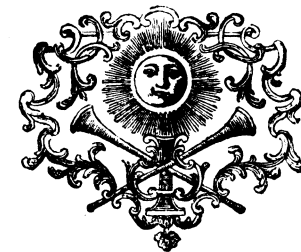


THE FEDERALIST

a political review

To look for a continuation of harmony between a number of independent unconnected sovereignties situated in the same neighbourhood, would be to disregard the uniform course of human events and to set at defiance the accumulated experience of ages.

Hamilton, The Federalist



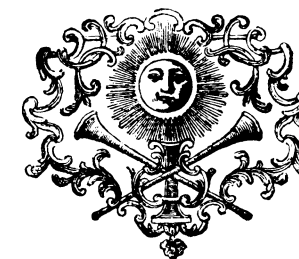
YEAR XXXIX, 1997, NUMBER 1

THE FEDERALIST

a political review

Editor: Francesco Rossolillo

The Federalist was founded in 1959 by Mario Albertini together with a group of members of the Movimento Federalista Europeo and is now published in English and Italian. The review is based on the principles of federalism, on the rejection of any exclusive concept of the nation and on the hypothesis that the supranational era of the history of mankind has begun. The primary value *The Federalist* aims to serve is peace.



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Mario Albertini

Mario Albertini died on 20th January of this year. He was the founder of this review, beginning as its director way back in 1959, and was the greatest figure, alongside Altiero Spinelli, in the history of the MFE. He leaves behind, with his life's work, his writings and his oral teaching, an inheritance so priceless as to make it unthinkable to analyse it here, however briefly. Yet there is one aspect of his teaching which it is right and proper to recall, as the first number of *The Federalist* to be published following his death goes to press, in order to emphasise our commitment and avoid straying from what represented the constant concern of his life as a militant: namely, guaranteeing the *independence* of the European Federalist Movement.

In Albertini's thought, the independence of the federalists has its foundation in the awareness that the aim of their battle is a great historical revolution by which the instruments of politics are adapted to the scale of the problems of our time through the transfer of the main framework of the struggle for power from the nations to Europe (and subsequently to the world), thus subverting the foundations of the legitimacy of the political community as such. This renders the federalist battle a battle of radical opposition, which goes far beyond the calling into question of a particular government or regime, and was termed by Albertini *opposition to the community*.

This does not mean that federalists can not or must not, in the course of their march toward the objective, seek out tactical alliances. Nor that they should underestimate the irreplaceable role of what Albertini called the *occasional leadership*. Some national politicians, having reached the top ranks of power, can in exceptional circumstances and confronted with decisive choices, identify their own personal destinies with the course of history, and detach themselves from the conditioning of the national power struggle. Yet it remains a fact that the logic of power is that of its own self-preservation. It is in this way that the national framework conditions the behaviour of the political forces, the orientation of the mass media and the humours of public opinion, in the sense of allowing

debate and leaving alternatives open only on condition that it is not the very framework itself that is being called into question. Any possibility to change the framework depends therefore on the capacity of a group to place itself outside the framework, relying only on its own freedom to judge, and hence to be independent of the powers-that-be.

* * *

The profound meaning of this gaining of awareness is that the federalists can not find *structural* allies within the existing political framework, with respect to which they represent a foreign element. It goes without saying that they must know how to interfere from time to time in the power balances in order to highlight and analyse their inherent contradictions. Yet they must always be ready to withdraw from them, in order not to be conditioned by them and to avoid that the commitment to the achievement of their intermediate objectives cause them to lose sight of the ultimate objective (this was Albertini's theory of *entrance and exit*). Likewise, it goes without saying that they must never forget that the process of Europe's political unification will reach its conclusion only if and when, in a moment of acute crisis in which the national logic of power will cease to function, there is realised a grand alliance among certain governments, important sectors of European institutions and the majority, in some states, of the political forces and public opinion.

There remains the fact that all this would not be possible without the existence of a group which, in every historical circumstance, even in the most unfavourable, and taking on itself the task of carrying forward unpopular and "utopian" positions, has the necessary lucidity and tenacity for continually maintaining the objective of the European Federation in sight (and in the background that of the world federation) without allowing itself to be co-opted by a system of forces which, being organised in function of the management, and hence of the conservation, of the national power, obscures everything which tends to overcome it and hence condemns it to invisibility: an invisibility which can be interrupted from time to time, almost by chance, yet which normally represents the toll which the federalists must pay if they do not want to renounce their identity, and hence their influence, which is exercised, as in the image of the Hegelian mole, in the underground, far from the limelight, yet not for this reason in any sense in a less real and effective way. Albertini's life was the symbol of this tenacious commitment to operating in the shadows, which never sacrifices the rigorousness of decisions, and hence

their long-term capacity to impact on events, to their immediate acceptability and to their ephemeral effect on the mass media.

This situation will continue until the achievement of the final objective. Yet also then the federalists will not enjoy the dubious privilege of visibility, since in the moment of the collapse of the national power it will be the most far-sighted, or the most opportunist of the national politicians that will jump on the European bandwagon and will put their hallmark on the decisions that will enact the transfer of sovereignty from the nations to Europe. The federalists will be left with the sober satisfaction of having been those in whom was expressed most lucidly the awareness of the process. The evaluation of their role will be left to the historians of the future.

* * *

Federalist independence is political and organisational independence. Albertini always placed at the heart of his considerations on the Movement's strategy, the profound conviction that the federalists must not allow themselves to be conditioned by the choices and the instruments of political struggle which are generated by the existing framework. This means, in the first place, that they must refuse the choices highlighted by the parties, which reflect opposing orientations with respect to the problem of managing the national power and project false and absurd choices, when instead the problem which must be resolved is that of the destruction of that power; and they must take up "national unity" positions, aware that every radical historical transformation brings about, in its decisive moment, the mobilisation of all the forces of the political spectrum, except those which make the maintenance of the existing framework the explicit basis of their power. Secondly, it means that they must reject with firm determination the possibility to participate, as a Movement, in either national or European elections. Elections are an instrument for winning power in the national framework, or the Community one, which nevertheless will always remain subordinated to the national one for as long as the nature of the Union remains substantially intergovernmental. Moreover, their result is to decide the composition of organs whose institutional role is to manage a power which exists and not that of constructing a power which does not yet exist. This is reflected in the fact that, with the exception of a figure who had an extraordinary personal history such as Spinelli, all the electoral adventures of certain splinter groups that have seceded from the Movement (and of all those of

its individual members who have presented themselves in electoral campaigns as federalists) have failed.

The organisational aspect of autonomy has, in Albertini's thought, its cornerstone in the idea of *self-financing* and in the figure of the *part-time militant*. Self-financing as a permanent practice certainly does not mean that the federalists should renounce all forms of outside financial support which allow them to promote specific actions or initiatives which their own means would not be sufficient to maintain: yet that they must have, from the moral point of view, the awareness that the federalist commitment, in personal terms, is something which *costs* and not something which *makes money*; and that they should put themselves, from the political point of view, in such a condition to ensure, even in the most unfavourable circumstances, when all forms of external financing are withdrawn, the survival and independence of the Movement, safeguarding it in this way from any form of blackmail or pressure.

The figure of the part-time militant (for whose affirmation Albertini fought long and hard) is a consequence of the idea of self-financing. The Movement must under no circumstances pay for political functionaries, who would become in practical terms irremovable, who would take control over the organisation and who would subordinate its political line to the need to find the necessary means for the payment of their own salaries. Instead, the Movement must be based exclusively on volunteers whose roots in society can assure them the necessary means of material support and not make their social position dangerously dependent on a political success, however distant and uncertain. Also this point is an essential aspect of the *selfless nature* of the federalist commitment, which is one of the essential foundations of the Movement's capacity for action.

* * *

The political and organisational independence of the Movement is not an abstract philosophical choice, but rather the result of a commitment, one that is certainly gratifying for those who live it passionately though also very difficult to maintain, made by real-life men and women. A great deal of Albertini's life was dedicated to the task of finding and inspiring people, and in particular young people, who would be capable of finding in disinterested motivations the vocation to dedicate an important part of their time and energy to a task which provides no retribution in terms of career enhancement, material wealth or power. Such motivations derive from the awareness of having attained a viewpoint which allows a return

to a reference to values as determining the orientation of political action, a reinterpretation of the past with criteria that render it more clearly understandable than it has ever been up until now and an open and evolving vision of the future, which permits an understanding of its ongoing connections with the past and with the federalists' own present commitment.

This motivation is neither purely political nor purely cultural, but both of them in combination. All revolutionary undertakings are essentially both theoretical and practical. Such undertakings elaborate a new culture, a new way of thinking about politics and civil co-habitation, which must not remain the exclusive privilege of a group of intellectuals, but become the patrimony of all. And for this to come to pass, the new culture must be conveyed by new institutions which translate it into everyday behaviours, into a new way of positioning oneself with regard to power and to experiencing political relationships with one's own fellow citizens.

This new active culture is nowhere to be found ready-made, since the existing institutional framework reproduces *ad infinitum* the culture by which it was historically created. Faced with this task the federalists find themselves on their own, even if they must certainly not attempt to achieve a *tabula rasa* with respect to the culture of the past and the present, but to absorb them, and reinterpret them in light of the totally new theoretical and practical orientation which comprises the federalists' specific nature.

* * *

According to Albertini, the only possible condition for the birth of this theoretical and practical culture lies in the capacity of the Movement to develop within itself a real *collective thought*. The existence of a group of volunteers is not compatible with a hierarchical type of organisation, since independence of thought, within the limitations of each person's different technical capabilities, is in the final analysis the basis of everybody's participation in a common undertaking. Yet, on the other hand, the independence of each person's thought becomes totally arbitrary if it is not measured against the thought of others, within a permanent debate in light of the pursuit of the common objective, which is the active understanding of one's own time. This concerns therefore a debate which is in no sense academic, but which must give rise to the elaboration of a political line and the definition and implementation of a strategy. Moreover, it presupposes, as its essential condition, an openness to dialogue,

that is, the permanent capacity to call oneself and one's own ideas into question, to renounce every temptation to manipulate the ideas of others, to consider error as an essential stage in the search for the truth, and therefore not to make differences of opinion (which are the condition for debate, and which through debate are overcome so as to reproduce themselves at a higher level in a dialectic which is the very dialectic of the progress of understanding) the pretext for fomenting a spirit of factionalism, which represents the absolute negation of collective thought.

