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Strategia Europa 2020 i Europejska Odbudowa

Europe 2020 Strategy and European Recovery

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Streszczenie

Europejska Odbudowa i zwrot w kierunku „nowej ekonomii" w Europie są spowalniane przez Konsensus Waszyngtoński i duże zróżnicowanie rozwojowe pomiędzy krajami UE. Zarysowująca się obecnie globalna wielobiegunowość potrzebuje odejścia od zdominowanych przez dolara rynków finansowych i uznania za priorytet konieczności wzmocnienia w Europie prawdziwej ekonomii. Zamiast doraźnej pomocy finansowej, wydatki publiczne powinny koncentrować się na siedmiu flagowych inicjatywach strategii *Europa 2020*, które mogą zmniejszyć istniejące ekonomiczne zróżnicowanie pomiędzy poszczególnymi krajami. Aby tak się stało, Unia Walutowa powinna zostać wsparta polityką fiskalną wybiegającą jednak daleko poza ekonomiczne zarządzanie zaproponowane w *Europie 2020*. Należy wprowadzić podatek od transakcji (financial transaction tax), który byłby częścią systemu fiskalnego federalizmu uwzględniającego potrzeby krajów słabszych ekonomicznie. Prawne umocowanie większej ilości „unii transferów" może zwiększyć europejską konkurencyjność.

Słowa kluczowe: Europa 2020, polityka fiskalna, podatek od transakcji, unia transferów, wzrost inkluzywny

Abstract

European Recovery and a turn into a "new economy" in Europe are hampered by the Washington Consensus and the large disparities between the Member States. *Europe 2020* Strategy neglects both dimensions and continuous to apply the basic principles of economic policy of the *Lisbon Strategy*. Emerging global multi-polarity need a loosening from the dollar-dominated financial markets and a priority for strengthening the real economy in Europe. Instead of financial help packages the public financial expenditures should be addressed to the seven flagship initiatives of the *Europe 2020 Strategy*, which can level-off existing economic disparities. For this, the Currency Union needs to be complemented by a fiscal policy going far beyond the stronger economic governance proposed by *Europe 2020*. Europe has to raise a financial transaction tax and to allocate it by a system of fiscal federalism partly to economically weaker Member States. Installing legally more elements of a "transfer union" would strengthen European competitiveness.

Key words: Europe 2020, fiscal policy, financial transaction tax, transfer union, inclusive growth

1. Europe 2020 Strategy and the "New Economy"

The Commission has distributed in March 2010 a Communication on the *Europe 2020 Strategy*, which is meant to follow the *Lisbon Strategy* for the next decade. In face of European structural weaknesses and intensified global challenges the new strategy should *turn the European Union into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion* (Commission, 2010, p. 3). The *Europe 2020 Strategy* is considered to be the adequate answer to the actual financial crises and as a longer term *vision for Europeans social market economy for the 21st century* (p. 8) is compliant with the sustainable development idea. Referring to existing tendencies to economic nationalism the Commission stresses the importance of a stronger economic governance and more collective actions between the European Union and Member States. In contrast to the *Lisbon Strategy* – *Europe 2020* does not any more insist on global competitiveness, but on the creation of a "new economy" to solve primarily European economic problems. However, it does not question the basic principles of European economic policy and the large economic disparities between the Member States.

