THE EUROPEAN CRISIS AND ITS CONSEQUENCES

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ABSTRACT
The European Union has been one of the most affected places in the world by the global financial crisis. This was not only due to the strong economic ties with America but also to the weaknesses of the European economic model. It's becoming more and more clear that in the European Union the consequences of the crisis will be long-lasting and will involve irreversible changes in the economic model designed and implemented in the early 1990s. In Europe, there are more and more talks about centralized decisions regarding economic policies, more particularly, of a banking union and common fiscal budgets, as solutions to prevent similar shortfalls in future. At the other extreme there are talks about restricting the common currency area or even abandoning the single currency project. This paper aims to analyze the advantages and disadvantages of some of these solutions and to draw, briefly, an European economic model viable in the long term.

KEYWORDS: *European Union, the financial crisis, economic policies, Euro, banking union*

JEL CLASSIFICATION: *E02, E32, E61*

1. INTRODUCTION

More than sixty years ago, on 19 September 1946, Sir Winston Churchill, in its famous speech held at Zurich, supported the idea of forming the "United States of Europe", after which "there would be no limit to the happiness, to the prosperity and the glory which its three or four hundred million people would enjoy" (Sir Churchill, W., 1946). Churchill's beautiful dream of a united Europe has mostly been accomplished in the following decades.
The European economic model, as it is today, has been defined at the beginning of 1990s with the adoption of the Maastricht Treaty (formally, the Treaty on European Union). This treaty led to the creation of the euro and established the three pillars of the European Union: the European Community (EC), the Common Foreign and Security Policy (CFSP) and the Justice and Home Affairs (JHA).
Even then there were important difference between countries both from an economic perspective – differences in GDP per capita or in productivity levels and from a cultural perspective. Since then the European Union has grow bigger and bigger to the twenty-seven states in the present day. To tackle this differences important efforts have been made to help countries with lower economic performances to catch up with the rest and convergence criteria's were introduced to be mandatory met by the countries before joining the Euro Area. Was that enough?
Many economists consider the recent crisis to be the worst world economic crisis since the Great Depression of the 1930s. The recent financial crisis showed us that it isn't enough to just unite the European countries in a single market in order to achieve those warm wishes of happiness,

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prosperity and glory. Instead we need to keep a permanent eye on world economic changes and to constantly adapt our economic model to them.
This article aims to analyze the opportunity and efficiency of some of the changes recently proposed by the European politicians, by the relevant European authorities or simply discussed in academic circles in an attempt to prevent similar shortfalls in the future. It is divided into three parts. The second part is a brief analyze of the economic model that was implemented in Europe in the 1990s and that was confronted with the threats brought by the financial crisis starting with 2008. The third part is about the recently proposed European banking union, a financial system that would not only have a common monetary policy but also common regulations and a single prudential supervisory mechanism. The forth part addresses the issue of fiscal policy. As monetary policy is common throughout EU and the fiscal policy must be synchronized with the monetary one, a legitimate question can be asked: do we also need a common fiscal policy or we just need better fiscal discipline?
Although it originated in the US, this crisis affected Europe to such a high degree, that politicians are working side by side with the relevant European bodies to implement many fundamental changes in the European model which will permanently affect the future generations.

2. THE EUROPEAN MODEL

After World War II, the first attempt to put in practice the idea of a united Europe took place in 1952 when six countries from the Western Europe created the European Coal and Steel Community. These countries were France, Germany, Belgium, Netherlands, Luxembourg and Italy. At that time coal and steel were the main strategic resources.
In 1958 the same six Member States have ratified the Treaty of Rome, creating the European Economic Community in order to streamline economic policy, reduce trade barriers, coordonate transport and agriculture policies, remove some measures which restrict free competition and promote labor and capital mobility between the Member States. The effects were immediate: between 1958 and 1968 the value of European trade quadrupled.
The next stage of the political and economic integration took place in 1967 with the adoption of the Treaty of Merger that combined European Economic Community, the European Coal and Steel Community and the European Atomic Energy Community (Euratom) into a single institutional structure in order to form a larger and stronger agreement.
The single currency project is, and has always been, only a part of the much wider European political unification process that has preoccupied political leaders for several decades and was often pursued without taking into account the economic logic. In the late 60s the Bretton Woods showed signs of weakness and threatened the stability of most European currencies. Thus, the Prime Minister and Minister of Finance of the Luxembourg Government, Mr. Pierre Werner, was asked to draw up a report regarding the possibility of creating a complete monetary union among the European economies. Werner Report, released in October 1970 stated that the monetary union “will make it possible to ensure growth and stability, within the Community and reinforce the contribution it can make to economic and monetary equilibrium in the world and make it a pillar of stability” (Council - Commission of the European communities, 1970).
In 1979 the European Monetary System was created which provided a mechanism that limited the currency circulation in the European Community (except Great Britain, Spain and Portugal) to reach predefined commercial corridors. The bilateral exchange rates were allowed to fluctuate within a band of 2.25%.
The single currency was introduced in Europe on 1 January 1999, in eleven countries that chose to join EMU. At that date, irrevocably fixed parities between countries' currencies have been adopted and the European Central Bank has fully defined the common monetary policy for the euro zone's future.

