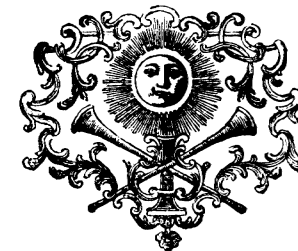


# THE FEDERALIST

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



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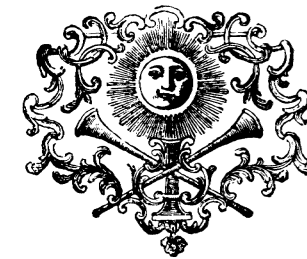
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# THE FEDERALIST

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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## Moving Towards a World System of States

The nuclear tests carried out by India and Pakistan in May this year can be seen as a sign, among others, that the international political scene is going through a period of major evolution. The significance of this sign is not the fact that two new states have acquired the level of technology needed to build an atomic bomb. India and Pakistan, along with a number of other countries, have had this technology at their disposal for a long time now. Indeed, the technology and the financial means needed to build an atomic bomb (and the missiles to carry it) are now within the reach of any medium-size power. The new element that has emerged is not of a technological, but rather of a political nature: while, in the past, the proliferation of nuclear arms was kept in check first by the joint dominion of the United States and the Soviet Union, and subsequently by the dominion of the United States alone, today, the collapse of the Soviet empire and the inability of the United States to hold a front which has become too vast for its forces to sustain have allowed India and Pakistan to come out into the open, kick-starting a process within which the Indian and Pakistani nuclear tests are certainly not destined to be the final incidents.

The breaking of the nuclear monopoly held by the five permanent members of the Security Council does not, in itself, constitute a threat to the survival of the human race. If there is a danger, it lies in the state of disintegration in which states such as Byelorussia and the Ukraine now find themselves. Having inherited a large section of the Soviet nuclear arsenal, these new states have neither the power, nor the capacity to manage it, and the fear is that some of the nuclear arms they now possess may fall into the hands of groups of madmen, terrorists or religious fanatics. On the other hand, when an atomic bomb is controlled by the government of a state that can rightly call itself such, it becomes a sort of status symbol in the power game, not destined to be used unless, in an extreme instance, the very existence of the state to which it belongs should find itself faced by the very real threat of an aggression.

This does not mean, of course, that the recent events in India and in Pakistan do not warrant serious reflection. On the contrary, in order to understand how they fit in with the current process of globalisation and, looking ahead, with the process leading to the unification of mankind, these occurrences indeed merit careful analysis.

The presupposition on which such an analysis must be based is that there exist two possible interpretations of the historical significance of the Cold War. The first of these is that the confrontation between the United States and the Soviet Union represented the culmination of the historical phase of the world system of states which, beginning at the end of the Second World War, succeeded the European system of states as the international framework of reference whose vicissitudes condition the destinies of all the peoples of the world. From this perspective, the collapse of the Soviet Union marked the end of the world system of states, leaving the United States as the only world power, a situation which, in turn, can be seen as a sort of prelude to the political unification of mankind which is destined to become a reality as soon as the *benevolent hegemony* of the United States over the rest of the world is seen for what it really is: nothing other than an initial, imperfect political expression of a process which will culminate in the substitution of American imperial hegemony with the democratic power of a UN equipped with institutional structures appropriate for the role of world government which the organisation is destined to fulfil. From this standpoint, the events in southern Asia must be seen as a temporary halt in the process, a disappointing setback that will delay the march towards world unification.

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And yet there is a second, more credible, interpretation of the Cold War, according to which it is seen not as the culmination, but as the *start* of the historical phase of the world system of states. Indeed, according to this second interpretation, before it can achieve its political consummation (in the foundation of a world federation), the process of the unification of mankind still has to go through a completion, maturation and crisis of the new equilibrium.

From this perspective, a partial analogy can be drawn with the conflict which emerged in the first half of the sixteenth century between the empire of Charles V and France under Francis I. This was a crucial moment in the birth of the European system of states, marking the beginning of a historical phase which was destined to last until the end of

the Second World War. The driving force behind the process was the growing level of interdependence, then reflected in the progressive expansion of markets and in the differentiation of society as a result of the spread of trade and of a monetary economy. And, at a time when men lived mainly off the land, this occurred at the expense of the traditional lifestyle. As the process turned into a conflict between two sole powers, it marked, in the sphere of power relations in Europe, the end of the previous order, i.e. the joint dominion (albeit hostile) of the emperor and the pope over the entire continent. The other embryonic centres of power which existed in Europe at that time played a secondary role in the conflict which broke out between the two dominant powers, a conflict which was bound to take its toll upon the strength of the one — the empire — whose territory was more vast and more widely scattered and whose internal organisation was still based on the models of the past. At the same time, the conflict helped to strengthen those political subjects (situated either within the empire, or on the edge of the stage on which the conflict was played out) who had been passive during the previous phase, allowing them to take on an active role in European politics. This lent considerable impetus to the evolution of the modern state and created the conditions whereby, in the European framework, inter-state relations were able to settle into a multipolar equilibrium which, despite being upset by recurring conflicts, nevertheless had the capacity, after each split, to put itself back together again — an equilibrium which was to remain more or less intact for almost four centuries.

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European unification is a problem posed, historically, by the crisis of the European system of states, in other words, by its inability, in the face of the growing interdependence of human relations (whose increasingly global dimensions have, in the course of the twentieth century, been clear to see), to maintain a reasonable degree of stability in international relations, to promote values of civil co-habitation, or even, in the '20s and '30s, to prevent the brutal negation of the same by fascist regimes. And yet, such a crisis could never have occurred had this system not already fully run its course, and had the nature of international relations and the structure of internal power and consensus not been radically altered by the evolution of the modern state. The modern state emerged as the result of a long power struggle fought among entities first of local, and subsequently of regional and national dimensions, and the ones to survive

this struggle were those whose sovereigns best understood how to use military might and dynastic politics as instruments to increase the size of the territory they controlled. Thus, modern Europe was born, a Europe in which the state, (even paying the price of bloody conflicts in order to retain exclusive control of its forces), by guaranteeing social peace and observance of the law, created the conditions which made it possible to achieve a very long period of social progress, transforming subjects into citizens who are aware of their right to take part in the management of power and to express, through the institutions of the state, their need for self-government and freedom.

It is to the birth of the modern state, and to the dissolution of the empire, that the birth of national peoples, organised into Kantian *republics*, is to be attributed. And it is also thanks to the birth of the modern state that these peoples came into contact (and conflict) with one another, and have thus been able to gain an awareness, albeit still just a dawning awareness, of their common destiny. This is how the preconditions for the federal unification of Europe, a political design formulated and pursued during the final stage of the crisis of the European system of states, were established. These preconditions are, first, the existence of a group of states in which each member acknowledges the equal standing of the other members, founded as it is on shared liberal-democratic values, and can thus regard them as legitimate parties to a federal agreement and, second, the emergence of signs that a European people is starting to form — a European people that will ultimately become the holder, in the last instance, of the European constituent power.

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The analogy drawn between the Europe of Charles V and Francis I and the world of the Cold War period is inevitably an imperfect one, as all analogies drawn with the events of long-gone historical periods are bound to be. In particular, while the opposing positions of the empire of Charles V and the monarchy of Francis I represent the conflict arising between an old order about to disappear and a new one about to emerge, the United States and the Russian Federation (founded in the wake of the collapse of the Soviet Union) are both destined to remain as main actors in the world system of states. And yet the comparison between these two periods is fascinating: like the sixteenth century conflict mentioned above, the Cold War, too, marked the start of a new phase in the history of international relations (the phase of the world system of states); the

Cold War, too, was characterised by the assumption by two powers only of the responsibility for governing a world still attached to the models of state which had prevailed in the previous historical phase; the Cold War, too, had the effect of wearing away the power of the two hegemonic states, thus favouring the emergence of other centres of power within the world's global system of states, not however through military victories and dynastic politics, but by allowing states to aggregate into regional groupings and by helping the major states (or states in the making) already in existence to escape from the colonial or semi-colonial condition in which they found themselves, and to enter the world's trade, finance and power circuits. (In this last case, the analogy can be considered only a partial one since, in the conflict between Charles V and Francis I, it was only the empire whose power was eroded).

In any case, what we are witnessing now is a process of *global diffusion of power* and, therefore, of responsibility too. After its bipolar beginnings, the world equilibrium is laboriously moving into a multipolar phase. On the stage of world history, new peoples are coming into the limelight, building an identity and an independence without which the interdependence of which there is so much talk, would be nothing other than a screen masking American hegemony, and which, therefore constitute the prerequisite for the formation of a single world people. And among the peoples caught up in this process, we can certainly count the Indian people. In this country, nationalism, fuelled by the knowledge that India is destined to become a world power, has, in a society which is striving to break free from the degrading caste system, from the wretchedness of extreme social inequality and from the sore of ethnic, regional and religious conflicts, come to represent an important weapon of liberation. Another people caught up in this process is the people of China, a country which, as underlined by the financial crisis which is disrupting the region's economy, has emerged as a key player on the political chessboard of the Far East.

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The movement towards greater levels of interdependence that has, through centuries characterised by wars and oppression, carried Europe from the fragmentation of power and the economy of the feudal era to the welfare state that we know today, is producing its effects on a global level through the coming about of a multipolar system of states founded on groupings of continental dimensions. While the ultimate objective of this

process is the establishment of peace through the foundation of a world federation, it is one which is advancing, today as in the past, through a series of crises and contradictions. There exist no automatic links between economic integration and political integration; such links must be created by developing new forms of legitimising power and of obtaining consensus; and this, in turn, is a process which is inevitably difficult to set in motion and which must go through dramatic phases of regression or disintegration. However, while the birth of new, bigger political areas constitutes an essential step forward on the road towards the unification of mankind, the emergence of these areas does not suppress violence (either actual or threatened violence) but tends, rather, in the relations between the subjects of the new equilibrium, to reproduce it on what is, territorially, a larger scale.

Faith in the capacity of mankind to proceed towards its own unity can be seen as the fundamental basis for any political action which is motivated by the pursuit of values. And yet, history has taught us that the battle between reason and violence is often fought within the domain of the latter, and that reason emerges intact from conflict between irrational forces. And this is why those whose ambition it is to modify, to whatever degree, the course of the events of their time, never find themselves faced with alternatives which can be separated unequivocally and neatly: one deemed the way of reason and the other the way of violence. In accordance with this, the proliferation of nuclear arms emerges as the violent side of a process which, taken as a whole, must be seen as a major step forward in the evolution of the world system of states which, in turn, is a precondition for the birth of a world people. It provides us with an example of the tortuous paths which are followed by the historical process and which cannot be ignored by taking short-cuts which, in the final analysis, are roads to nowhere.

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States, just like men in the Hobbesian state of nature, do not come together and form political communities out of an instinct of sociability; they do it when (and because) division is starting to represent a serious threat to their very existence. In accordance with this, mankind will unite in a world federation when the global system of states proves no longer able to guarantee the world a governance which is reasonably stable and compatible with the advance of civilisation and when its crisis represents a real threat to the very survival of mankind. And the evolution of the

global system of states, in the course of which the states will have to develop, often through traumatic phases of transformation, a common political civilisation founded on liberal-democratic principles, can be seen as the march bringing us ever closer to this goal.

While it is clearly impossible to predict how long the evolution of the global system of states will take, it is possible to try and identify the conditions that will be instrumental in determining how long (or short) and how contentious the process will be, and how stable and peaceful the equilibrium that will characterise its ascendent phase — conditions which, in particular, will favour the progressive affirmation of the culture of the unity of mankind as a factor, concerning to be sure only a minority, which will condition in an embryonic manner the power politics of governments and be the ultimate precondition for the definitive transcending of the sovereignty of the state.

These conditions can be fulfilled by the foundation, in the short term, of a free, open and democratic European federation equipped with the strength necessary to promote and defend the values on which it is based. While Europe will certainly have a *raison d'état* and an army of its own, its multinational character and its relatively modest armament mean that it will be obliged, in its foreign policy, to rely more on the channels of trade and collaboration than on military might. Europe will thus focus on collective security, on enhancing the mediatory role of the UN, and on increasing the efficiency of the organisation's peace-keeping missions. It will encourage the evolution, in a federal direction, of the aggregations of states which already exist, thus helping to fill the voids of power that represent the cause of the current instability in international relations and promoting the establishment of a stronger equilibrium that is better able to fulfil the need for correctly run and efficient international institutions. Finally, when the global system of states starts to show signs of being unable to guarantee an acceptable level of stability and progress in the civil and economic spheres, Europe will stand before mankind as an example of how independent peoples, renouncing their sovereignty, can freely unite to form a single, great and pluralist people. And at the culmination of the process, this will refer to the whole of mankind.

*The Federalist*

## The New Challenges for Europe After the Monetary Union

KARL LAMERS

The path leading to the euro has been an unbelievable success for Europe and its peoples. The euro itself is the key to the future.

The three issues I wish to address this evening are: Europe's inner structure, Europe's relationship to the rest of the world and its constitutional resolve.