The strategy defines for 2020 five headline targets: (a) 75% of the population aged from 20-64 should be employed, (b) 3% of EU´s GDP should be reinvested in R&D, (c) the 20/20/20 climate/energy targets should be met, (d) to have less than 10% early school leavers and 40% with a tertiary education and (e) 20 million less people at risk of poverty. Compared to the actual situation these targets seem to be ambitious, but relative to world competitors they are rather moderate. For example, the R&D quota of 3% – planned already in 2000 for 2010 – will be largely less than USA and Japan have already achieved now and if Europe has in 2020 20 million people less at risk of poverty, there will be still about 60 million at the random of the society. And concerning the employment rate an augmentation from 69% to 75% will still leave us with an unemployment rate of nearly 10%. If we attain the new targets policy makers of the *2020 Strategy* might be satisfied, but for the European population it is not what *we want Europe to be in 2020* (p. 8). Already in the last decade Europe could not gain terrain in global competition and this applies also for the actual crises. Relevant global competitors came better to terms with the crises. *Europe 2020* confirms, that Europe has fallen back *vis-à-vis* its world competitors and that only the *European Recovery Plan* has prevented an economic meltdown. The new strategy enumerates in very long lists the proposed initiatives, but what is not discussed is the basic concept of the European economic policy, which is highly influenced by the Washington Consensus (Skidelski 2010, p. 176).

The Consensus calls for a strict macro-stability, primarily supply-side measures, a reduction of the role of the state and a far-reaching governance by deregulated markets, what in sum can be vaguely characterised by the term "Neoliberalism". The Washington Consensus has strengthened the transatlantic cooperation, which means factually a growing influence of the American on the European economy, both by taking over many basic elements of the US-economic policy and leading to a growing interchange on bilateral commodity and financial markets. Moreover, the Washington Consensus did not only strengthen the transatlantic partnership for its own, but also towards the emerging countries. The Consensus brought industrialised countries under the US-leadership and erected factually walls toward emerging countries, which are crumbling since several years.

The *Project Europe 2030* of the European Council, elaborated in parallel to the *Europe 2020 Strategy* confirms that *power shifts away from Europe and the United States* and *Europe will only thrive in a competitive world, if it promotes the key elements of a renewed European growth model* (Europe 2030, p. 35). Given the historical traditions each global region tries to develop its own economic model. In fact, emerging countries have their own strategies for development and only smaller parts of their economies are compatible with models of industrial countries. The US-economic model seems to be adequately tailored for its traditions and values, but much less for the European cultural situation (Tichy 2005, p. 66). The beginning transition into a multipolar global economy makes visible, that a uniform economic model will not fit for global diversity. The *Europe 2020 Strategy* does not refer to this transition and even less to the Washington Consensus and continues to apply the main principles of the *Lisbon Strategy*.

Prevailing global economic arrangements under the US-leadership have become highly vulnerable and there is no justification to stabilise it for another decade in Europe. Right after the beginning of the crises in the US-housing market it swept over first to European financial markets, then to the real sector and in parallel to public budgets. In 2009 the GDP in Europe fell 4%, industrial production dropped back to the level of the 1990s, unemployment raised to 10%, yearly public deficits to 7% and accumulated public debts to over 80% of the GDP. By this, all Europeans gains in economic growth and job creation since 2000 have been wiped out (Commission 2010, p. 5).

Europe 2020 expects from the installed financial and real help packages a recovery within four years and a transition into a self-sustaining growth with higher growth rates than before the crises. As the financial sector is not prepared to contribute significantly to the costs of the help packages they will be borne primarily by private households. According to macro-economics a short term recovery has to guarantee a sufficient rate of return on real investments, which is bound to higher demand coming from all macro-economic components, i.e. from investments, consumption, state expenditures and from export surpluses. As more private investments regulate income distribution consumption in Europe will relatively shrink and compensating state demand has to be kept high (Tichy, 2009). *Europe 2020* proposes to consolidate public budgets not before the pre-crises growth path is reached and consequently only public and export demand can help to go out from the crises. As far as public demand is kept short by the Pact a recovery rests on export-surpluses. A European recovery depends on growing export-surpluses, which means an accelerated trade globalisation of the European economy. Whereas the trade balance will be positive the balance of payments will become negative, which accelerates financial globalisation. The growing integration of Europe into the global economy means an outflow of capital, which is not any more available for internal economic development of Europe. But globalisation has its limits for the exporting countries and the global economy (Keynes 1933). With the enlargements of the European Union its economy is marked by high disparities and

to level-off them is the alternative to an enforced globalisation. For this, Europe has to abstain from the Lisbon-priority to augment global competitiveness and export-led growth and has to give priority to the development of European commodity markets, which is bound to less competition with the dollar.