Albertini's ideal was that the Movement and the UEF as a whole would become a group that was kept firmly united (not in a purely formal, but in a substantial way) by a permanent collective reflection about the path to pursue. As far as he was concerned, the independence of the federalists did not have (as it should not have) any geographical frontier, though he felt it did have (as indeed it must have) an extremely clear moral frontier. Moreover, he was perfectly aware of how difficult it would be to achieve this ideal. He knew that openness to dialogue is put to the test every day by those who do not abide by its rules, and nevertheless has to co-exist with the reality of political struggle, without this bringing about a renunciation of the elaboration of a common thought.

This is the task which Albertini has bequeathed us. It is a difficult undertaking, since it must be started from scratch every day, and every day it may fail. Yet on its success depends the continuation and success of the most noble political adventure of the second half of this century and the first part of the one we are about to embark on.

The Federalist

A Macro-economic Setting Favourable to Employment? *

JACQUES DEFAY

The current macro-economic setting of the European Union is not favourable to employment. Our young people who finish their studies have the distress of not finding work. Their fathers or mothers have been victims of a company restructuring, or fear they will be any day. Already the time is almost forgotten when their grandparents prepared for retirement at the legal age (and not ten or twelve years too early), and did so serene in the expectation of a comfortable, secure old age. The harsh reality is that the post-Maastricht European macro-economy is not a very welcoming environment for young workers, not very encouraging for young entrepreneurs, and not very reassuring with regard to the great mass of citizens worried about their own old age.

There is general uneasiness among workers. When discussing Europe with them, one soon notices that they are not very sure whether to blame "too much Europe" or "not enough Europe", nor indeed how they might make this choice. That puts them in bit of an awkward position, because the choice between "too much" or "not enough" has been raised and will be raised again in referendums. "It would be nice to know on which side our interests lie," they say.

If one tries to explain that the Treaty of Maastricht is off balance on the social level, and that everything will be better once the IGC has restored the balance by creating an "employment committee" as powerful as the "monetary committee", they look bemused because they have not the slightest idea of how European decisions are taken. Then one has to explain that the IGC means the "intergovernmental conference" and that in it the fifteen governments have the power to reform the Treaty of Maastricht but that they only take decisions unanimously. The majority of ordinary citizens cheerfully confuse the Commission with the Council,

*Text presented at the Meeting organized by the UEF in Luxembourg, 30 November 1966.

are unaware that the European Parliament exists, and are also unaware that there is a European Court of Justice before which European laws, called “directives”, rank above national laws, which must moreover be brought into line with the directives. They do not know in which domains the European machine is competent, nor those where it has nothing to say. They also confuse the beginnings of competence with a plenitude of power, a mistake which allows them to blame the “bureaucrats in Brussels” for unemployment and other social evils, in particular insecurity, but also the whittling away of social protection. They even wonder whether the “single currency” will not ultimately attack their retirement pension. “It’s not certain, but you never know! After all, will securities denominated in the national currency still be worth anything when the euro is the single currency?” This is what one hears.

They have also vaguely heard talk of a “great enlargement” which will bring into the common market ten ex-communist countries totalling a hundred million inhabitants. They say: “That will cost billions! Where will they get the money, if they don’t get it from our pockets? Besides, the Poles, the Romanians, and the others earn next to nothing. Once they are in the ‘common market’, hundreds of factories will relocate. It will be even worse than globalization.”

Thus, since 1992 Europe as an institution has been losing the hearts of ordinary people who understand nothing about it and who see in everyday life what the statistics record: that Europe as a society is sick, suffering from unemployment and a lack of future, and that for these two evils it has been unable to find a cure in the unification of its internal market. This reputedly ineffectual Europe has become the target of many criticisms, and the referendums due to ratify the text that will emerge from the IGC will be lost, we are told. As with the referendums of 1992 therefore, what is written in this text is of little importance. Unemployment, anxiety and the absence of hope are reason enough to say “no.”

The real danger is not the failure of the IGC. A more serious matter is failure to ratify in one country alone, for a year will be lost in seeking a sordid compromise, just as 1993 was lost. Failure in five or six countries would be even more serious, for it would throw discredit on the construction of Europe. After the elections in the new member-countries, let us not rush blindly in. Let us for a while drop the search for obscure compromises worked out in the faint hope of achieving unanimity, and listen to the citizens.

For more than twelve years I have been a resolute partisan of the single currency and I am inclined, by heart and by reason, to support M. De

Silguy’s courageous optimism. I think it will be achieved in 1999 and that it will help the birth of a political Europe. However I have no illusions about the difficulty of awakening the European hope in hearts where it is still dormant, and of restoring confidence by this means at the time of referendums, which are set for dates when the macro-economy of Europe will still be what it is today, which is to say deplorable. This difficulty is immense.

Having seen that I was lacking a coherent set of arguments, I have tried to write one for my personal use. The point of departure of a political set of arguments is a socio-economic diagnosis.

The Diagnosis of Unemployment and Slow Growth.

The least questionable diagnosis has been made by the white paper “Growth, Competitiveness and Employment.” We suffer from slow growth which creates few jobs.

Let us trace this analysis of growth. It is slow. This has lasted since 1980. The average rate of growth in real terms (i.e. minus inflation) of the last fifteen years is 2 per cent. In the sixties it was 4.8 per cent. In the seventies it was still 3 per cent.

It creates few jobs. Employment has risen on average by 0.2 per cent annually, or ten times more slowly than production and twice as slowly as population. Too slowly therefore to provide work for the annual surplus of young people over newly retired people. Growth in production is barely sufficient to compensate for the effect of progress in productivity, which as everyone knows removes jobs if sales do not grow in line with productivity. Progress in productivity showed an average of 1.9 per cent during the eighties.

As a consequence of the influx of young people into the labour market and of growth which barely compensates for productivity, unemployment has gone from less than 6 per cent of the active population in 1980 to more than 11 per cent in 1994, with peaks of 25 per cent or more in regions undergoing reconversion difficulties or late development. This is intolerable.

Moreover, growth has once more become strongly cyclical: the job destruction phase occupies almost half the trade cycle. The job creation phases are too short and not strong enough to bring down the accumulated unemployment, for they must first restore the jobs destroyed in the course of the immediately preceding phase. It is a real “Penelope’s web.” The damage done during the job destruction phase 1992-1995 is estimated at

five million jobs lost. (Graph 1)

The excessive amplitude of the sine wave of the GDP growth rate combines with the weak average of this curve (2 per cent) in the following way: when a company's sales figures begin to grow less quickly than its productivity, the company reduces the number of its workers. It will not begin taking on more until the year when the curve of sales exceeds that of productivity. As the national figures reflect the average situation of all companies, this threshold of job creation must be found in the phases of the trade cycle.

Indeed, through the sinusoid of the rate of growth one can trace a "productivity mark" at the level of about 2 per cent which indicates the moment at which the destruction of jobs ceases and the job creation phase begins. In the year 1996 we are at this transitional point of the cycle. Since January 1994 business has been growing. The rate of growth in sales (which had gone below zero) has taken two and a half years to overtake that of productivity. Penelope is therefore only now beginning to weave again the millions of jobs which she had undone during the dark years of the recession, between 1991 and 1994.

Four years of the creative cycle will be spent repairing this damage and very little time will then be left over, indeed no time at all, for the unemployment rate to drop below that of 1991. For the next phase of job destruction could begin around 2001.

Predictably enough, in lowering the average of the sine wave to the level of the productivity mark (2 per cent), we have divided the cycle into two almost equal phases: four years of destruction, four or five of job creation. It would be astonishing if that made workers and their families happy and confident.

What is required for unemployment to decrease? That the rate of growth in real GDP has to spend less time below the productivity mark and more time above it. That assumes a higher average for growth in GDP. Is this possible? Apparently, since the average of the sixties was 4.8 per cent, their minimum 3.4 per cent (in 1967), their maximum 6.1 per cent (in 1969). To bring the average from 2 per cent to 4 per cent therefore does not seem absurd. That, alas, leaves too many people incredulous. Can one not achieve the goal with a more modest objective?

In moderating our ambitions to an average of 3.5 per cent (instead of 4 per cent), the same goal could indeed be achieved by diminishing the amplitude of the cycle by a common conjunctural policy, so that at the bottom of the cycle there is not less than 2 per cent growth in real GDP, and not more than 5 per cent at the top of the cycle. In this hypothesis of

a "smoother" growth, at an average of 3.5 per cent, the phase of net job destruction would be eliminated. The trade cycle would not have disappeared, but Penelope would have put her web away in the loft. The nine or ten years of the cycle would all be capable of adding jobs, some more and others less. The objective thus redefined will appear less inaccessible to our citizens, so demoralised by so many years of socio-economic ill-health that many have ceased to believe in recovery.

Observation: The Fifteen have not exceeded 3.5 per cent more than twice since 1980. They exceeded this figure 11 times during the thirteen years which preceded the year 1973, when the global monetary system was eliminated. First sign of a link between unemployment and monetary disorder. Does the reform of the currency therefore allow some hope of a different growth? My faith in the single currency makes me say, "Let's try." We shall soon see if one can rationally say "yes" to this question.

One word first of all to reassure the citizens, the majority of whom are more conscious today than yesterday of the dangers to the environment that can be caused by economic growth. It is true that the growth of the sixties was hardly respectful of it. Initially even a slogan like "zero growth" was launched. But at zero growth productivity continues to grow by around 1.6 per cent per annum. At a constant rate of work that would make 1.6 per cent fewer jobs per annum!

Fortunately zero growth is not the only response. There is another, involving changes in behaviour and the adoption of so-called soft technologies, and hence also substantial efforts in research and development. Today this growth is called lasting or sustainable development. I am not considering any other kind here. Equally one must remember that the progress of productivity is calculated over an entire year, and that it is slowed down therefore by working fewer hours per annum. The other growth, if it exists, will therefore take into account both the environment and the duration of work.

After the Diagnosis, the Clinical Recital of What Has Happened.

So what has happened? Has the European Community voluntarily diminished its growth rate? Has the grand unified internal market had this effect? The answer to both questions is no.