EMU is a higher stage of economic integration. This target was set by the Maastricht Treaty in Chapter I, and its constituent elements are: convertibility among the currencies of those countries, total freedom of movement of capital and the irrevocable fixity of exchange rates. Nominal convergence of economies is a necessary condition for participation in EMU.

The European Central Bank (ECB) is the institution of the European Union (EU) that currently administers the monetary policy of the 17 EU Euro zone member states. It is thus one of the world's most important central banks. The bank was established by the Treaty of Amsterdam in 1998, and is headquartered in Frankfurt am Main, Germany.

ECB’s primary objective is to maintain price stability in the Euro Area. This is laid down in the Treaty on the Functioning of the European Union, Article 127 (1).

The ECB’s Governing Council has defined price stability as "a year-on-year increase in the Harmonized Index of Consumer Prices (HICP) for the euro area of below 2%. Price stability is to be maintained over the medium term" (from http://www.ecb.europa.eu). In the pursuit of price stability, the objective is to maintain inflation rates below, but close to, 2% over the medium term.

Also the treaty mentions that "Without prejudice to the objective of price stability", the ECB will "support the general economic policies in the Union with a view to contributing to the achievement of the objectives of the Union". These include full employment and balanced economic growth (from http://www.ecb.europa.eu).

The Treaty also imply that, in the implementation of monetary policy aimed at maintaining price stability, ECB should also take into account the broader economic goals of the European Union. ECB should try to avoid generating large fluctuations in output and employment.

In our opinion it is very hard for ECB to “support the general economic policies in the Union” considering that this policies wore not similar at all. Especially in the fiscal areas important differences can easily be seen from different levels of taxation to completely different structures of expenses. Also the fiscal discipline, guaranteed by the treaty, was almost completely none existing.

ECB has no attributions concerning financial stability. In the currently used European economic model, the financial stability was left in the responsibility of the each country member of the Euro Area government. The ECB can make a contribution to financial stability but this is clearly without prejudice to its primary mandate of price stability. The financial crisis changed this view and now important steps are being made to create the institutions for ensuring the financial stability of the euro area as a whole. This notion was first mentioned by the ECB President of the European Council in February 2010 and became operational through the agreement on the support program for Greece and the subsequent establishment of the European Financial Stability Facility in May 2010.

Also, as for the financial regulation in the EU, curently ECB does not have any attributions and will probably not have in the future. However there is common policy in this area. The European Commission (EC) has some role this area, by organising the EU wide operation of the financial sector and having the right to initiate financial regulation in many but not all financial services areas (Myriam V., 2008, p. 15). Yet, because financial supervision is still a member state mandate, the member states and their supervisors have been brought in through the so-called Lamfalussy framework. The Lamfalussy framework involves a structure in which member states, their supervision autorities and other steakholders are consulted when the EC designs EU banking, insurance and securities directives and provide useful interpretative guidance. The Lamfalussy process intends to enhance the consistent and swift implementation of EU directives at EU member state level. The financial framework legislation is adopted in co-decision by the Council and the European Parliament, after a consultation process with the regulatory committees and committees of supervisors from all EU countries (Myriam V., 2008, p. 15).

