The new economic governance framework of the European Union

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Abstract

There is a general agreement that the European Union is facing nowadays one of the most important challenges in the history of the community, taking into consideration the wide range of economic, social and political risks that constitute top priorities of the European authorities. One key concept in this approach is the efficiency of the economic governance process. The main purpose of this article is to evaluate the ability of the European Union to elaborate sound policies in the current economic framework that are focusing on supporting the common interests of all the Member States, with particular focus on the economic governance process. Furthermore, the article targets at identifying whether or not the new architecture of the EU economic governance developed as a result of the 2008 financial crisis constitute a triggering factor for social cohesion and political harmonization across the European community.

Keywords: Economic governance, macroeconomic policies, economic governance, government quality, institutions

JEL classification: H11, O38, O43

Introduction

Nowadays, worldwide economies experience massive transformations which impact the economic, social, and most importantly, the political framework. The dynamics generated by the globalization process determines the states to respond quickly to a large spectrum of challenges, and the promptitude of these responses constitutes, in the majority of the cases, the differentiating factor concerning the economic performance, and decisively, their degree of flexibility and adjustment.

The primary goal of the strategies elaborated by each and every country is ensuring a sustainable level of economic growth and development. The factors that are responsible for one economy to register high economic growth rates and another one to stagnate have represented the main concern of economists, researchers, analysts or policy makers all over the world. The dichotomy

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associated to these factors consisted, until not long ago, mostly of economic factors, which were easy to quantify, and also generated precise results regarding those given situations.

The European Union aims, more than any other structure, at establishing a harmonization among its Member States which, in the end, would ensure the economic convergence and, therefore, an economic growth. A sustainable economic growth embodies a strong correlation between the economic, social and political component.

One particular aspect presented by this structure refers to the fact that its entire activity is coordinated by a group of institutions, with well-established attributes, which along with the national institutions allow it to operate at its optimal level. Recent transformations which occurred at political level, have moved the centre of interest from the subject of the economic-financial crisis to the one regarding the risks generated by the instabilities from the political sector, both at the level of the European Union Member States and at the level of the partners from the economic, financial, trading or military sector of the European Union. The main risk regarding the stability of the European Union is considered nowadays to be the political risk, followed by the economic one.

A stable political framework associated to a good economic governance process, constitute primary instruments when it comes to fostering economic growth. The interconnectivity between the political stability/instability and the economic growth process was a subject of interest across the literature in the field. Alesina *et al*. (1996) used a data series of 113 countries and a time frame of 32 years in order to highlight the fact that the increase of the GDP/capita variable is reduced in the countries and intervals where governments face an accentuated political instability. Furthermore, Jong-A-Pin (2006), concludes that the political instability and a poor economic governance are consider to be the main factors for obtaining reduced economic growth rates. In the category of political factors affecting the process of economic growth are also included aspects regarding the budgetary deficits/surpluses. It is a well-known fact that high rates of budget deficits determine low rates of economic growth. The budget deficits constitute a strong indicator in quantifying the low capacity of the governments to elaborate measures to stabilize the economy and to reduce the aversion to risk of the foreign investors. Fischer (1993) using the panel methodology stated that the process of economic growth is negatively associated with high inflation and budget deficit rates and instability of the exchange rates. This hypothesis is also confirmed by the study published by Soukiazis and Castro (2005).

In the case of the European Union, the management of these risk categories lays in the hand of the existing institutions that are responsible for elaborating decisions which would oversee the interests of all the Member States. A decisive component in this discussion is the economic governance. This process has been a quasi-neglected aspect until two-three decades ago, when the crucial role it has in the analysis and modelling of the economic growth and convergence processes was acknowledged. Furthermore, the European Union recognized the importance of this process by elaborating, subsequent to the recent economic-financial crisis, a new model of governance which aims at streamlining the monitoring and coordination instruments and techniques by the European Union of the activities performed at the level of the Member States.

One important debate in this direction refers to the assumption according to which globalization and regionalization reduce the power of national institutions concerning the economic governance process, or that the state sovereignty is affected by the emergence of supra-national institutions.