To establish in Europe during the next decade a "new economy", the role of the dollar has to be questioned. As *Project 2030* stresses, the EU should consider the possibility of a global partnership where *a basket of currencies rather than the dollar alone* (Project Europe 2030, p. 35) can serve an accounting unit. Therefore Europe has to rethink its relations to the USA, to re-orientate its economic policy towards a more equilibrated internal development and favour the real economy instead of the financial markets. Europe has to loosen its financial relations to the USA and more distance to the Washington Consensus would give more room to reduce economic disparities among the Member States. In many respects disparities within Europe have been in the past more or less overlooked and they are now "discovered" by the financial crises. The Member States are characterised by high differences in productivities, growth and employment, which hampers the overall performance of the European Union. In the last few decades globalisation of financial markets has overruled commodity market globalisation and produced large financial crisis in Asia and South America and now also in Europe. Taming the financial markets will allow Europe to become a more independent global player (Cuperus et.al., 2006).

2. Supply-side economics and the Single Market

Europe has to observe the two basic ways of modern economic thinking, which can be identified with Keynes and Schumpeter (Roubini, Mihm, 2010, p. 81). Keynes was primarily interested in shorter term problems and preoccupied with monetary and fiscal policies. The latter investigated mainly "creative destruction" and innovation in the real sector, resulting in real business cycles and possibly in long waves of technological development. Keynes did not integrate technological progress and developed his "monetary theory of production" to counteract cyclical fluctuations, which need in cases of slumps deficit spending to be balanced out after recovery. Monetary and fiscal policies can react much quicker than innovation, so that it is evident, that in cases like the actual crises a recovery needs public deficits. But at the same time public and private spending for innovation should not be reduced, which happens actually, especially in the private sector. Prevailing help packages intends not only to repair the financial sector, but they are also crowding-out innovation. European recovery policy has definitely given priority to restore and stabilise the governance of the real sector by the financial system. It has not integrated the shorter and longer term perspective of Keynes and Schumpeter being necessary for a longer term self-sustaining growth. Paradoxically, the main concerns of *Europe 2020 Strategy* are supply-side measures, which are potential initiatives to introduce innovation into the European economy. But instead of interlinking them to the financial means raised for the help packages their financing has to be assured by public budgets, which are restricted by the Pact. Large amounts for the financial sector and declining amounts for the real sector are in contradiction to supply-economics.

Europe 2020 has elaborated seven flagship initiatives and bundled them into three growth priorities: (a) Smart growth should be enhanced by innovation, education and a digital society, (b) sustainable growth by initiatives on climate, energy, mobility and competitiveness and (c) inclusive growth by more employment and a fight against poverty. Most of these supply-side initiatives were developed during the *Lisbon Strategy* and they are now broadened, deepened and regrouped.

However, the new bundling does not respond to the heavy criticism of the *Lisbon Strategy*, that no clear responsibility for the different initiatives existed (Europäische Gemeinschaften 2004, p. 19). A new aspect are certainly the more clearly defined responsibilities between the European Union and the Member States, but no clarity exists between the different social groups. For example, innovation is part of smart growth and competitiveness belongs to sustainable growth, education both to smart and inclusive growth etc. It is largely open what has to implemented by the production sector, private households and public authorities. Additionally, the implementation of the flagship initiatives will highly depend on the economic strength of the individual Member State.

What is strategically really new is the bundling of ecological relevant initiatives into a sustainable growth priority, going beyond the existing *Strategy for Sustainable Development* (European Commission, 2002). In this respect the Commission takes note of the low productivity of natural resources, which is a burden for the whole population and for production costs. A higher productivity of natural resources would reduce resource and energy imports considerably. Theoretically it is well known, that higher resource efficiency is advantageous for consumers, companies and competition on commodity markets (Hoedl, 2009). As resources account for nearly half of the production costs (Roeder, Bleischwitz, 2006) it reduces capital inputs and existing high capital intensity of the European economy.