It is the governments of the member-states which have voluntarily reduced their national growth rates, and, by additive and even multiplier effect, dragged down that of the Union. This they did in the hope of conquering inflation, which threatened the national currencies. They

chose this way at different times, some in 1980, others later.

The member-states of the EEC had decided in 1970 to switch to the single currency in 1980. This reform was to take place in the context of the world adjustable-peg exchange rate system, which had assured the stability of exchange rates since 1945. The world system had a major crash in 1971 and was eliminated in 1973, the year when the non-system of generalised flotation of paper money took root, which still holds sway.

In 1979, after six years of monetary turmoil and an inflation accelerated by successive oil crises, the Ten, like shipwrecked sailors among the fragments of their ship scattered on the raging sea, decided to assemble these planks into a raft to float together. From 1980 this raft, ambitiously called the “European Monetary System” (EMS), assured a certain stability in intra-European exchange rates.

The “system” left each country its currency and the responsibility for defending its pivotal rate, a difficult thing to achieve for countries where prices are rising more rapidly than the average. Thus it was the EMS that established disinflation for the defence of the national currency as the central objective of national economic policies.

Nevertheless, the will to conquer inflation is not entirely circumstantial. What economic history will call the “long inflation”, since it began in 1968 at a rate of only 3.3 per cent and ended in 1993 (at 3.5 per cent), towards 1980 went through peaks of 20 per cent in Italy, Ireland, Portugal and Greece. The phenomenon was worldwide and had been accelerating continuously until 1980, the critical year when the average rise in prices of the Fifteen reached 12.5 per cent per annum under the effect of the three “oil crises” of 1974, 1978 and 1980. The effect of inflation on growth in real GDP had been disastrous, since from an average of 4.8 per cent before the price disease, it had fallen to 2 per cent average at the time of the oil crises.

The price fever had come early to Germany, England and the Netherlands around 1970. It began to fall in 1981, first in Germany and the Netherlands then successively in the other countries as they converted to “disinflation”, but the thermometer was not put back in the drawer until 1994. Disinflation will thus have lasted fourteen years, during which national economic policy has been dominated by the all-important objective of restraining national global demand successively in Germany, the Netherlands, Denmark, Belgium, France, then in Italy, etc. The important thing was to reduce the price rise in the national currency so as to defend its pivotal exchange rate on the EMS raft. But the long years of disinflation 1981-1993 brought no improvement in growth since their

score is still 2 per cent of annual average real growth, exactly the same average as during the years of strong inflation. One reading of events: *inflation breaks down growth, and hence employment; disinflation heals prices, but not the macro-economy.*

Obviously it could not be otherwise, since recovery was sought in a systematic diminution of demand, including a reduction in demand for investment goods, which was obtained by a deliberate rise in the real interest rate. Thus the average of real (short term) interest rates practised by the authorities of the Fifteen current member-states went from 1 per cent in 1980 to 6.3 per cent in 1990 and even 7.1 per cent in 1992, figures which must be compared with those of the past. The European average of real short rates was between 1 and 2 per cent *in tempore non suspecto* (1966-1968). A dose of more than 2 per cent of this elixir in this golden age would have been considered as a brake on economic performance (Graph 2).

If a sick person is finally healed of his cancer, he will not regret the chemotherapy. But it cannot be denied, for all that, that chemotherapy is toxic, nor that it has perceptibly weakened the vitality and energy of the patient during a long course of treatment.

The dose of real interest applied as a disinflationary cure was 5 times the dose of a healthy macro-economy and 2 to 3 times what one would have previously considered as a threshold of toxicity (around 2 per cent). The dose of this “remedy” (which I have just compared to chemotherapy owing to its toxicity), was even reinforced further and brought to three and a half times this threshold in 1992, in the third year of a severe recession and at the peak of its job destruction phase.

This latter syndrome, which led to the almost fatal crash of the EMS in 1993, was highly toxic because it was inflicted at the most painful moment of the trade cycle on a European economy already weakened by twelve years of disinflationary austerity. The investment rates (gross formation of fixed capital in per cent of GDP) of the Fifteen, from 24.3 per cent in 1970, fell in 1994 (Year I of Maastricht) to its historical minimum: 18.3 per cent. Now, this rate is the equivalent for an economy of the measure of energy for an individual. It is as if arterial tension had fallen from 12 to 9.

Back in 1993 Jacques Delors’ White Paper identified the drop in investment rates in Europe (5 points lost in 20 years) as one of the causes of unemployment growing from cycle to cycle. It also identified structural factors of unemployment in those national policies of taxation and compulsory social contributions which put a disproportionate share of

the social burden onto wages, thus putting up labour costs to companies. But the structure of fiscal and fiscal-like revenue is a national prerogative protected from community intervention by the unanimity vote.

Let us recall from the clinical recital that the artificial stabilisation of the intra-European exchange rates decided in 1979 contained an automatic mechanism, resulting from the competition between eleven currencies, which made real interest rates rise and lowered investment rates. Even without the drive for disinflation, the interest rate would have been too dear. Perhaps a little less dear, all the same.

The Question of Responsibilities.

The European Community and Maastricht have no responsibility for the therapy chosen for disinflation.

This is not the time to put the national doctors on trial, since the patient has finally emerged from their hands cured. One cannot even put the chief doctor on trial, by which I mean the Bundesbank, even though it manifestly forced up the dose of chemotherapy at a time when the patient was already deteriorating fast. In associating themselves in 1991 with the single currency project (though with not entirely justified demands and with a tinge of scepticism), the directors of the Bundesbank recognized that the system cobbled together in 1979 to stabilize the exchange rates of ten or twelve competing national currencies was fragile, and that the unification of the internal market, effective since 1993, makes that of the currency imperative. The part they took in 1991 in this diagnosis and in the writing of the monetary chapter of the treaty of Maastricht (therefore before the 1979 system collapsed in 1992-93) means they cannot be compared to those doctors in Molière who kill their patients by useless blood-letting and excessive doses of purgatives.

Our task is to explain to the ordinary citizen, bruised by fifteen years of slow growth yielding few jobs, (i) that disinflation was necessary because the growth rate falls when the currency is sick, (ii) that the single currency is no less necessary because the other means of stabilizing intra-community exchange rates, the EMS model, is fragile and involves a rise in interest rates because of the competition between national currencies (behaviour which the jargon terms competitive disinflation); and (iii) to show him the national responsibilities for an unjust situation born in a period when the European institutions had no powers in the areas of the interest rate and employment policy. It is hardly simple to demonstrate, but it is necessary, for the wounded but rational citizen has to understand

the wasting disease of Europe in 1993-99 and want its recovery after the ratification of an appropriate reform.

If it is true that the price disease is cured at the conclusion of a perhaps uselessly long and painful treatment, if it is true also that the chief doctor who imposed this treatment is also the author of the obstacles placed by the treaty in the path leading to the single currency, and particularly of the preliminary convergence requirements imposed on each country in the area of public finances, we have to convince the bruised and disappointed citizen to save his anger to fight the new requirements which certain national ministers want to impose now, and which go beyond what was accepted when the treaty was ratified.

It is vain in fact to struggle for a revision of "criteria" which have slipped into the status of a ratified treaty, or for a postponement of the Euro, which this same treaty forbids.

On the other hand there is an urgent need to fight the plan to forbid exceeding 3 per cent of public financing of investment by borrowing in the job destruction phase (cf. table in annex), since it will be necessary to raise the growth rate above the productivity mark (2 per cent) when it passes this mark on the descent towards 2001. If a "stability pact" forbids it, it cannot be done. The cycle will then again destroy millions of jobs for four years.

The Waigel plan liberates the borrowing power of the member states if the growth rate of real GDP has fallen to "minus 2 per cent." But it is at "plus 2 per cent", according to our analysis, that the anti-cyclical treatment has to begin by supplementing public investments. (Cf. Table in annex). This immediate battle however is nothing but a skirmish before another fight, even more crucial to win, in 1997: a reform of the treaty to make effective a common employment policy based on the single currency "respecting the stability of prices" (according to a stipulation which must not be thrown back into question).

The Question of the Social Europe, Employment and Lasting Development.

We have to convince the ordinary citizen that his anger is useful and necessary in order for a genuine policy for employment and lasting development to be written into the treaty of Union in due course by the Intergovernmental Conference; not only so that it remains possible to save jobs in 2001-2004, but also so that other social and environmental measures cannot be blocked by veto. This reform will not come about

without ordinary citizens and their justified anger, the way things are going.

The most difficult message to put across, because it has an institutional aspect, and is therefore apparently “remote from the people”, is that a struggle of crucial importance for employment is going on right now between two modes of legislative decision: (i) the intergovernmental mode, which by its nature involves the national right of veto; and (ii) the new community mode, without right of veto, which is to say “by the Council, ruling by qualified majority, on the proposal of the Commission, after the advice of the Economic and Social Committee and of the Employment Committee, in co-decision with the European Parliament.”

It is of prime importance to spread the fact (scarcely mentioned by the press and television), that two European players, whose importance lies in the hundreds of millions of citizens they represent, have declared in favour of the new community method, to be applied for all competences of a socioeconomic and monetary Union for employment and lasting development. One of these players is the European Parliament. It has issued an opinion to this effect by a very strong majority of representatives, directly elected by the citizens of the Union. The other player is the European Confederation of Trade Unions, which brings together the trade unions of waged workers. It expressed the same view when the IGC was convened. The conjunction of the claims of these two organizations, one elective and the other associative, representing hundreds of millions of people, is such as to give great legitimacy to the political campaign for the new community mode of decision-making when the citizens begin to mobilize for it. This legitimacy, from the number of citizens, carries a lot of weight.

To Abolish the National Veto: the Big Question.

The citizens must be told that the national veto still exists: in social matters among others, in the area of taxation and social contributions, as well as for the environment and for research and, obviously, for external and legal affairs. An essential part of the means for fighting unemployment can therefore be paralysed by a single government, under the current state of the institutions.

Political debate is beginning to concentrate around a simplifying concept: to be for or against the national veto.

