The Evolvent of Macroeconomic Stability Surveillance Indicators - Old Wine in New Bottles?

Starting from the summer of 2008, the European Union's economy suffers the recession. The discontent of EU citizens does not allow to implement impartial (although sometimes painful) actions for the recovery of the situation which lasts too long and rises many associated problems. In the latest European Commission's document, it is stressed, that economic, financial as well as moral recession is now affecting so many parts of Europe that this situation raises the doubts considering the trust in the ability of Europe's political and economic system to deliver on the EU Treaty's ambition of "sustainable development based on balanced economic growth." However, such statements are not, or should not be, unexpected and could be interpreted at least as catchwords. Considering prevailing situation of moral decline, incredulity in the capability of political actions the article solves the scientific problem – how to evaluate the macroeconomic situation of a national economy? What are the main indicators for macroeconomic stability surveillance of the national economy? Is it possible to apply it to every country? Are there any correlations between theoretical instruments (policies) for coordination of macroeconomic situation at the domestic level and actual actions undertaken by the EU Commission? The object of research is the domestic (EU member state's) macroeconomic stability and EU-actions for the maintenance of macroeconomic and financial stability. The subject of the research is a set of theoretical indicators used for the macroeconomic stability surveillance. The article aim is to construct hypothetical evolvent of macroeconomic stability surveillance indicators and to analyse some initiatives of EU Commission for the maintenance of macroeconomic and financial stability. To achieve this aim four tasks were performed: systemised existing theoretical instruments (policies) for coordination of macroeconomic situation in the state level; constructed the evolvent of macroeconomic stability surveillance indicators; highlighted some initiatives of the EU Commission for the maintenance of macroeconomic and financial stability; provided negotiable recommendations for actions considering macroeconomic and financial stability surveillance in the EU.

Scientific originality and practical significance of the article: the article solves original scientific problem - is there the applicable method for evaluation of macroeconomic stability of the national economy. Solution of the scientific problem enables to provide the comprehensive evolvent of macroeconomic stability surveillance indicators. There are provided practical and substantiated recommendations for actions considering macroeconomic and financial stability surveillance in the EU. The article does not aim to present all EU's initiatives towards maintaining economic stability. It is a key to highlight that evident actions, taken by EC in order to control economic situation, do exist, but they seems to be more strategic and hypothetical.

Theoretical comparative analysis of the scientific works, analysis of legal documents as well as strategies and practical papers in this field were employed as research methods. The recommendations and conclusions are provided using reality-based, prognostic – analytical methods.

**Keywords:** macroeconomic stability; evolvent of macroeconomic stability surveillance indicators; EU-actions; financial stability.

**Introduction**

The problem of macroeconomic stability of state's economy practically seems to be extremely important problem during the centuries. Starting from the date when the letter was invented in Mesopotamia in 3100 BC people started to look for possibilities how to control the flows of assets in different forms, how to save the jewels, how to manage the effective collection of tribute, to enforce people to work etc. (Kancerevyčius, G., 2009). History highlights plenty of events which could be interpreted as precondition for the need to create well organised systems (with different elements) which would enable to function state’s economy properly and effectively. Such intentions are nothing less than challenge for theorists and practitioners to find a method.
for the construction of a perfect system\(^2\) of maintenance of macroeconomic stability domestically.