To address the major differences in economic performance between countries, the European Union leaders adopted in March 2000 The Lisbon Strategy, also known as the Lisbon Agenda or the Lisbon Process. This was an action and development plan devised in 2000, for the period between the years 2000 and 2010. Unfortunately many consider that this strategy ultimately failed, as EU

countries and even the Euro Area countries have registered lower GDP per capita growth compared to other economies, like US for instance. However we need to consider that the financial crisis originated in the US and one can ask if the US economic growth in the first decade of the new millennium was sustainable in the long run. Although the 2008 financial crisis showed that US growth was not sustainable the same thing can be said regarding the EU growth so this argument doesn't stand in our opinion.
After this failer the EU leaders adopted a similar agenda called the Europe 2020. Its main objective is the advancement of the economy of the European Union. Acording with the European Comision its three main priorities are (European Commisson, 2010, p. 8):

- Smart growth – developing an economy based on knowledge and innovation.
- Sustainable growth – promoting a more resource efficient, greener and more competitive economy.
- Inclusive growth – fostering a high-employment economy delivering economic, social and territorial cohesion.

3. THE EUROPEAN BANKING UNION

As a response to the financial crisis significant improvements have been made to the Economic and Monetary Union (EMU) fulfilling commitments made by the EU in the G20 to make financial institutions and markets more stable, more competitive and more resilient. Those improvements are mostly related with the legal framework of the financial intermediaries. However the European Commission considers that these measures are not enough to tackle all future threats to financial stability across the Economic and Monetary Union. A very strong and convincing argument that is put forward is the EUR 4,5 trillion of taxpayers money that wore spent since the beginning of the crisis to the present day (European Commisson, 2010, p. 3).
Indeed this is quite a lot of money. It represents more than a third of the yearly GDP of the EU 27 and almost a half of Euro Area 17 yearly GDP.
According to the Commission, the proposed banking union is supposed to reduce the risk of fragmentation of EU banking markets might impair the effective transmission of monetary policy to the real economy throughout the Euro Area. This mainly involves shifting the supervision of banks from the national institutions to the European Central Bank. This process will be combined establishing a common system for deposit protection and an integrated bank crisis management (European Commisson, 2010, p. 3).
Also the proposal calls for enabling the European Banking Authority (EBA) to be the only European institution responsible with issuing regulations concerning the financial stability of the Eurosystem, creating a virtually single rulebook.
In our opinion the most important change that the Commission proposes is the integrated bank crisis management. Taking into account the global financial integration and the EU single market is a very strong argument for a common institutions that would guarantee the depositors assets. In some smaller EU countries the total value of assets held by the banking system can be many times bigger than their yearly national GDP resulting in institutions which are "too-big-to-fail" and "too-big-to-save" under existing national arrangements. So this is a good thing that in time will increase the investors level of trust in the european financial system.
Mostly this is done for the Euro Area countries. However other EU countries outside the EA can also adhere to this common supervision on a voluntary basis.
The proposed timetable for all these is a very bold one. A complete banking union is a hugely complex project and takes a lot of time. Important aspects of the project will require a change in the European treaties. The proposal was made at Brussels on September 12 and all the legal procedure to adopt these regulations and directives should be done by the and of the year. ECB should start

working on implementing the single supervisory mechanism since the beginning of 2013 and by the and of 2014 all the process would be complete. One can clearly see that there is a very strong will from the political leaders to achieve this as quickly as possible. However the timetable doesn't seem to be much realistic.
What the EU political leaders are unwilling to recognize is that this banking union cannot help us in overcoming the current crisis. This is a thing for the future of the EU and shouldn't be made in a hurry. We are talking about a centralized single supervisory and regulatory system for the financial sector. The potential for expensive mistakes to the EU citizens is too big in this case. Failures here would most certainly lead to the collapse of the single currency project, which would take back the European Union decades.
Of course, EURO 4,5 trillion in taxpayers money calls for tough decisions but let's not forget that the current financial crisis that Europe seems to be stuck in wasn't caused by the inexistence of a common supervisory system or EBA. The financial system regulation was mostly the same at least in the Euro Area, the main problem was that it failed everywhere in its objective to ensure adequate capitals in banks portfolios. This correlated with the lack of fiscal discipline in some of the Euro Area countries (Greece is the main exemple here) caused the financial crisis originated in the US to struck the Euro Area and the European Union with such dire consequences.