High capital intensity augments global competitiveness, but reduces employment per output unit.

Therefore, to arrive at a smart growth not every innovation will contribute to it. If innovation is capital-augmenting capital cost will rise and production costs may hamper competitiveness and reduce employment. Already at the beginning of the *Lisbon Strategy* capital cost reduction was one of the main targets, expected from economies of scale of large markets and better management (Cecchini, 1988, p. 123). As both expectations have been deceived the reductions of production costs run growingly by wage and employment reductions. What is enumerated by the flagship initiatives Innovation Union and Digital Agenda may be capital-augmenting. *Europe 2020* shows little sensibility for the needed reduction of capital costs and it relays mainly on innovation-driven enlargements of European and global markets. Since the beginning of the European Research Area (Hoedl, 2007) the direction of technological progress was left to a supposedly self-regulation of markets and no distinction has been made between labour-saving and capital-saving innovations. Resource-saving innovations for sustainable growth and real capital-saving innovations for smart growth can go hand in hand and are important potentials to reduce production costs. Such a reorientation of the European Research Area would widen the prospects for an inclusive growth.

Inclusive growth depends generally on economic growth, but employment efficiency declines with an augmentation of capital intensity. The high unemployment rates in Europe are in the first place a result of low growth rates. But they result also from the increased substitution of labour by capital (Commission, 2003, p. 7), leading to a rapidly growing number of part-time jobs quite often poorly paid and an informal labour market, including publicly supported re-qualification schemes. *Europe 2020* relays mainly on higher qualification and enumerates the New Social Agenda, the European Qualification Scheme, flexicurity etc. Certainly, higher qualification is one of the best means to get employed, but it needs also labour demand from companies, i.e. a higher growth path (Larsson, 2006, p. 55).Therefore, the success of inclusive growth depends highly on the successes of smart and sustainable growth.

Europe 2020 stresses the interdependencies of the three growth strategies, but it does not refer to the fundamental changes of the interaction between the real and the financial sector. What has taken place since the spread of neoliberalism is a narrow cooperation between the financial markets and management and a growing distance between management and real production processes. Capital owners select the management from the market for managers and put it out, if short term return targets are not fulfilled. Financing of productive firms comes mainly from financial markets and to a declining degree from banking credits (Schulmeister, 2010, p. 40) and therefore, firms own capital is decreasing and exposes production to fluctuations of financial markets. This increases dependencies of the management on short-term successes and produces a growing distance between the management and the employees. A closer cooperation within firms would lead to higher workers motivation and better working conditions would contribute to higher labour productivity. To re-establish a stronger coalition between management and labour and a cutback of the influence of financial markets on management need considerable modifications on both sides.

Moderate reform proposals coming from the USA votes for higher own capital quotas, a reduced role of rating agencies and a change of bonus systems (Roubini, Mihm, 2010, p. 246). European proposals call in some cases only for financial reforms (Sinn, 2010, p. 365), others include additionally real sector measures, like better corporate governance and more corporate social responsibility and refuses the hire and fire principle in favour of more permanent jobs with higher qualification (Tichy, 2005, p. 55). The common denominator of the manifold EU- and US-proposals is to get less dependent on the financial markets, giving more room for the development of socially and ecologically responsive enterprises, sometimes called as a European company model (Kalff, 2005, p. 161).

Europe 2020 identifies the present status of the Single Market as a missing link for success and intends a re-launch it both for deepening it economically and to fight temptations of economic nationalism. Harmonising the 27 different legal systems and more use of internet should reduce market fragmentation, a full implementation of the Service Directive and better access of SME to markets should enlarge markets and competition policy and the Smart Regulation Agenda with partly allowed state aids should facilitate financing. However, market structures in Europe and the large economic disparities between the Member States are not mentioned. According to the neoliberal understanding of markets every extension brings not only better results, but also levels-off performances between companies and regions. On the contrary, experiences show, that in Europe concentration of industries is growing and oligopolies gain in economic and political influence (Rothschild, 2005). Although the European economy is – in contrast to the US-economy – composed mainly by SMEs their position could not get stronger, for example the access the EU-R&D funds is stagnant since decades. Certain semi-public sectors, like energy and telecommunication are normally highly concentrated and where deregulation took place the benefits arrive only to a smaller extent at the consumers (Kremlicka, 2005, p. 201). Smart regulation will not touch on the degrees of concentration and the financial crises has in some countries of the