When analysing the decline of the EU’s economic, financial as well as social situation, which started in the autumn of 2008 (the light of World’s financial crisis), some controversial conclusions follow. As the practice shows, unless the vital need for the perfect management of different economic as well as fiscal and monetary policy activities and plenty of scientific efforts, were the importance and possibility to control macroeconomic situation is analysed (e. g. Keynes J. M., 1930; 1936; Hayek F. A. (1944); Friedman M. (1976); Schumpeter J. (1947);\(^3\) Samuelson P. (1946); Sollow R. (1956); Rothschild, M., Stiglitz, J. (1976); Barro R., Becker G. (1980); Hawkins, 1948; Clarida, R., Gali, J., Gertler M., 2000; Kaminsky, Reinhart, 1999; Fehr, E., Schmidt, K. M. (1999); Bauer, Herz, Karb, 2007; OECD, 2009; Freedman C., 2000; Meyer, L. H., Doyle, B. M., Gagnon, J. E., Henderson, D. W., 2002; Barrell, R., Davis, E. Ph., 2005; Clarida, R., Gali, J., Gertler, M. (2000); Bresnahan, T. F.; Erik Brynjolfsson, E., Hitt, L. M. (2002), Barrell, R., Hurst, I. (2008); Martinez, V., Sancher-Robles, B. (2009); etc.), there are many insufficient attempts to control economic situation in the EU. Rhetorical question - where is a problem? It is a key to stress that one of the essential preconditions for the problems in the EU is not only the political ambitions but and the lack of productive communication (dialog) between practitioners (in the case of state’s leaders) and scientists. There are many historical lessons from the past (Minsky, H.P., 1992; Daugeliené, R., 2011) as well as methods, e. g. signal-to-noise ratio used in Kaminsky, Lizondo, and Reinhart (1998) or the profit modelling in Frankel and Rose (1996) which allow to predict the possible events as well as to design guidelines for the solution of consequences. However such practise is still missing.

Considering the above mentioned, the article solves the scientific problem – how to evaluate the macroeconomic situation of a national economy? What are the main indicators for macroeconomic stability surveillance of the national economy? Is it possible to apply it to every country? Are there any correlations between theoretical instruments (policies) for coordination of macroeconomic situation at the domestic level and actual actions undertaken by the EU Commission?

The object of research is the domestic (EU member state’s) macroeconomic stability and EU-actions for the maintenance of macroeconomic and financial stability.

The subject of the research is a set of theoretical indicators used for the macroeconomic stability surveillance.

The aim of the article – to construct hypothetical evolvent of macroeconomic stability surveillance indicators and to analyse some initiatives of EU Commission for the maintenance of macroeconomic and financial stability.

To achieve this aim four tasks are to be performed:

- to construct the evolvent of macroeconomic stability surveillance indicators;
- to highlight some initiatives of the EU Commission for the maintenance of macroeconomic and financial stability;
- to provide negotiable recommendations for actions considering macroeconomic and financial stability surveillance in the EU.

Scientific originality and practical significance of the article:

- the article solves original scientific problem: is there the applicable method for evaluation of macroeconomic stability of a national economy;
- solution of the scientific problem will enable to provide the comprehensive evolvent of macroeconomic stability surveillance indicators;
- there are provided practical and substantiated recommendations for actions considering macroeconomic and financial stability surveillance in the EU.

Theoretical comparative analysis of the scientific works, analysis of legal documents as well as strategies and practical papers in this field was taken as the research methods. The recommendations and conclusions are provided using reality-based, prognostic – analytical methods.

Existing Theoretical Instruments (Policies) for Coordination of Macroeconomic Situation in the State Level

P. Samuelson together with other American economists in the period of 1940 – 1950 created positivistic neoclassical economic theory. It declares that functional relations between macroeconomic indicators are based on microeconomic processes and events. The later were analysed by neoclassic economists Menger C., Jevons W. S., Bohm – Bawerk E., Walras L. and U. Marshal. In 1946, P. Samuelson stated that modern economic system can effectively overcome such defects of life as unemployment and inflation. It could be achieved by adjusting two principles: effective influence of government on the market as a unique system and; freedom of behaviour of producer and consumer.

In the 1970’s new classical economists Lucas R., Sargent Th. J., Barro R. criticised J. M. Keynes ideas considering wages and prices adjustments. New classical economists build their macroeconomic theories on the assumption that wages and prices are flexible. Some of the scientists analyse the coordination failure in macroeconomic\(^4\) (Cooper, R., John A., 1988; Gaygsiz, E., Madden P., 2002; Irons J. S., 2005). According to this, the question rises: are there any scientifically based instruments (policies) for the assurance of state’s macroeconomic stability? The analysis of scientific works shows that these instruments do exist but not all of them can be applied without adaptation to the reality and depth of the economic and financial problem.