4. THE FISCAL POLICY

In economics and political science, fiscal policy is the use of government revenue collection (taxation) and expenditure (spending) to influence the economy. The two main instruments of fiscal policy are government taxation and expenditure. When modern governments are facing with total revenues smaller that the required or assumed expenditures they will borow money from financial markets, leading to an increase of public debt. The EU Treaty, starting with the 1993 Maastricht, is forcing the European governments to have a long-term sustainable fiscal policy by setting limits to the fiscal defficit (less that 3% of GDP) and to the public debt (less than 60% of GDP).
However in EU public debt-to-GDP ratios across many countries have followed an upward trend even since the mid 1970s. Recently, the fiscal impact stemming from the financial and economic crisis has further increase debt ratios intensifying the need for fiscal consolidation (http://ec.europa.eu).
The tool by which the EU legislation enforces this is the Stability and Growth Pact (SGP), an agreement, among the 27 Member states of the European Union, to facilitate and maintain the stability of the Economic and Monetary Union (EMU). The agreement involves fiscal monitoring of members by the European Commission and the Council of Ministers, and the issuing of a yearly recommendation for policy actions. If a Member State breaches the SGP's outlined maximum limit for government deficit and debt the Excessive Deficit Procedure (EDP) will be commanced and if corrective actions continue to remain absent after multiple warnings, the Member State can ultimately be issued economic sanctions.
The main purpose of the Pact was to ensure the prevalence of fiscal responsibility, and limit the ability of governments to exert inflationary pressures on the European economy. The problem with this Pact is that it simply didn't work. The tables 1 and 2 shows how the EU treaty criteria's for fiscal discipline were met by the 27 members in the last 10 years. It can be easily noticed that only 5 out of 27 countries can tell that they observed the EU recommendations in this area, namely: Denmark, Estonia, Luxembourg, Finland and Sweden.

Table 1: Net lending (+)/Net borrowing (-) under the EDP

Percentage of GDP

GEO/TIME	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
European Union (27)	-4,4	-6,5	-6,9	-2,4	-0,9	-1,5	-2,5	-2,9	-3,2	-2,6
Euro area (17)	-4,1	-6,2	-6,3	-2,1	-0,7	-1,3	-2,5	-2,9	-3,1	-2,6
Belgium	-3,7	-3,8	-5,5	-1	-0,1	0,4	-2,5	-0,1	-0,1	-0,1
Bulgaria	-2	-3,1	-4,3	1,7	1,2	1,9	1	1,9	-0,4	-1,2
Czech Republic	-3,3	-4,8	-5,8	-2,2	-0,7	-2,4	-3,2	-2,8	-6,7	-6,5
Denmark	-1,8	-2,5	-2,7	3,2	4,8	5,2	5,2	2,1	0,1	0,4
Germany	-0,8	-4,1	-3,1	-0,1	0,2	-1,6	-3,3	-3,8	-4,2	-3,8
Estonia	1,1	0,2	-2	-2,9	2,4	2,5	1,6	1,6	1,7	0,3
Ireland	-13,4	-30,9	-13,9	-7,4	0,1	2,9	1,7	1,4	0,4	-0,4
Greece	-9,4	-10,7	-15,6	-9,8	-6,5	-5,7	-5,2	-7,5	-5,6	-4,8
Spain	-9,4	-9,7	-11,2	-4,5	1,9	2,4	1,3	-0,1	-0,3	-0,2
France	-5,2	-7,1	-7,5	-3,3	-2,7	-2,3	-2,9	-3,6	-4,1	-3,1
Italy	-3,9	-4,5	-5,4	-2,7	-1,6	-3,4	-4,4	-3,5	-3,6	-3,1
Cyprus	-6,3	-5,3	-6,1	0,9	3,5	-1,2	-2,4	-4,1	-6,6	-4,4
Latvia	-3,4	-8,1	-9,8	-4,2	-0,4	-0,5	-0,4	-1	-1,6	-2,3
Lithuania	-5,5	-7,2	-9,4	-3,3	-1	-0,4	-0,5	-1,5	-1,3	-1,9
Luxembourg	-0,3	-0,8	-0,8	3,2	3,7	1,4	0	-1,1	0,5	2,1
Hungary	4,3	-4,4	-4,6	-3,7	-5,1	-9,4	-7,9	-6,5	-7,3	-9
Malta	-2,7	-3,6	-3,9	-4,6	-2,3	-2,8	-2,9	-4,7	-9,2	-5,8
Netherlands	-4,5	-5,1	-5,6	0,5	0,2	0,5	-0,3	-1,7	-3,1	-2,1
Austria	-2,5	-4,5	-4,1	-0,9	-0,9	-1,5	-1,7	-4,4	-1,5	-0,7
Poland	-5	-7,9	-7,4	-3,7	-1,9	-3,6	-4,1	-5,4	-6,2	-5
Portugal	-4,4	-9,8	-10,2	-3,6	-3,1	-4,6	-6,5	-4	-3,7	-3,4
Romania	-5,5	-6,8	-9	-5,7	-2,9	-2,2	-1,2	-1,2	-1,5	-2
Slovenia	-6,4	-5,7	-6	-1,9	0	-1,4	-1,5	-2,3	-2,7	-2,4
Slovakia	-4,9	-7,7	-8	-2,1	-1,8	-3,2	-2,8	-2,4	-2,8	-8,2
Finland	-0,6	-2,5	-2,5	4,4	5,3	4,2	2,9	2,5	2,6	4,2
Sweden	0,4	0,3	-0,7	2,2	3,6	2,3	2,2	0,6	-1	-1,3
United Kingdom	-7,8	-10,2	-11,5	-5,1	-2,8	-2,7	-3,4	-3,5	-3,4	-2,1