When the Single Act was negotiated, Margaret Thatcher abandoned the defence of the national veto for the 300 directives which were

necessary for unification of the internal market and which were to accomplish deregulation and privatisation, reforms which she wanted to succeed. She had the national veto maintained for social directives and those concerning taxes or social charges, which she wanted to be able to block. It was at the same time as the role of the Parliament in European legislation was enlarged.

The national veto is a simple idea which appeals on first sight. One only rejects it when one has perceived its hidden face, which is called blackmail. When a decision is urgently required and is wanted by a large majority of member countries and citizens of the Union, the government which vetoes it takes this majority hostage. It can demand anything of its hostage as payment for its “yes.” Even preferential treatment in another case! It can even extort money! It has been done.

In legal language this is called blackmail. The veto is at the very least a source of delays and blockages. At worst, it introduces into the Union shameful political customs which are diametrically opposed to transparency and democracy.

Today when they call for the veto to be abolished in all areas necessary to a common policy for employment and lasting development, including the macro-economic balances which govern the creation of jobs (investments, remunerations, certain deductions and taxes, the length of the working day, social security), the Parliament and the European Confederation of Trade Unions are adopting a process parallel to what was done ten years ago for the single market. This time, it is for employment that reform is demanded.

The great strength of this process is that the abolition of the national veto on European decisions is necessary to realise a political objective. It is therefore not an end in itself, nor a federalist dream, but a means in a plan to reform society. Europe is not chosen for itself, but because the nations who make it up are too small, or too closely interlinked to reform at their own level.

Chain Reactions Against the Veto?

The German government is anxious to reinforce the authority of Europe in internal or legal affairs (the third pillar, or internal security) before the great enlargement. The idea that any one of 27 governments could paralyse the Union is particularly intolerable because it is by no means impossible that one of the 27 countries might be governed temporarily by fascists or communists following an unfortunate election.

Citizens attached to the rule of law which must continue to prevail in the Union will not accept the risk that the Union could be paralysed or held up to ridicule by those who have trampled on its values and laws in their own country and will have deprived it (by their veto) of its capacity to react against them. Yet that will be the result if the third pillar, where the veto is king, is not reformed before enlargement.

The French government is calling for a strengthening of the common foreign and security policy (CFSP, or second pillar). It is convinced that if we continue to have fifteen foreign policies, the American position will continue to carry us along with it automatically. This can be observed today, even when it is a case of a European country (Bosnia), or African countries (Zaire and Rwanda).

These differences of sensitivity obviously destroy any chance of governments opposing the veto in one pillar or part of a pillar arriving at a compromise amongst themselves.

But if abolition of the veto was accepted in view of the social objectives of a common employment and development policy, and constituted a general measure for all that concerns the Economic and Monetary Union, who can fail to see that the two other pillars could not remain subject to the intergovernmental mode for long? The two forces which, although not invited to the IGC, are proposing a general measure in the first pillar, take on a new interest for those who are fighting the same battle in other parts of the treaty.

If the debate on the abolition of the veto were to penetrate people's consciousness in the fight for employment, everyone would see that Parliament and the ETUC are advancing together, and Paris and Bonn separately, on three parallel routes. Euclid said that parallel lines never meet, but he was not a statesman... In politics, they always meet.

Can the National Veto Survive in Articles N and 235?

John Major's verbal gesticulations give urgent cause for concern. He recently swore to take revenge on the Court of Justice, which dared to not find in his favour in an interpretation of the treaty. He declares that he will oblige the fourteen other governments to modify the treaty, under his dictate, on the point at issue. What weapon will he use to make them bend? The national veto, of course, since article N does not allow the IGC to present its conclusions other than unanimously. He will therefore refuse the text it is to deliver if it does not contain his vengeance! Well, if he is still at 10 Downing Street, obviously...

He therefore provides us with powerful proof that we have to put an end to unanimity, even for modifications of fundamental European law. Good sense would suffice to force this conclusion in any association destined to count 27 members. All the more then must a union of sovereign states, obliged by its statutes to advance by stages "in the process creating an ever closer union of the peoples of Europe" (article A), which means it must revise its competences and powers at every stage (perhaps once or twice a decade in the youth of the institution), be able to transform itself in legal security, without the possibility of any blockage or black-mail preventing it.

It would be quite normal for these revisions to be, as in any association, the work of its internal organs (in our case the Commission, the Council and the Parliament), and that the ensuing text should be adopted by a majority duly reinforced for the occasion. Those who still consider it necessary for each member state to ratify the modifying act should say what they see as the consequences of any one country refusing to ratify.

Will this country automatically secede? Or will there be a negotiated transition of limited duration? Will the seceding country have the right to part of the Union's assets? Will it, on the contrary, have to pay an indemnity or a right of exit? All this will have to find an answer in the revision in progress at the IGC, or a Maastricht III, but in any case before the great enlargement.

Conclusion.

A prognosis. Mrs Margaret Thatcher, in conceding the abandonment of the veto for the single market, made it possible to carry out liberal reforms by qualified majority. If the same way was not open to macro-economic measures for employment and lasting development, the construction of Europe would lose the support of the popular vote — in the 1998 referendums, the sole day of reckoning to be feared.

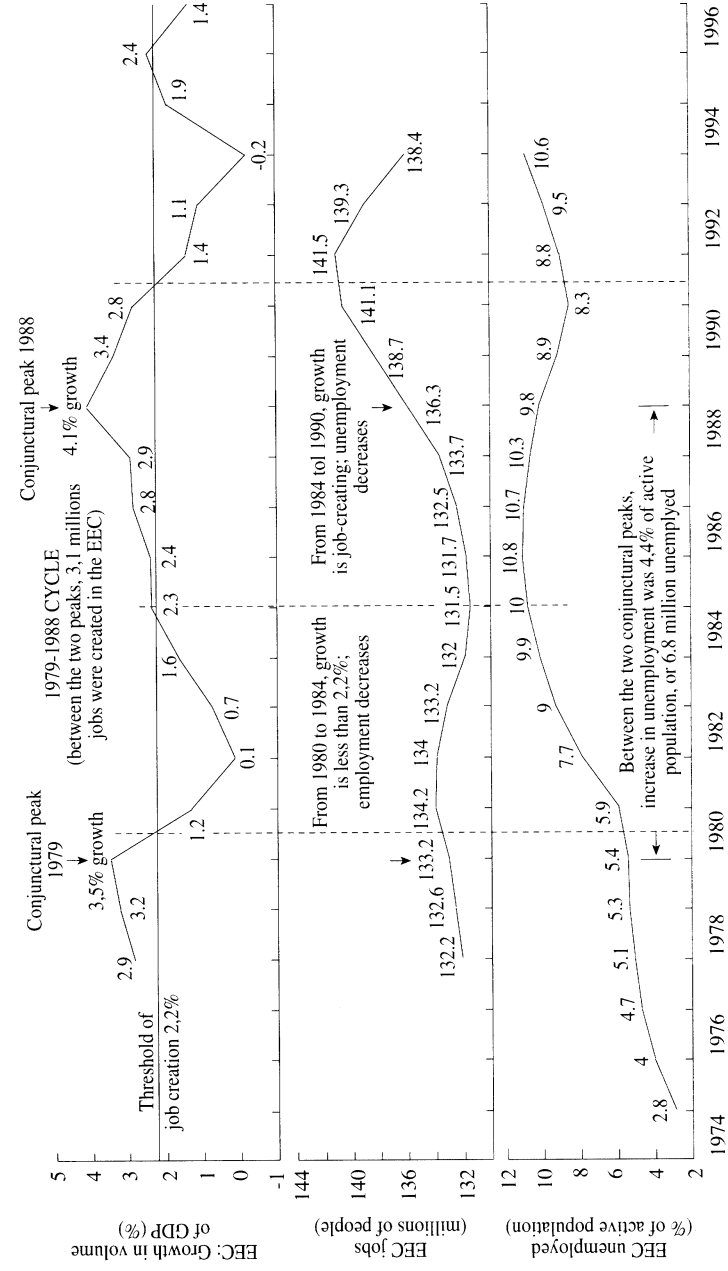
Statistical Annex.

The trough of the previous cycle had led to the net destruction of 143.1 - 140.1 = 3.0 million jobs. The trough of the last one destroyed 149.5 - 144.9 = 4.6 million. The social damage of the economic winter therefore increased by more than 50 per cent from one decade to the next, which indicates a marked deterioration in the macro-economic environment of Europe. One will notice also that the net destruction of jobs does not cease immediately the year that growth once more exceeds the productivity mark. That is plotted at the level of an average. Employment begins to recover a little later.

The table and the graphs which follow clarify the phenomenon described as a "Penelope's web." They show that reflationary public investment is justified to prevent the GDP growth rate from dropping below the productivity mark during the four years of its falling curve, which constitute the phase of net job destruction. The Union's growth rate in this phase is simply exceptionally negative. The device of the planned stability pact is therefore inappropriate.