A. Smith’s theory where is stated that the best solution for avoidance of economic recessions is total liberalization of activities of economic unities. That means that governments shouldn’t control economic processes organizing liberal, open

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\(^2\) The statement is more hypothetical. However there is possibility to create perfect model in the theory which could be converted or applied in the practise.

\(^3\) Hayek F. A. The Road to Serfdom (1944). Routledge Press.


\(^5\) Most of them based on criticism of unemployment theory.
free, out of control governmental policy. The later situation in the EU countries) shows that such kind of governmental retreat of disability of political actions is not beneficial for national economies.

It is a key to stress, that theoretically the aims of economic policy could be reached controlling and coordinating seven main instruments (policies) (historically proved), which are identified as essential for the macroeconomic stability maintenance:

- **moral (values) policy** (this is the field totally forgotten in the XXI century);
- **monetary policy** (settlement of consumer price index; inflation; interest rates\(^6\)). Business and consumer, economy activities surveys are under the control of ECB as well. It is responsible and for the growth of the money supply;
- **fiscal policy** (control of governmental spending, income and tax rates. Theory predicts that strategically - determined tax rates induce negative externalities across countries);
- **employment and income policy** (this is exceptional national states’ competence which should enable “healthy” or adequate to incomes consumption);
- **interest rate policy** (fixed exchange parities. Partly correlated with fiscal policy but it is very important to be separated);
- **structural policy** (this is exceptional national states’ competence as well. Governmental actions for social and economic growth stimulation. Directly correlated with employment policy);
- **trade and environmental policy** (governmental actions for the creation of economically and socially friendly environment).

In order to achieve total benefit all these policies should be coordinated and well organised in each country. Specific institutions should be created in order to ensure efficient implementation of new ideas. The coordination processes directly depends on:

- the purpose and its importance for the national economy;
- the effectiveness of each instrument;
- the subjects responsible for the implementation of selected methods.

Coordination of policies listed above is imperative but it could be stressed that there are arguments “for” and “against” their application. Calmfors L. (2001) analyzed that there exist the spillover effects of policies. It is very difficult to evaluate the consequences of policies coordination as the possibility to make experiments with different policies is available. Usually these experiments do not conclude positively.\(^7\) Adequate method for macroeconomic policy coordination should be selected taking into account the structure of country (social, economic and cultural – values situation).

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\(^6\) Monetary policy is the exceptional ECB competence in the euro zone. It’s management is defined historically by Maastricht criteria. Why euro zone countries did not follow them? Weren’t these rules the precondition for the settlement of obvious and reasonable sanctions of punishment for not following them after join to EMU?

\(^7\) Look at the money injection to the economy of Greece. The solution seemed to be logical and tended for positive consequences but the reality shows controversial consequences. Not earned money is less “nourishing”, and less economically beneficial.
Macroeconomic stability surveillance indicators

- Current account balance
- Net external position / debt
- Real effective exchange rate based on unit labour costs
- Real house price increase
- Public sector debt
- Ratio of private sector debt / credit to GDP
- Independent data collection
- Transparent procedures and indicators
- Integration into existing economic policy surveillance processes
- Possibilities for discretionary sanctions

Individual countries threshold values

- Culture
- Common human values
- Attitudes
- Formal national rules
- State’s reputation

Figure 1. Evolvent of macroeconomic stability surveillance indicators

Hypothetical Evolvent of Macroeconomic Stability Surveillance Indicators

Taking into account above settled down theoretically proved truths, the idea to systemise the indicators which would allow to evaluate the situation of state’s economy comes as natural process.

Yet in the 1948 Hawkins D. said that “in any exchange economy there are potential sources of instability that lie deeper than the imperfections of the exchange mechanism. These are characteristics of any dynamical system that consists of subordinate systems coupled by their influences on each other. They may be exhibited by a simplified model that assumes constant technical relations and full employment of all resources”. This thesis makes the conclusion that creation of hypothetical simplified structure of indicators for macroeconomic stability surveillance is substantiated and could be applied practically.