Source: Eurostat

Table 2: Government consolidated gross debt

Percentage of GDP

GEO/TIME	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
European Union (27)	82,5	80,0	74,6	62,2	59,0	61,6	62,8	62,3	61,9	60,5
Euro area (17)	87,3	85,4	80,0	70,2	66,4	68,6	70,3	69,6	69,2	68,0
Belgium	97,8	95,5	95,7	89,2	84,0	88,0	92,0	94,0	98,4	103,4
Bulgaria	16,3	16,2	14,6	13,7	17,2	21,6	27,5	37,0	44,4	52,4
Czech Republic	40,8	37,8	34,2	28,7	27,9	28,3	28,4	28,9	28,6	27,1
Denmark	46,6	42,9	40,6	33,4	27,1	32,1	37,8	45,1	47,2	49,5
Germany	80,5	82,5	74,5	66,8	65,2	68,0	68,5	66,2	64,4	60,7
Estonia	6,1	6,7	7,2	4,5	3,7	4,4	4,6	5,0	5,6	5,7
Ireland	106,4	92,2	64,9	44,5	24,8	24,5	27,2	29,4	30,7	31,9

GEO/TIME	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Greece	170,6	148,3	129,7	112,9	107,4	106,1	100,0	98,6	97,4	101,7
Spain	69,3	61,5	53,9	40,2	36,3	39,7	43,2	46,3	48,8	52,6
France	86,0	82,3	79,2	68,2	64,2	63,7	66,4	64,9	62,9	58,8
Italy	120,7	119,2	116,4	106,1	103,3	106,3	105,7	103,4	103,9	105,1
Cyprus	71,1	61,3	58,5	48,9	58,8	64,7	69,4	70,9	69,7	65,1
Latvia	42,2	44,5	36,7	19,8	9,0	10,7	12,5	15,0	14,7	13,6
Lithuania	38,5	37,9	29,3	15,5	16,8	17,9	18,3	19,3	21,0	22,2
Luxembourg	18,3	19,2	15,3	14,4	6,7	6,7	6,1	6,3	6,1	6,3
Hungary	81,4	81,8	79,8	73,0	67,0	65,9	61,7	59,5	58,6	55,9
Malta	70,9	68,3	67,6	62,0	61,9	64,0	69,7	71,7	67,6	59,1
Netherlands	65,5	63,1	60,8	58,5	45,3	47,4	51,8	52,4	52,0	50,5
Austria	72,4	72,0	69,2	63,8	60,2	62,3	64,2	64,7	65,3	66,2
Poland	56,4	54,8	50,9	47,1	45,0	47,7	47,1	45,7	47,1	42,2
Portugal	108,1	93,5	83,2	71,7	68,4	69,4	67,7	61,9	59,4	56,8
Romania	33,4	30,5	23,6	13,4	12,8	12,4	15,8	18,7	21,5	24,9
Slovenia	46,9	38,6	35,0	22,0	23,1	26,4	26,7	27,3	27,2	27,8
Slovakia	43,3	41,0	35,6	27,9	29,6	30,5	34,2	41,5	42,4	43,4
Finland	49,0	48,6	43,5	33,9	35,2	39,6	41,7	44,4	44,5	41,5
Sweden	38,4	39,5	42,6	38,8	40,2	45,3	50,4	50,3	51,7	52,5
United Kingdom	85,0	79,4	67,8	52,3	44,2	43,3	42,2	41,0	39,1	37,7