Euro-area highly reinforced existing disparities of the real sectors.
During the past growth period real sector disparities could be partly levelled-off by Structural Funds, EIB-credits and the convergence of the money interest rates (Sinn, 2004, p. 82). But the crises of the financial sector made visible the high differences of performances of national real sectors. It were not only the generally higher interest rates after the crises for public debts, but also the declining demand for products of less competitive real economies, which worsened by feedback their state budgets. Social expenditures have to be reduced drastically now and in the whole Euro-zone the help packages have to be mainly financed by the economically stronger Member States. The latter joined the packages, because they had to fear a loss of exports and particularly losses of their banks. Banks have given large credits for state debts and to real sectors of the Member States in difficulties. At the same time, real sector investments in weaker economies remain sluggish and as far as world demand exists, the stronger economies augment their global exports. The financial crises has worsened disparities between the Member States. Those members, which are not in the Euro-zone suffer from factual devaluations of their currencies. In sum, the European disparities of the real economies have become larger by the financial crises and the help packages do not reverse the situation. To relay just on a re-launch of the Single Market will by far not enhance economic recovery. Therefore, to augment competitiveness of Europe as a whole need more direct and indirect transfers to the economically weaker regions. As the European Union has enlarged for geopolitical reasons to countries with lower competitiveness, it has to take the responsibility for more convergence of the national economies.

3. Monetary and fiscal policies for the real economy

Europe 2020 urges, that all EU-policies should be mobilised to pursue the strategy´s objectives, but the handling of the Currency Union and the existing Stability and Growth Pact is considered as "the right framework". Deviations from the 3% of GDP criterion should be brought back until 2013 by the actually proposed reinforcement of the Pact and consequently the economically weaker countries will come under further pressure. The handling of the Currency Union is an austerity policy for Europe. The proposed seven flagship initiatives can not sufficiently quick be implemented and additional redistribution of income and reduction of social expenditures will take place. Even if R&D investments would be considerable augmented, larger positive economic effects from them will come about only in several years.

The European Union tried already a decade ago with the *Lisbon Strategy* and the Currency Union to become the "most competitive economy of the world" and went into a competition with the dollar. The Pact was supposed to augment competitiveness in trade and to strengthen the Euro, so that global money would be attracted by Europe and canalised into real sector investments (Hoedl, 2001). Meanwhile, Europe could not sufficiently augment its real sector investments and the attracted world money flew primarily into politically promoted European financial markets. But growing global money from saving surpluses and speculation went nearly unchanged into the dollar. Financial investments came from Europe, Japan and oil-producing countries and since several years from China, which augments its exports by keeping the exchange rate of its currency low. Easy money from the Federal Reserve Bank was a further reason for unprudential credits in the USA. Financial assets were bundled in USA and to a large degree sold back to countries from where the original savings came. Europe was particularly hit by the financial crises, because it was a major buyer of those bundled financial investments. The global role of the Euro became less important than expected in 2000 and also the real economy in Europe made not the progresses expected from the *Lisbon Strategy*.
But the global financial system is considered to be more and more fragile. If China goes out from the dollar and oil-producing countries follows to a certain degree, the regulative function of the dollar on world financial markets will decline. The strength of the large global economic regions USA, Europe, China etc. would more depend on real sector competitiveness. Actually, the balances of payments are highly influenced by the financial transactions, but in future the balances of trade will become more important. Therefore, to cope with global competition will be mainly a question to develop the real economy and to tame the financial sector.
Since several years total global trade has steadily grown and also during the financial crises it has only marginally declined, because of higher trade of the emerging countries. Whereas on the financial markets the dollar plays still the leading role, the different national real economies are in a high competition, where the differences of real sector competitiveness led to large surpluses or deficits in trade balances. To equilibrate this balances will need some global arrangement, for example a Clearing Union (Keynes, 1988) with a bundle of currencies, which – as *Project 2030* proposes – may partly harmonize the economic disequilibria in a multi-polar global economy.
The role of Europe will primarily depend on competitiveness of its real economy as a whole, which is hampered by disparities within Europe. Actually, the integration of Europe into the world trade sys-