It is a key to stress that macroeconomic stability of economy firstly depends on three comprehensive elements:
- state’s reputation-building;
- formal national rules;
- international monitoring.

Figure 1 represents the hypothetical evolvent of macroeconomic stability surveillance indicators.

The main macroeconomic stability surveillance indicators groups are:

1) economic indicators (current account balance; net external position / debt; real effective exchange rate based on unit labour costs; real house price increase; public sector debt; ration of private sector debt / credit to GDP);

2) institutional indicators (independent data collection; transparent procedures and indicators; integration into existing economic policy surveillance processes; possibilities for discretionary sanctions);

3) individual countries threshold values (culture; common human values; attitudes; formal national rules; state’s reputation).

These indicators are strongly affected by global economic activities as well as international political events. The later should be analyzed in order adequate react to the situation.

It is a key to stress that the assessment of existing situation of macroeconomic situation of every state or region should be coordinated with specific actions for the solution of problems detected. There close cooperation of scientists and policymakers should be organized in order to enforce the solution of problems. The identification – is just the beginning of long process of economy recovery.

Some Initiatives of the EU Commission for the Maintenance of Macroeconomic and Financial Stability

After the September 2008 EU policy actions were addressed in order to make monetary policy much easier: zero rate interest bound was presented; a wave of debt guarantees, recapitalisation and impaired asset relief was implemented at record speed to avoid insolvency of financial institutions and meltdown of the financial system at large.

In the wake of the financial crisis the European Council at its meeting of 11-12 December 2008 approved the European

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8 Paradoxically, but once more starting from John M. Keynes (1883 – 1946) who described macroeconomics as separate element of economic theory in 1936’s work „The General Theory of Employment, Interest and Money“.

9 The article does not aim to present all the EU’s initiatives towards stable economy maintenance. It is a key to highlight that they do exist but the economic situation in the EU is still very complicated.

Economic Recovery Plan (EERP), setting out how Member States and the European Union can coordinate their policies and provide new stimulus to the European economy. Quite controversial and discussible seems the first attempts to strengthen EU economy. An important part of the EERP was the proposal to increase Community investment in defined strategic sectors and in particular in infrastructure projects, with the objectives of giving an immediate boost to the economy and at the same time enhancing Europe’s longer-term sustainable growth potential. In particular, the Plan included a €500 million call for proposals for Trans-European Transport Network (TEN-T) projects. Were these actions adequate for the situation? Why the actions were not attacked to the financial problems of countries? European Economic Recovery Plan – Financing part (2009) was absolutely not oriented to the solution of essential macroeconomic problems.\(^{11}\)

In 2009 European Commission presented crisis policy framework where crisis prevention, control and mitigation, resolution and EU coordination frameworks were highlighted in the light of financial, monetary, fiscal, structural policies. There were provided EU coordinated tools for micro- and macro-prudential surveillance as well as fiscal surveillance. However the economic imbalance in the euro zone and entire EU internal market still remains essential problem which needs for determined concrete EU’s actions.

Communication “Driving European recovery” of 4 March 2009, the European Commission committed itself to come forward with proposals for reform of the EU framework for financial supervision. The problems and problem drivers as well as objectives in micro and macro prudential supervision were highlighted (EC, 2009).

Initiatives undertaken by the EC in 2009 (apart from the work on financial supervision) were:
- improving and removing gaps in regulation concerning alternative investment funds and capital requirements for banks;
- protecting consumers and SMEs (initiatives to foster responsible lending and borrowing);
- improving incentives to reduce excessive short-term risk-taking (initiatives on remuneration in financial services);
- strengthening sanctions for infringements of the rules.

In a line with mentioned initiatives the EC ensured that appropriate crisis intervention tools would be available in all Member States to allow early intervention in ailing banks or insurance firms, in order to guarantee the continuity of key financial services, whilst minimising costs to the taxpayer. Specific regulatory issues related to large and complex financial groups were addressed in the context of the review of the Financial Conglomerates Directive (FCD) as well (EC, 2009).