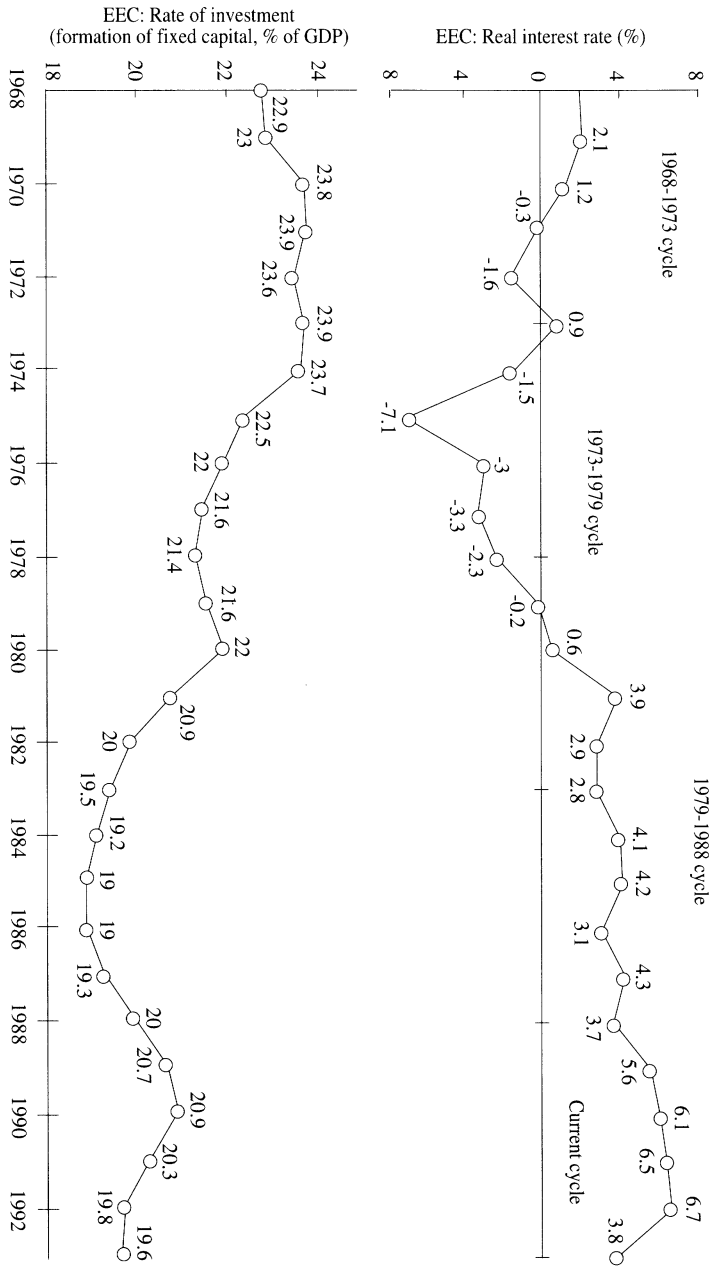
**The last two cyclical phases of job destruction:
1981-84 and 1991-94**

year	real GDP annual growth	millions of jobs (fifteen countries)
1979	3.5	142.0
1980	1.4	143.1
1981	0.1	142.8
1982	0.9	142.0
1983	1.7	140.7
1984	2.3	140.1
1985	2.5	140.3
1990	2.9	149.3
1991	1.5	149.5
1992	0.9	148.5
1993	-0.7	145.6
1994	2.6	144.9
1995	3.0	146.2



Graph 1: Growth of GDP, growth of employment, growth of unemployment (sources: OECD, EEC)

Statistical observation: the two graphs were drawn when the grey pages of the Commission's review "European Economy" still only added up the data of twelve countries, data which have since been slightly enlarged to cover fifteen countries and have served for the table. This source does not give the absolute number of jobs, but the annual variations in per cent. To establish this short set of numbers of jobs, I took the absolute figure of 1992 from the OECD "Economic perspectives" no. 59, table 20 of the annex, and combined it with the annual variations from the official EU series, for fifteen countries. The graphs ought to be redrawn, but will change little.



Graph 2: Real interest and investment (source: EEC)

**GLOBALIZATION AND NEW INEQUALITIES:
THE LIMITS OF THE UN
HUMAN DEVELOPMENT REPORT 1996**

1. “Despite the economic downturns and difficulties, the key indicators of human development have advanced in almost all developing countries. Indeed, developing countries have made much more progress in human development than in income. *Between 1960 and 1993 the North-South gap in life expectancy was more than halved, from 23 to 11 years.*”¹ “[...] *Indeed, the developing countries have in many respects covered as much distance in their human development during the past 30 years as the industrial world managed over one century* (my italics). The infant mortality rate has been more than halved. Combined primary and secondary school enrolment has more than doubled. And people on average now live 17 years longer. In our preoccupation with trends in pure economic indicators, we sometimes lose sight of the achievements in human lives.”² From these few sentences drawn from the UN Human Development Report 1996, one immediately has a clear idea of the profound changes which have taken place at world level in relations between developed and developing countries in the brief space of a generation, just as one has a concise picture of the content of the Report: which is to say a concept of well-being which cannot be summed up by the parameter of pro-capita income alone, even if for a proportion of the world population economic conditions have worsened.³ The UN has established an indicator, called the human development index, which does not take account of pro-capita income alone, but also includes two more parameters: life expectancy at birth, and the degree of adult literacy, together with the combined quota of school enrolment at primary, secondary and tertiary levels. Put in other terms, with this new way of determining a country’s degree of well-being, the UN intends to highlight the importance of an adequate state policy supporting individual development, which is precisely a policy for education, training, and health

care. Therefore, according to the United Nations, for the purposes of increasing the degree of well-being, human capital must assume the same importance until now held by physical capital alone. This fact is confirmed by a World Bank study, according to which a country’s economic growth is due 16 per cent to physical capital (machinery, construction and infrastructure), 20 per cent to natural capital (raw materials etc.), and for a good 64 per cent to human and social capital. In other words, for the purposes of economic growth, greatest importance lies with investment in research and development, education, training, and health. For example, in commenting on the results achieved by many developing countries, the Report points out that an increase of 10 per cent in life expectancy raises the economic growth rate by 1.1 percentage points per annum. But even more substantial are the effects of investment in education and training: an increase of one year in the average education of the workforce increases GDP by 9 per cent, an increase which is maintained for the first three additional years of education. After this period, the rate of growth in GDP, while perceptibly dropping, is nevertheless maintained at the level of 4 per cent for every additional year. On this subject, the Report cites the experience of Pakistan and South Korea, which in 1960 presented similar pro-capita income figures, but had very different rates of primary school education, 30 per cent in the former, and 94 per cent in the latter: in 1993 the pro-capita income of Korea, today a country of high human development, has proved three times higher than that of Pakistan, a country numbered among those with low human development.

In parallel to the improvement in the level of human development, at world level considerable progress has also been made towards democracy: “more than two-thirds of the world’s people now live under formally pluralistic and democratic political regimes.”⁴ Although the Report does not go deeper into the role that can be played in supporting economic growth by a democratic regime as opposed to a non-democratic one, it confirms that growth can favour the advent of democracy and this, allied to better distribution of wealth, in turn favours human development as a whole.

Certainly, therefore, significant progress has been made, both towards the improvement of the level of human development, and towards increasingly democratic institutions. However, to the problems which nevertheless remain, for a significant proportion of the world population which has seen its own economic living conditions worsen, and for a great number of countries where not only is there no democracy, but in which

the most elementary human rights are daily trampled upon, the Report adds one which is more and more generally identified as the crux of the future economic and institutional development of mankind: the globalization of the economy. This has developed in two ways: the growth of international trade in goods and services, and the increase in the size and freedom of capital movements. The UN notes that, in the course of a generation, the world has reached a very high degree of integration: trade in goods and services now has decisive importance in income growth and hence in one of the parameters on which human development is measured. Suffice to say that the impact of exports and imports of goods and services on the world gross domestic product rose from 25 per cent to 45 per cent between 1970 and 1990: that means that almost half of world income now depends on trade, which has now assumed the same importance as in commercial relations between European countries at the beginning of the 1970's, when the first attempt at monetary unification started with the Werner Plan. The globalization of the economy, according to the Report, is at the basis of at least three new phenomena whose importance transcends state boundaries, even of the larger countries: the growth of economic inequality, which not only affects relations between rich and poor countries, but which is also beginning to be felt within rich countries too; the growing liberalization of the movement of capital at world level; and the progressive marginalization of countries which do not participate in world commerce.

There was a real leap forward in the opening up of markets during the nineties, and this is at the origin of widespread processes of industrial concentration on a global scale. For example, in 1990, the value of total company acquisitions at world level was 420 billion dollars, a figure which increased without interruption to the point of exceeding a trillion dollars in 1996. The effect of these initiatives, apart from rationalising supply on a world scale (consider for example recent events concerning the telecommunications and aeronautical sectors), has also been to concentrate wealth heavily in the hands of few countries and few people, so that a global anti-trust problem is beginning to present itself. Moreover, the competition of emerging countries, which are characterised by an un-developed social state with minimal guarantees for workers, the unemployed and pensioners, is inducing industrialised countries, under the impulse of world competition, to reduce the level of social protection. As an example of the new nature of economic inequality, the UN notes that the net worth of the assets of the 358 richest individuals in the world is equal to the combined income produced in a year by the poorest 45 per

cent of the world population, and that in the largest economy, the United States, "the richest 1 per cent of the population increased its share of assets from 20 per cent to 36 per cent" between 1975 and 1990.⁵ The phenomenon of inequality is therefore emerging in a new light, both because of the dimensions involved, and because it also concerns distribution of income within industrial countries. In the economic context of the past, the response of state aid for development — i.e. a policy which belongs to the sphere of cooperation between states and not to what a transnational federal government can effect — could seem an adequate response to overcome the inequality between rich and poor countries. Just as the policy of the Welfare State could be considered adequate to overcome internal inequalities in nation states. Now that the dimension of the state no longer coincides with the dimension of the economy, and wealth — and the income which this produces — easily escapes the power of national taxation, obstructing its redistributive function, the need for a global response is becoming increasingly obvious.⁶

As for the importance that is being assumed by the growing freedom of capital movements, the Report observes that in the period 1965-90 "financial flows have reached unimaginable dimensions. More than a trillion dollars roam the world every 24 hours, restlessly seeking the highest return. This flow of capital is not just offering unprecedented opportunities for profit (and loss). It has opened the world to the operation of a global financial market that leaves even the strongest countries limited autonomy over interest rates, exchange rates or other financial policies."⁷ The importance assumed by the movement of private capital, over the years, has in turn produced a new effect: it has considerably reduced the role of state aid in the total funding which has flowed towards developing countries. The total flow of aid, between 1987 and 1994, has tripled, and the proportion of private capital, over the same period of time, has grown from 37 per cent of the total to 76 per cent, which means that the proportion of discretionary capital movements has overtaken that of those activated by political decisions and has obtained, at least so far, indisputable results. This fact constitutes a new element which must be taken into account: it highlights the fact that an effective development policy, considering the limited capacity for activation of state capital, cannot do without the intervention of private capital, and in the second place that the latter, not being regulated, favours some areas to the detriment of others. Indeed, as the UN again points out, the destination of private capital is concentrated in few areas: the most substantial part of

total direct investment (84 billion dollars) in 1994 was directed 40 per cent towards China, 24 per cent towards Hong Kong, Indonesia, Malaysia, Singapore, and Thailand, and only 3.6 per cent towards sub-Saharan Africa, which represents the true problem of development today, in that it fails to attract private capital in sufficient measure to support its economic take-off.