The key feature of the convergence process that led to the euro is the strengthening of national policy, which effectively opened up the way for indispensable savings and cuts, reforms and adjustments. The most striking example of this is the situation in Italy, which has already changed its political structure in the run-up to the euro and is now also anchoring this result in its Constitution. Accordingly, the path to the euro does much to shed light on how Europe functions: its peoples set themselves a common goal the realization of which remains a matter of national responsibility, but which can only be implemented via a supranational — in other words European — commitment to this goal. So Europe boosts the effectiveness of national policy or even restores it. Europe strengthens, rather than weakens, the nation states, albeit only when they act in unison and consent to the associated limitation of their authority to act alone. In actual fact, bearing in mind the reality of the supranational situation, this authority has become nothing more than an empty shell in key areas anyway.

Economic and Monetary Union (EMU) is a modernization and recovery programme for Europe's economic, social and political system because it represents a clean break with the sins of the past, when we covered up our weaknesses with borrowed money. Instead, it heads us in the direction of painful, but salutary, reforms.

The financial markets, which give their "daily vote" on the economies and policies of all countries around the world, impressively reflect the confidence regained in Europe and its peoples. Where would Europe and

its peoples be today without the process triggered off in Maastricht? "Asia glances enviously at Europe's dynamism" was a headline I read recently.

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From a fundamentally institutional viewpoint, the euro will create a new type of federal system.

One element of national policy — monetary policy — is being Europeanized. The structure of the Maastricht Treaty makes it the key element of economic policy. This approach is based on a certain economic philosophy. Meanwhile, however, the rest of economic policy remains a national responsibility. Incidentally, at this juncture I should reiterate that economic policy includes not just the economic system underlying society, but also its social order, and must be complementary to the European Central Bank's monetary policy. The truly innovative aspect of this federal system is not just the way in which powers are divided up between the federal level and the member states, but also the absence of transfer payments, which would be comparable in scale to those made, for example, in the Federal Republic of Germany's federal system via the financial equalization between the *Länder* (federal states) or through the central budget. What this means is that equality and justice will be created in Europe not primarily via transfers, but through competition. (As such, it can be predicted that this system will substantially boost calls to change Germany's system of fiscal equalization between the *Länder* and hence the country's entire federal constitutional framework).

In a nutshell, Europe's federal system is innovative because it seeks to strike a new balance between: a) the Union and the nation states, b) freedom and equality, c) unity and diversity and d) solidarity and competition. Establishing such a balance in the long term is the Union's first major challenge.

The instruments for coordinating and harmonizing economic policy are the Euro-11 group and the Ecofin Council. Of course, from time to time the European Council will also have to address questions of principle. At times, the Germans have given the impression that they did not consider this to be at all necessary, as if economic policy flows automatically from the monetary policy decisions of the ECB and the Stability Pact. At the same time, however, they are lobbying forcefully in, say, the fight against harmful tax competition ("you are the driving

force”, as the relevant member of the Commission told me, referring to the pressure exerted by Germany for greater harmonization). Incidentally, what is more, contrary to our regulative credo, we often push everywhere for the harmonization of tariffs and standards to the German — i.e. highest — level. We Germans should be just as aware of these contradictions as we are of the fact that in EMU, even without bail-out, we all accept responsibility for each other and we must all show solidarity with each other, because we all vouch for the mistakes made by any individual member state, e.g. in the form of higher interest rates. As Hans Tietmeyer says, monetary union is indeed a community sharing a common destiny, which forces us to think in terms of solidarity, i.e. along European lines.

The focus of the necessary, and certainly also controversial, debate about economic policy is the “European model.” In other words, the task is to link a liberal, globally competitive economic system with a socially just and stable social system based on solidarity. This is the second challenge, and it is inextricably linked with the first. Of course, at the same time we should be clear about the fact that economic activity is not an end in itself. In other words, we do not live to work, we work to live. But we must also clearly recognize that neither our previous way of working, nor our previous way of living, e.g. our social security systems, can escape the change. Reform is inevitable, but the motto is “adaptation, not subjugation.” No doubt we will be forced to admit that today we have a clearer idea of what we are no longer allowed to do than of what we must do if we are to achieve both of the stated objectives, namely the establishment of a just economic and social system. But we can learn from each other, especially from those countries which have already progressed furthest along the path of reform. And we can learn both from their successes and from their failures, from, say, the Dutch or the British, the Danes, or even the Spanish and Portuguese — now who would have imagined that! Europe must become a community of learning if it wants to become anything at all. This means we must be open with each other. Openness is the precondition for unity. “Bench-marking” is the technical term used to describe the EU’s internal development towards the goal of European unity.

The success of the social market economy, of “capitalisme rhénan”, was the reason why our partners accepted the Maastricht Treaty being moulded in the image of German ideas, even though it went very much against the traditions of a number of countries. However, even this German model is undergoing something of a crisis, and it can only evolve

into a European model if the Germans succeed in adapting it, in other words in developing it further. Only when this model is also successful in a modified context will our partners be as convinced of it in future as they have been in the past. This success is more important than any institutional measures for the legitimacy of the path set out by the Maastricht Treaty. Since Germany provided the model, and because it very much defined the preconditions for shaping the Economic and Monetary Union, and also because it accounts for the largest proportion of the Union’s overall economy, Germany has a special responsibility for the success of this comprehensive undertaking aimed at guaranteeing Europe’s modernization and recovery and hence economic, social and political order. Germany must become more aware of this. In the Economic and Monetary Union, European policy means not just institutional policy, but also most definitely economic policy which, though conducted under countries’ sole responsibility, also impact on, and involve, their partners.

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The Economic and Monetary Union also has an impact on the CFSP.

Vouching for one another, which monetary union will force us to do, also means taking responsibility for the consequences facing a member state that had been a victim of military aggression or become involved in a military conflict. Thank goodness, for the time being that is a highly theoretical danger, but it could quickly become a very real threat in an age of long-range weapons systems and explosive tensions in our immediate vicinity. Any nations sharing the same economic destiny cannot have a different fate in the context of security policy.

Besides this basic consideration, a very specific consequence of monetary union is forcing us to take a further common step in one particular area of foreign policy, namely foreign trade policy.

It is inconceivable for the members of a monetary union to represent different points of view in the International Monetary Fund, and the same naturally applies to the World Bank and the G7/G8 meetings. Through monetary union, the European Union will become more of a “global player”, albeit only in the economic sphere. This will only exacerbate Europe’s lop-sidedness, being an economic giant on the one hand and a political midget on the other. This imbalance can only lead to trouble and discord, above all with America. This is why Europe must become a more capable player in the foreign and security policy arena. Overcom-



ing this conflict between our aspirations and real capabilities is the third major challenge facing the European Union.

This, in turn, involves our self-image, which we are constantly developing, particularly in our relations with other powers, but it also involves solidarity between them and us, as well as delineation.

Inevitably, we are talking here about our relationship with America. After all, we encounter the United States whichever way we turn: the USA is both inside and outside, both European and non-European. It is either openly or covertly represented at every European table, acting as both Europe's partner and a hegemonistic nation. It has strongly supported Europe and European unity, but does not want to lose control. Europe is part of the global American system. The USA is part of the European system.

So the relationship between the two entities is complicated, difficult, and — as we find ourselves feeling almost every day — urgently in need of revamping. This is because the two of us together form the West, that part of humanity which has until now defined the world order, but which is growing smaller every day and is being challenged. I am convinced that Europe and America must face this challenge together, because the challenges apply to both of us and our vital interests are the same. However, other interests they have diverge just as frequently as their ideas about how to solve problems differ. Their outlook with regard to the future world order has been insufficiently coordinated. Europe can only assert its specific interests, ideas and outlook if it speaks with one voice. Unless it has an equal partner, America will both lose its balance and feel out of its depth. What Europe and America need today is not less cooperation, but more. Both the mission and structure of the alliance between the two, i.e. NATO, must be transformed into an alliance between America and Europe as a unit capable of taking effective action, an alliance able to meet global challenges. Viewed in this kind of light, European unity attains a global historical dimension as the cornerstone of a future world order. The USA is clamouring more and more for us Europeans to accept more responsibility along these lines. But the rest of the world is also waiting impatiently for a partner with whom it can cooperate without any hegemonistic overtones. The NATO anniversary summit due to be held in Washington in May 1999 is the occasion at which Europe must lay its first card on the table.

The European Union will never regard itself as a rock solid Union or broad community sharing a common destiny, nor will its citizens ever be able to give it their full stamp of approval, if the EU does not also become

responsible for external security in all its various forms. Foreign policy is a central issue when it comes to Europe's identity.

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The enlargement of the European Union is also about how Europe sees itself and about solidarity between the "old" and future EU member states. Enlargement is its second major challenge. Of course, one aspect of this is the level of cohesion between the old member states and the cohesion of the future Union in its entirety, since the differences between the old and new members are more striking this time around than in any previous phase of enlargement — economically, politically, and last, but not least psychologically. The task facing us is correspondingly difficult. There are three things at issue here: firstly, not just the European Union's capacity to integrate new members, but also its geopolitical boundaries; secondly, the EU's relationship with the new neighbours it will acquire through enlargement, above all Ukraine, a country in whose existence we have a tremendous interest, but whose future and affiliations remain unclear; and thirdly, the relationship with Russia, which will become the EU's direct neighbour in an extremely sensitive region when the Baltic countries join. The way in which the EU sees itself will change for all these reasons, but also because its principles are involved, namely, the historic promise which free Europe gave in 1958 in Rome to its neighbours living under Soviet rule.

The process of enlargement must be completed as fast as possible, without overtaxing the countries acceding to the Union, the current members of the EU or the Union as a whole. The modernization trend set in motion by the Economic and Monetary Union is vitally important in terms of internal consolidation and overcoming fears of enlargement. If the Union is to remain capable of acting effectively after enlargement, it must at least first reform the weighting of votes in the Council, the composition and structure of the Commission, and the decision-making process.

However, I am becoming increasingly convinced that these issues can only be satisfactorily resolved if we place them within a broader, fundamental framework — the same context as that applying to the three topics I have already discussed, namely the question of how we see ourselves as Europeans: Who are we? What do we want? How do we envisage the internal order within our societies and their interrelationships? What role should Europe play in the world? Finally, where does

Europe end? If we don't know where we end, we cannot know where we begin either.

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Taken together, the discussion of these questions, which started long ago, forms the basic elements of a debate which in conventional terminology would be dubbed a "constitutional debate." However, to avoid any needless dispute as to what a "constitution" is, I prefer to say: Europe must hold a major debate about a constitutional treaty, a so-called *Verfassungs-Vertrag* or *contrat constitutionnel*.

With the Economic and Monetary Union, Europe's hitherto gradual development has reached a stage requiring — but also enabling — us to answer the question of what the actual goal of the process of European unification is. Only when we have answered this basic question can we also answer the core institutional question: "Who does what?" — both at and between the relevant levels. Clarifying this is an essential prerequisite for casting Europe in the democratic mould it so urgently requires. Moreover, a clear text, which is more readily understandable for Europe's citizens and in which Europe's common values are written large — a text that is adopted by the citizens in a public debate and in a common act — would propel Europe's democratic credentials to a new level.

The discussion going on at many places in Europe about the Commission's power and the lack of democratic control over it also make a fundamental settlement imperative. In my view, however, the German debate about structural policy, fuelled mainly by the various *Länder* is not about subsidiarity, i.e. the question of "who does what?", but rather about "what may and may not be done" to avoid distorting competition. Yet here again we are dealing with a fundamental question, namely how much uniformity is necessary and how much diversity is possible? At any rate, all those who are complaining, whether rightly or wrongly, about excessive centralism on the part of Brussels, will have to be told that it is not the principle of subsidiarity per se, but only its transposition into a clear distribution of responsibilities that can end this trend towards greater centralism.

Those who argue that such a document would create a European "super state" (regardless of what it was actually called), should first understand that legislation adopted in Brussels and rulings by the European Court of Justice already require immediate legal compliance by every single citizen of the Union. Surely, above all, instead of posturing

with rash polemical *clichés* we must explain what statehood actually still means today, now that the territorial principle of power, and thus the core of any statehood, has become a thing of the past. Europe is the response by Europeans to the question of how political power can be organized today, given today's supranational reality. In this respect, the goal is not to create a "super state", but rather a "supra state", and it is an institutional project moving one stage beyond time-honoured statehood, an institution designed to rescue politics.

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In my opinion, we also need such a major debate about what Europe actually is because we must overcome the increasingly narrow focus of the debate about Europe, which is jeopardizing all three of the goals I have mentioned, above all that of enlargement. Following the good old motto that everyone should start off by putting their own house in order, I would like to make a few comments on the discussion in Germany.