European Economic Recovery Plan 2010-2013 was signed in 2009 as well. The Commission and the industrial partners undertook to work intensively together to develop the implementation plans for the three partnerships: “Factories of the Future” initiative for the manufacturing sector (€1.2 billion for R&D); “Energy-efficient Buildings” initiative for the construction sector (€1 billion for R&D); and “Green Cars” initiative for the automotive sector worth a total of €5 billion, of which €1 billion is for research activities.

Europe 2020 (March 2010) - the EC proposed platform for a new growth initiative where five ambitious objectives on employment, innovation, education, social inclusion and climate/energy should be reached by 2020. Four priorities (smart growth; sustainable growth; inclusive growth; economic governance) were settled down\(^{12}\). Europe 2020 declares that assurance of public finances quality as well as sustainable development is essential and should be controlled not only at the state’s level. It should be one of the political priorities of all EU. The macroeconomic imbalance – the phenomenon which destroys the basics of EU countries and euro zone countries economies – need to be controlled by approved (historically and practically) methods, instruments or models. It is important to evaluate that all control measures have to be selected considering the state’s situation (this means, that different measures should be applied for Germany, Sweden, France, Lithuania, Estonia, Latvia and other for Greece, Ireland, Spain, Italy).

The EC also proposed and the EU co-legislators agreed a “six-pack” of legislation on economic governance, which entered into force on 13 December 2011. This new legislation has given the EU new and effective tools to deepen monitoring of Member States’ economic and fiscal policies and to enforce the rules. Through it, the Stability and Growth Pact was amended to strengthen collective surveillance of public finances.

Stability and Growth Pact\(^{13}\) (SGP) is a rule-based framework for the coordination of national fiscal policies in the economic and monetary union (EMU). The last reform was made in 2011 following the 2010 European sovereign debt crisis, the EU member states adopted a new reform under the Open Method of Coordination, aiming at straightening the rules e.g. by adopting an automatic procedure for imposing of penalties in case of breaches of either the deficit or the debt rules. The new “Euro Plus Pact” was designed as a more stringent successor to the Stability and Growth Pact, which has not been implemented consistently. The measures are controversial not only because of the closed way in which it was developed but also for the goals that it postulates. SGP cover stability and Convergence programmes (or updates) and National Reform Programmes.

It can be agreed completely with the statement of Calmfors L. and Wren-Lewis S. (2011) that „at the EU level, the stability pact imposed ceilings on deficits and debt as well as medium-term budget objectives. Just several countries introduced


\(^{12}\) It is a key to stress that Europe 2020 is strategic document, very similar to the Lisbon Strategy 2010 which was not completely achieved. This presuppose the doubts if the Europe 2020 will work?

\(^{13}\) Agreement, among the 27 Member states of the EU, to facilitate and maintain the stability of the EMU. Based primarily on Articles 121 and 126 of the Treaty on the Functioning of the European Union, it consists of fiscal monitoring of members by the EC and the Council of Ministers and, after multiple warnings, sanctions against offending members. First was adopted in 1997 so that fiscal discipline would be maintained and enforced in the EMU. Member states adopting the euro have to meet the Maastricht convergence criteria, and the SGP ensures that they continue to observe them. SGP was reformed twice: in 2005 the EU Council, under the pressure of France and Germany, relaxed the rules. The EC said it was to respond to criticisms of insufficient flexibility and to make the pact more enforceable; and in 2011.
national fiscal rules. The recent explosion in government debt suggests that the rules approach was not sufficient. One reason is that rules were not observed (Greece). Another is that, when deficit ceilings were respected, fiscal outcomes lay so close to them that there”.

23 Member States (all Euro area Member States as well as Bulgaria, Denmark, Latvia, Lithuania, Poland and Romania) agreed the Euro Plus Pact in March 2011 to step up coordination of reforms in areas not fully covered at EU level. These countries have committed themselves to far-reaching reforms in the four areas covered by the Pact:

- fostering competitiveness;
- fostering employment;
- enhancing the sustainability of public finances and reinforcing financial stability.

