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The Economic And Monetary Union With An Approach Through The Regional Policy

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**ECONOMIC AND MONETARY UNION WITH AN APPROACH THROUGH
REGIONAL POLICY**

ABSTRACT: The European Union has its main pillar in economic and monetary issues even knowing that economic and social cohesion have also been included in their main goals. Economic union has been made possible through a single market where goods and services, capital and workers can flow freely between member states of the European Union. But a single market can not be complete and can not be sustainable without a common currency. Obviously the EURO is the result of a need. Economic and monetary union which are two important points in the integration process, will allow us to reach the goal of economic and social cohesion which is not unreal but it is something that is possible, and more than possible is desirable. How can regional and monetary policies contribute to the integration process in the economic and social area? Some of the many possible answers can be found in this paper.

Keywords: Monetary Union, Regional Policy and Economic and Social Cohesion.

INTRODUCTION

The idea of writing this paper entitled “Economic and Monetary Union with an Approach Through Regional Policy” is a result of the theme of the congress, which inspired us to reflect and write some words about regional and monetary policies in the integration process in the economic and social area.

Our main goal here is highlight the economic and social cohesion where the EU has also made available regional policy as one of its main policies to support real convergence within the EU. In this case it is only an internal goal. On the other hand, we have the monetary policy that supports nominal convergence: deficit and debt are two rigorous criteria for the finance of the public sector in each Member State of the EU. Interest rates as well as inflation rates are two criteria without much rigidity. The flexibility of these two criteria result not only from the internal factors but also from the external ones. This is the outside view.

The common currency - EURO - resulting from monetary union, permits managing together some common goals that bring several advantages. Some of them come from internal stability and other advantageous results from the international market. In this paper we would like to highlight various positive points of the monetary policy to regional policy, that is from nominal convergence to real convergence. The main goal is to emphasize the possibility of reinforcing the budget of the EU with seigniorage revenue, and to try to answer the following questions: How to use the amount of this revenue? Is this revenue a receipt of the EU budget as a whole or must it be used, essentially, as a structural fund to develop the backward regions?

In order to answer these questions we divided this paper in three sections. First, we will demonstrate the advantages of the idea the *one market, one money*. Second, our attention is directed to the *EU budget and monetary policy under European monetary union*, where we emphasize the financial benefits from seigniorage. Finally, we make some suggestions about *the future role of the EU budget in interregional redistribution*.

1. One Market, One Money

“The supply-side economics is probably the perspective that had least credibility academically but most credibility politically” (John Cullis and Philip Jones, 1998:277). This is the way chosen in the European Union in order to reach the idea of “one market, one money”. The single market will only be complete with monetary stability, after that, we can talk about economic and monetary union.

The benefits of EMU point out the greater predictability and transparency of prices as well as the elimination of transaction costs, while the main cost comes from the loss of the exchange rate as an adjustment instrument. Additionally, wide divergence in national budgetary policies has been limited. To this nominal convergence criteria we must add the constructive role assumed in transfers to assure better cohesion in the Community, and as a mechanism to provide some minimum insurance against differentiated shocks.

In this section we retain three topics: real and nominal convergence, the Euro as a stable currency for Europe and the Euro as an international currency.

1.1 The Real and Nominal Convergence

When we talk about “one market, one money” it makes sense to obtain a homogeneous space that makes it possible, to reach a bigger market and the similar practical policies, in order to get the possible benefits of one single market and one optimal monetary zone.

This project includes two concepts of convergence: real and nominal convergence. The real convergence concentrates analysis on the unemployment rate and on per capita income. These are two traditional components that have been considered, however, a composite measure, where the human capital should also be included as a component, must be used in the future analysis of real convergence.

Nominal convergence includes four main criteria where some of them are given quantitative precision, such as two dimensions of government financial performance refer to the deficit and debt in relation to GDP. Two other criteria without quantitative precision are related to a high degree of price stability, the inflation rate being considered as a first component of EMU, where the long-term interest rates reflect the evidence of durability of convergence. It is the authorities of the European Central Bank that now have this responsibility.

The statistical information about the criteria for nominal convergence shows us the great progress that has been achieved during the last decade. If we compare for example information about budget deficit and inflation¹, we can confirm the effort made by the majority of Member States, essentially with the inflation rate. Member States like Portugal registered an inflation rate of 11,7% in 1991². That is a very high rate when compared with several other Member States that occupy a better position, such as France, Denmark, Netherlands, among others that only registered approximately 3%.