In my country, it has been in vogue for some time now to call for Germany to finally assert its national interests in Europe! Many people even seem to take delight in rediscovering an outmoded concept. Yet I can hardly believe my ears. After all, what has Germany been doing all this time? And haven't we done it so effectively that many of our partners sometimes already feel that we have been too successful and are now once again too powerful? This is especially the case since Germany's reunification, which was undoubtedly a "national interest" that could only be realized in the European context. Bearing this in mind, must they not secretly fear that the Germans might want something fundamentally different in future, under the guise of this term? Except for marginal figures in German politics, this is of course not the case. So is it all just hot air? Mostly yes. In most cases what is meant is "merely" that individual German interests have not been asserted as forcefully as possible. That may be true in individual cases, but generally speaking it certainly does not apply. Surely, the manner in which German interests have been looked after has been extraordinarily successful, despite the fact that neither the term "interests" nor the term "national interests" has cropped up that often. The national approach adopted by Germany has been and remains suited to the new European system. An American who has extraordinary insight into German affairs and is a tremendously good friend of our country once told me that the key issue for him is whether, in future, Germany will still be capable of doing what it has so remarkably

achieved in the past, namely putting its short-term interests behind its long-term ones, as witnessed, for example, in connection with the payments made by Germany towards the EU budget. No greater compliment can be paid to a country's policy. In the interests of both Germany and Europe, this attitude — which was admittedly initially born of necessity, but was subsequently pretty much adopted because it proved so successful — must not be lost. It has given Germany not only respect, but also influence. Who would have thought that 50 years after the military, economic, political, and above all moral catastrophe, the German system of economic and social order would serve as a model for the project of European Economic and Monetary Union?

To be sure, after 1945 all of Germany's partners recognized the need for their interests no longer to be pursued in hostile confrontation, but rather in a cooperative joint effort. But after 1945, not only was Germany's interest in a new, integrated European system even stronger than that of its partners, being the only path to the country's rehabilitation, but it always remained so, because the prospect of an end to Europe's division would restore Germany's conflict-ridden position in the centre of the continent. In 1990, this prospect became a reality. Today, the new, previously Western European system faces its greatest challenge, a real acid test, and Germany has everything to gain by rising to the occasion. However, antagonism between national interests cannot be eliminated through cooperation on a merely ad hoc basis, but only by creating a binding system of rules, in other words, via integration. Consequently, integration is not just a means of achieving an end, but actually an end in itself. And Germany's policy is not becoming more British, but is remaining German, especially at a time when British policy, thank goodness, is becoming more European.

Germany's position on the question of the future organization of the EU's finances must also be guided by this basic observation. There is one consideration that induces even me to suggest that the payments made by Germany are too high compared with those of its partners, namely the Union's internal balance. To me, this balance is upset when a single one of the 15 member states carries a share of the burden of solidarity burden corresponding to double its proportion of the EU's gross domestic product. Such an imbalance in a community centred around solidarity immediately raises the suspicion that there is something wrong with its pattern of expenditure, and it is generally believed that this also applies to the European Union. For this reason, all items of expenditure in the EU budget must be scrutinized, especially since from the economic stand-

point their usefulness is debatable, to put it mildly. The justified German demand for an easing of its burden must be based on solid arguments. It is not very convincing only to call for savings to be made where others would inevitably suffer as a result. This is all the more true insofar as all the forthcoming tasks catalogued in the Agenda 2000 will have to be examined together before the EU proceeds with enlargement. Germany must bear in mind that our partners are aware that all the candidate member states — just like Russia as well, incidentally — realize half of their foreign trade with Germany, and that Germany emerges with a surplus. Even though our partners are increasingly coming to understand that enlargement is in all their interests, they also see that Germany would be more greatly affected than they, not just economically but also politically, if we were to fail to integrate our Central European neighbours into a stable European system. Granted, this is an overly one-sided and short-term view, but it is not entirely wide of the mark and is, after all, a reality. The far-sightedness attributed to the Germany of the past by the American I mentioned earlier must also define our policy in the future. This will serve both Germany and Europe, for their vital interests are identical. Only when Germany is guided by this attitude can it also demand of its partners that they show solidarity with the countries acceding to the Union, ensuring that Spain, for example, does not act according to the motto "What we have, we will hang on to, come what may."

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One complaint frequently voiced is that Europe no longer has any vision. I do not understand this grumble, because everything I have talked about is a vision. However, it is also, thank goodness, a hard-and-fast concept that is on the way to being realized. Naturally, the path we are taking is arduous and at times difficult to follow. This is why we sometimes lose sight of the goal, which is to create:

a) a Europe that is developing a new, forward-looking political balance of power and democratic control within the reality of a supranational framework;

b) a new form of diversity and unity, which can therefore serve as a model for other nations, but a Europe that also sets an example to the extent that, under the same conditions of globalization, it creates an internal structure that gives a new lease of life to its old ideals of liberty, equality and fraternity;

c) a Europe that is America's equal — but not identical — partner in representing the common values and interests of the West; but also

d) a partner of the rest of the world, and one that need not be feared even though it is capable of defending itself;

e) a union of peoples that is capable of maintaining the balance between being open to and closed off from the rest of the world by virtue of its renewal and consolidation.

In recent decades, Europe has made unbelievable progress along this path of self-discovery, self-assurance and self-assertion. And today, its destiny lies less in the hands of its past than in the promise of the future.

## **Towards the Monetary Union: A Comparison of Two Methods \***

*GUIDO MONTANI*

### *The Federalist Method and the Intergovernmental Method.*

Jean Monnet tells in his *Memoirs*<sup>1</sup> how, in 1950, when the war wounds dividing the European states had not yet healed, it was only after observing the French Government's reticence in supporting the creation of the European Federation that he proposed the project of the European Coal and Steel Community (ECSC). Monnet had realized that the time was ripe only for the first step towards European unification with "an immediate action on one essential point." But this step was to gradually change the "course of events." In short, the ECSC was conceived of by Jean Monnet as "the first meeting of the European Federation." Jean Monnet's method, in opening the way to Franco-German reconciliation, the true political engine of European unification, really did change the course of events: European integration became the irrevocable point of reference for post-war European politics. It was a process not lacking in contradictions, at times opposed and refused by the governments and by the political forces, but which the European countries could not do without. The method of integrating Europe by sectors, by small steps, has its limits however, as Monnet was perfectly well aware. It proves inadequate when the transfer of sovereign powers from the national to the European level must be dealt with, in other words the crucial questions of defence and currency. Here, gradualism must give way to the constituent method. This is what happened with European defence. The question of a European Defence Community (EDC) arose when the European governments, faced with the need to choose between the reconstitution of the German army and the creation of a European army, had to acknowl-

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\* Address at the seminar "The European Project in the Thinking of Twentieth Century Italian Economists", organized by the Department of Economic Sciences of the University of Pisa, 16th January 1998.

edge that there would be no sense in establishing a European defence without a democratic European government. So it was that in 1952 the Six assigned the Parliamentary Assembly of the ECSC to draft a project for a European Political Community; a genuine constitution in fact. It is well-known that the EDC Treaty, having been ratified by Germany and the Benelux countries, was rejected in August 1954 by France. Thus the hope of a European political union vanished for a very long time. This episode is recalled to understand what has happened and is happening in the development of the Monetary Union. Briefly, in recent years, the national governments have proceeded to develop the Monetary Union as if it were a matter of one of the many sectorial problems. On the contrary, creating the European currency involves a transfer of sovereign powers from the national to the European context. For this reason, after Maastricht, a turning point was reached: the intergovernmental method has exhausted its function.<sup>2</sup>

#### *The Origins of the Monetary Union.*

The process of European integration would be incomprehensible without taking into consideration the global political context, i.e. the USA-USSR bipolarism. This was why, against all economic logic, the Treaties of Rome which established the Common Market in 1957 entirely ignored the problem of the European currency. The tacit assumption was that the United States would succeed in guaranteeing the system of fixed parities decided on at Bretton Woods. And indeed, the Common Market, little more than a simple customs union, proved a success thanks to international monetary stability, allowing the countries of the Community to develop at higher than average rates for the western area, to considerably reduce unemployment and to compete with the United States as an autonomous commercial pole.

It was only in 1971, when the Bretton Woods system was close to collapse, that the European governments were forced to conceive the objective of a European monetary union, to protect Europe from the growing waves of speculation generated by the stateless market of the eurodollar and by the instability of the exchange rates. The Werner Plan, drawn up on the mandate of the Summit of Heads of State and Government at the Hague in 1969, envisaged the phased realization of a monetary union by 1980. The final objective was precisely defined in the Werner Plan, but its realization was unfortunately left up to the good will of the central banks and the governments. The monetary storm which broke at

the beginning of the seventies, due both to the end of the regime of fixed parities, and to the international economic disorder caused by the oil crisis, left the Werner Plan on the rocks. Even the Common Market seemed threatened at its very roots. Indeed, it became increasingly difficult to defend the unity of a market based on an agglomeration of independent monetary areas, with divergent rates of inflation, interest rates and fiscal policies.

The first reaction to the crisis in the process of European integration came from the European Federalist Movement (MFE). They proposed a relaunch based on two projects, one political and one economic-political. The first was the election of the European Parliament by universal suffrage, in order to involve the citizens and parties in the debate on building Europe, which up till then had been confined to the sector of foreign policy. The decision on the European election was actually taken in 1975. The second project concerned the European currency, as an indispensable means of economic policy of the European government. With this proposal the federalists aimed to oppose a tendency, at that dominant among economists and the political class, favourable to fluctuating exchange rates and to the illusory "autonomy" of national economic policy. With the support of P. Werner and D. P. Spierenburg, who had played an important role in the first phase of reflection on the Monetary Union, the federalist economists (including Robert Triffin), organized a series of initiatives beginning in 1976 (in Pavia, Turin, Paris, Lyons and Eindhoven), culminating in June 1977 with the important conference in Rome on *Economic Union and the Problem of the European Currency*,<sup>3</sup> which had a great impact on the Community. Indeed, the proposal of a European currency was immediately taken up by the then President of the Commission, Roy Jenkins, in a far-reaching speech held in Florence in October 1977. Shortly afterwards Jenkins presented the same ideas to the European Parliament (1978). What followed is history: at Bremen (1978) the European Council decided to launch the European Monetary System, which actually came into force in the spring of 1979, shortly before the European citizens went to the polls to directly elect a supranational Parliament for the first time in history.

There are two aspects of the federalist proposal which must be underlined. The first concerns the relationship between the European currency and the European budget. According to the federalists, the establishment of the European currency should be accompanied by a reinforcement of the budgetary policies, and they therefore considered the McDougall Report (1977), which indicated 2-2.5 per cent of Commu-

nity GDP as a minimum pre-federal European budget, complementary to the Monetary Union project. The second aspect concerns the relationship between the European currency and the European government. The federalists were aware of the fact that the creation of the European government ought to precede the creation of the European currency, but they were equally aware of the fact that the method by which the governments were advancing in building Europe presented contradictions which had to be reckoned with. "As the failure of the Werner Plan shows," Mario Albertini observed in 1976, "it is contradictory to propose to establish a European currency before creating a European power capable of starting up a European economic policy. There is no meaning in a European election for a European Parliament with no powers, just as there is no meaning in a Union which is not expressed in a genuine European government."<sup>4</sup> Thus, if the governments wanted to go ahead with building the European currency without adequate institutional reforms, they would set in motion a process which would leave them faced with growing contradictions, until the establishment of a democratic European government. The European currency is a federal power, as Lionel Robbins points out. One can create the currency before creating the State, but only as an intermediate stage in a constituent process. This is the method which the federalists have called "constituent gradualism", and which the governments, even if unconsciously, have in fact followed so far.

*The European Parliament Draft Treaty of Union.*

In the course of its first legislature, the European Parliament seemed to intend adopting the constituent method for the construction of the European Union. Indeed, thanks to the initiative of Altiero Spinelli, on 14th February 1984, the vast majority of the European Parliament approved a Draft Treaty of European Union, which can essentially be summarised thus: a) a system of democratic government of the Union, by transforming the Commission into an executive body responsible to the European Parliament (Articles 25-59); by giving the European Parliament effective power of legislative co-decision making and of approval of the budget, together with the Council (Articles 14-17); and by transforming the Council into a second chamber of the states, deliberating by majority (Articles 20-23); b) the attribution of "concurrent competence" to the European Union as regards the transformation of the European Monetary System into a "complete monetary union" (Article

52); c) the establishment of the Union's "own finances", the composition, destination and amount of which would be decided by a budgetary authority, composed of the European Parliament and of the Council of the Union (Articles 70-81); d) as regards foreign policy, recognition of the Union as a legal person (Article 6); the Commission was indicated as the body which would represent the Union "in its relations with third countries and with the international bodies" and which would negotiate "international agreements in the name of the Union" (Article 65).

This brief synthesis of the draft Treaty of European Union, which Maurice Duverger<sup>5</sup> considers to be the Michelin Guide of all future reforms, is sufficient to show the alternative way which could have been followed to build the Monetary Union. If the draft Treaty of European Union had been ratified by the member countries, the "concurrent" competence of the Union as regards the European monetary system could have become a de facto "exclusive" competence, with the attribution to the Union of monetary sovereignty *before* beginning the process of convergence between the national economies. This would have led to a transition from national currencies to the European currency through a process in which the monetary authorities and national budgetary authorities could have cooperated closely with the monetary and budgetary authorities of the Union. In short, the reserves of the Union would have been directly administered by the Central European Bank.<sup>6</sup> Moreover, with its own resources, the Union would have benefited from the spending capacity judged necessary, on the basis of the principle of subsidiarity, to facilitate the process of convergence between the national economies.