Held (1995) stated that increasing the economic and cultural interconnections between different economies through the continuous flow of peoples, goods, services, ideas, capitals and technologies reduces the power and effectiveness of governments at the nation state level. Furthermore, the power of the state is diminished by the increasing number of transnational process. In this sense, many of the areas that were in the responsibility of the state, namely, defence, economic management or communication must be coordinated at international level. Also, the emerge of different political unions, international organizations such as the World Bank, World Trade Organization or the International Monetary Fund and multilateral treaties (NATO) provided the basis for the development of a supranational state with dominant legislative power.

Globalization and regional integration, both redefined the role of the states, but they didn’t reduced it. Therefore, the state remains the key player within the borders of every national state as well as in the international context.

The main purpose of this article is to highlight the implications of the economic governance upon the performances in the social, political and economic framework of the European Union Member States. The content of this article is expanded in the following sections: section 1 presents a short literature review regarding the concept of economic governance, section 2 analyses the taxonomy of the economic governance, as well as the taxonomy of the involved institutions, section 3 highlights the impact of the economic governance upon the different components of the economic, politic and social environment, section 4 performs a short analysis of the current stage of economic governance across EU Members States using the Fiscal Rule Index and the final part of this article details the conclusions as well as the policy implications that emerge from this research.

1. The concept of economic governance

The acknowledgement of the crucial role given to the economic governance in stimulating the economic growth and convergence process was under certain circumstances limited. The current increased interest for this category of indicators is given by the current economic and political context and can also be attributed to the economic circumstances experienced over the last years. Santiso (2001, pp.154-180) considers that at the level of the current emerging economies, ensuring an efficient economic governance represents, both an objective and a fundamental condition, for assuring the economic development. Nonetheless, the association of these two elements proves to be a real challenge for the institutions operating at the level of these countries.

Although the role of the economic governance process is essential in ensuring the economic stability and in stimulating economic growth and convergence, the development of an accurate definition regarding this concept seems to be a difficult task to fulfil, considering the wide range of dimensions which this concept incorporates. These include the decision-making process of the institutions, their mechanisms of implementation and coordination of the decisions, as well as the ethical regulations which characterize the governance process. (Delors, J. 2013, pp.169-178).

The World Bank, defines the economic governance process consisting of: "*the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies"* (World Bank, 2018). Moreover, the World Bank Governance and Anti-Corruption Strategy (2016) confer to the governance the following interpretation: "*the way in which public officials and institutions acquire and exercise their authority in outlining public, policies and providing goods and services*".

Williamson (2005, pp.1) considers the process of economic governance as being "*a study of proper organization and profitable arrangements*". From this point of view, governance is analysed only from the perspective of an efficient management, without taking into account the fact that the governance process can also determine negative evolutions at the level of a society. Williamson focuses only on the economic governance which is performed in compliance with certain well-established rules, which take into consideration a series of regulations and measures which are elaborated by focusing on the principals of a harmonized functioning of the market.

Despite the fact that significant progresses have been made in establishing a comprehensive definition of the economic governance process in the last three decades, we must take into account the fact that many times confusion is made between the concepts of governance and govern. For instance, in the American Heritage, Random House and Merriam Webster dictionaries, the concepts of governance and govern are presented as synonyms and they are defines as: "*the exercise of authority and control*", "*a method or system of government and management*" or "*the act, process or power of governing*". In our opinion, in this case, the concept of govern represents only a component of the economic governance process which requires a series of other social institutions in order to develop and enhance the economic performance of a country.

Also, it is important to make a clear distinction between the terms "*government"* and "*governance*". According to the definition given by the United Nations (2000, p. 2) "*government refers to the national political and administrative machineries designed to make policy and to implement decisions".* On the other hand, "*governance can be defined as the exercise of political, economic and administrative authority in the management of a country's affairs at all levels*".

According to Merrien (1998) governance should be characterized by "*contracting, rather than supervision; decentralization, rather than centralization; management based on market principles, rather than management by administrative departments; cooperation between the State and private sectors, rather than being guided by the State*".