Economic and social cohesion as well as the single market have been assumed at the same time by the Community. But the integration process does not stop here. After the project goes forward into the Monetary Union. Now Economic and Monetary Union will go on with Economic and Social Cohesion. The structural funds reflect this last goal, but how can we increase it in the future without taxing rich countries? In the last section we will try to answer this question.

1.2 The EURO - a Stable Currency for Europe

After a period of considerable progress in macroeconomic convergence, as we can see in the point before, Economic and Monetary Union goes on with the Euro. Great efforts have been made in order to maintain price stability which makes the Euro a stable currency and has had important implications not only for the Euro area, but also for the other economies which have close ties with the participating countries, and for international capital markets, as defends Otmar Issing (1999). It is true that the start of European Economic and Monetary Union marks the beginning of a new era in the process of European Integration, but also in the world economy.

The fact, stable prices help lower long-term interest rates, stimulate investment and growth, enhance the efficient functioning of a free market, and thus we have increases in

per capita income and employment. These last two are indicators of real convergence and are two important components in measuring Human Development Index (HDI).

Several studies show how important low inflation is in an economy, highlighting some aspects such as the possibility of reducing disparities. A stable currency is a precondition for long-term investment, sustainable growth and employment creation.

Stable prices also reflect their effects in the public finance. In the 90`s the government budget deficits fell significantly across Europe³. One of reasons resulted from the Stability Program. The reduction of interest rates reduces the cost of public debt, and is another important point. However, the reduction of the deficit ratio to GDP in the Euro area was also attributable to the reduction of the public sector in the economy, whose receipts reduce debt. This fact is highly significant in some Member States such as Portugal, but a higher public debt and the high rates of unemployment do not yet allow for a healthy public finance in the majority of Member States.

The Euro as a stable currency for Europe will facilitate the effort of each Member State in reaching a better performance in public finance.

1.3 The Euro as an International Currency

The introduction of the Euro as a single currency in the European Union makes the daily life of European citizens as a whole easier. European tourists and economic activity in general have less cost and less risk with the Euro. Additionally, there is an opportunity to use a strong currency which has implications for the economies outside the Euro area and the international capital markets. The dimension of international currencies in which the US dollar has been hegemonic in the last fifty years, make it the main currency that is used as the vehicle role in foreign exchange markets. It is the most widely accepted currency as the vehicle.

However, between European countries this role of the US dollar was eliminated. The Euro is the currency of an economic area which is roughly equal to the United States in terms of economic strength, and the share of its external trade in world trade is significantly higher. Moreover, its capital market ranks second in the world to the United States. There are other arguments that justify the Euro as an international currency, but those justify its presence in the market.

There is another side which is also important to consider, which is the official side. In this case the Euro can be used as an anchor for exchange rate pegs, as storage for foreign reserves and as a vehicle currency for international trade, as well as an investment and financing currency. This way it is necessary for a reclassification of the government debt to the Euro that permits the elimination of the exchange rate risk, making it easier for government bonds in the Euro area creating a large and liquid bond market.

These are, without doubt, serious reasons to consider the creation of the Euro as a important step in the integration process. We recognize the dominance of the US dollar as the vehicle, but we like to refer to Euro-yen transactions made directly and further financial integration in Europe with UK membership will turn the Euro into the vehicle.

2. The EU Budget and Monetary Policy Under European Monetary Union

The increasing integration of the world economy - where the European Union gives a good example, makes it possible for one set of strategies through a coordination of policies, providing the means by which some negative externalities could be reduced. The European monetary policy driven by the European Central Bank is one of those policies. The joint effort of European nations to combat inflation emerges as part of an optimal strategy, that receives substantial benefits from common policies reducing the instability from larger economies to the smaller ones.

Concentrating now on our analysis of the idea of one market, one money and a budget with significance in macroeconomic terms, it is opportune to put the following question: One market, one money and why not a significant budget?. Until now several common policies have been implemented in the European Union, but the resources of the EU budget come essentially from the TVA and 4^o resource. In the last years their contribution has increased, this being our main resource. Moreover, EU budget is referred to as an instrument without macroeconomic significance.

In this section it is our intention to make some considerations about these problematic issues, where we emphasize the government budget and monetary policy, the EU budget and its traditional resources, and seiniorage revenue as a new EC resource.