However, as is well-known, the European Parliament's draft Treaty was not submitted to national ratification. Despite the explicit support of France, Germany, Italy and the Benelux countries, it came up against the explicit and insurmountable refusal of Mrs Thatcher. It was thus that the European governments decided to proceed on the path of European integration through the intergovernmental method. In the conviction that one could go ahead without first creating a European government, the internal market project was launched (Single Act, 1986) and then that of Economic and Monetary Union (Treaty of Maastricht, 1991). But the adoption of the intergovernmental method has brought increasing costs which can be summed up as follows: a) prolonged timetables and increased difficulties of convergence; b) lack of development policy; c) excess of European centralism; d) delays and inefficiency in the realization of a Union foreign policy.

*Prolonged Timetables and Growing Obstacles to Convergence.*

After the years of monetary and financial disorder which followed the Bretton Woods crisis, in which substantial differentials in inflation rates (up to 15 per cent) emerged among the countries of the Community, the European Monetary System proposed to start a process of convergence. The EMS consisted of a system of fixed exchange rates, with restricted margins of variation around the Ecu. It was therefore initially conceived as a symmetrical system, in the sense that the European economies were to converge towards average rates of inflation, in a system of fixed exchange rates of which the Ecu represented the point of reference. However, after a few years, it became clear that the real point of reference was not the Ecu, but the German mark. The EMS was able to continue to function as a system of fixed exchange rates only if all the countries of the Community converged towards the economy with the lowest rate of inflation, which was therefore accepted as the model of European economic policy. However, this "asymmetrical" or "hegemonical" system of the European economy could not have functioned for long without creating unsustainable political tensions between the European countries. Sooner or later, a stable point of arrival had to be identified, in which all the countries could share the same burdens and the same privileges. This target could only be Economic and Monetary Union.<sup>7</sup> The Delors Committee was set up by the European Council of Hanover (1988) to propose a phased plan for the creation of Economic and Monetary Union. Its proposal, completed in spring 1989, was first, liberalized movements of capital; second, a European System of Central Banks (ESCB); and third, irrevocably fixed parities. However, in November 1989 Europe was rocked by unexpected political turbulence: the fall of the Berlin Wall and the beginning of the disintegration of the Soviet system. German reunification, in 1990, represented a dramatic turning point in European politics because it raised the spectre of German economic and political hegemony. Without these events, both the speed with which the Treaty of Maastricht was arrived at, and its content would be inexplicable. It represented a compromise. On the one hand, Germany understood that only the sacrifice of its sovereignty over the mark would allow the continuance of the common path. On the other hand, France refused to accept adequate institutional reforms (in particular the strengthening of the powers of the European Parliament), as called for by Germany. For this reason, Germany subordinated the timing of European monetary unification to the adjustment requirements of the German economy

following unification. According to the authoritative opinion of one of the participants of the Delors Committee, "From the Delors Report (1989) to the European Council in Rome (1990), the idea that the Central European Bank should be created at the beginning of the second phase was maintained; between Rome and Maastricht (1991) this fundamental result was lost, and it was the only real withdrawal with respect to the conclusions of Rome... the refusal of every partial cession of sovereignty before the exact beginning of the final phase was improperly invoked, particularly by the German delegation, to put off the creation of the European Central Bank, even prevailing over the undertakings made in Rome by Chancellor Kohl."<sup>8</sup> It was thus that the date initially identified for the creation of the European System of Central Banks, i.e. 1994, was postponed to 1997, if a majority of member states were agreeable; otherwise, by 1999 at the latest (Art. 109 J of the Treaty of Maastricht). This unexpected delay in the schedule of monetary unification had very serious consequences on the expectations of economic operators and of the political class. The uncertainties relating to the process of ratification of the Treaty of Maastricht, particularly in France, then did the rest. The climate of "euro-euphoria" which had characterized the phase of the realization of the European internal market, up to the planning of monetary union, suddenly changed into "euro-scepticism", because the determination of the governments to actually achieve the single currency now appeared questionable. It was thus that international speculation made a mass attack on the pound sterling and the Italian lira, in the consciousness that convergence would be a long and difficult process. Actually, at Maastricht the European governments had not only fixed certain parameters of monetary and financial reference (protocol on art. 109J), but had also decided that each government was bound to realize convergence with its own resources, without setting up any European economic policy for development and employment. Moreover, as a consequence of this procedure, a distinction was inevitably introduced between the "in" countries, which would succeed in participating in monetary Union, and the "out" countries, excluded from the Union. In conclusion, it seems reasonable to maintain that the creation of a "multi-speed-Europe" aggravated the process of convergence, both because of the monetary, financial and economic tensions which might be generated between the two groups of countries, and because of the institutional difficulties which must necessarily arise in the common bodies, like the European Parliament, the Commission and the Council.

*Lack of a Policy for Development and Employment.*

In his 1977 speech as President of the Commission, Roy Jenkins proposed, in agreement with the federalists, that Monetary Union should be accompanied by a European policy for employment and by a federal fiscal system. The Delors Committee took a different way. A discussion on financial resources would have raised the problem of fiscal sovereignty. Since unanimity would have been impossible on this question, the Committee chose an easier way. It concentrated only on the objective of Monetary Union: the implicit hypothesis was therefore that the Monetary Union could be established without any reinforcement of the European budget. The reality, however, could not be brazenly ignored: the inertia of the Union had allowed rates of unemployment in the Nineties to exceed 10 per cent. Once the Maastricht Treaty was ratified, Delors himself sought to remedy the lack of a European employment and development policy with a new proposal, known today as the Delors Plan, or the Commission's "White Paper on Growth, Competitiveness, and Employment. The Challenges and the Ways Forward into the 21st Century", approved by the European Council in Brussels in 1993. The proposals of the Delors Plan seemed sufficient to reverse the European economy's tendency to stagnation and to halve (this was the forecast) the rate of European unemployment by 2000. A plan of substantial community investment in road, rail and information networks, accompanied by appropriate national policies for a flexible labour market, would indeed have put European companies in an advantageous position to face the challenge of globalization. However, these objectives have not been reached. The relaunch of the European economy has not happened. The defect of the Delors Plan lay in the fact that its realization was made to depend on the Union decision-making system formed by the Treaty of Maastricht. So it was that from one meeting to another, the Council of Finance Ministers (Ecofin) imposed the logic of maintaining the status quo — no new budgetary resources were activated, until the European Commission itself gave up the project. For this reason, employment policy in Europe today is reduced to the simple coordination of national plans, whose basic objective is merely the flexibility of the labour market. This is a suicidal policy, for while it is beyond doubt that the labour market should be made more flexible, nor should there be any doubt that the European Union must face the challenge (in particular from the United States and Japan) of avant-garde technology, which requires investment in scientific and technological research and an effective

industrial policy in certain sensitive areas, such as aeronautics and missile technology, which today are fundamental for the development of the telecommunications sector. But since this type of industry has evident implications for defence and security, the European governments are reluctant to cross the threshold of cooperation which would bring national sovereignty into discussion. Thus the defence of the past is endangering the current and future welfare of the Europeans.

*An Excess of European Centralism.*

It is not possible to say how the European Union would have tackled the problem of convergence of the national economies if the Parliament's draft Treaty had been ratified. However, the degree of political cohesion between the European peoples would indubitably have been very different if a Constitution had been approved in which the European Parliament and Commission had been given sufficient powers to set about creating Monetary Union. The true nature of the problem of convergence would have become apparent in this context: a problem of regional imbalances (where the nation states would have played the role of "regions") within a federal state. The most reasonable way to build a European monetary union would therefore have been to immediately assign monetary sovereignty to the European Central Bank in order to protect the weakest economies from international speculation. Changing national currencies into the European currency could have been done at a later stage. This would have allowed the European Central Bank to effect adjustments between the community currencies up to the moment when the exchange rates were fixed irrevocably. In this way, national interest rates could have converged without tensions towards an average European value, and national policies of financial readjustment would have proved less onerous. The problem of limiting excessive budgetary deficits could not, in any case, have been avoided. Even in a federal Union, because of the particular importance of national public spending compared to the European budget, some constraints would have had to be fixed to avoid excessive borrowing, as was done at Maastricht. But respect for these constraints would have depended mainly on a political pact, because, in ratifying the European Constitution, every state of the Union would have made a commitment to the achievement of Monetary Union, of which those parameters represent an essential condition. "Sanctions" against deviant countries, as provided for in the Stability Pact, would therefore not have been necessary. Nor would it have been necessary to provide that



all countries of the Union should reach the agreed values at the same time. There would have been no difficulty in setting different periods of adjustment for countries with particular difficulties. What counts most, however, would have been the fact that the process of convergence could have been accompanied by effective community policies for development and employment, the sector with the most evident need to apply the principle of subsidiarity, because the individual governments are not in a position to realize effective policies in this area. Certainly time would not have been wasted, as is happening now, in discussing coordination of national development policies: a sum of national policies is not a European policy. Moreover, the Union would have had the powers, on the basis of an open European debate, to tackle the question of the financial resources necessary to launch an effective Plan (like the Delors Plan) for sustainable development and employment. The process of convergence of the national economies could thus have been realized by the individual governments not in a situation of economic depression, of dominant euroscepticism and uncertainty, but in a climate of confidence and recovery. In short, defending national sovereignty to the utmost (but only nominally), has obliged the European governments, simply to avoid subordinating their economic policy to a European government, to subordinate it to uniform and immutable parameters.

*Lack of a Foreign Policy.*

The Treaty of Maastricht included foreign and security policy for the first time among the competences of the European Union. But the administration of this policy is entrusted entirely to the Council of Ministers, in which no important decision can be taken unless it is reached unanimously. Moreover, there is little or no provision in the way of intervention. It should therefore be no surprise that, when put to the test, the European Union's foreign policy proved a fiasco. Indeed, the first severe test was the challenge from Eastern Europe, when the European Union was called on from the Baltic countries to Yugoslavia to overcome the division which the Iron Curtain had artificially created. Initially, the response of the European Union was an embarrassed silence. The most effective policy which the European Union could have developed with regard to these countries, in need not only of material aid but of stability and democracy, would have been an immediate plan for their entry into the Union as member states. This response was late in coming. In fact, not until the European Council in Luxembourg, December 1997, was moral

commitment translated into a precise political plan. But in the meantime, the countries of the East had to face their difficulties with inadequate strength. Some countries managed to maintain the first fragile democratic conquests. Others were ensnared by nationalist hatred, secessionism and ethnic cleansing. The incapacity of the European Union in facing up to the challenge of enlargement derives from the institutional limits of the Treaty of Maastricht. An immediate enlargement from 12 members to 26 or more, in a situation in which the Council of Ministers can be blocked by the veto of a single country, would certainly have changed the nature of the European Union, transforming it into a simple area of free trade, with no further prospects of political unity. For this reason, the decisions on enlargement were postponed till the end of the Intergovernmental Conference, which was supposed to solve some essential institutional problems. However, at Amsterdam (1997), these difficulties were by no means overcome, so that the decisions on enlargement again risk compromising the process of the political unification of the continent. Again, one cannot say that the sufferings of the peoples of Eastern Europe could have been entirely avoided if the European Parliament's draft Treaty of Union had been ratified. But it is certain that the challenge of enlargement could have been tackled by much more effective means. The existence of a European government would have allowed political rather than economic questions to come to the fore. If the peoples of Eastern Europe could have participated in the community institutions, above all the European Parliament, through the direct election of their own deputies, without having to wait too long, this would undoubtedly have been a factor of primary importance as regards the reinforcement and stabilization of democracy. Moreover, the entry of new countries would not have been in conflict with the development of monetary union, because whether the European currency had already been established or not, the transfer of monetary sovereignty from the nation states to the Union could have been made without traumatizing the economy with draconian convergence plans, as imposed at Maastricht. Finally, it would not have seemed a heresy, as it is currently considered, to increase the community budget to allow the necessary aid to overcome the economic imbalances between western and eastern Europe. The Union would therefore have had the possibility to offer Yugoslavia the prospect of entering the Union immediately, united. In any case, even if faced with the folly of ethnic division, the European Union could have intervened to restore peace and unity by European means (with the Eurocorps or similar initiatives) and not with a phalanx of national armies, coordinated by the United States.

### Conclusions.

The project of a Europe united in peace was conceived during the Second World War by men who had developed a firm aim: "no more war." No longer was the barbarism of total war to threaten the survival of civilization. Since then, many years have passed and the process of unification has ventured along paths which risk making the younger generations miss the profound significance of building Europe. Too many chances have been lost. But at every moment of hesitation, the fear that the national divisions of the past could again arise has in the end moved every obstacle. The European governments have therefore kept the process of integration active only because there is no reasonable alternative. Necessity, not reason, has led them towards the common currency, up to the very threshold of Federation. The political parties, no less than the governments, have serious responsibilities. The parties have been notable by their absence from the story of European unification. This is why the governments were able to reject the European Parliament's Treaty of Union in 1985, without raising loud protest and without meeting any resistance. Today, perhaps, the path towards the European government, which is the path of reason, can be followed to the end. The European currency is a power destined to impose a new direction not only on European politics, but on the global balance itself. For the first time in its history the dollar will have to reckon with an equally strong and competitive international currency. With the European currency a process is starting therefore which could lead to the building of a new world order. But the European Union can only become an active subject in world politics if it succeeds in providing itself with an effective government. A federal power (the European currency) cannot be governed by an intergovernmental organism (the Council of Ministers). In the age of democracy, no power is effective unless it is legitimate: and no power is legitimate unless it is based on popular sovereignty. If this contradiction is not overcome, the development of the European currency could turn into a dreadful defeat, not only for Europe, but for the whole world.

