

# **The Budgetary Policy of the EU – Legal Framework of Excessive Deficits in Relation to Member States**

## **Summary**

The purpose of my thesis is to analyze the system of regulation of excessive budgetary deficits in the EU. This topic is very important now, because several countries of the euro area face the risk of default, which means a problem for further functioning of the whole euro area. The aim of this work is to examine the relevant legal framework, its development, concrete decisions and find shortcomings and possible changes which are necessary to improve the system.

The thesis consists of lead-in, six chapters and conclusion. Chapter One defines the basic terminology. Chapter Two shows different reasons for regulation in this area. Chapter Three focuses on relevant European legislations, both primary and secondary, and their development. Chapter Four deals with concrete European institutions decisions relating to particular member states and with the judgment of the ECJ in the case of France and Germany. It also presents procedures in the case of the Czech Republic and contemporary state of procedures in all countries. Chapter Five evaluates the system of excessive deficit regulation in the EU and especially focuses on its shortcomings. Chapter six provides and assesses possible changes drafted on the EU level and says which ways of changes would be useful.

The thesis shows that the current system of excessive deficit regulation does not work perfectly. Many countries run unsustainable budgetary policies even in the long run despite the rules. The problem can be seen in the wording of rules which are often uncertain or vague and this subsequently makes a room for exceptions. Another problem is the political aspect of procedures which can cause suspension of procedure. There is also a problem with sanctions which would rather worsen the situation of the country than motivate it to take effective action. There would be doubt about application of sanctions as well, because possible default of a country would damage other countries of the euro area too. More attention should also be paid to the criterion of the public debt which is more connected to the long run sustainability and therefore should be performed more strictly.

I suggest that every change of rules should deal with the points mentioned, because they are crucial for the better performance of this system and for the functioning of the euro area as a whole.