A highly unstable political situation, and here we come to the most important question in international commerce, not only hinders participation in the world market, but also hinders interregional trade, discourages foreign investors and instigates an allocation of resources which penalises human development. On this subject, the World Bank recently pointed out that there is a strong correlation between conflicts and poverty and that fifteen of the twenty poorest states in the world have had serious conflicts starting from the 1980's; here the Bank refers in particular to the African continent, which has the least involvement in world commerce and is also the part of the world where interregional trade — in contrast to intra-European, intra-American and intra-Asiatic trade — is the least developed. Not only that: the situation of permanent political and military tension in Africa explains how between 1960 and 1994 the proportion of armaments spending over gross domestic product could increase from 0.7 per cent to 2.9 per cent. In other words, while at world level the relationship between volume of military spending and that of spending on education and health was reduced from 104 per cent to 37 per cent between 1960 and 1991, in Africa, over the same period, it increased from 27 per cent to 43 per cent. This means that in this continent the distribution of resources has been to the detriment of human development, and it is no wonder that among the 48 countries which the UN considers of low human development, a good 38 belong to the African continent.⁸

2. The 1996 UN Report has the merit of raising the problem of the inequalities produced by globalization of the economy not only between rich and poor countries, but also within the rich countries themselves. The weak point of the report is that no solutions are provided at the institutional level. However, consciousness of the need for a world response to the problems of inequality and development is beginning to make progress among political leaders and men of culture. Pierre Mauroy, President of the Socialist International, recently observed that “one has to respond to the globalization of the economy and finance by means of the globalization of politics and democracy.”⁹ Mauroy then goes on to set

out a series of objectives (reform of the international monetary system, enlargement of the G7, the fight against unemployment, etc.) which should form a worldwide initiative. John Kenneth Galbraith, for his part, moves on a step from the need for a generic political commitment at world level and, in commenting on the crisis of the Welfare State at national level and the inequalities produced by globalization, instead identifies the objective to pursue as radical institutional change, affirming that “the economic and social responsibilities of the nation-state are a transitional phase. The ultimate goal is a transnational authority provided with suitable powers, not excluding the raising and spending of revenue, that go with it.”¹⁰ In substance, Galbraith maintains that in the age of globalization the policy of the Welfare State must also tend to be global. Only in this perspective, which brings the process of globalization of the economy back under democratic control, is it thinkable that the inequalities in distribution of wealth, both internal and international, can be limited, and the political conditions created for private capital to continue to make its contribution, alongside state aid, to overcoming development gaps, without any discrimination between the various world areas.

Confirmation that the fundamental point emerging is greater democracy at world level can be drawn from the outcome of the recent World Conference on Food, called by the FAO last November. The conclusions of the Conference once more highlighted the fact that significant progress towards the solution of one of the most important global problems, that of hunger, cannot be made without reinforcing the powers of the UN. The attitude taken by the USA with regard to the content of the final declaration is emblematic. They opposed both the introduction of the right to food as an internationally recognized right, and the setting up of a tax on GDP aimed at funding food aid programmes. The USA therefore opposed the strengthening of instruments aimed at supporting poor countries and administered by existing international bodies: the concern implicit in this attitude is that of excessive delegation of powers to institutions where they have no right of veto. It would however be mistaken to assign all responsibility to the USA alone: Europe, indeed, has its own specific faults, in that it could set an example, in the first place by deciding to finance the European Development Fund (EDF), not with national contributions, but by drawing on the community budget. It is to be noted that the EDF is the only European fund financed by national contributions. Moreover, by profiting from the on-going discussion on the revision of the Treaty of Maastricht, Europe could speed up the timing of the shift to a single foreign and security policy, which would allow it

to carry out an effective policy of aid to the Third World, and in particular Africa, and to support the reinforcement of the powers of the UN. In the second place, it is objectively hard to imagine that the United States, or any other area of the world which was called to intervene significantly in support of the poorest countries, should agree to delegate the responsibility of managing the problem of development to bureaucratic institutions, when instead this problem requires the democratic transformation of the United Nations institutions.

Domenico Moro

NOTES

¹ UNDP, *Human Development Report 1996*, Oxford University Press, Oxford, 1996, p.4.

² UNDP, *op.cit.*, pp.17-18.

³ According to the Report, economic conditions have worsened for 20 per cent of the population. It should however be noted that this 20 per cent is largely concentrated in few areas of the world, prevalently in Africa, followed by some countries of Latin America and Asia.

⁴ UNDP, *op.cit.*, p. 59.

⁵ UNDP, *op.cit.*, p.17.

⁶ On the limits on the nation states' powers of taxation, cf. AA.VV., *Nazioni senza ricchezza, ricchezza senza nazione*, Bologna, Il Mulino, 1993.

⁷ UNDP, *op.cit.*, p.8.

⁸ The African prevalence in terms of number of states disappears if one takes population into consideration, since the countries of low human development include India. For the latter country separate considerations must however be made. First of all, India is a continent which constitutes a unified single market, while the African continent is divided into dozens of sovereign and independent states, and in the second place the Indian economy is growing at a very high rate — over 5 per cent annually in the period 1985-93 — and it is forecast that at the beginning of the year 2000 it will become one of the principal economic powers in South East Asia.

⁹ Pierre Mauroy, "Pour une mondialisation de la politique", in *Le Monde*, November 6, 1996.

¹⁰ John Kenneth Galbraith, *The Good Society*, London, Sinclair Stevenson, 1996, p.119.

THE SOLID CORE AND REINFORCED CO-OPERATION

Since the beginning of the 1980's, it has been perfectly clear that the European Community would not have been able to advance toward federal outcomes within a reasonable space of time until, ignoring all other possible obstacles, the decision was not made independent of the unanimous assent of all the member states, and in particular that of Great Britain and Denmark. The governments of these two states openly declared their refusal to abandon the intergovernmental method. They were aware that on this decision depended the maintenance of national sovereignty, which they had no intention whatsoever of renouncing. In the public opinions of the two countries, moreover, the pro-European attitude was much less widespread than in the rest of Europe, and the degree of interdependence between their economies and that of the other countries of the Community, while being very high, was sufficiently less than the degree of interdependence of the economies of the other member states among themselves, to render more credible, even if false, the declarations of those who argued that Great Britain and Denmark would have been able to remain outside the Community without suffering damage. The French government, it must be observed, did not find itself in this situation, though it nevertheless asserted vigorously its own attachment to national sovereignty, in as much as the long and profound involvement of France in the European unification process, in addition to having caused French public opinion to reach a much more advanced degree of awareness, forced its president and its government, above and beyond the official declarations, to be among the principal forces behind the process and hence to operate, when faced with practical choices, in such a way as to create the conditions for the overcoming of national sovereignty.

It was precisely at the height of the Thatcher era that the federalists launched the proposal, which at the beginning appeared to be a provocation, to create a federal-type union within the Community. It would have allowed a core of more advanced states to take the step of abandoning sovereignty without compromising the rights acquired by those states which were opposed to the project. These states would have been able to continue to remain united among themselves and with the federal union on the basis of the Treaties of Rome and the Single Act. It goes without saying that the implementation of this proposal would have brought about a radical transformation of the nature of the institutions (even though,

among the possible scenarios, there existed also that in which the Union's institutions and those of the Community could have remained formally the same, although acting with different compositions and procedures according to whether they were called on to operate as institutions of the Union or as institutions of the Community). At the time, the federalists certainly did not disguise the difficulty of the proposal, which required a unanimous vote in order to be adopted, yet they felt sure that it would have been able to contribute to the establishment, in the more advanced governments and in the political forces of the respective countries, of a more acute awareness of what was at stake, reinforce the negotiating position of these countries with respect to the opposing ones and perhaps even prepare the conditions for an immediate and real *breaking of the mould*.

The timeliness of the proposal became more evident with the improved prospects of enlargement in the wake of the fall of the Berlin Wall. Moreover, it burst forcefully into political debate when, in September 1992, it became the subject of the now famous Schäuble-Lamers document, which launched the formula of the *solid core*. From that moment on the requirement that the momentum of the European unification process could not continue to be determined by the speed of the slowest member of the group became a recurring theme of the European political debate, and one of the points under discussion in the framework of the intergovernmental conference for the revision of the Maastricht Treaty.

It is precisely in this forum that difficulties are arising. The intergovernmental conference will not bring about decisive innovations. The creation of the core is not a matter under discussion. The opposing countries have no intention of allowing themselves to be placed at the margins of a Europe whose structure comprises of a centre and a periphery, however open to the entrance of the other member countries the centre may be. Since they do not wish to enter a federal-type core, neither now nor in the future, they see in its creation an event that will deprive them of the greater part of their current power to shape the evolution and the fundamental decisions of the entire Union through the exercise of their veto. The only alternative which currently seems to exist to an impossible unanimous decision, would therefore be precisely that of a breaking of the mould, that is, of the creation of a federal core through the stipulation of a new treaty among only those states which were interested in it. Yet this solution would require a strong political will; and we should recognise that today this political will *does not exist*.

On the other hand, the need remains; and this contradiction has

stimulated the imagination of the diplomats, who have devised the formula of *flexibility*, or of *reinforced co-operation*. This concerns, in brief, providing for the possibility that in a certain number of areas, and at the request of the states involved, the Council, through a unanimous or majority vote, and subject to the favourable opinion of the Commission, allow the states which present a request to establish among themselves a closer form of co-operation than that provided for by the Treaties, so long as they submit to certain specific conditions, among which is that of the uniqueness of the institutional framework of the Union (even if it is expected that, in the framework of the European Parliament and of the Council only the members belonging to the states involved will take part in the vote, without however restricting the right of all states to participate at the discussion stage).