### NOTES

<sup>1</sup> J. Monnet, *Mémoires*, Paris, Fayard, 1976, Chapters 11 and 12.

<sup>2</sup> In 1973 Jean Monnet proposed the formula of the European Council only as "a provisional European government", which was supposed to make provision for the direct

election of the European Parliament and start the transfer of sovereignty necessary for the establishment of a genuine federal government. Cf. J. Monnet, *Mémoires*, op.cit., chap. 21.

<sup>3</sup> The proceedings of this conference are contained in *L'Unione economica e il problema della moneta europea* (ed. Movimento Europeo and Movimento Federalista Europeo), Milan, Franco Angeli, 1978; on the first stages of the debate cf. also R. Jenkins, P. Werner, R. Triffin, D. Biehl and G. Montani, *Una moneta per l'Europa*, Turin, Istituto Universitario di Studi Europei, 1978.

<sup>4</sup> M. Albertini, "Elezioni europee, governo europeo e Stato europeo", in *Il Federalista*, 1976, p. 209.

<sup>5</sup> M. Duverger, *L'Europe dans tous ses Etats*, Paris, Presses Universitaires de France, 1995, p. 44.

<sup>6</sup> Back in 1940 Lionel Robbins pointed out in an essay that in a federation, if the national governments wanted to exploit exchange relations as an instrument of economic policy, monetary sovereignty over all currencies could be assigned to the federal government, while keeping all the national currencies in circulation in a transitory phase. Cf. L. Robbins, *Economic Aspects of Federation*, in *Federal Union, A Symposium*, London, Jonathan Cape, 1940.

<sup>7</sup> For a more detailed analysis of this interpretation of the EMS I refer to G. Montani, "The European Government of the Economy", in *The Federalist*, 1997, no. 3.

<sup>8</sup> T. Padoa-Schioppa, *L'Europa verso l'unione monetaria*, Turin, Einaudi, 1992, p. XXIII. Also cf. D. Gros and N. Thygesen, *European Monetary Integration*, London, Longman, 1992, pp. 317-23.

### ERNESTO ROSSI AND THE VENTOTENE MANIFESTO

Only recently has federalism become a widespread and widely-accepted political outlook in Italy. This is certainly an effect of the success of European unification and of the movement of ideas behind it. However, during the nineteenth and much of the twentieth century federalism remained largely extraneous to Italian culture, which, as in the rest of continental Europe, was influenced by the political model of the French state, i.e. of “one and indivisible republic.”

Between the French Revolution and the Second World War federalism never became a leading principle for political action, nor did it succeed in affecting the historical development of the European continent, except in the small state of Switzerland, which adopted the constitutional model of the United States of America. Thanks to its marginal position and neutral role in the European states system, Switzerland remained sheltered from the centralizing effects of power struggles. Consequently it has succeeded up to the present day in maintaining a form of state organization consisting of two independent and coordinated levels of government (federal and cantonal). However, the mainstream of history favoured the affirmation of the opposite principle: that of the unitary and centralized state.

But the federalist point of view made it possible to identify the limitations of Europe’s nation state organization. In Italian political culture, the federalism of Carlo Cattaneo was the viewpoint of an isolated thinker, on the sidelines of the risorgimento movement. Like others in the previous century (for example Constantin Frantz in Germany or Pierre-Joseph Proudhon in France), he had seen the negative aspects of the political formula of the unitary nation-state. He sensed the profound relationship that exists between war and the absolute sovereignty of states, between international anarchy and the predominance of centraliz-

ing, militarist and authoritarian tendencies within the states. He consequently challenged the claim of the unitary state to be the highest form of political organization.

During the 1848 revolution, as at every outbreak of war or revolution in Europe from the French Revolution on, the need emerged to reorganize the continent on a democratic basis, and the banner was raised from several quarters (for example Considérant, Hugo, Lamartine, Ruge) championing the United States of Europe. Cattaneo was among the first to use this formula in his *Memoirs on the insurrection of Milan of 1848*. “We will have true peace,” he wrote in conclusion to his essay, “when we have the United States of Europe.”<sup>1</sup>

Knowledge of the institutional mechanisms of the federal state offered Luigi Einaudi a criterion for highlighting the limitations of the League of Nations and for suggesting the European Federation as the real alternative to war. The First World War marked the beginning of a new phase in the history of Europe, the first manifestation of the crisis of the nation-state and the decadence of the European states system. With Einaudi a new idea emerged, attributing the cause of war to the crisis of the nation state and indicating a precise alternative: the United States of Europe.

In fact, the nation state had assured the progress of Europe as long as it was able to control the development of industrial production, which tended to intensify and multiply economic and social relations between individuals and to unify them across ever vaster areas. As production and trade relations extended beyond state borders, individual societies emerged from their original isolation and became more and more closely interdependent. Thus a socio-economic system of global dimensions was formed, the world market, on which all people and all peoples depend for the satisfaction of their needs. Faced with this tendency, the political formula of the nation state fell into decay. At the root of the crisis of the nation state lies the contradiction between the internationalization of the productive process and the national dimension of political power. In consequence, because of the fragmentation of Europe into many small states, which blocked the development of modern productive forces, power tended to emigrate towards the vast spaces of the United States and the Soviet Union, where the tendency to expansion in production and trade relations met no obstacles.

According to Einaudi, the First World War must be interpreted in the light of the crisis of the nation-state and Europe’s need for unity. “The present war”, he wrote in 1918, “is the sentence of European unity

imposed by force by an ambitious empire, but it is also the bloody endeavour to develop a superior political form.”<sup>2</sup> On other words, the war was the expression of Europe’s need for unity, and Germany’s search for “living space” was the attempt by violent means to follow the push of the productive forces, which demanded an economy, a society and a state of European dimensions.

The democratic and rational alternative to German imperialism was, in Einaudi’s view, the European Federation, which would have enabled a consensual unification of Europe “by the sword of God” and not “of Satan”, as he said in his memorable speech of 27th July 1947 to the Constituent Assembly in Italy.<sup>3</sup> In the era of the crisis of the nation-state, the alternative facing the states is not between unity and division, but between two different forms of unity: an empire or a federation.

At the same time, Einaudi considered the European Federation as an alternative to the limitations of the League of Nations. This international organization had been created to guarantee peace, but was entirely inadequate to the purpose because of its lack of any power to limit state sovereignty. Having identified the basic shortcoming of the organization, Einaudi wrote two lucid articles published in the *Corriere della Sera* in 1918,<sup>4</sup> predicting that it would not eliminate division, conflicts and wars among the states. This was duly confirmed by the Second World War.

Other authors, such as Giovanni Agnelli and Attilio Cabiati in Italy, Lord Lothian in England, Jacques Lambert in France, and Clarence Streit in the United States, made similar criticisms of the League of Nations in the inter-war period, basing their ideas on the theory of the federal state. The fact remains that Einaudi was able to identify the limitations of the League of Nations when it was still at the planning stage.

These writings, which, under the pseudonym of Junius, Einaudi collected in 1920 in the small volume entitled *Political Letters*,<sup>5</sup> published by Laterza, had no influence on politico-cultural debate after the First World War and were forgotten by the author himself.

However, during the Second World War, when they happened to fall into the hands of two antifascists, Altiero Spinelli and Ernesto Rossi, confined on the island of Ventotene, they appeared as a revelation. Together with some books by Lord Lothian and Lionel Robbins, the leading personalities of the federalist school which developed in England during the 30’s, they were the starting point for the reflections which led to the elaboration of the *Ventotene Manifesto*.

What united these two personalities was not simply anti-fascism. It was also dissatisfaction with traditional political ideas, which had re-

vealed their inadequacy to counter fascism. Hence the search for new political formulae.

Rossi’s great merit was that of having circulated the federalist literature at Ventotene. Being a professor of economy, he had been authorized to correspond with Luigi Einaudi, who had arranged for some precious federalist books, entirely unknown to Italian political culture, to reach Ventotene. Here lie the sources which inspired the *Ventotene Manifesto*.

The greatness of these men lies in having seen the underlying evolutionary line of contemporary history. At the time when Hitler was dominating Europe, having overthrown France, and was shifting the attack to the Soviet Union, these solitary thinkers, meditating in the isolation of internment on how Europe and the world should be organized after the tragedy of the war, had the intellectual strength to launch the idea of the United States of Europe.

It is not possible to make a detailed examination of the *Ventotene Manifesto* here. I will limit myself to extracting the essential concepts, which seem to me to mark the novelty of the document, which represents a genuine turning point in federalist literature: the shift from theoretical reflection to a plan of action.

As regards the theoretical fundamentals of the *Manifesto*, the concept of the crisis of the nation state occupies a central position. Colorni writes in the preface: “In the minds of various people the central idea was forged that the basic contradiction which causes crises, wars, poverty, and the exploitation that afflicts society is the existence of sovereign States which have a geographic, economic and military individuality, consider other States as competitors and potential enemies and live in a perpetual state of *bellum omnium contra omnes* with respect to each other.”<sup>6</sup> This concept allows a new reading of contemporary history. On this basis, the authors of the *Manifesto* made a deeper analysis of the causes of imperialism and fascism, the essential elements of which were already present in the works of their federalist sources. What gave rise to these phenomena was the fusion of state and nation. It created an explosive mixture which developed authoritarian tendencies within the state and aggressive tendencies on the international level. The aggressiveness of the state is explained in the context of the theory of *raison d’état*, which in the final instance assigns the cause of imperialism and war to state sovereignty and international anarchy. The more specific cause of imperialism in the era of world wars is identified in the crisis of the European states system. This is determined by the growing interdepend-

ence of the national economies, which pushed each state to seek to weaken its neighbours by protectionism and to enlarge the economic area subject to its control, and pushed Germany to wage the hegemonic war to conquer the continent.

As regards fascism, it is defined as the point of arrival of the historical evolution of the nation-state, the expression of the bellicose and authoritarian tendencies latent in its closed and centralized structure, which had become virulent with the exacerbation of the struggle for power in Europe. On the socio-economic level, fascism is the totalitarian and corporatist response to the economic stagnation of a market whose dimensions are inadequate to the development of the modern productive techniques; to the disintegration of society, degraded to the ground of the clash between corporative interests; to the need to eliminate every social division, which weakens the state's capacity for defence; and to the exigency to adapt the productive system to the imperatives of a war economy.

But the truly innovative significance of *Ventotene Manifesto* lies in the area of action. Federalism thus becomes a criterion of knowledge and action, which inspires a new form of political behaviour and an autonomous political commitment.

The autonomy of the federalist vision of politics and history compared to that of other political currents makes it possible to consider the European Federation as a genuine political alternative to the nation-states system and as the priority objective of a new political programme, from which springs a new movement, organized solely to pursue that objective. Spinelli advanced further along this new route on which Einaudi had embarked. Closer examination of the former's contribution reveals two major limitations of Einaudi's federalist thinking. First, for the latter, federalism remained a supplementary outlook to liberalism, a simple institutional schema capable of protecting liberal-democratic values and institutions from the consequences of international anarchy. Moreover, the works of Einaudi contain no political proposal to translate the federalist design into reality. These are also the limitations of Ernesto Rossi's conception of federalism which, on the whole, was closer to that of Einaudi than to that of Spinelli. And this explains why Rossi, who was after all one of the promoters of the European Federalist Movement (MFE), abandoned his federalist commitment after the collapse of the European Defence Community (1954).

Spinelli developed a theory of democratic action to unify a group of states, intended as a new sector of federalist thinking. The fundamental

objectives of this action are: a) the current relevance of the struggle for the European Federation, b) the priority European Federation over any other political objective, and c) the shift of the dividing line between the forces of progress and the forces of conservation onto the international level.

a) In the *Ventotene Manifesto* there is a different attitude to that of those who, previously, had chosen federalism to define their position towards power, society and the course of history, but had confined themselves to denouncing the historical crisis of the nation-state, placing the European Federation in an indeterminate future, without drawing up a precise action plan. This document is inspired by a central idea, that of the current relevance of the European Federation, a political objective which is not only necessary but has also become possible in the new historical context created by the Second World War. The Manifesto predicted that the war would develop the objective conditions for European unification, by making the historical crisis of the nation-state evolve into a political crisis, thus opening the way to the federalist initiative. In the preface we read, "While the ideal of a European Federation, a prelude to a world federation, might have been considered a distant utopia a few years ago, it would now, at the end of this war, seem to be an achievable goal, almost within our reach."<sup>7</sup> The European Federation, seen as a stage on the way towards world federation, is the objective of an immediate and concrete battle, led by a movement created for that purpose.

b) The second innovation consists in the strategic priority of the struggle for the European Federation over the struggle for the reform of the nation state. All political parties, whether inspired by the liberal, democratic, socialist or national ideologies, are united by the priority they give to improving the situation of their state, and the conviction that peace is the automatic consequence of the affirmation respectively of the principles of liberty, equality, social justice and national independence. What singles out the federalist point of view is its reversal of this order of priorities. In the *Manifesto* we read: "The question that must be resolved first, failing which progress is no more than mere appearance, is the definitive abolition of the division of Europe into national, sovereign States... Anyone taking the problem of the international order as the central problem in this historical age and considering its solution to be the prerequisite for solving all the institutional, economic and social problems imposed on our society, is obliged to consider all the issues relating to internal political conflicts and the attitudes of each political party from this point of view, even with regard to the tactics and strategy of daily

struggle.”<sup>8</sup>

The fact is that whoever is concerned only with national reform fails to address the cause of international conflicts, imperialism and war. Because of international anarchy, national independence tends to turn into nationalism, freedom tends to be sacrificed to the need to centralize power and to promote military security, and military spending is an alternative to social spending. All this reveals the lack of autonomy in internal politics and the illusion of the reform of the nation-state, overtaken by processes which transcend it.

