court's July 13 ruling demonstrates a simple, but fundamental point: The Maastricht Stability Pact is a cancer in the European Union, suffocating real economic growth and productive employment. Urgently needed public investments in Europe's infrastructure and advanced technologies are being blocked. Lack of growth, and high unemployment, are pushing down tax revenues and draining state budgets. The Maastricht Stability Pact needs no re-interpretation or modification; it simply must be dumped. For legitimate concerns over inflation dangers, there exists one simple answer: real economic growth and productive investment.

The only reasonable approach to the problem would be the Pact's, and the ECB's, abolition of the old monetary-economic arrangement, to be replaced by a new monetary-economic arrangement in the European Union, providing low-interest, long-term productive credit for European-wide and Eurasian infrastructure and industry development, thus facilitating rapid economic recovery. Approximations of such



French President Jacques Chirac (left) with European Commission President Romano Prodi. Chirac attacked the EU Stability Pact as "too brutal," but neither he nor any other top European leader has called into question the axioms of the Pact itself.

an approach were presented in the 1993 "Delors Plan" and the 2003 "Tremonti Plan," which echoed the 1990 "Productive Triangle" Plan of Lyndon LaRouche. Since then, LaRouche's monetary-economic design has been expanded; in 1996, the "Eurasian Land-Bridge" Plan appeared, and in 1997, the "New Bretton Woods" proposal.

After the Court's ruling, the first prominent initiative in the direction of a new monetary-economic design came from Italian politics. Paolo Cirino Pomicino, former bigwig of Italian politics in the 1980s (for many years head of the Parliament Budget Committee and also Budget minister, and elected to the European Parliament on June 13), stated to journalists on July 20 that he wants "to work towards the idea of a world monetary snake" (a snake being a system where currencies can oscillate within a determined band). The move by Pomicino is all the more important, since he was a prominent victim of the Clean Hands inquisition of the 1990s, and is presently making a comeback as member of the UDEUR opposition party. And the on-line daily newspaper of that party, *Il Campanile Nuovo*, has regularly hosted articles by LaRouche's representative Paolo Raimondi, on the New Bretton Woods and other issues.