They are also committed to engage in structured discussions on tax policy issues. The commitments of the participating Member States are reflected in their Stability or Convergence Programmes and National Reform Programmes.

EU Regulation on the prevention and correction of macroeconomic imbalances\(^\text{14}\). There was stated that coordination of the economic policies of the member states should be developed in the context of the broad economic policy guidelines and the employment guidelines, and should entail compliance with the guiding principles of stable prices, sustainable public finances and monetary conditions and sustainable balance of payments. There is a need to learn lessons from the first decade of functioning of the EMU and, in particular, for improved economic governance in the Union built on stronger national ownership. The regulation provided and strengthened the EP and EC competence considering macroeconomic imbalance regulation, establishment of alert mechanism for the early detection of emerging macroeconomic imbalances. All member states are required to implement actions to address macroeconomic imbalances and divergences in competitiveness. The nature, importance and urgency of the policy challenges may differ significantly depending on the member states concerned. It is important to make economic adjustment capacity.

Financial rules which were settled down in the SGP were two week in order to manage the collapse of EU’s financial market. Considering that EC’s work group suggested new supervisory system. In 2011 January new EP and Council of Ministers regulation 1093/2010 took into force. According to this, three European Financial Supervision institutions were established:

- the European Banking Authority (EBA);
- the European Insurance and Occupational Pensions Authority (EIOPA);
- the European Securities and Markets Authority (ESMA).\(^\text{15}\)

At the same time European Systemic Risk Board (ESRB) – independent EU body responsible for the macro-prudential oversight of the financial system within the Union - was established as well.

European Commission (2012) declares that economic stability is desirable because it encourages economic growth that brings prosperity and employment, and is one of the main objectives established in the management of Economic and Monetary Union and the euro. Under the EMU, EU Member States closely coordinate their economic policies with the overall objective of maintaining economic stability. Economic stability and low inflation create the necessary conditions for sustainable long-term growth, which benefits the euro-area Member States and their citizens\(^\text{16}\).

The very last EC initiative for implementation of Europe 2020 was made on 30th of May, 2012. The European Commission presented Country-specific Recommendations for 2012-2013. This was Communication of Action for Stability, Growth and Jobs (2012).

As it is stressed by EC (2012) it was made important progress in reinforcing financial backstops. The European Stability Mechanism is scheduled to come into effect on 1 July 2012 – one year ahead of schedule - as the permanent mechanism for financing crisis management in the euro area. Taking the European Stability Mechanism, the European Financial Stability Mechanism and other crisis funding together EU have a total lending capacity of €800 billion.

Some actions will be addressed tapping into the potential:

- of the Internal Market;
- of Human Capital;
- of External sources of growth;
- of EU funding of the growth that Europe needs.

EC indicated that in 2012 efforts at national and at EU level should concentrate on five priorities:

- pursuing differentiated growth-friendly fiscal consolidation;
- restoring normal lending to the economy;
- promoting growth and competitiveness for today and tomorrow;
- tackling unemployment and the social consequences of the crisis;
- modernising public administration.

Recognising the importance of forcefully tackling macro-economic imbalances of a non-fiscal nature, the surveillance framework was also broadened through a new macroeconomic imbalance procedure. It aims to prevent the emergence of imbalances that pose a risk to economic stability. The new procedure includes a sanctions regime for repeated non-compliance with agreed actions. Using this new procedure, the EC first alert mechanism report was published in February 2012. The first in-depth reviews were conducted on twelve countries (Belgium, Bulgaria, Denmark, Spain, France, Italy, Cyprus, Hungary, Slovenia, Finland, Sweden and the United Kingdom).

To deliver collectively on these objectives and bring together all of these commitments, to ensure better ex-ante co-ordination and follow-up of decisions, the Member States agreed and implemented for the first time in 2011 a new way to coordinate national policies, the European semester of policy coordination. The cycle starts with the publication


\(^{16}\) Aren’t these statements sound like catchwords? Could it be interpreted as reality, or aspiration, or simply theoretical state of economic welfare?
of an Annual Growth Survey (AGS) by the EC, reviewing economic challenges and setting out priorities for the EU as a whole (EC, 2012).