Consequently, “if tomorrow the struggle were to remain restricted within traditional national boundaries, it would be very difficult to escape the old contradictions.”<sup>9</sup> Since the traditional political forces pursue the reform of the nation state, they remain prisoners of this institution, they are subject to its decadence and therefore stay in the field of conservation.

c) Thirdly therefore there is a resulting shift of the centre of the political struggle from the national to the international level. In other words, a new dividing line tends to form between the forces of progress and those of conservation, as we read in the *Ventotene Manifesto*. “The dividing line between progressive and reactionary parties no longer coincides with the formal lines of more or less democracy, or the pursuit of more or less socialism, but... along a very new and substantial line: those who conceive the essential... goal of struggle as being the ancient one, the conquest of national political power — and who, albeit involuntarily, play into the hands of reactionary forces, letting the incandescent lava of popular passions set in the old moulds, and thus allowing the old absurdities to arise once again — and those who see the main purpose as the creation of a solid international State, who will direct popular forces towards this goal, and who, even if they were to win national power, would use it first and foremost as an instrument for achieving international unity.”<sup>10</sup>

In the era of the crisis of the nation state and of the internationalization of the productive process, the clash between the forces of progress and those of conservation no longer takes place on national ground between the principles of liberty and dictatorship, or between those of socialism and capitalism. Anyone choosing to commit himself in the national field, even with the objective of achieving more democracy or more socialism, is automatically involved in conservation, because his political action consolidates the nation-states. Consequently, the prime objective for anyone who wants to promote progress is the commitment to overcome the division of Europe and the world into sovereign states. The suprana-

tional course of history is bringing out a new dividing line among political and social forces: that between nationalism and federalism.

Ernesto Rossi’s contribution to the *Manifesto* is limited to part of the third and final chapter, entitled “Post-war Duties. Reform of Society.”<sup>11</sup> The gist is as follows: first, a harsh polemic against communism, which, by bringing the economy under state control, creates new privileges by concentrating power in the hands of the single party; the task of social policies is to correct the distortions of the market through state intervention in the economy; nationalization of the most powerful economic groups, cooperatives, worker share-holding and agrarian reform are indicated as the main instruments of the struggle against the monopolies and landed property; emphasis is laid on the fight against all forms of corporativism, even trade unionist, which perpetuate the privileges of the more powerful categories at the expense of the rest of society; proposals are made for free compulsory education for the most gifted young people, the guarantee to all of social minimum, without however reducing the stimulus to work and save, the abolition of the concordat between Church and State, and the firm separation of Church and State. These pages contained in a nutshell the themes which he developed in his books and in his political and cultural activity after the war and which were to make him well-known throughout Italy.

Another of the recurrent themes in Rossi’s writings which appears in the *Manifesto* as a result of his contribution, although it is developed in the first part (which was written by Spinelli), is the critique of nationalism. Rossi’s specific contribution is found in the Enlightenment-style polemic against the doctrinairism and mystification of nationalism, which hide the privileges of the dominant political classes and of the military and bureaucratic castes.

As emerges from his most important work on federalism, *The United States of Europe*,<sup>12</sup> published in Lugano in 1944 under the pseudonym of Storeno, Rossi conceives of federalist politics as a constitutional technique for the organization of power, which permits the elimination of armed conflicts between states which have signed the federal pact. More specifically, by removing military sovereignty from its member states, the Federation acquires the power to prevent war within its own borders. From this perspective, he illustrated with exemplary clarity the incompatibility of the organization of Europe into nation states with the principles of liberty, democracy and socialism. The first part of this essay, still relevant today, is especially noteworthy. It concerns the consequences of armed peace and shows clearly how the division of Europe into sovereign

states constitutes an insurmountable obstacle to the full realization of the ideals of liberty and equality.

Understood in these limiting terms, federalism in Rossi's thinking is the logical completion of radical liberalism or liberal-socialism and not a criterion of autonomous political action. Being closely bound to the solution of the problem of war, Rossi's adherence to federalism is much more weakly motivated than that of Spinelli. The practical consequence of this theoretical position was to be the abandonment of the European Federalist Movement after the failure of the European Defence Community (30th August 1954), i.e. when, with the attenuation of the East-West conflict, the danger of a third world war began to recede.

Starting from 1954, when he considered that the European Federation was no longer of immediate relevance, Rossi dedicated himself to the reform of the Italian state, an objective identified as illusory in the *Ventotene Manifesto* and condemned to failure.

As regards Italy's foreign policy, he proposed the neutral option, inspired by the model of the Swiss Confederation.<sup>13</sup> It was in reality an impossible option, considering the strategic position occupied by Italy in the Mediterranean, and meant abandoning the grand federalist design for Europe, which had been intended as the start of a great international peace process, the first stage in the unification of the world. With hindsight, one may see the recent entry of three neutral countries (Finland, Sweden and Austria) into the European Union as justifying the criticism of Ernesto Rossi's neutralist position. On one hand, the dissolution of the communist bloc (an event to which the European Community contributed) brought about the bankruptcy of neutralism (which even Switzerland will sooner or later have to renounce). On the other hand, the fact that neutral countries are joining the European Union marks the victory of the prospect of European unity over neutralism.

In domestic politics he was a tireless opponent of corruption, monopolies and the excessive power of the Church. He did not realise that the excessive power of the monopolies and the Church was a consequence of the crisis of the nation state, and hence of the incapacity of the latter to make the general interest prevail over the particular interests expressed by these centres of power. In other words he did not fully understand the importance of the European Federation for the solution of the major problems of our time, including the realization of the reforms which were closest to his heart. For federalists it is quite obvious that a state like the European federation would have the power and the means to impose antimonopolistic legislation and to prevent the Church from

intruding into the political sphere.

A page from Spinelli's *European Diary* illustrates these limitations in Rossi's political thinking. The year is 1954: after the collapse of the European Defence Community, and with it the prospect of establishing a European Political Community, the survival of the MFE is in danger. Rossi shows generous concern for Spinelli's future. He knows Mattei and wants to suggest that he takes on Spinelli at ENI. But Spinelli refuses: "Rossi... is very fond of ENI", he notes, "this great national Italian oil corporation. He is always writing in its defence against the danger that oil exploration and the exploitation of Italian oil will end up in the hands of the Americans. I thanked him, but I did not accept. I do not believe in the value of nationalizing Italian oil. Del Viscovo, who is in the research department at ENI, has told me some of the goings-on in this big state trust. And it is natural that it's like that. A big nationalized company can only be an element of moralization in the economic life of a country if one can be sure it will be administered with criteria of public morality which today exist perhaps in England, but certainly not in Italy. Here it is an endless source of graft, especially for the governing party and its hangers-on... It's strange that Rossi, a federalist, cannot make these after all quite simple observations on the inanity of certain sovereign acts of our current European states. But Rossi's federalism has always been born of that superficial way of thinking which Hegel calls *räsonnieren*. He has never even suspected that it could be a canon for the interpretation of politics."<sup>14</sup>

This last sentence underlines the radical difference between Spinelli and Rossi. The idea that federalism is a "canon for the interpretation of politics" casts light on Spinelli's innovative aim to make federalism fully independent of traditional political thinking. Spinelli's greatness lies in a powerful concentration of thought, in the indomitable will always to begin again, even after the most bitter defeats, and always to keep the European Federation as priority political objective. Because he never, even at the most difficult moments, abandoned his commitment to the European Federation, as the alternative to the regime of nation states, he always knew what had to be done to hasten the death of the nation states. His objective was always to give the federalist conception of politics the same autonomy of judgement as the liberal or socialist ideologies.

Usually anyone who decides to engage in politics chooses to improve the situation of his own country, and to this end, chooses a party and an ideology as the context of action. Spinelli on the contrary, while being Italian, did not think of Italy as a reality to accept uncritically, nor did he consider the existing ideologies as the only frameworks within which to

limit his own political projects. He continually sought to detach himself from national conditioning and that of traditional ideologies. This is closely akin to a scientific attitude, selecting the most effective means for the chosen end; and at the same time it is in some ways an ascetic attitude, in that it involved renouncing the benefits deriving from the occupation of power. Since the objective was, and continues to be, international, he refused the nation and the parties as the context of his own political action and founded a supranational movement. He set up a political struggle for a power which does not exist, but which must be created. Hence the extraordinary concentration of thought and action to carry out a revolutionary change: to organize a political struggle and a movement for a power which does not exist, but which must be created *ex novo*. This is the great innovation which we owe to Spinelli: having introduced a new form of political behaviour.

Spinelli was not utopist, as many continue to maintain. At the time of the EDC he succeeded in convincing De Gasperi that it was not possible to constitute a European army without a European government. De Gasperi in turn convinced Schuman and Adenauer. As a consequence the ad hoc Assembly was convened, an indefinite term for a constituent assembly, which worked for six months and produced a draft constitution which had strong federal elements: apart from constituting a centre of European power (the European army), it subjected the latter to the control of a European Parliament elected by universal suffrage. It was in short a fundamental stage on the way to the construction of a European state. Hence the EDC was a concretely achievable objective. It is a reasonable hypothesis that, without the death of Stalin and the ensuing thaw in East-West relations, the EDC would have been approved. This is the hypothesis which, with extraordinary timing, Spinelli formulated on the very day of Stalin's death. Let us read what he says in his diary on 6th March 1953: "The most important event of today is the death of Stalin. In the interest of the construction of European unity it would have been good if Stalin had lived for one more year... Stalin's death may also signify the end of the current attempt to unite Europe."<sup>15</sup> It is worth noting however that four of the six member-states of the European Community had already ratified it.

Thus in a speech to the European Parliament on 24th May 1984, Mitterrand expressed his own support for the European Union draft Treaty proposed by Spinelli and passed by the European Parliament. It was a Community reform project which, while containing federal elements, would not have immediately established a European federal state.

Similarly the European Political Community, the companion project to the EDC, was not a Federation, but nevertheless represented a decisive step on the road to the European Federation. In 1954 it was France which buried the EDC and with it the European Political Community. In 1985 it was Great Britain which brought down the project of European Union.

In conclusion to this examination of Ernesto Rossi's contribution to the *Ventotene Manifesto*, I would like to refer to something said by Spinelli during an interview with Gianfranco Spadaccia, published in *Astrolabio* 26th February 1967, a few days after the death of Ernesto Rossi, about his own contribution and that of Rossi to the federalist battle. On the whole it seems to me a very balanced judgement: "Rossi on his own would not have promoted the federalist battle", said Spinelli, "however without Rossi federalism would not have the physiognomy it had."<sup>16</sup>

Spinelli was the founder of a new political movement: Rossi contributed to defining its character. Like Moses, they have both died before reaching the Promised Land. It is up to us to bring to a conclusion the path which was undertaken and which has been shown to us by its initiators by following the line drawn by them.

Lucio Levi

## NOTES

<sup>1</sup> C. Cattaneo, *Dell'insurrezione di Milano nel 1848 e della successiva guerra. Memorie*, Milano, Feltrinelli, 1973, p. 244.

<sup>2</sup> L. Einaudi, "La Società delle nazioni è un ideale possibile?", in *La guerra e l'unità europea*, Bologna, Il Mulino, 1986, p. 27.

<sup>3</sup> *Ibid.*, p. 48.

<sup>4</sup> L. Einaudi, "La Società delle nazioni è un ideale possibile?" and "Il dogma della sovranità e l'idea della Società delle nazioni", in *op. cit.*, pp. 19-36.

<sup>5</sup> Junius, *Lettere politiche*, Bari, Laterza, 1920.

<sup>6</sup> A. Spinelli, *The Ventotene Manifesto*, The Altiero Spinelli Institute for Federalist Studies, Pavia, 1988, pp. 11-12.

<sup>7</sup> *Ibid.*, p. 14.

<sup>8</sup> *Ibid.*, pp. 31 and 13.

<sup>9</sup> *Ibid.*, p. 29.

<sup>10</sup> *Ibid.*, pp. 32 and 33.



<sup>11</sup> *Ibid.*, p. 34 and following.

<sup>12</sup> Storeno, *Gli Stati Uniti d'Europa*, Lugano, Nuove Edizioni di Capolago, 1944, republished in *L'Europe de demain*, ed. Centre d'action pour la Fédération européenne, Neuchâtel, Baconnière, 1945.

<sup>13</sup> E. Rossi, "Alleanza atlantica o neutralità?", in *Il Ponte*, XX, 1964, n. 4.

<sup>14</sup> A. Spinelli, *Diario europeo. 1948-1969*, Bologna, Il Mulino, 1989, vol. I, pp. 213-14.