2.1 The Government Budget and Monetary Policy

The government budget positions and economic activity is a field of studies that economists rarely pay the necessary attention to. However, it is conventional thinking that financing decisions of the government sector can alter the private sector and affect the macroeconomic performance of an economy.

Any instability that occurs within the monetary area in a large economy can generate perturbations in the economic activity of a small economy in general, and in its budget, in particular. The dimension of this problem also depends on the composition of public debt when external debt can make it difficult to find the solution to the problem.

First of all, it is necessary to internalize the fact that EMU will have an important impact on the national fiscal systems of Member States implying a tendency to converge between Member States. The structure of financing governments in Europe remains decentralized, but its dimensions are already controlled through quantitative limits: 3% of GDP to deficits and 60% of GDP to debt - being an implication in the expenditure side. Another quantitative constraint for the budget of all Member States is in the profit side, that corresponds to the tax-sharing formula for VAT in favor of the EC budget. This tax is the major profit in the Portuguese budget, but still not in the EC budget. In the long-term the European National VAT system will converge into uniform taxation.

Secondly, the EU budget only shares 1.27% of the GDP. It is necessary, on the one hand, to increase the EU budget and, on the other hand, to apply progressive taxes of the national VAT in order to obtain a stronger EU budget; and use this tax as an instrument of regional policy towards greater economic cohesion under EMU. Knowing that VAT is one of the main resources of the EU budget it is time to find other sources of revenue. The European Commission (1993: 581) refers to further potential revenue for

the EC budget, the seigniorage appropriated under EMU. However, all or parts of seigniorage depend on political objectives, like the servicing of debt in national funds. Until now seigniorage revenues can only be available as a result of printing money that can belong entirely or in part to the Central Bank of each Member State. It is only with this money that it is possible to reduce the debt without more internal taxes. The seigniorage revenue resulting from printing money is only possible for the European Central Bank and is a direct revenue of the EU budget. This is one constraint on the government budget of the EMU but the control of inflation and access to capital markets, facilitating the means of deficits financing – compensate in part, those constraints that come from EMU. The European Commission (1993: 576) shows a strong positive correlation between the inflation rate and the share of seigniorage income where Portugal, Greece, Spain and Italy seem to have generated higher shares of government revenue from seigniorage in 1990.

Actually nominal convergence criteria limit the possibility of a Member State to provoke some perturbation in the economic and monetary system.

2.2 The EU Budget and Its Traditional Resources

After having considered the government budget and monetary policy, we would like to emphasize the resources of the EU budget and its rules. One of the main but also more controversial rules, is the equilibrium rule. In the last years it has not been a real rule in the government budget, however, in the EU budget this rule has been applied with 4° resource.

Concentrating here our analyses on traditional resources of the EU budget it is important to analyse its evolution in terms of diversity of revenues and in terms of their total, as well as its growth rates.

If we analyse the following table we can see four resources: two first, now with less importance (14,7%) and VAT and 4° resource with, 36,3% and 48,2%, respectively, in the year 2000. It is important to refer two aspects:

- ◆ VAT only began as an EU budget resource in 1979, and represented 31,8% at that time.

- ◆ 4° resource only began in 1988, and represented 10,6 at that time.

Actually, as we can confirm through the table, the first position is occupied by the 4° resource as a main resource of the EU budget.

Traditional resources of the EU budget

	1971	1974	1977	1980	1983	1986	1989	1992	1995	1998	1999	2000
Agríc. D.	713,8	330,1	1778,5	2002,3	2433,9	2287	2397,7	1987,8	1944,6	1955,1	1921,1	2038,4
C.Duties	582,3	2737,6	3927,2	5905,7	7234,6	8173	10312,9	11292,4	12508,6	12155,6	11893,9	11070
VAT				7258,5	13691	22223,4	26293,4	34659,3	39183,2	33118	30374,2	32554,6
4°resourc							4519	8322,2	14191,2	35020,5	39260	43250,6
Others	1033,2	2075,7	2969,4	1265,8	2369,7	983,8	2376,8	3450,1	7249,5	2280,5	2108,6	671,1
Total	2329,3	5143,4	8675,1	16432,3	25729,2	33667,2	45899,8	59711,8	75077,1	84529,7	85557,7	89584,7

Source: Comissão Europeia, Vade-Mécum Orçamental (1999:31).