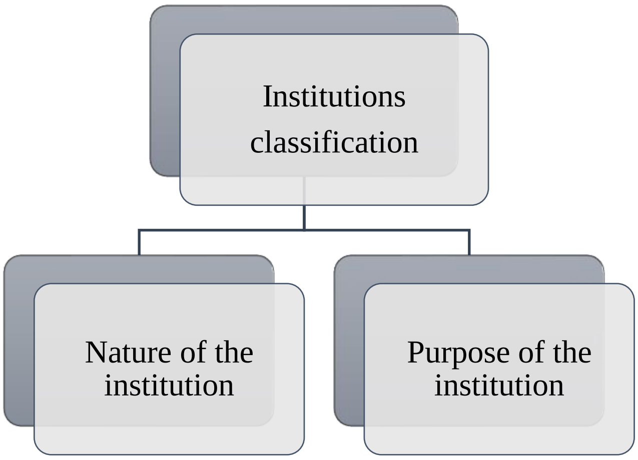
Therefore, the economic governance process is a complex and multi-level mechanisms that implies a strong cooperation between governments, citizens and international organizations in order to stimulate a sustainable economic development of the countries, including more varied dimensions than the simple term of government. It implies not only the set of rules and measures that shape the individual as well as the collective behaviour, but also the structure of the governmental institutions.

2. Taxonomy of the economic governance and of the involved institutions

We must consider the fact that the process of economic governance integrates in its structure a series of constraints, both of a formal and informal nature. North (1990) considered that, on the one hand, there are traditions, customs, and on the other hand, there are rules and regulations which control the entire activity performed at a political and economic level. In 1990, North considered that the institutions represent "*the rules of the game"* (North, 1990, p.3) at the level of a society which outline the behaviour of the individuals, the way in which they relate to one another and develop their activities. With reference to the emerging economies, the economic governance process implies a clear dichotomy regarding the institutions. On the one hand, we have the traditions, category which is responsible for the emerging of the institutions that have an informal role. This category is perceived most of the time as being an obstacle in the path of economic development, considering the fact that the functioning rules of this category are not influenced or dictated by the existing market requirements. Therefore, the institutions classified as informal do not represent a triggering factor for the economic growth because, on the one hand, they do not internalise in any way the information existing on the market at a certain moment in time, and, on the other hand, they do not take into account the evolutions or changes which take place at macro or microeconomic level. On the other hand, the state is considered to be a fundamental component of the second category of institutions, namely the institutions with a formal role. If informal institutions do not represent in any way a triggering factor for the economic growth, often leading to regress through a series of limitations, the state represents a crucial factor when it comes to the issue of economic performance. The state has also a determinant role in the development of the industrialization process and its attributes exceeds the ones of only a goods and services provider.

Dixit (2008) suggests the following approach regarding the institutions involved in the economic governance coordination.

Figure 1. Classification of the institutions involved in the economic governance process



Source: Author interpretation according to Dixit, A., (2008, pp.3)

According to their nature, the institutions can be classified as (Dixit, 2008, p.3):

- *Formal institutions* – the state which is responsible for the enforcement of laws, legislature, judiciary, police or other agencies;
- *Private institutions* - which operate under the patronage of state law, for instance forums for arbitration;
- *Profit institutions* - which provide information;
- Other social bodies and ethnic groups.

If we consider the purpose of the institutions, they can be divided into the following categories: a) Institutions responsible with the protection of property rights; b) Institutions responsible with the enforcement of the contracts among individuals; c) Institutions responsible for providing the physical and regulatory infrastructure to facilitate economic activity and the functioning of the other two mentioned categories of institutions; d) Institutions responsible for social cohesion.

Therefore, the intrinsic, but also the instrumental value of the institutions constitutes an important pillar in explaining the different economic growth rates of different economies, the degree of involvement in elaborating, implementing and assessing policies as the central point of the economic governance concept.