<sup>15</sup> *Ibid.*, pp. 167-68.

<sup>16</sup> G. Spadaccia, "Ernesto Rossi. La battaglia federalista (interview with Altiero Spinelli)", in *L'astrolabio*, V, 1967, n. 8, p. 29.

## SOVEREIGN YET INTERDEPENDENT: THE FUTURE OF THE G7

In 1974, Jean Monnet drew up, for the then President of France, Giscard D'Estaing, the memorandum on the "provisional European government" which led to the establishment of the European Council of heads of state and of government of the EEC and thus, to the institutionalisation of the procedure of European summits. In the same year, in a newspaper interview, Giscard D'Estaing mooted the idea of instituting top-level meetings of the heads of state and of government of the Western worlds' most industrialised countries. The countries in question discussed the proposal at the conference on security and cooperation in Europe held in Helsinki in July 1975 (which ended with the signing by 35 countries of the treaty known as the Helsinki Final Act). And so began the process which led to the formation of the so-called G7 (now, since Russia's entry, known as the G8) whose first ever meeting was held in Rambouillet, in the autumn of 1975.

*Sovrani ma interdipendenti*<sup>1</sup> is the title of a book which examines why this body was created and looks at what has happened in its first decade of operation, from 1975 to 1986. A look back, even in general terms, at the development of the G7 and at the problems with which, as time has gone by, it has been confronted, may provide elements which can further an understanding of what the future holds for this body, after the

introduction of the euro. According to the book, the institutionalisation of top-level meetings was encouraged by three structural features which characterised international relations in the course of the 1970s.

The first of these, a result of the increase in economic interdependence, was the intertwining of foreign policy and domestic policy. Indeed, the thirty years following the end of the Second World War saw a progressive increase in the level of economic interdependence, initially as a result of the development of international trade and subsequently through the increase in direct investments abroad and through greater capital mobility. Interdependence gradually, but inexorably, wore away the barriers separating domestic economies from the international economy and, as a result, those separating domestic from foreign policy, reducing the capacity of individual states to determine and pursue independently their own macroeconomic objectives. Thus, the need arose for the most industrialised states of the Western world to agree upon which main economic measures should be adopted in an attempt to counterbalance, through the development of common policies, the loss of national autonomy provoked by the greater level of integration.

The second feature of international relations in the '70s recalled by the book, is the breakdown of the hegemonic position held by the United States from the end of the Second World War to the early '70s, when it was weakened by the decision, taken in the summer of 1971, to suspend the gold convertibility of the dollar — a decision which highlighted America's growing incapacity to ensure an ordered evolution of the worlds' economic and monetary relations. On the same subject, the book points out that the golden ages of free trade have typically been characterised by some form of government of the economy by a hegemonic power which has ensured its ordered development: this was the role played by Great Britain at the end of the 19th century and by the United States in the post World War II period. The book points out that it was indeed the lack of a hegemonic power in the period separating the two world wars, (or as suggested by Kindleberger, of a world government), that constituted the basis of the Depression of the 1930s.<sup>2</sup> The authors of the book explain how the economic crisis of the early '70s (which saw the collapse of the Bretton Woods system and the first oil crisis generating the worst recession of the post war period) gave rise to the same institutional problem that had emerged in the '30s, with the United States no longer in a position to cope, on its own, with the management of the worlds' economic-monetary affairs. "In place of the hegemonic stability guaranteed for a quarter of a century by American supremacy, there had

emerged an objective need to work out a new (and this time collective) system for governing and controlling the worlds' economy." In opposition to this suggestion of collective management, another, more radical way was proposed which consisted of "the creation of new supranational institutions endowed with real authority and sovereignty," an idea which, the authors hasten to add, was soon discarded as politically impracticable.<sup>3</sup>

Finally, moving on to the third feature of international relations in the '70s, contributing to the formation of the G7, the aim behind the summit proposal was to restore to politics its supremacy in the management of inter-state relations, especially in the economic-monetary field, lessening the role until then played exclusively by high-ranking international bureaucracies.

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With regard to the working of the G7, the book examines the evolution of the bodys' spheres of intervention. Giscard d'Estaing originally intended the summit meetings to focus exclusively on monetary issues and the opening one was, in fact, devoted to this area. Indeed, at the first meeting the transition to an international monetary system based on floating exchange rates was accepted as definitive, (and consequently moves to reform the statute of the International Monetary Fund were oriented in this very direction). It soon became clear, however, that the scope of these top-level meetings could not be restricted to monetary policy and (also because the worlds' economy was going through a difficult period) the G7 began to address the problem of how to sustain economic growth. In the first few years of its operation, which coincide with the second half of the 1970s, there was growing support for the Keynesian concept of "locomotives" of the world economy (in other words, for the idea that the prospects of recovery of the worlds' economy depended on the possibility of relaunching the domestic economies of three countries: the United States, Japan and Germany). Thus, summit meetings held in that period were, for the most part, devoted to efforts to convince the three countries in question to take on the task of boosting domestic demand. The Bonn summit (1978) sanctioned the application of a series of expansionist measures in Europe, in the United States and in Japan which, however, according to many observers, led to a high demand for oil products and a further increase in their prices, (and this, in turn, increased the impact of the 1979 oil crisis and the subsequent

recession which was prompted by the measures adopted to reduce energy consumption). From this viewpoint, the meeting of the G7 in Bonn marked the end of one phase of world politics (founded on a Keynesian type political design) and opened the way for a new one: a phase characterised by the "laissez-faire" policies of Reagan and Margaret Thatcher. As is evident today, these policies resulted in an accentuation of the worlds' economic interdependence, even though this is now characterised by greater economic imbalances.

As an aside, it is worth commenting here on the clash between the Europeans and the Americans over the United States' monetary and budgetary policy. In the course of the following meetings, the positions adopted by the former fluctuated wildly as a result of their division and of their incapacity to reach an agreement with the United States on a common economic policy (forcing them, ultimately to yield to the American position). In fact, having criticised the inflationary policy and the low interest rates in force in Carters' time, the Europeans later (Ottawa 1981) rejected the United States' policy of high interest rates and a strong dollar, prompting a clash (Versailles 1982) between the American line which was one of non intervention in the foreign exchange market, and the pro-intervention stance adopted by the French. The French line can be explained by the fact that Mitterand, who had just come to power, failing to appreciate the constraints placed upon him by Frances' participation in the European Monetary System which had been created several years earlier, was intent on following a policy of economic development and a vast programme of nationalisation: the result was a monetary crisis in France followed by a rapid change of direction in the countrys' economic policy. The two events which occurred in this period, that is, the second oil crisis and the failure of Mitterands' political design, provide a very good illustration of the level of integration of the worlds' most industrialised countries at that time. It also highlights the implications of globalisation of the economy, and the far-sightedness of the idea of creating a political organ to "govern" these phenomena. Another factor that emerges clearly from these two events is the inadequacy of a response based on intergovernmental cooperation which, in order to obtain general consensus, allowed the adoption of only minimal measures — and even these were conditioned by the United States.

As mentioned above, the Keynesian phase was followed by the start of a new phase of world politics which tended towards the progressive reduction of public intervention in the economy and was based on an increasing liberalisation of trade and capital exchanges on a global level,

in other words, on the decision to leave the market to manage, by itself, the growth of economic interdependence. What the book fails to make clear is the fact that the change of direction, towards economic liberalism, was the result of the failure not of a *global* Keynesian political design, but of the summation of *national* Keynesian political designs. With the start of this new phase, however, the European governments which succeeded one another (both right and left wing) were obliged to introduce similar measures, oriented towards a freedom of trade which was, more than anything else, seen as an instrument for rectifying the trade deficit and as a means of safeguarding the competitiveness of their own industrial systems. As an initial measure in the new political phase, Reagan launched a policy of high interest rates which, given that the new government was committed to funding a major US re-armament programme in order to strengthen Americas' leadership of the Western world and its policy of confrontation with the Soviet Union, lasted throughout his first term in office. And, for Europe at least (which continued to follow a stricter economic policy than that adopted by the United States), the legacy of this period was high unemployment.

Starting with the Bonn summit (1978), questions relating to trade policy became an established part of the agenda of G7 meetings. With the USA putting the pressure on, the GATT negotiations reached the end of the Tokyo Round and, subsequently (Williamsburg 1983, London 1984), the start of a new round (the Uruguay Round) which led to a further liberalisation of trade and of capital movements and the creation of the WTO. With the start of the new GATT round, two opposing positions emerged: one, supported by Reagan, which wanted to see free trade of goods and services on a global scale and the other, supported by the French, which placed a greater emphasis on monetary stability through reform of the international monetary system. Obviously, the American position reflected the United States' interest in asserting the strength (originating from their continental dimensions) of its industrial system and of its financial market, both of which were facilitated by the fact that they were based on the dollar, which is used as a reserve currency. The French position, on the other hand, was dictated by the country's concern over the need to exercise control over the dollar, whose oscillations were capable of cancelling out (exclusively to the benefit of the Americans) any positive results generated by the liberalisation of trade. This French-American confrontation resulted in tighter control over wild exchange rate fluctuations, but not in the achievement of France's main objective — even though, with the coming into force of the EMS, Europe strove,

in the meantime, to afford its market some protection against the fluctuations of the dollar.

The other two issues of global significance which have become an established part of the agenda of the G7 are foreign policy and security (Ottawa 1981 and Versailles 1982) and the question of North-South relations. In Ottawa and in Versailles, Reagan stressed the need for a policy of restriction of trade relations with the Soviet Union, clashing with the more moderate European line supported by Germany in particular. Even though a joint political declaration in favour of the installation of Euro-missiles was drawn up at the next summit meeting in Williamsburg in 1983, relations between Europe and the United States started to enter difficult waters, particularly after the launch, by Reagan, of the SDI project (Bonn 1985). Although Germany and Great Britain declared their willingness to take part in this project, the French openly dissociated themselves from it. Meanwhile, as far as relations between the industrialised Northern hemisphere and the underdeveloped Southern hemisphere were concerned, America adopted a more prudent stance, even (and particularly as from the mid 1980s) modifying its monetary policy in favour of lower interest rates. This change in the American economic policy was prompted not only by the concern that a revaluation of the dollar favoured by high interest rates would generate protectionist trends in American industry, but also by the fact that the high interest rates were creating difficulties for the developing countries most heavily in debt and in particular, for the countries of Latin America (Williamsburg 1983, London 1984). The range of problems which, as time has gone by, have been brought before the G7 certainly extends beyond than the areas (economic policy, trade policy and foreign and security policy) mentioned here. Others which have been added to this list include energy policy, and the problems of international terrorism, pollution, unemployment, and so on. In order to discuss these specific questions, meetings of the particular Councils of Ministers involved are held periodically, a fact which goes a long way towards confirming that the G7 can be seen as a sort of World Council of heads of state and of government of the most industrialised countries, which gives rise to meetings of Councils of Ministers along the lines of those held within the sphere of the European Union.

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As final comments on the contents of this book, a number of remarks

can be made on the role of Europe in summit meetings as well as a few reflections on what the future might hold for the G7, bearing in mind that the book does not foresee any change in its current composition, or in its configuration as an informal institution.

The London meeting in 1977 was the first in which the European Commission participated — even though it could not take a full part in the proceedings as the presence of the European Community was not formalised until the 1981 meeting, and even now, Europe still does not have an autonomous role of its own to play.<sup>4</sup> Furthermore, while the “hegemonic stability” guaranteed by the Americans was indeed in a weakened state at the time of the birth of the G7, contrary to the view of the authors of this book, it could not yet be considered a condition which had been surpassed. Strengthened, in fact, by the hegemony of the United States in the Western world, the dollar, in its role as reserve currency, (and despite its being inconvertible), paradoxically grew in stature from the '70s onwards. And the persistence of this American predominance, assisted by the fall of the Berlin Wall and by the collapse of the Soviet Union, has helped to conceal, for almost two decades, the fact that the inconvertibility of the dollar into gold posed, for the first time in the history of monetary relations, a new problem: that of an international monetary system founded on an inconvertible currency. The significance of this innovation, as far as the future of the international monetary system is concerned, will become clear only after the euro has come into use. The fact that the euro is likely to become another inconvertible reserve currency will render necessary the drawing up of agreements, following the model of the EMS, to stabilise the exchange rates between the euro and the dollar. The G7 finds itself faced with a major change as the arrival of the euro throws into question not only the presence of individual countries, but also the future of the body itself: either it becomes the organ responsible for the management of the world's economy, or its' destiny is one of inexorable and fatal decline. The problem, from the federalists' point of view, is how the G7 might be developed in order to ensure that it evolves into a more efficient, generally more stable and more democratic form of institution.

