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## Editorial

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### EMU – Third Stage On Time?

There seem to be growing doubts in journalistic and political circles about the likelihood of the third stage of EMU starting by 1999. In part the debate reflects the present difficulties the German economy seems likely to have in meeting the deficit criterion of 3 per cent; in part the debate reflects growing unease over the increasing unemployment in a number of continental countries. But in the United Kingdom the debate seems to go hand-in-hand with a certain degree of smugness, almost as if certain politicians feel that failure to meet the 1999 deadline will doom the Community, or certainly the Union as a concept, vindicating the government's policy of pursuing a social dumping policy in the interests of promoting perceived international competitiveness, sanctifying the opt-out from the third stage agreed at Maastricht. Yet it is common knowledge that playing with statistics, altering criteria and using artificial means of taking people off the unemployment register are tools not unknown to governments, particularly in the United Kingdom. To some extent the high German unemployment results from the ending of training schemes established to smooth unification, to some extent it results from some high-profile transfers of jobs to other countries. But these matters are scarcely causes for smugness in the United Kingdom.

It may very well turn out that 1999 is politically and socially beyond reach, but at the end of the day that will be a conclusion determined as much by the

markets as by the politicians. The Euro can only be launched if the markets are behind it and popular opinion perceives the single currency as bringing a wealth of benefits. It is not necessarily the case that the Euro will be fixed at 1:1 value with the Ecu as currently composed. That will also involve decisions needing the confidence of the markets. If the third stage is postponed, it will not be the end of the Community, although it may well signal the back burner for the Union concept. Postponement once, however, can lead to postponement twice, as the loss of face is perceived as less. So much credibility rides on the achievement of the target date, and the reluctance of the pro-integration politicians to admit to any secret preparations for a postponement is understandable. The sirens are crying already, but it may well be that by 1997–1998 the economic cycle will have started to run, and it may well be that a number of governments will have changed and be pursuing radically different agendas. Indeed, while there is presently justifiable cause for concern, the degree of concern depends heavily on the political standpoint from which EMU is regarded, as a quick survey of the quality, or even the gutter press will show.

It is certainly too early to sound the last post for the third stage, and recent newspaper predictions of the death of the third stage look premature, and may even have been greatly exaggerated.

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