3. Economic governance as a determinant factor for social cohesion, political harmonization and economic performance

Currently, the European Union constitutes an integrated area which includes over 500 million individuals, different cultures and traditions. This high degree of diversity which characterizes the economies of the Member States corroborated with the economic and politic environment constitutes a real challenge concerning the process of economic governance, whether we talk about regional or national economic governance. The fundamental objective of the economic governance process at the level of the European Union focuses on three fundamental pillars, more specifically: the enforcement of social cohesion, the growth of social mobility and the enhancement of economic performance. In order for all of these objectives to be accomplished, interconnected actions between the state and various civil stakeholders must be implemented. Otherwise, the objectives can be supported by means of public or private actions. This multidimensional orientation of the economic governance process aims not only at successfully achieving an objective, but also at obtaining as many advantages as possible for the individuals, as the main component of the society, but also for the society as a whole. Table no. 1 makes a brief classification of the economic governance process from the perspective of the considered objectives.

Table 1. The economic governance approach from the perspective of set objectives

Objective set by means of regional, national or local economic governance		
Social cohesion	**Social mobility**	**Economic performance**
• Arrangements focusing on a certain area • Arrangements targeting a common activity	• Arrangements supporting individuals according to their personal needs • Arrangements supporting disadvantaged groups	• Arrangements addressing certain areas or groups • Arrangements addressing the entire community

Source: European Commission, 2014

Despite the fact that there is a high degree of heterogeneity existing at the level of the European Union, this characteristic is generally perceived as a stimulating factor of the economic development. From the perspective of the economic governance process, this issue can be extremely complex if we are to take into account issues such as poverty, discrimination or even racism.

In order for the economic governance in area of social cohesion to be as beneficial as possible, the members of the European Commission developed a general framework in order to counteract all the possible challenges that may arise.

The following solutions were taken into account (European Commission, 2014): a) The existence of a high degree of interconnectivity among supranational, national and local authorities; b) The existence of a flexible legislation which would allow the funding of policies that are specific to economic governance, with open and participative structures; c) Focusing on strategies that have a long-term horizon and imply an interconnected action; d) Developing collaborative policies through democracy; e) An efficient cooperation system among public and private bodies; f) Acknowledging the challenges and opportunities generated by the diversity within the European Union; g) Implementing certain control mechanisms which would support the achievement of positive results; h) Developing a fiscal and regulatory framework which would meet the individual needs existing at the level of an economy.

The management of these multiple levels of diversity which characterize the Member States of the European Union require the development of certain urgent measures that should focus on ensuring a continuous and harmonious integration and rather on the similarities than on the differences among groups, individuals or societies. In the majority of the cases, the failure of the economic governance policies regarding the social cohesion and economic performance reside in the fact that there is a deep lack of conformity between local and regional policies. If at a local level, the diversity and its effects on the economic and social plan are perceived as being positive aspects of the growth and competitiveness, the national authorities consider this element as being a threat against integrity and, therefore, the policies promoted by them are restrictive. In this context, we must take into account the fact that a high degree of diversity related to individuals, education level and knowledge represents a stimulating factor of competitiveness and, therefore, of economic growth.

4. The current stage of economic governance in the European Union

Starting the development of the Economic and Monetary Union by the Treaty of Maastricht, the need to ensure sustainable economic convergence across the Member States became one of the main aims of the community. As stipulated by the Treaty, the Union set the following objectives to be achieved (Official Journal of the European Communities, (1992), Article B, p.4):

To promote economic and social progress which is balanced and sustainable, in particular through the creation of an area without internal frontiers, through the strengthening of economic and social cohesion and through the establishment of an Economic and Monetary Union, ultimately including a single currency in accordance with the provisions of this Treaty.

Besides developing the social dimension of the Community as well as establishing the Economic and Monetary Union, the Treaty of Maastricht focused on improving the effectiveness of the institutions as well as strengthened the democratic legitimacy of the institutions.