In substance, the proposals which we are dealing with when there is talk about flexibility or reinforced co-operation have absolutely nothing to do with the ideal of the *core*, but are variants of the old idea of a Europe of variable geometry, or of a Europe *à la carte*, according to which different relationships of co-operation can be established among different groups of states in the various sectors of the Union's competence. The characteristics which distinguish the two approaches are the following: a) in the core scenario, there would be created among certain states a permanent, federal-type tie, with the corresponding cession of sovereignty and creation of an institutional system which, regardless of formal devices which tend to maintain the link to the preceding one, would act in full autonomy, even if, evidently, in respect of the already-existing Treaties. The federal core would be open to the membership of whichever states were prepared to accept its rules, yet would be extended to all the competences of the Union. The result would therefore be the creation of a real democratic European government, able to take decisions independently and rapidly in all the areas which are normally included within the competences of a government. In the case of flexibility or reinforced co-operation on the other hand, we find ourselves in the presence of groups of states that could have a different composition in different sectors, which would be established anyway at the end of a long and laborious procedure, and which would take decisions exclusively in the specific sector of their competence. It is true that one can imagine that, over the long term, these groups would tend to link up primarily the states that are more deeply involved in the process, which would create the conditions for the birth of a true federal core at a later stage: yet the effective creation of the latter would nevertheless be delayed until the end of an indefinitely

long process, which means that dealing with the problem of sovereignty would once again be avoided; b) while the solid core would create in the sphere of the Union a democratic political entity possessing a real legitimacy, flexibility or reinforced co-operation should have to be authorised on a case by case basis by the Council, through unanimous or majority decisions, and hence it would not in any sense bring about the abandonment of the intergovernmental method; c) while the solid core would have the power to change its own rules, albeit in respect of the already-existing Treaties, by following a normal procedure of constitutional reform, reinforced co-operation could not be extended to the reform of the Treaties, which would continue to be subject to the procedure of Article 236 of the EEC Treaty, and hence require the unanimous support of the national governments and the ratification of the respective parliaments.

Flexibility or reinforced co-operation would nevertheless represent progress along the path of the European unification process. Not for nothing is it strongly opposed by certain governments, and above all by the British, within the intergovernmental conference. Yet it would be, in the best scenario, a small step, and the era of small steps has gone for ever. In order to govern the European economy after the introduction of the single currency and in order to enable the Union to bear the impact of enlargement, it is no longer enough to achieve partial advances, which have the function of bringing to light with greater emphasis the contradictions of the process, since by now the decisive deadlines are at hand, and the only suitable answer to the problems which they pose is that of a real transfer of sovereignty from the nations to Europe, that is, the *federal leap*. This leap will not come out of the European Council in Amsterdam. Yet it remains the real problem to solve. It is necessary that this fact be appreciated by the more aware governments of the Union, that they understand that the intergovernmental method has definitively run its course and that they involve citizens in the process. Only in this way will it be possible to set off a great political debate which will bring out the true nature of the problem and force the governments and the political forces to line up in favour or in opposition to the abandonment of national sovereignty. If this debate is not launched soon, the very creation of economic and monetary union will be called into question and the entire process will risk being brought to a halt. The incapacity of the governments to free themselves of the myth of national sovereignty will condemn Europe to disorder, to underdevelopment and to its exit from the historical stage.

Francesco Rossolillo

PEACE AND DISARMAMENT

To find one's bearings in analysing the current world order it maybe useful to start with the following three questions. To what extent has bipolarism been overcome? What kind of detente is going on? And what policy are the USA and Russia pursuing?

From the 1950s the federalists have highlighted the limits and risks of the bipolar evolution of the world order, and have pointed towards both the intermediate objective of multipolarism, to be pursued through the creation of the European federation, and the final objective of world government. In subsequent decades this point of view made it possible to distinguish between the innovative and the traditional aspects of detente and disarmament.¹ Today, at a distance of over ten years from the start of the final phase of detente between the USA and the USSR, the birth of a new multipolar order has not yet appeared on the horizon, far less that of an embryonic partial world government, and it is once more becoming important to reflect on that distinction.

The last Helsinki Summit, as we know, ended with the Russian-American commitment to reducing their respective strategic nuclear arsenals by around 80% by the year 2007. This decision, which in the Eighties would have been greeted as a turning point in relations between the two superpowers, now, despite the efforts of both Clinton and Yeltsin to present it as such still, has passed almost unobserved. The reason is soon explained by considering some of the joint declarations signed in Helsinki, and three of these in particular (a fourth declaration concerns the Russian-American commitment for the ratification of the convention on chemical weapons and a fifth concerns economic cooperation). Let us briefly recall their contents.

Declaration on European security. With this declaration the importance of the OSCE is recognised "as the only framework for European security cooperation providing for full and equal participation of all states," but without specifying any objective of institutional reinforcement and still respecting the sovereignty of the states and their right to choose the means to ensure their security. For the USA the key element to guarantee European security remains the expansion of NATO, while Russia confirms its opposition to this.

Declaration on the reduction of nuclear weapons. This is the most significant joint document, but also the most contradictory. Clinton and Yeltsin agreed to let slide for a year the terms of reduction fixed by the START II agreement. This, maintain Clinton and Yeltsin, could speed up the ratification of the treaty by the Russian Duma. By contrast, by their own admission, the modification of the time-table of the Treaty will require another difficult ratification by the US Congress. This element is not secondary if one considers that the agreement signed at Helsinki provides that only after the US Congress and the Russian Duma have ratified START II, can negotiations begin for a new agreement, START III, to reduce the number of strategic nuclear warheads to 2000-2500 a side by 31 December 2007. Finally, this declaration notes with satisfaction the extension of the Nuclear Non-Proliferation Treaty and the start of the ratification of the ban on nuclear testing, but does not define any strategy for the complete elimination of the nuclear threat.

Declaration on strategic and theatre nuclear defence. With this document the USA and Russia, in confirming the common will to respect agreements on anti-missile defence, remove the mutual vetoes to the installation of so-called theatre nuclear missiles, as long as they are not used against the other superpower. "Theater missiles defense systems may be deployed by each side." On this point, during the press conference at the end of the summit, President Clinton specified that these missiles should serve to protect friends of the USA, including those in Russia, which would know what use the Americans would make of them if they should have to protect their troops in the future.

As we see, Clinton and Yeltsin have proposed short and medium term objectives which are still moving in the same direction as the proposed arms reductions of the Eighties, but have baulked at making any long-term declarations.² They have in fact limited themselves to re-affirming a method, that of progressive disarmament, which leaves Russia and the USA around five thousand strategic nuclear warheads, without proposing a political plan.

It is worth noting that, although setting out from opposing points of view, in the Eighties Reagan and Gorbachev had presented their respective short and medium term partial disarmament plans to world public opinion as steps towards total disarmament. The common objective was that of abolishing the nuclear threat by the end of the century. Reagan's programme provided for the abolition of nuclear arms in fact by strengthening the Strategic Defence Initiative (Star Wars), while Gorbachev's programme, divided into three phases of disarmament, proposed a

universal agreement on the ban on nuclear weapons construction by the end of 1999. These proposals had the merit of relaunching the objective of reforming international institutions for the first time since the end of the second world war, and of adopting the perspective of a world order free from the nuclear nightmare. The fact that they have progressively lost their momentum confirms the federalist analysis formed in the Eighties, which underlined how Gorbachev's plan could only be realised in the context of the gradual overcoming of the bipolar government of the world and Europe's entry onto the international scene.

How then is one to interpret the current attitude of the USA and Russia, which focuses on short and medium term objectives of nuclear arms reduction, but ignores the long term? First of all it must be stressed that, by failing to tackle the real crux of the problem of world security, namely the abolition of the risk of war, the USA and Russia are again proposing, primarily to the Europeans, the policies of the old bipolar world order.

This failure is not only the result of a Russian-American decision. We are in fact facing a more general difficulty of politics to imagine the future and precise political responsibilities of the Europeans who, for the second time in the last fifty years, hesitate to seize the opportunity to contribute to the birth of a new world order. The result is easily observable. On the one hand the end of the cold war, with the consequent easing of tension between the superpowers, has made the threat from nuclear arms less imminent and apocalyptic, both in the eyes of the military and political apparatuses, and in those of national public opinion. On the other hand, the slowness with which the new regional units in international politics, and in the first place the European Union, are asserting themselves, has led many — and not only Clinton and Yeltsin, but also those involved in the processes of regional unification themselves — to think that the future of world security still depends in large measure on a substitute for the bipolar order: the US leadership alongside a policy of benign neglect by the Russian power.

In the light of these considerations the results of the summit of Helsinki can therefore be considered as a symptom of the changed perception of the nuclear risk and of war, and as a confirmation of the Russian-American mistrust of the birth of a new multipolar order. But let us analyse these two aspects separately.

As regards the changed perception of the risks facing mankind, we note that there is now a widespread notion that the end of the nuclear arms race also represents the end of the nuclear threat. For example, a recent study on the future of the US nuclear arsenal conducted by major American experts has concluded that peace now depends on the capacity of the nuclear powers to adequately maintain their nuclear arsenals without resort to new experiments. This is only apparently a technical judgement, because in reality it is based on a point of view generally favourable to disarmament, but which prescind from any political strategy to reach that objective.³ This study is based on the hypothesis that the real arms race only developed with particular force over twenty-odd years, during the Forties and Fifties. After this it slowly died out over three stages: in the Sixties the scientific premises for the arms race were removed by the development of the hydrogen bomb; in the Seventies the military motivation disappeared after the testing of particularly insidious and invulnerable launch systems like those based on submarines; and in the Eighties the political reasons failed when awareness of the ecological and economic risks of the nuclear threat became widespread. The surprising fact is however that, as one of the authors of this report admits, despite the fact that *the end of the arms race* can no longer be considered to represent *the end of war*, the delusion persists that peace can be maintained by counting on the good will of the nuclear powers. Here however one must ask oneself if it is legitimate to undervalue the contradictory aspects which still characterise the current phase of détente. On the scientific and military level, the end of the run for techniques of defence and offence has by no means been reached. This is shown by the fact that the ban on nuclear tests is irrelevant to the great nuclear powers at least, since they can now replace explosions by simulated laboratory tests.⁴ On the political level, while it is true that the terrible destructive force of nuclear weapons has imposed a certain convergence between the *raisons d'Etat* of the nuclear powers, it is equally true that none of these — the only exception being South Africa, which for the moment need face no regional or global threat — has renounced the possession of those arms and therefore of the politics of deterrence.

We are therefore faced with a difficult transition from an old to a new order, in which the process of disarmament is evidently a necessary condition to begin and consolidate that climate of trust and collaboration among the states which is indispensable to create the institutions of peace. But we are still far from having reached the point of no return on the road to building peace.