In fact, the 4^o resource balances it, but is the deficit an error in management of the EC budget? We think not, but it also depends on its dimension. We will try to answer this question in the following point.

2.3 The Seigniorage Revenue as a New EC Resource

In the case of the government budget other sources of revenue such as borrowing and printing money are also traditional. But these sources are only used in cases of excess spending over revenues, that is in the case of an unbalanced budget. One of the arguments commonly presented is that the government budget does not include all its activities in its official budget - as is the case of debt of the public enterprise and also the revenues and expenditures associated with Social Security that are off-budget. However, it is important to consider the sum of the on-budget deficit and off-budget deficit. This problem until now did not exist within the EU budget, the balance was obtained with 4^oresource between revenues and expenditures. In the future the situation should be the opposite. Until now, each Member State had its monetary policy, and then had the possibility of printing money – one of the sources of financing the deficit. Now this possibility only belongs to the European Central Bank.

It is opportune to highlight that if the amount of supply money is over the growth rate then we will have inflation. Thus the size of deficit and its sources of financing affect income individually, and directly with inflation taxation or indirectly, with more tax to pay borrowing - that will be more expensive for the economy in the case of external debt. However, the growth rate is a way to self-finance government. Now this possibility has been transferred to the European Union. The European Commission (1993:575) refers that seigniorage revenue stems from a central bank's monopoly power to issue money, that corresponds to the change in base money issued by the central bank. We can join this last revenue to the traditional resources of the EU budget, as a new resource of the European Community. This way without more taxes, it is possible to have an EC budget higher than 1.27 of the Community GDP. Moreover, some doubts can emerge with new sources of revenue for the EU budget, that can also finance future deficit and debt of the EU. The redistribution of this source of revenue would be one point that would be necessary to consider in future.

In the next section we make some suggestion about this new EC resource within the view point of the regional policy.

3 The Future Role of the EU Budget in Interregional Redistribution

In order to form an opinion about the future role of the EU budget in interregional redistribution, we must remember that reducing regional disparities is one of the goal referred to in the Single Act (1987), Economic and Social Cohesion being one of the pillars in all these process. With the decision to construct the single market it makes sense to reinforce the structural funds (1988) and the Economic and Monetary Union decided in 1992, with Maastricht Summit, to appeal to the convergence criteria.

To develop this section we turn our attention to three points:

- ◆ Should Community future interventions reinforce Cohesion within the EU?
- ◆ How effective are budgetary mechanisms for interregional transfers?
- ◆ Can monetary policy contribute to interregional redistribution?

Answers need to be given to those questions even understanding that they do not occupy the same positions in the priorities for each Member State, but surely it makes sense to observe these preoccupations as essential in the integration process of the EU.

3.1 Should Future Community Interventions Reinforce the Cohesion within EU ?

In order to answer this question, first we need to concentrate all our attention on what the integration process of the EU means. Second, what the idea of convergence in the Community means. Third, how can we see the convergence face new future enlargements of the EU.

In this point we have included all these elements in order to find valid arguments for our considerations. The project of the EU is an ambitious one that has not any specific limit in social and economic aspects neither in its borders, thus the project of the EU goes on in its integration and in its enlargement.

Considering now the integration process of the EU it is necessary to mention that it includes economic and monetary aspects, but we should never forget the social area. Economic and Social Cohesion is included in the Treaty of the EU, revised in 1987 with Single Act. The Cohesion Fund and the convergence criteria go on in the same direction: reducing the disparities that tend to be self-perpetuating, and possibly self-reinforcing, in the absence of intervention. The EU assumes a need for intervention to reduce the disparities between Member States and between regions of the EU. The regional policy created in 1975 with its main instrument, the European Regional Development Fund (ERDF), proved that preoccupation of the Community in creating a more homogeneous area. The effort of the Community with convergence is extensible to both, real and nominal convergence. This is the concept of European Convergence. However, it is usually considered another concept of convergence, namely, sigma and beta convergence in the context of growth. We think that the last ones are a more restrictive concept of convergence. The concept of convergence in the EU context is a wide duo to the integration and enlargement process.

The future of the EU is forced to reach other steps in integration and in enlargement. Thus, the Community has two sources of creation of divergence: its own process of integration and adhesion of the new members. In our opinion real convergence in the EU needs to be more than per capita income and unemployment rates. The human capital is also suggested, where the level of education can be used as a measure. This other component of real convergence in the EU makes sense even more because the future new members, come from different economic systems where some of them have lower real income but have a higher level of education. It is another component which needs to be considered in the future.