Improving economic governance remains a key objective on the European Union agenda. The weakness exposed by the economic crisis that started in the United States of America in 2007, triggered the attention on what we generally referred to during this article, as the economic governance process. The EU response consisted in a set of norms and regulations targeted to strengthen the general framework of economic governance and furthermore stimulate sustainable economic growth. The main directions lead to the development of the following programs: the "*Six Pack*" and "*Two Pack*" aimed at reconfiguring the Stability Growth Pact and the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union. On 29th of September 2010 the European Commission imposed the so-called "*Six Pack*", that entered into force on the 13th of December 2011. This new set of measures consisted in five regulations and one directive and added a new instrument for improving the macroeconomic surveillance across the Member States, namely a macroeconomic imbalance procedure. The areas targeted by the "*Six Pack*" included preventive and corrective actions, establishing a budgetary framework, imposing sanctions in the case where the corrective actions are not implemented properly, the surveillance of the macroeconomic imbalances and also sanctions for excessive macroeconomic imbalances. At the end of May 2011, the European Commission launched a new package of measures called the "*Two Pack*" that focused on the problem of increasing transparency in what concerns the national budgetary policies. The issue of transparency constitutes a problematic indicator for the majority of the Member States of the EU. The main novelty introduced by the "*Two Pack*" consisted in the requirement addressed to the Member States of the Euro area to present a short draft regarding their budgetary programs for the next year.

There are four main pillars of the European Union economic governance, as detailed by Alexandre de Streel (2013) and namely: 1) the fiscal surveillance; 2) macroeconomic surveillance; 3) socio-economic coordination; 4) financial solidarity. The fiscal surveillance pillar is aimed to control and correct the fiscal imbalances of the Members States. This pillar oversees the budgetary discipline of the Member States, targeting two main indicators: a budget deficit lower than 3% of the GDP and a public debt lower than 60% of the GDP. The second pillar focuses on the macroeconomic surveillance that introduced one new corrective mechanism and namely the Excessive Imbalance Procedure. The socio-economic coordination constitutes the essence of the third pillar of economic governance. The coordination of the economic and social policies of the Member States leads to boosting the economy by reducing the unemployment growth rate, creating new job opportunities and improving social cohesion. The fourth pillar concerns the financial solidarity across countries that target those members dealing with severe difficulties that could have spillover effects across other economies.

The fiscal policy developed by any state must be an efficient one taking into consideration the fact that it is one of the most important control instruments of the economic activity. Despite all that there are a series of limits that affect its efficiency including: a) social barriers regarding taxes and decreasing budgetary expenditures; b) the lack of complete information available for the government; c) the difficulty in establishing a consensus between the budgetary structure and the size of the budgetary deficit; d) the inadvertence between the political cycle and the fiscal policy.

As a response to the subject of efficiency in monitoring budgetary imbalances and fiscal rules, as main determinants of the economic governance process, the Directorate General for Economic and Financial Affairs (DG ECFIN) of the European Commission elaborated a complex index to evaluate the ability of the national institutions of the Member States to submit to the imposed fiscal rules. The index considers five main criteria: 1) the statutory base of the rule; 2) monitoring bodies – the room for revising objectives; 3) the mechanisms of monitoring compliance and enforcement of the rule; 4) corrective mechanisms; 5) media visibility of the rule.

The structure of the Fiscal Rules index criteria is detailed in table no. 2

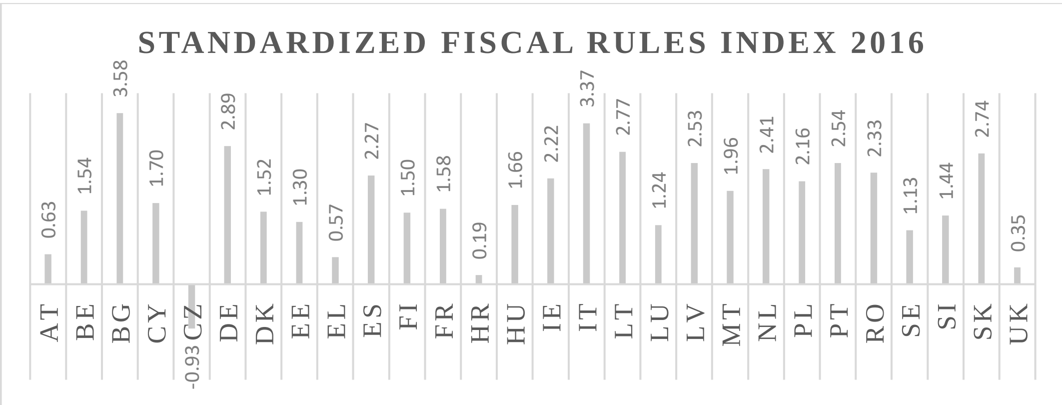
Table 2. The structure of the Fiscal Rules Index as detailed by the Directorate General for Economic and Financial Affairs (DG ECFIN) of the European Commission