First, after the 2009, the European Commission turned to the single person declaring that “many of our citizens are angry and bewildered by the speed at which a long period of rising living standards has turned into a huge financial crisis, heavy job losses and the prospect of high debt levels for many years to come”. This had to be understood from the very beginning of recession.

Negotiable17 Recommendations (Considerations) for EU-actions considering Macroeconomic Stability Surveillance

Despite the very late initiative of European Commission for implementation of Europe 2020 some common recommendations for EU-actions considering macroeconomic stability surveillance could be proposed.

The essential starting point for Europe is to enhance understanding - what are the main future European ambitions? At the moment there is no clear European future vision except the trivial understanding that Europe wants to live better and friendly. The natural values are standing behind all the striving. There should be created new treaties (not catchwords documents) for the strengthening of political integration.

It is reasoned and theoretically proved true, that the macroeconomic stability of depends upon its ability to react to shocks. Institutions need to be designed to absorb shocks in order to enhance performance. As it is stressed in recent work of Barrell and Davis (2005), shocks produce cycles. Considering that, control both the impact of shocks and the response of the economy to the shock are important issues for policymakers. Macroeconomic policy in Europe is now oriented to creating a stable environment in which the potential for output growth is enhanced. However, not all dimensions of a stability-oriented policy framework appear to be in place. Fiscal policy rules and arrangements have been the most discussed but they may not be as important as their prominence indicates.

Despite all EC initiatives made for better living and economic growth, full implications for macroeconomic stability, especially in terms of its implications for financial markets, have not yet been fully appreciated by policymakers.

In order to ensure appropriate international macroeconomic coordination the specific actions should be taken:

- it is essential to manage the stabilization conflicts.
- it is necessary to implement commitments and cooperation’s which would provide the rules of actions as well as penalties for offences. Cooperation involves commitments by two or more countries to follow efficient policies. Commitment is possible when there is a supranational authority that can punish departures from announced policies so severely that departures are unthinkable18. As Meyer, L. H., Doyle, B. M., etc. (2002) state, the threat of punishment causes each country to choose the efficient policy even though each country has an incentive to choose a policy other than its efficient policy if the other chooses its efficient policy. Even if commitment is not possible, the fact that countries will face the same or a similar problem in the future may be enough to make it possible to achieve efficient outcomes;
- to organise the exchange of information.

Fiscal watchdogs (advisory, decision-making councils) should be created (e. g. European Financial Ministry). The role of ECB should be expanded as well as new institution responsible for financial stability in the EU should be created. It is essentially important to adopt the rule of automaticity of sanctions for those member states not respecting the rules of the European governance. Other measures to be adopted at European level19:

- elaborate and approve a regulation for the emission of stability bonds, according to the lines indicates by the European Commission;
- implement the decisions of the European Council concerning the EFSF (European Financial Stability Facility);
- reaffirm the centrality of price stability as primary mission of the ECB while avoiding any temptation to add the function of lender of last resort face to Governments. Non standard monetary policy measures are the best way to ensure the proper working of the financial system;
- fiscal deficit of member states should be controlled at the European level;
- introduce in the Treaty the obligation for Euro zone Member States to adopt in their national Constitutions the balanced budget rule;
- National governments should orientate their monetary, fiscal and social policies in such directions which would stimulate the growth of economy, reduce governmental debt as well as unemployment level, and enhance the local consumption and confidence on better living conditions.

Conclusions

- Since the 1946 when positivistic neoclassical economic theory was presented by P. Samuelson it was proposed that functional relations between macroeconomic indicators are based on microeconomic processes and events. Modern economic system (the EU’s according to all dimensions should be interpreted as modern) can

17 Taking into account all existing EU-actions considering macroeconomic stability surveillance of EU economy, these recommendations without identification of concrete procedural actions should not be interpreted as real for implementation. The scientists are invalid practically solve existing problems despite the fact that there are competent in emphasis of them. This is a question of collaboration of scientists and politicians.