tem concerns mainly the economically stronger Member States, which practice within Europe some beggar-my-neighbour policy. Economically weaker Member States profit from the export-led growth only marginally. The handling of the Currency Union to keep the Euro strong reduces primarily labour costs and European demand, but does not level-off European disparities. As the financial crises tend to widen the gaps within Europe, European competitiveness can more efficiently be augmented by equilibrating its own internal economic structure, which needs a fiscal policy going beyond the proposals of the *Europe 2020 Strategy*.

The introduction of a European fiscal policy was already the subject during the discussion between Fiscalists and Monetarists in the 1970s (Knipping, 2004, p. 167). The target of both approaches was to harmonise the already then high and actually much higher disparities between the Member States. With the introduction of the Currency Union the urgency to complement it by a European fiscal policy was largely neglected and also *Europe 2020* restricts itself to mobilise the existing EU budget and to raise more private finance. Cohesion policy by existing European Funds, European Investment Bank (EIB) and the converging interest rates in the Euro-zone are supposed to reduce disparities and no higher EU-budget is discussed. Also during the recovery the transfers to economically less developed Member States should be executed only by a stronger priorisation of the budgets and more public-private partnerships. The multi-annual financial framework should be stronger targeted to the flagship initiatives and the tax-systems should shift the burden from labour to natural resources. Fiscal consolidation and expected growth should allow fair pensions, health care and social protection. However, these targets have to accomplished by those Member States, which are at the same time under pressure from lower taxes. The race to the bottom of taxation (Schratzenstaller, 2006) has certainly contributed to level-off disparities, but results to strains on social policy and cuts of investments for public infrastructure.

The competition between Member States and their national economic policies did not allow until now a EU budget of more than 1,27% of the EU-GDP. But with growing integration a more equilibrated European infrastructure would enhance real sector competitiveness of Europe as a whole. Not only the badly needed Trans European Networks for mobility, energy and telecommunication are far behind the timetable (Marterbauer, 2007, p. 182), but also important environmental investments and regional projects (Danube River etc.). In a comprehensive view a "New Deal" for Europe (Schulmeister, 2010, p. 76) would considerably strengthen the European real economy. To realise a European added-value more European funds are needed for ameliorating the real sector performance. Evidently, to raise funds from real sector taxation would hamper a European recovery, whereas taxation of the financial sector would contribute to its taming and enhance real sector growth and employment. There are many proposals for levying a financial transaction tax, which could generate a large public income and giving room for investments in future-oriented policies, like infrastructure and education and research. To raise money by a huge European loan, which has been recently proposed by the Commission would simply create European instead of national debts and brings no national incentives for rational economic allocation. A financial transaction tax has virtually no crowding-out effects (Stadler, 2006, p. 139) in the real sector and would reduce economic disparities and contribute to European recovery.