Fiscal Rules Index Structure	
Criterion 1	4. constitutional base 3. the rule is based on a legal act (e.g. Public finance Act, Fiscal Responsibility Law) 2. the rule is based on a coalition agreement or an agreement reached by different general government tiers (and not enshrined in a legal act) 1.political commitment by a given authority (central/local government, minister of finance)
Criterion 2	3. there is no margin for adjusting objectives (they are encapsulated in the document underpinning the rule) 2. there is some but constrained margin in setting or adjusting objectives 1. there is complete freedom in setting objectives (the statutory base of the rule merely contains broad principles or the obligation for the government or the relevant authority to set targets)
Criterion 3	The score of this criterion index is constructed as a simple average of the two elements below: Nature of the body in charge of monitoring respect of the rule 3. monitoring by an independent authority (Fiscal Council, Court of Auditors or any other Court) or the national Parliament 2. monitoring by the ministry of finance or any other government body 1 .no regular public monitoring of the rule (there is no report systematically assessing compliance)

	The score of this sub-criterion is augmented by 1 if there is real time monitoring of compliance with the rule, i.e. if alert mechanisms of risk of non-respect exist. <u>Nature of the body in charge of enforcement of the rule</u> 3. enforcement by an independent authority (Fiscal Council or any Court) or the national Parliament 2. enforcement by the ministry of finance or any other government body 1. no specific body in charge of enforcement
Criterion 4	4. there are automatic correction and sanction mechanisms in case of non-compliance 3. there is an automatic correction mechanism in case of non-compliance and the possibility of imposing sanctions 2. the authority responsible is obliged to take corrective measures in case of non-compliance or is obliged to present corrective proposals to Parliament or the relevant authority 1.there is no ex-ante defined actions in case of non-compliance
Criterion 5	3. observance of the rule is closely monitored by the media; non-compliance is likely to trigger public debate 2. high media interest in rule compliance, but non-compliance is unlikely to invoke public debate 1.no or modest interest of the media

Source: European Commission, Directorate General for Economic and Financial Affairs (DG ECFIN), available at: http://ec.europa.eu/economy_finance/db_indicators/fiscal_governance/documents/fiscal_rules_database_en.xls.