18 The current EU lack of such practise.

19 From the declaration of the Jean Monnet Chairs to the European Institutions and to the Governments of the EU Member States presented after the Global Jean Monnet conference “The Present Crisis and the Future of Europe” on November 25-26, 2011, Brussels.
effectively overcome unemployment and inflation. It could be achieved by adjusting two principles: effective influence of government on the market as unique system; freedom of behaviour of market players. The seven main historically and practically proved instruments (policies) could be identified as essential for the macroeconomic stability maintenance: moral (values) policy; monetary policy; fiscal policy; employment and income policy; interest rate policy; structural policy; trade and environmental policy.

• The evolvent of macroeconomic stability surveillance indicators can be constructed analysing existing instruments (policies) for the macroeconomic stability maintenance. It could be used identifying macroeconomic situation of each country as well as highlighting advantages and disadvantages of state’s economy. This allows to select adequate measures for solution of problems. The main macroeconomic stability surveillance indicators groups are: economic indicators (current account balance; net external position / dept; real effective exchange rate based on unit labour costs; real house price increase; public sector dept; ration of private sector debt / credit to GDP; institutional indicators (independent data collection; transparent procedures and indicators; integration into existing economic policy surveillance processes; possibilities for discretionary sanctions; individual countries threshold values (culture; common human values; attitudes; formal national rules; state’s reputation). The expression of these indicators is strongly affected by global economic activities as well as international political events. The analysis shown that the evolvent of macroeconomic stability surveillance indicators - it is old wine in new bottle. The difference is just because of period and standpoints of human beings.

• Until the end of 2008 there was the absence of adequate EU-actions considering control of EU’s macroeconomic situation. The first reaction of the European Council to the financial crisis was ratification of European Economic Recovery Plan (EERP) at its meeting on 11-12 December 2008. However proposed actions were not adequate to the situation. Later, in 2009, the EC presented crisis policy framework where the EU coordinated tools for micro- and macro-prudential surveillance as well as fiscal surveillance were provided. Other initiatives were signed in 2009: “Driving European recovery”; European Economic Recovery Plan 2010-2013. One of the first official reaction’s of the EC to the stimulation of economy growth was preparation of Europe 2020 (March 2010) (the platform for a new growth initiative). The EC also proposed and the EU co-legislators agreed a “six-pack” of legislation on economic governance. Stability and Growth Pact was amended in 2011 to strengthen collective surveillance of public finances. EU Regulation on the prevention and correction of macroeconomic imbalances was proposed in 2011 as well. For the management of collapse of EU’s financial market three European Financial Supervision institutions were established (the European Banking Authority (EBA); the European Insurance and Occupational Pensions Authority (EIOBA); the European Securities and Markets Authority (ESMA)). The very last EC initiative for implementation of Europe 2020 was made on 30th of May, 2012. The European Commission presented Country-specific Recommendations for 2012-2013. This was Communication of Action for Stability, Growth and Jobs (2012).

• There can be detected correlations between theoretical instruments (policies) for coordination of macroeconomic stability in the state level and practical actions made by the EU’s government. However, these EU-actions are more catchwords as situation in economy still is very complicated. The direct and sometime aggressive, egoistic domination of senior EU countries-leaders should be solved somehow.

• As the theoretical analysis has shown, the instruments for the evaluation of macroeconomic situation do exist and even the society knows (or can predict) how to manage the recessions of economies. There is a lack of productive cooperation between scientists (who are able to highlight the problems and suggest the ways out) and policymakers (who usually are able only to propose the catchwords). The starting position for Europe in order to manage all the consequences of macroeconomic imbalance is to enhance understanding - what are the main futures of European ambitions? The political integration should be strengthened as well. Not only several EU leaders (e. g. France, Germany, UK) should decide where and how the EU should develop. The procedures should be created in order properly react to different shocks.

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