All these arguments convince us to defend the idea that in the future the Community should reinforce Cohesion within the EU.

3.2 How Effective are Budgetary Mechanisms for Interregional Transfers?

The effort of the EU budget to help less developed regions has been increasing. The integration process has been accompanied by growth in the structural funds due to the single market project, and the Cohesion Fund agreed at the Maastricht Summit - another important step in the integration process, shows the redistributive power of the EC budget significantly enhanced. However, the effects of the common agricultural policy and the Community revenue sources partially reduce the capacity of the Community public finance system to redistribute through Structural funds alone.

To illustrate more precisely this idea, the Structural Funds in 1991 only represented 44.9% of the European Agricultural Guidance and Guarantee Fund (EAGGF), Guarantee Section⁴. A great effort to correct this problem is visible and consequently the value referred to in the EC budget year 2000 already increased to nearly 78%. Considering the reform of the structural funds 2000-2006, the ERDF as the main structural fund created to support regional policy, and the way that budgetary resources have been divided among the Objectives, we can see a significant concentration of the resources on Objective 1 regions. More precisely, "69.7% of the total Structural Funds budget will allocated to Objective 1 regions (a total of 135.9 billion Euro)" EC (1999:13). The Objective 1 is defined as promoting the development and structural adjustment of regions whose development is lagging behind - confirming the effort of the budget to regional development. However, sometimes some Member States have difficulty in absorbing these transfers because it is also necessary to co-finance each investment with sums of the own Member State. The nominal convergence criteria add more difficulty due to the necessary rigor in the public sector. If this process were also accompanied by progressive taxes in 4^o resource the budgetary mechanisms for interregional transfers would be more effective. The undertaking of this goal should also continue with a different contribution from each Member State in VAT because the poorer states are the ones which practise higher taxation. The sum of these suggestions can make a more effective budget in the redistribution process of the European Union.

3.3 Can Monetary Policy Contribute to Interregional Redistribution?

There is a conscientious approach to the general aspect of EU management. In each step of the integration process there also exists the convergence in mind as part of the whole project. Simultaneously, the Community needs to look inside and outside; in the first case convergence is a desirable point, in the second case the European identity is another point that makes part of the whole project of peace and prosperity in Europe and in our neighbourhood.

To achieve both aspects the monetary policy comes as an indispensable step, in order to obtain the global idea of one market, one money. The results in the short-term and in the long-term create several opportunities not only within the market but also with

their membership. Macro-stabilization comes with the elimination of the exchange rate as a national adjustment mechanism combined with loss of the monetary policy. Thus, the activity based on the exchange rate is reduced, and gives more stability to the real economy promoting this way business in general. Another point that makes sense to be considered is the loss of printing money, which the revenue of the each Member State could have been distributed by public investment or transfers. Now this source of revenue is transferred to the EU budget, the advantage being more than the sum. The total also includes the seigniorage that comes from the Euro as reserve of value.

The search for arguments that give credibility to our opinion assume positive externalities contained in an optimum monetary zone that allows the EU budget to transfer benefits to European regions, and also those that are more commercially interrelated. In this context the contribution of the monetary policy to the interregional redistribution will also depend on the destination given to revenue, and a result of the seigniorage. However, the EMU induced changes in the revenue sources to cover expenditure, but also in access to capital markets and deficit financing. At the same time, we need to include in our considerations the importance of the Community investment whose location is a non-neutral and create advantages for the regions where the investments are undertaken. The idea is to create other incentives for the regions that still do not have this type of investment in their area.

Another important point is the EU budget equilibrium. If we look at the EU budget up until now it has had to be balanced⁵, thus excluding the possibility of borrowing for the Community expenditure, be it current or capital. But in the future the same will not happen, and the EU investment can be increased. Who will do the financing? One percentage must be combined with growth, and another with borrowing, making it possible and desirable for richer Member States to do it with other countries, such as the US and Japan. Perhaps this is the price of the peace in Europe.

However, success in achieving the objectives of budgetary discipline takes planning and a reorientation of spending priorities away from agriculture towards other Community policies, which is recommended and desirable, mainly with the prices of the products making them higher in the market and not the opposite. The EU budget does not need to support part of the cost of agricultural products. It is an expenditure that can be strongly reduced or even eliminated. The elimination of the prohibition of deficit budgeting as a key factor in ensuring budgetary discipline and the continuation in reducing expenditure in agriculture, are two good reasons to expect a more important role of the EU budget for interregional redistribution.