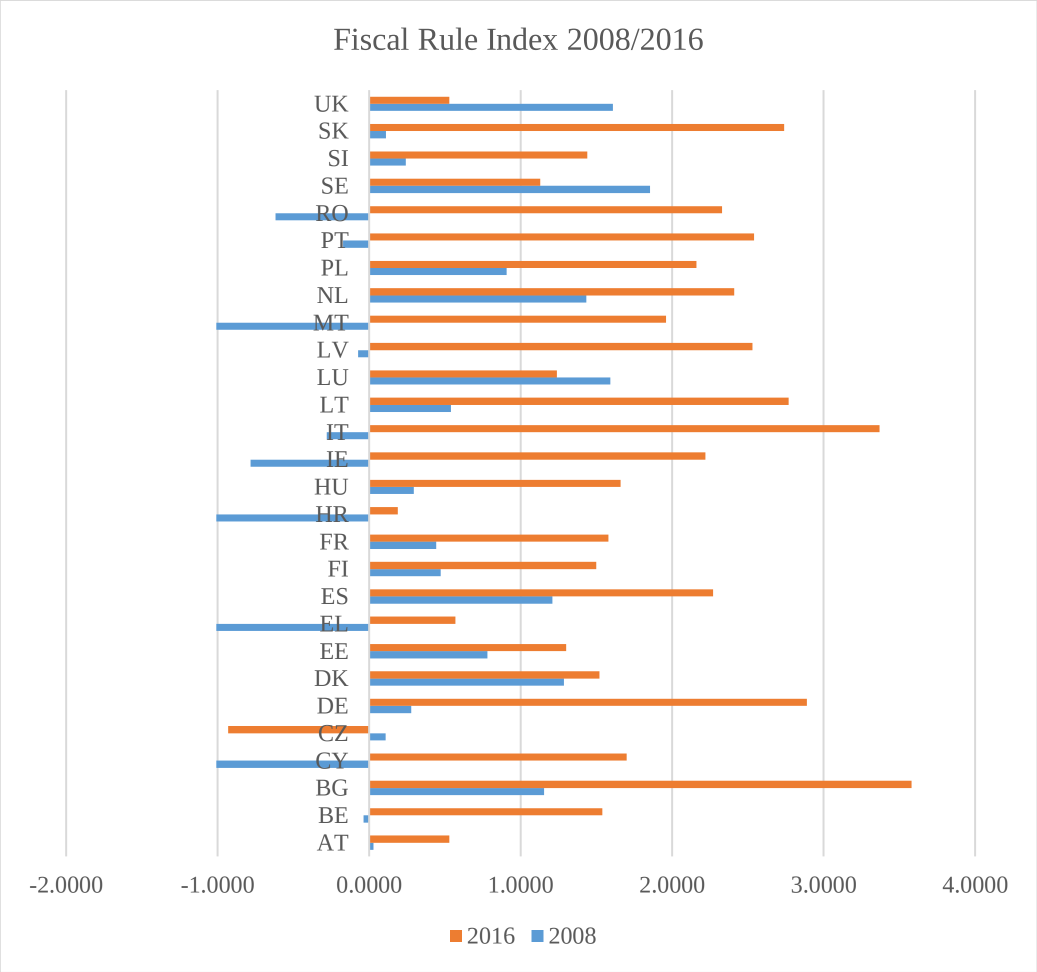
Figure 2. Standardized Fiscal Rules Index 2016 in the EU Member States



Source: European Commission, https://ec.europa.eu/info/publications/fiscal-rules-database_en, accessed at. 25.04.2018

The Fiscal Rules Index is calculated by ECOFIN in order to measures the effectiveness of the fiscal rules by aggregating the scores given to each rule. This index evaluates the strength of the particular types of criteria that are evaluated. The scores associated to each criteria taken into account are standardised to range between 0 and 1 in the first stage, afterwards a random weight techniques is used to obtain the final values. Starting 2015 the methodology for calculating this index was improved. A higher value of the index corresponding to a certain country means a better quality of the fiscal rules. By analysing the fiscal rule index for the EU-28 in 2016, we may conclude the fact that there is a high quality of fiscal rules in countries such as Romania, Bulgaria, Italy, Slovakia, and Denmark. On the opposite pole there are countries like Croatia, UK, Austria, and the Czech Republic being the only country that registered negative values. Also, in 2016, Belgium, Italy and Finland despite that they didn't achieved sufficient debt reduction they were not put under the corrective arm of the Stability and Growth Pact. At the same time there was a delay for Spain and Portugal concerning the corrective measures.

Figure 3. Standardized Fiscal Rules Index 2008/2016 in EU – 28



Source: European Commission, https://ec.europa.eu/info/publications/fiscal-rules-database_en, accessed at. 25.04.2018

At the end of 2009, 18 Member States of the European Union were facing severe fiscal problems according to the reports published by the European Commission. After that, the Member States of the European Union concentrate their efforts in improving their fiscal rules, therefore Figure 3 details the performances registered by each country. At the end of 2009, 18 Member States of the European Union were facing severe fiscal problems according to the reports published by the European Commission. From the analysis of the data we may conclude the most impressive progress in respect to the fiscal rules were obtained in countries like Romania (from -0,61 in 2008 to 2,33 in 2016), Bulgaria (from 1,15 in 2008 to 3,55 in 2016), Ireland (- 0,78 in 2008 to 2,22 in 2016) and also Poland (from -0,17 in 2008 to 2,54 in 2016). There were also countries that did not manage to improve their fiscal rules, on contrary registering declining trends (the case of Czech Republic (from 0, 10 in 2008 to -0, 93 in 2016).