On the other hand, as regards the growing mistrust towards the birth of a new multipolar order, it has to be said that the absence of the European Federation is now playing an increasingly negative role. For some time now, the Europe of the nation-states has not only no longer been in a position to play an active role to guarantee international security, but now risks becoming a potential cause of instability and disorder. A growing mistrust is becoming apparent with regard to the capacities of the Europeans to guarantee stability, security and democracy for long on the European continent itself. This mistrust also emerged in the course of the press conference held by Clinton and Yeltsin at the end of their summit. Clinton remarked that one must recognise that there would be new threats to security in Europe: they had seen it in Bosnia and in other traumatic events of an ethnic, religious or racial nature at European borders, and it was even apparent in the continual disputes between member states of the European Community. And Yeltsin answered a journalist who asked him what he thought of Finland possibly joining NATO: "Russia respects the state of Finland as a neutral state which does not align itself with any bloc." An even more brutal judgement was expressed by Secretary of State Albright before a Commission of the American Senate when, to explain the reasons for NATO's expansion, she said: "To protect against Europe's next war" (23 April 1997).

The inevitable consequence of this situation is that in the short and medium term the USA and Russia cannot yet give up including Europe in the sphere of their own security, and hence inevitably in the calculations of their respective military policies. It is therefore understandable that in such a context the USA seek to pursue stability and security through the reaffirmation of their role of global leadership, while Russia, because of its weakened condition, aspires to manage its own European and Asian policy through a policy of partnership with the USA. It is further evident that these policies, by not adopting the perspective of a significant supranational reinforcement of international institutions, cultivate the illusion of extending in time the Russian-American advantage in the military field with respect to the other states. The insidious aspect of this situation lies precisely in the fact that, since all that is for the moment compatible with the policy of reduction of the enormous arsenals accumulated in the past, it is possible to present disarmament as an end in itself, and not as a necessary stage on the road to peace. Now, if the connection between disarmament policy and policies for the construction of peace is not re-established, the risk of the restoration of bipolar government in Europe, even if attenuated, becomes inevitable.

For the Europeans such a restoration would mean the acceptance of a new period of subordination to Russian-American choices in the international field, and of a dangerous delay in the transition towards a new world order. The situation would change radically on the other hand if the Europeans decided to found a European federal state. In this case, new prospects would open for an innovative yet stable detente, whose objective could no longer be that of prolonging the military supremacy of one power or another at global level, but rather that of starting a policy of world partnership between Europe, USA, Russia and Japan (enlarged also to China and India), to create the premises for world government. But in order for this to happen it is urgent that the Europeans take cognizance of the fact that the destiny of detente and of peace depends increasingly on their will to transform the Union into a true federal state, and not on Russian-American summits.

Franco Spoltore

NOTES

¹ See the editorial, "Traditional detente and innovative detente" in *The Federalist*, XXX (1988).

² See the editorial "First reflections on the Gorbachev Plan", in *The Federalist*, XXVII (1985).

³ See the article by Freeman Dyson, "The Race is Over", which appeared in *The New York Review of Books*, Vol. XLIV, N.4, March 6, 1997. Dyson writes: "Stabilization is the essential prerequisite for allowing the weapons to disappear gracefully. Once a stable regime of stockpile maintenance has been established, the weapons will attract less attention both nationally and internationally. They will acquire the qualities that a stable nuclear deterrent force should have: awesomeness, remoteness, silence. Gradually, as the decades of twenty-first century roll by, these weapons will become less and less relevant to the problems of international order in a hungry and turbulent world. The time may come when nuclear weapons are perceived as useless relics of a vanished era, like the horses of an aristocratic cavalry regiment, maintained only for ceremonial purposes. When nuclear weapons are generally regarded as absurd and irrelevant, the time may have come when it will be possible to get rid of them altogether... The time when we can say goodbye to nuclear weapons is still far distant, too far to be clearly envisaged, perhaps a hundred years away. Until that time comes, we must live with our weapons as responsibly and as quietly as we can... The abolition of war is an ultimate goal, more remote than the abolition of nuclear weapons."

⁴ A week after signing the Treaty banning nuclear testing, President Clinton authorised an increase in federal expenditure (from 18 to 191 million dollars) for laboratory tests on

the efficiency and trustworthiness of existing nuclear weapons and to run new tests on the use of lasers in nuclear experiments (*Scientific American*, December 1996). Russia, for its part, to exploit the opportunities offered by the ban on nuclear testing, is trying to acquire more powerful systems of elaboration on the international market to maintain an efficiency and trustworthiness of its own nuclear arsenal comparable to that of the USA (US Congress National Security Committee, 15 April 1997).

Thirty Years Ago

THE FAST TRACK TO EUROPE *

The construction of Europe is languishing because the parties and governments have followed a meandering path instead of a more direct way. After the end of the Second World War, the federalists, who had understood that the central issue of political life would be European unity, maintained that the first step was to build a European federal power through a constituent assembly. The parties and governments, on the other hand, which came to understand late and incompletely the decisive importance of the European problem, first sought the way to Europe by piecemeal methods (the specialised communities), then by the method of an economic Europe without democratic control. And Europe, lacking the democratic strength which derives from the people's vote, is currently paralysed. Being unable to make its democratic will felt in the political world, not only is it unable to complete the economic union of the Six, and addresses awkwardly the problem of Great Britain and the other countries in the Free Trade Area, but it continues to suffer the east-west division imposed on it by the United States and the Soviet Union, stands impotently by as nationalism returns, has not yet defeated fascism in Spain and Portugal, and has seen it take hold even in Greece with American connivance, without being able to react effectively.

In this situation, some far-sighted people, in the context of the Europe of the Six, now recognise that the federalists were right when they declared that the Common Market alone would not lead to Europe, and are finally admitting that the construction of Europe demands the will to take a qualitative leap, which can be prepared, but not replaced, by an incremental policy. To become an operative criterion, the requirement to take a qualitative leap must however be more specific. What is this qualitative leap? Again the federalists say: the democratic creation of a federal power, in other words, the convocation of a constituent assembly.

* This article was published in French in the *Le Fédéraliste*, VIII (1966)

This is not simply a statement of theory. In the first place, the battle for Europe can not be won, and Europe can not be given a progressive function, without mobilising the democratic will of the Europeans: and this mobilisation can come about only through a constituent assembly. Secondly, the current action can not be satisfactorily oriented without bearing in mind this objective. It is because they bear it in mind that the federalists propose to isolate De Gaulle through the unilateral direct elections of delegates to the European Parliament in countries outside France, in order to create an irresistible movement towards the European election of this Parliament and, once the parties at the European level have taken sides on this issue and popular consent has been obtained at this level, to move on to the constituent phase, which would become the logical outcome of the situation.

Is this a utopia? In any case, it is the touchstone of the democratic will of the parties. Is it legitimate to prevent the federal European people, which is being formed with a pluralistic European society, from controlling the Common Market through a democratic government? On the other hand, a glance at the past, and at the opportunity lost (the history of this century in Europe is a history of lost opportunities) is revealing. It is a fact that a federal power could have advanced the economic unification of Europe much better, without the haggling between the national governments which has given a conservative character to the common agricultural policy; and without legal, administrative and political obstacles deriving from national sovereignties which, while they subordinate the unions, confined within the nations, to the employers, prevent at the same time companies from grouping together effectively at the European level, thus permitting the assault of American capital on the leading companies of the Common Market.

It is also a fact that a federal power would have allowed the democratic potential of Great Britain to be fully exploited as soon as that country applied to enter the European Federation, as it would have chosen to do, finding itself faced with an initial federal nucleus, instead of only the Common Market. And it is a fact that with this power, we would not have seen the return of De Gaulle, and nationalism, in France and elsewhere. Yet that is not all. We need to consider the role that this federal power would have assumed in Europe and the world. As regards Europe, it is enough to ask how the thaw in Eastern Europe would have evolved in the presence of a European Federation ready to welcome all brother peoples; to consider that the impulse towards an economic Europe by Spain and Portugal, if confronted with a federal power, would have already brought

down these old fascist dictatorships; and to remember that Greece, associated to the Common Market, would instead have been a member of the European Federation, which means that there would no longer have been a Greek army, the source of fascist reaction.

As regards the world, one need only recall that in the economic sector, where the Europe of the Six has already achieved a certain unity, however imperfect, it has succeeded with the Kennedy Round, and above all with the monetary discussions, in reaching a certain degree of contractual power with regard to the United States, sufficient to oblige the American government, in the monetary and customs sectors, to accept the equal partnership hoped for by Kennedy. There is more gold in the Europe of the Six than in North America and there are a great many dollars. A politically constituted Europe, threatening the American government with the demand for their dollars to be converted into gold (as the Americans threatened the English with selling the pounds in their possession to stop the Anglo-French military expedition against Egypt) could induce the Americans to suspend their bombardments of Vietnam, and to prepare the way to peace in a truly effective manner. This example is sufficient to understand what role Europe could play to foster an end to the super-power blocs, and in favour of detente and the evolution of the Third World. But it is not enough to understand fully the historical significance of the advent of a federal Europe.

The problem of peace can not be resolved, in the final instance, without a world federal government. The problem of democratic economic development can not be resolved, in the final instance, without the march towards peace, without planning at the continental level and without the autonomy of the regions, which gives the project a human scale and a basis in the community. This shows that the world can evolve only through the adoption of a federalist vision. With a federal constituent assembly, combining the glorious inheritance of the liberal, democratic and proletarian revolutions, Europe would by now have already given the world the federalist consciousness it needs.

After the Second World War, were it not for the internal obstacle constituted by the weight of ideological inertia and errors of judgement regarding the current phase of world history, nothing would have prevented the parties from convoking a European constituent assembly. An English socialist, Barbara Wootton, even declared during the war that it was unthinkable that the socialist parties would decide to re-establish once again the history of Europe on the basis of the ill-fated national divisions of the past, instead of on the basis of European federal unity. All

this, unfortunately, did indeed come to pass, with the consequences which we have shown, and which we had foreseen. Yet we are still in time to remedy it. And the touchstone remains the European constituent assembly and the will to prepare it through the unilateral direct election of the delegates to the European Parliament.

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