To complete this point we should consider that successive deficits and thus debt position must have constraints in each Member State, having negative effects on present and future generations. Now with transfers of monetary policy to the Community, some instruments are not accessible and thus another rigor is necessary in their budget. Balance budget is, doubtlessly, the best way and may be the only way. But in the case of the EU budget we defend the opposite, that is, until now the goal has been budgetary discipline but in the future deficits which can be in the best interest of society, present and future are recommended and even desirable. The situation must be inverted as we suggested. However inflation criteria ensure that the EU has little freedom in solving budget problems by recourse printing money, thus budgetary discipline is present. Even in this case of monetary union budgetary rules must be needed and useful. Another point that

makes sense to refer to is the change in the traditional general equation of budget constraint:

$$T + \Delta B + \Delta M = G + R \quad \text{Equation (1)}$$

where T is taxes, ΔB is borrowing, ΔM emission of money, G expenditures and R transfers.

For the Member State that belongs to the EMU, in the future, the equation should be rewritten as the following:

$$T + \Delta B = G + R \quad \text{Equation (2)}$$

The ΔM in the first member of the equation is eliminated, because this possibility now belongs to EU budget only.

Until now, the equation budget constraints on the European Union could be written as the following:

$$T = G + R \quad \text{Equation (3)}$$

where a balance is visible. T is the only receipt. G represents the spending and R represents the transfers, being this the main spending of the EU.

But in the future the equation must be rewritten:

$$T + \Delta B + \Delta M = G + R \quad \text{Equation (4)}$$

Having presented the main change in the budget constraints equation, it is also necessary to refer to the main spending in the EU budget which are with transfers, R , meanwhile in each Member State is functioning spending, G .

It is important to consider that R in each Member State assumes transfers to the private sector the possibility to use this part of the public budget. In the case of the EU budget the transfers are higher amounts but the destination is an investment, physical or human capital, and not consumption. Additionally, it is convenient to assume that all investment is necessarily co-financed by each Member State. This philosophy of investment within the EU ensures the responsibility of governments.

Considering the following equation that show us the composition of T :

$$T = b + tdY + Ydt \quad \text{Equation (5)}$$

Where we can see that the dimension of T depends on the income variation (tdY) and the taxes variation (Ydt). Then a positive variation in Y implies an increase in T and a positive Δ of G results in a variation of the same direction of the Y . Thus, growth increases the capacity of self-financing in two ways: more taxes (Ydt) and more

resources that come from printing money in the same proportion of growth. Without ΔM and considering that in the long-term $\Delta B = 0$, thus T is the only source of financing in the long run.

$$T = G + R \qquad \text{Equation (6)}$$

In the long-term taxes are the only resources: this is not really true. The transfers of the EU are a new receipt of budget of each Member State, thus the first member of the equation (6) must add with a new component. If those cover all deficits of each Member State in this case it is possible to obtain the balanced budget.

The possible and necessary extension of the EU budget in the future, will be accompanied by a tendency of a reduction of the American Federal Government deficits that registered its maximum in 1985 with 5.4% of GDP. In 1990 the value was 4.0%, in 1997 it only 0.3% and the projections for the year 2002 are 0.7%⁶. These last two values show the effort of the authorities towards budgetary equilibrium.

CONCLUSION

In this paper we refer to some potentialities of regional and monetary policies to the goal of the economic and social cohesion. We emphasize the importance of the idea “one market, one money” in the integration process in order to reach a more homogeneous area. We also highlight how monetary policy has contributed to nominal convergence creating conditions for stability in prices and also in achieving better control over the public sector performance.

We emphasize the role of seigniorage in increasing the EU budget giving it a greater macroeconomic significance, as well as its relevance as a future instrument in interregional redistribution, without sacrificing the richer Member States.

¹ See CEC, Annual Report, Special Edition 1991.

² See CEC, Annual Report, Special Edition 1991.

³ See Commission Européenne, Rapport Économique Annual, 1999.

⁴ Comissão Europeia, Vade-Mécum Orçamental (1999:31).

⁵ Comissão Europeia, Vade-Mécum Orçamental (1999).

⁶ Harvey Rosen *in* Public Finance, Fifth Edition, (1998:425).

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