Conclusions and policy implications

Even if this concept of economic governance is quite recent, the majority of the theoretical and empirical studies approached this issue in the light of the coordination mechanism which exists between government, market and civil society. These three elements are considered to be the fundamental pillars of an effective system of economic governance, their association allowing the stipulation of adequate policies, followed by their correct implementation. With reference to the efficient economic governance, elements such as the transparency of the information, the ability of the government to participate in the decision making process, the lack of corruption are perceived as primary conditions that enable this system to work at its best. It is extremely important to highlight the fact that in order to assure good and efficient economic governance, both nationally as internationally, the states should encourage the cooperation between the State and its citizens and acknowledge the fact that only a democratic system would allow achieving all these goals.

The investigation on the reform of economic governance until now has mainly concerned the examination of the rules and parameters of the Maastricht Treaty taken into account by the Member States in order to face the 2008 financial crisis, highlighting the gaps and weaknesses of the previous system of European economic governance.

The joint efforts of the institutions along with the Member States have led to a transformation of the previous system, developing more effective coordination and control measures, for the purpose of anticipating future financial crisis. New challenges are faced by the European Union as a whole that after remodelling the structure of its system is now facing further issues, such as environmental policies, the continuous differentiation between Euro zone countries and countries that are on the path of adopting Euro or benefit from the opt-out clause. The European Union has to continually redefine the role of its institutions, knowing how to respond to the actions generated by its citizens.

Each of these new challenges and risks are becoming an impasse for the future projects of the European integration. As was emphasized in the text, a decisive response is needed from a European Union capable of acting in the interests of the Europe as a whole and not of a Union whose interest coincides with the sum of the individual interests of its members.

The recent economic and financial crisis represented an important moment for bringing into discussion the political trajectory of the European Union, but also the preservation of this structure's fundamental pillars integrity. Moreover, the author underlines the fact that one of the conditions which should be imposed for preserving the economic integrity at the level of the Member States is the acceptance by the countries of giving up the right of sovereignty upon the economic stability policies. Weak economic governance and political instability remain fundamental obstacles to achieve the objectives for sustainable development.

The European Union institutions elaborated a series of measures and policies in order to better respond to the challenges addressed by the governance frameworks of the States. The recommendations made by these institutions lead to the improvement in the transparency, responsiveness and effectiveness of the national states to deal with all the problems that may appear, but progresses should still be made. By analysing the Fiscal Rule Index published by the European Commission we concluded that the majority of the Member States managed to improve the quality of this indicator after the recent financial crisis, major progresses being registered in countries like Romania, Bulgaria and Ireland for the year 2016 compared to 2008. This indicator gives an image of the effectiveness of the fiscal rules, but we should also take into consideration the fact that the interpretation of this indicator should be made with extremely prudence.

The new model of economic governance focuses upon a monitoring and early reporting mechanism of any macroeconomic imbalances, as well as upon an intensification of the monitoring activity in the budgetary sector. This new model of governance is an imperious requirement especially for developing countries. All these coordinates aim, on the one hand, at avoiding the magnitude of the effects generated during the recent economic crisis, and on the other hand, at adjusting the community institutional framework to the high degree of heterogeneity of the economies which form the European Union and obtain in the end a sustainable economic development.

However, we have to keep in mind that the processes of growth and development cannot take place if we limit ourselves to considering only the economic aspects, since the real, creative and long-term growth and development will only be achieved with the participation of all the social partners, who can act only if they are protected and supported by a strong and effective governance framework.

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