Source: Eurostat

There really wasn’t any fiscal discipline throughout European Union at all. It may be understandable to have a fiscal expansion policy in the years since 2008 in order to try to place your economy on an upward trend. But it’s not understandable at all, one can argue it’s even irresponsible, that when the country GDP is growing in real terms to over exceed the EDP limits. Failure to enforce fiscal discipline throughout EU was the other main cause that made the sub-prime crisis to have such a devastating impact in the EU and to cost taxpayers many trillions euros since 2008.

In the present there are more and more talks about the need of a common fiscal budget. Such a thing, in our opinion, cannot exist now or in the medium future due to the large differences between countries regarding economic performance and regarding culture and population mentality. No EU citizen from a rich countries – with a high GDP per capita – would accept willingly to have significant amounts of their taxes redistributed to poorer EU countries. They want those money spent by their governments in their countries. On a long term this can be solved trough the catching up process that the EU committed to support even since its creation. A common structure of government expenses cannot be achieved also due the fact that countries with smaller incomes per capita would need to allocate their resources in different proportions to social security, health, education etc. compared to the richer ones. Last but not least the cultural differences between EU citizens belonging to different countries play an important role in the allocation of government expenditures and the level of taxation. For example the Nordic states chose over time to adopt a welfare state economic model that consists of a higher taxation level and large amounts of resources redistributed to ensure a social security net for their citizens. Such a fiscal policy could be rejected by other citizens of EU.

We do not need a common fiscal policy in the European Union. Ensuring fiscal discipline which translates to making sure the public expenditures do not exceed public revenues too much would by enough ensure an sustainable and healthy economic grow in the long term.

5. CONCLUSIONS

It’s clear that this crisis will fundamentally change the mainstream view of the economists concerning the optimal economic model and European Union makes no exception in making the required changes.

Every major world economic crisis brought a new view about what should be the state role in an economy, how can we have year after year sustainable economic growth or how can we prevent big economic disasters. The 1930s crisis brought keynesism which promoted the state’s intervention in economy in order to eliminate potentially dangerous market failures and to ensure the economy stays on an upward trend. The 1970s crisis brought the collapse of Breton Woods agreements and the adoption of monetarism, a view in which the state had a smaller role in the economy. It supported the idea that the free market is the solution to almost everything and the best thing that the government can do is to promote free competition among economic agents and not to interfere. This was the basis of deregulation of the financial system throughout the world.

Considering the magnitude of the current crisis, we can almost be 100% positive that something will change in the mainstream view of economic science. Yet, the ideas market, like all other markets, is not perfect. Sometimes bad ideas come forward and are adopted by the decision makers as solutions that should improve the current situation. Every proposal of change must be carefully analyzed by the scientific community before being implemented.

The European Union leaders eagerly want to do something to finally put an end to the current crisis. The problem is not them, but the economic community which failed to give a coordinated proper answer to the current crisis backed by strong scientific arguments. That is the main reason for the hesitation of most decision makers worldwide to take appropriate actions to the crisis. However if you do not have a proper solution to a problem it doesn’t mean you just simply try anything at hand. We need to keep searching for those good ideas that will ensure in the future that such a crisis will never happen and we need to carefully implement and test them along the way.

As for the ideas analyzed in this paper we argue that a common supervisory and regulation of the financial system is welcomed. It will address the problems of small states with large banking systems that can’t do much when the external situation deteriorate. It will help to make investors to have more trust in the European financial system, trust that was shaken a lot by the crisis. In the global financial system of today bank failures doesn’t help anyone, not the countries they happen, not the neighboring ones and not the world. Regarding the European fiscal policy it’s obvious that better discipline must be adopted. EU citizens should be more aware of the dire consequences that pro-cyclical expansionary fiscal policies can lead to. This must be stopped at any cost in the future. But a common budget or a single fiscal policy throughout the European Union or throughout Euro Area is not possible now and will not be possible in the short and medium future.

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