EDITORIAL

The spring 1998 issue of TRANSFER *looked forward to the 'Final steps towards the euro'. At the start of 1999 exchange rates between the currencies of the 11 countries participating in European Monetary Union were irrevocably fixed. A year later Greece became the 12th member country of the euro area. At the start of 2001 notes and coins were finally introduced, making the euro a tangible reality for more than 300 million European citizens. Now, at the end of 2003, we are able to look back on almost five years' experience with 'euroland'. This issue of* TRANSFER *looks at developments in the main policy areas, reviews the debates and policy changes, and examines the political processes that have been initiated to meet the challenges posed by the euro for the European institutions, national governments and, not least, the trade unions.*

After an encouraging start, the performance of the euro-area economy has been extremely disappointing, not least compared with the three EU Member States – Denmark, Sweden and the UK – who opted not to adopt the single currency; indeed, Swedes decisively rejected joining the euro area in a referendum earlier this year. Largely because of this disappointing performance, the debates on the appropriate economic policy instruments, the institutional architecture of economic governance for the euro area, which were discussed in the previous TRANSFER *issue, have not died down. On the contrary! The critique of the dominance of monetary policy within the regime and its focus on price stability to the exclusion of growth and employment goals has persisted and, against the background of low inflation and low growth, has increasingly broadened beyond the 'usual suspects' – trade unions and inveterate Keynesian academic economists – to be accepted by mainstream commentators. The Stability and Growth Pact, always controversial, has been revised and re-interpreted and, most recently, effectively suspended. Its future is currently shrouded in uncertainty. The role of wage formation, and thus also of trade unions, remains unclear, collective bargaining being subject to inexorable pressure for greater decentralisation, often from actors and commentators that simultaneously call for wage bargainers to look beyond sectional interests and consider the wider macroeconomy when setting wages. The issue of the coordination mechanisms between these three main policy areas, and the actors responsible for them, was addressed by the European Convention on the Future of Europe, but few concrete changes are expected in the Constitutional Treaty that is currently being debated. The policy coordination issue, and specifically the question of how to achieve an improved policy mix to promote growth and employment in Europe, remains controversial in theoretical and policy terms.*

The articles in this issue of TRANSFER *take up these debates and seek to point out areas of reform that, while realistic, would make a substantial difference to Europe's performance in economic and employment terms.*

Andrew Watt and Volker Hallwirth argue that a coordinated macro policy mix would produce superior results than the current policy assignment, raising the rate at which the European economy can grow without inflationary pressures. The Macroeconomic Dialogue could provide a forum for discussions between policy actors on a more cooperative, growth and employment-oriented strategy, *and trade unions must play a key role here. Gustav Horn examines the performance of the ECB's monetary policy. He argues that greater coordination between wage and monetary policies is required: if the European Central Bank were to take account of credible stability-oriented national wage formation policies, then it could pursue a monetary policy that promoted growth without putting in jeopardy price stability.*

Christopher Allsopp and Andrew Watt examine the role of fiscal policy in EMU. While the fiscal rules are clearly inappropriate, the crisis of the Stability and Growth Pact actually has its origins in other policy areas, notably monetary policy and the need to adjust competitiveness within the currency area. Given this they discuss the need for national fiscal and wage policies to be oriented more closely towards national price stability considerations, rather than arbitrary fiscal targets. Ronald Janssen and Emmanuel Mermet investigate the impact of EMU on wage formation. In order to avoid competitive wage disinflation, European coordination of wage bargaining has to be strengthened. Reviewing the interaction that has taken place over the last five years between wage formation and macroeconomic policies, the authors conclude that there is much scope for an improved and more intense dialogue between trade unions, the ECB and governments.

László Andor investigates the implication of the enlargement of the EU in 2004 for the EMU. With particular reference to Hungary, he shows that there is a widespread consensus that early accession to the single currency will be beneficial. He reviews the debate against the background of the current currency turbulence affecting the exchange rate of the accession county currencies against the euro. Concluding the main articles, Deborah Foster and Peter Scott consider the attitudes to the single currency of European public service trade unions, which have ranged from enthusiasm to resistance. They analyse the recent resurgence of forms of national-level bipartite or tripartite economic and social coordination, which manage the effects of EMU through social dialogue, and they examine issues raised where leadership support for EMU has exceeded that of the membership, and consider potential areas for public service union influence.

In the News and background section, Ludwig Schubert examines the debate on economic governance in the Convention and considers proposals for a new Treaty architecture. Christa Randzio-Plath discusses the European Parliament's Monetary dialogue with the ECB, and Marica Frangakis examines the role of the Broad Economic Policy Guidelines in the EU's economic policy coordination regime.

While not denying the importance of structural and labour market reform, a unifying theme of the contributions is that better economic governance in Europe is an essential prerequisite if Europe is to achieve the goal of full employment by 2010, as agreed by European Heads of State and Government at the 2000 Lisbon Summit. Better economic governance is necessary. It is also possible. After initial reservations, the European labour movement, while remaining aware of some risks, broadly welcomed EMU as an opportunity for Europe to regain greater control over its mutual economic destiny: the 1998 issue of TRANSFER *documented this. Experience since has shown that the opportunities of EMU have not been fully grasped; while a number of the risks have indeed proved relevant. This issue of* TRANSFER *will have achieved its purpose if it stimulates debate on how to build on the achievement that is European Monetary Union, and what reforms are necessary if EMU is to serve its purpose of maximising employment and welfare opportunities for all of Europe's citizens, underpinning the goal of an ever-closer union.*

Andrew Watt
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