What happened with the financial help packages was in fact a large deficit spending programme misallocated to the financial sector and financed by cuts of national public budgets and transfers from economically stronger to economically weaker Member States. The economic effect of the prevailing recovery policy is to a considerable extent a redistribution among the Member States and results – contrary to the European treaties – growingly to a "Transfer Union". But Europe has no regulatory capacity for these transfers needed for situations of crises and to level-off existing disparities. To harmonise the European real economy by the proposed flagship initiatives need an institutional framework, called fiscal federalism (Hoedl, Weida, 2001, p. 290). By this, European fiscal policy could raise income from a taxation of the financial sector and transfer the raised money both to European and national levels. The USA have in face of their heterogeneous economic performances since long established a fiscal federalism, which reallocates federal taxes to the individual states according to their economic situation. For Europe, the existing disparities could be alleviated by a system of fiscal federalism, by which tax incomes of the European Union can be canalised by defined procedures to the Member States. They would gain in autonomy by setting its own priorities for the allocated funds. Actually, the distribution of Structural Funds is to a large extent prone to central and partly bureaucratic decisions, sometimes neglecting national priorities. Fiscal federalism can take into account the disequilibria of trade balances of the Member States and contributes by this to a more autonomous strategy of the Member States to level-off European real economy disparities.

4. Economic Governance and European Recovery

To make the *Europe 2020 Strategy* more successful than the *Lisbon Strategy* it will not be promising to set targets by the European Council, to enlarge

supply-side measures and give warnings by the Commission. Concerning the active steering of the Strategy by the Council a first deceiving experience has already been made during the Council-Meeting of March 2010 were no quantitative consensus could be reached on two of the five headline targets (European Council, 2010, p. 2). Simultaneous reports on the Pact and on flagship initiatives may partly accelerate the implementation, but policy warnings and financial sanctions by a reinforced Pact might have exactly the adverse effect of augmenting economic nationalism. The experiences with the *Lisbon Strategy* show, that exemption from the 3% criterion were not avoidable and many of the EU-policies were differentiated to permanently growing catalogues of initiatives (Rodrigues, 2006, p. 74) with virtually no progress. If the Pact is taken seriously, also the second criterion of 60% accumulated debts has to fulfilled. Already before the crises several Euro-members were largely above and a few Member States arrived now at more than 120% of GDP. These enormous disparities in Europe cannot be levelled-off by a planned target-setting "from above". Also permanently installed protection schemes for the financial sector will not reduce economic disparities and real sector competitiveness. Equilibrate European economic structures by legally allowed higher transfers will augment global competitiveness of Europe as a Union.

The *Europe 2020 Strategy* needs a new interplay between the Single Market, the Currency Union and Fiscal Policy. As the actual crises is caused by the financial sector and has wiped out all progresses made during the Lisbon-Period, the need for a fundamental reform should be evident. But sensible progresses – also with the planned three new agencies for financial regulation – are not in sight, which is to a large degree due to the handling of the Currency Union. A strict macro-stability makes the Euro stronger toward the dollar, but results in an austerity policy with uneven implications for the Member States. Reducing competition with the dollar and less thrive for export-surpluses would enhance European growth and employment and allow to prepare Europe for competition in a multi-polar global economy As Europe has high savings-surpluses, it depends to a minor degree on capital imports for its real investments (Marterbauer, 2007, p. 182). Potentially, this allows Europe to develop its own real economy, being much less disturbed by global financial markets. As the *Europe 2020 Strategy* gives the highest priority to the development of a "new economy" in Europe and attributes less importance to global competitiveness the Strategy might open up a way to cope with globalisation differently. In most cases, globalisation is understood as a worldwide competition on all real and financial markets. If globalisation is understood primarily as a competition between large economic regions, each of them and also Europe has to give more attention to its own economy. As Europe has both national and European actors in economic policy, it is especially prone to internal economic nationalism, which can be reduced by a closer economic cooperation between the economical stronger and weaker Member States.

The stronger economic governance, proposed from the Commission, is a minor step towards a European fiscal policy, which has been discussed since more than 30 years as an inevitable complement of a Currency Union. The implementation of the seven flagship initiatives has only a realistic chance, if a formally organised transfer of financial means from stronger to economically weaker Member States is possible. Therefore, both for the short time recovery and the longer term growth raising a financial transaction tax and allocating it by a fiscal federalism should be at the immediate agenda of further European integration. This is a very important task also from the perspective of introducing sustainable development in the Community, since it is touching crucial economic and social issues.

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