It is possible to imagine three, complementary, developments. First of all, as the French minister of economy and finance, Dominique Strauss-Kahn, recently pointed out, there is a need for the European Union to be represented within the G7 as a single entity rather than through its individual members.<sup>5</sup> Obviously, such a European presence, in order to make sense (that is, in order to influence the functioning of the

G7 in any real way), depends on the existence of a Europe which has the capacity to decide and to act — and that means attributing the current European Commission with powers of government. Thus the G7 (should Britain adopt the single currency) would become the G4. Since the G7 was conceived as a platform for discussing monetary relations between the United States, Europe and Japan, the question of relations between the euro, the dollar and the yen constitutes a theme which is certainly destined to dominate future summits, and in this sphere, it is a politically united EU that must take its stand, especially in discussions on exchange rates. Furthermore, in the sphere of interest rates which, in accordance with the Maastricht Treaty, is the province of the European System of Central Banks, and bearing in mind the integration of the world's financial market, it will, in order to follow the growing integration of the world market, be necessary to promote a greater harmonisation of the direction of the monetary policies adopted on the two sides of the Atlantic. The other area in which Europe will need to speak with a single voice will be that of budgetary policy, normally used as a means of boosting demand and as a locomotive which has the effect of pulling the world economy after it. It should in fact be pointed out that the main areas represented in the G7, the United States and Europe are currently implementing strict budgetary policies: the European Union (even after the launch of the euro) in order to meet the convergence parameters established by the Maastricht Treaty and the United States in order to comply with a law passed by Congress.<sup>6</sup> Should this situation persist, it will ultimately reduce the extent to which budgetary policies can be used as the basis for the development of the world economy and thus create the risk, especially if other countries should decide to follow the same direction, of a global stagnation of demand. As has been the case over the last decade, the task of promoting the economic development of the most backward countries would thus fall exclusively to the forces of the market, with all the clearly negative consequences, illustrated by the crisis that has hit the economies of South East Asia, that this would produce, as well as more and more marked imbalances in the distribution of income, even within the confines of the most industrialised countries. These are the dangers which the United Nations alerts us to every year in its Human Development Report and which signal the need for a greater level of government of the world economy, not a reduction in the intervention on the part of public powers. In any case, even if the G7 should deem it appropriate to resort to budgetary measures as a means of shoring up the world economy, (which is what has happened in the past), it is now unthinkable that Germany

should be expected to shoulder the burden alone: it is a decision that would have to be taken by the European Union.

The second development that may be expected in the future of the G7 is its enlargement. By admitting Russia, the limitations of a summit which brought together only the Western powers and turned the body into another anti-Soviet bloc institution have now been overcome. And it will prove necessary, in the near future, to enlarge it further to embrace other economic-industrial scenarios, and also in order to put the case of less developed countries. Both the French president Chirac and Zbigniew Brzezinski<sup>7</sup> have recently expressed this view, proposing the admission of the Peoples' Republic of China.

The third foreseeable development is linked to the other two, in other words to the implications of the presence of the European Union as a single entity, and of the eventual participation of other world regions. Indeed, there can be no doubt that the reason the G7 has survived this long is that, for better or worse, the United States has played a hegemonic role within it, and this has allowed it to adopt a common stance — albeit in the pursuit of minor objectives — on most of the problems with which it has been faced. The presence of the European Union whose weight, with the euro, would match that of the United States, would strengthen the role of the institution, but may, at the same time, generate within it tensions which could even cause it to seize up altogether. The kind of development which would, on the other hand, allow the reinforcement of this body can be identified in the proposal advanced some time ago by Jacques Delors. The former president of the European Commission, in response to what have become the planetary dimensions of economic, population, financial, environmental, and other problems, put forward the idea of setting up, alongside the existing United Nations Security Council, a *Council for Economic Security*.<sup>8</sup> In fact, such a council already exists in the shape of the G7 — but it could of course be transformed in the manner suggested by Delors and inserted into the framework of the institutions of the United Nations Organisation. In view of the problems which the G7 is required to tackle, this would clearly not be a satisfactory solution as it does not allow the limitations of the institution (which derive from the fact that it works on the basis of intergovernmental cooperation and does not call into question the exclusive sovereignty of the participating countries) to be overcome. Having said that, a development of this kind would nevertheless constitute a step in the right direction as it would strengthen the G7, giving it a definite institutional guise. Inspiration for all can be drawn from the positive aspects of what can, in Europe, be seen as the

formalisation, at Community level, of the meetings of the continents' heads of state and of government. Having been transformed into the current European Council, these meetings now constitute an organ whose initiatives have made the progressive consolidation of the European Community possible, and provided federalists with a more advanced plan of action.

In conclusion, these developments would have the advantage of making public opinion much more aware than it currently is that the globalisation phenomenon has prompted the formation of a sort of world "government" of the economy whose limitations, which could be overcome by the federalist initiative, lie in its total lack of democratic legitimacy.

Domenico Moro

## NOTES

<sup>1</sup> R.D. Putman, N. Bayne, *Sovrani ma interdipendenti (I Vertici dei sette principali paesi industrializzati)*, Bologna, Il Mulino, 1987.

<sup>2</sup> C.P. Kindleberger, *The World in Depression, 1929-1939*, London, Allen Lane, The Penguin Press, 1973, p. 308.

<sup>3</sup> R.D. Putman, N. Bayne, *op. cit.*, p. 25.

<sup>4</sup> Reagan, for example, contested very strongly the presence of the European Commission as it was not a true government.

<sup>5</sup> D. Vernet, "Europe-Etats-Unis, nouvelle donne?", in *Le Monde*, 5-6 July 1998.

<sup>6</sup> F. Spoltore, "Federalismo, deficit e nuovo ordine mondiale", in *Il Federalista* XXXIX (1997), pp. 75 onwards.

<sup>7</sup> Z. Brzezinski, *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives*, New York, Basic Books, Harper Collins Publisher, 1997.

<sup>8</sup> J. Delors, *L'unité d'un homme*, Paris, Editions Odile Jacobs, 1994. In the book, Delors says, with reference to the Council for economic security: "This Council for economic security will be made up of five permanent members (The United States, Russia, The European Union, China and Japan) and a representative of each of the worlds' major geographical areas (Central and South America, Africa, Asia, the Middle East...). At the level of the heads of state and of government, the Council will meet once a year, and other meetings of competent ministers will be held in the intervening period. The Council will strive gradually to establish a global vision of the major parameters of world evolution (economic, monetary, financial, social, environmental, demographic, etc.). On the basis of this a real awareness will grow of the relationships between them. This institution will also have the advantage of embracing the whole world, and will not, therefore, look like an exclusive club open only to the rich countries. And while this will not eliminate altogether

the risk of causing offence in some quarters, the important thing is to create a *forum* which might become the embryo not so much of a world government, but of an institution capable of viewing the problems of the world in a sharper and more exhaustive manner. The meetings will also be attended by representatives of the major international organisations, such as the International Monetary Fund, the World Bank, the newly formed World Trade Organisation, the International Labour Office, U.N.E.S.C.O., etc.”(p.185) [our translation].

## THE WELFARE STATE AND THE FUTURE OF EUROPE

For several years now, the economies of the United States and Great Britain have been healthier and more buoyant than those of continental Europe. Yet while these two countries have been recording higher growth rates and lower levels of unemployment, the higher unemployment rates in the countries of continental Europe are, to an extent which it is not easy to quantify, offset by the greater wage disparity which is found in the Anglo-Saxon world, by the more widespread incidence in these countries of precarious, insecure and underpaid jobs and, in more general terms, by their more frequent, and sometimes shocking, situations of violence and social decay.

Most commentators tend to focus only on the positive aspects of the economic growth recorded in Anglo-Saxon countries, ignoring its downside. The overriding view is that the economies of continental Europe are held back by the existence of an excessive number of constraints linked to the hypertrophic expansion of the welfare state. As a result of this, it has become routine to call into question the “Rhine model”, i.e. the social security system which in various forms is (with the partial exclusion of Great Britain) in force in the countries of Europe and which channels into the health service and into funds for the payment of old-age and disability pensions and unemployment subsidies a far higher proportion of its gross domestic product than that which is set aside for the same purposes in the United States (and in Great Britain). Furthermore, this system, in the countries in which it is applied, grants workers a series of rights and guarantees far superior to those that can be enjoyed

by their Anglo-Saxon counterparts. However, the prevalent view is that this philosophy burdens the economies of the countries which adopt it to such an extent that they are rendered unable to withstand the international competition and it thus gives the United States (and Great Britain) a competitive advantage which is threatening to become impossible to reverse.

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There are no real grounds for doubting the fact that in Europe, (and particularly in those European states where the structures of democratic life are less deep-rooted and the civic consciousness less widespread and more fragile), the degeneration of the welfare state has often allowed cronyism and corruption to thrive, and led to a senseless waste of resources. Wherever they have manifested themselves, these phenomena have, without doubt, constituted a serious obstacle in the pathway of development, and the countries affected must necessarily address the problem of unemployment also through a rationalisation of their social security systems and a reform of their public administrations.

In the same way, it is surely obvious that, in view of the ageing of the population (and the vast improvement in the average state of health), adjustments must be made to the minimum pensionable age (and/or to the size of the pensions paid to those who decide to take early retirement). Likewise, it seems fair that a reasonable ceiling should be placed on the pensions received by those in the medium-high earning bracket in accordance with the supposition that such individuals have the means of supplementing their pensions through private insurance schemes. What is certain is that the welfare state must never be used to channel resources away from the poor, diverting them towards the rich. This is not, however, the proper context in which to examine problems which have predominantly technical implications (problems such as the nature of the improvements and minor changes which need to be made to Europe’s present social security systems).

Instead, the thing that must be debated here is the very philosophy of the welfare state, in other words, whether or not the citizens of a modern and civilised state should be required to sacrifice a considerable proportion of their income and be subject to various constraints — all in the pursuit of public solidarity.

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At this point, two different kinds of question emerge. The first is of a strictly philosophical nature and concerns the balance which politics must aim to establish within a given system between the amount of freedom of enterprise and the amount of solidarity. Clearly, there can be no question that in today's industrialised world, the need for solidarity emerges in a context in which the fundamental rights of freedom are largely guaranteed, and these rights of freedom include freedom of enterprise, without which political freedom would inevitably be lost, as shown by the experience of so-called "real socialism". The question is posed, therefore, in the framework of the liberal-democratic state of which the countries of continental Europe and the Anglo-Saxon world represent two different forms. In this context it would not be easy to argue in an abstract manner that the ideal of society which is inspired by social Darwinism, and which orientates the Anglo-Saxon model, is preferable to the ideal based on solidarity which inspired the "Rhine model". After all, solidarity represents the opposite of the war of everyman against everyman which it is the function of the state to overcome. And, while it is true that the prime — and eminently liberal — function of the state is, by defining clearly the limits of the various spheres of freedom and by enforcing abidance by the same, to permit the peaceful resolution of conflicts between citizens, it is also true that the task naturally completing this function is to prevent the very onset of conflicts in the first place. This is done by allowing all citizens to take part in the management of power and by guaranteeing them, through a fair distribution of resources, secure and dignified living conditions.

From this standpoint, and in the face of the terrible instances of poverty and social outcasting still evident even in the richest European countries (to say nothing of the far more difficult and prominent problem of international justice), it seems outrageous even to suggest that the resources used, within these political systems, to improve the living conditions of the least fortunate strata of society are excessive. On the contrary, it is quite clear that the resources channelled in this direction by the countries inspired by the "Rhine model" are still vastly insufficient, and that there must be a considerable evolution of the civic consciousness before an acceptable level of social justice can be achieved.

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It is necessary, at this point, to get down to realities and respond to the objection — and here we move onto the second kind of question — that

the "Rhine model" in fact constitutes a constraint which, in the countries which apply it, slows down the growth of wealth (a view substantiated by the great problem of unemployment in the countries of continental Europe) thus provoking, in fact, greater social inequalities than those produced by a system in which the forces of production are allowed to expand, unfettered by the constraints which result from the need to provide adequate protection for the weakest and poorest sections of society. Social Darwinism would appear to be the means by which the "invisible hand" can in fact intervene, creating the conditions needed to generate an increase in the collective wealth and, therefore, to make it possible to realise the highest possible level of social justice.

In this regard, it must first be remarked that the wealth of the countries of continental Europe, despite, in recent years, not having increased at the rate of that of the Anglo-Saxon world, has actually never stopped growing in that time and, in other periods, has even maintained a growth rate higher than that of the United States. Caution is needed, therefore, not to confuse a serious analysis of the facts with those arguments which constitute political propaganda or are put forward in support of corporative interests. The countries of continental Europe can boast economies which are, in spite of all their shortcomings, solid and well balanced and which allow the citizens of the continent to enjoy a quality of life which, year by year, is tending to improve. It would therefore be most unwise to allow oneself to be taken in by superficial projections like those which have, in the recent past, led many commentators to see first Japan, and then the so-called "tigers" of South East Asia as providers of the models which the whole of the industrialised world should strive to emulate.

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What does remain indisputable is the gravity of the unemployment problem in Europe, a problem which the macroeconomic policies followed by the continent's governments in the recent past have done little or nothing to alleviate, let alone solve. There does, however, seem to be a sound basis for the argument that this failure has nothing to do with the "Rhine model" of social security. Rather, it would appear to be due to the restrictive policies of the governments of Europe — these policies being determined by the control exercised over the governments by the financial markets. This state of affairs is reflected in many ways: it can be seen in the uncertainty provoked by the wildly fluctuating exchange rates between the various European currencies, (which have made accurate

predictions impossible, upset trade and discouraged investment); it is evident in the high level of interest rates provoked, on the one hand, by the need to protect the individual currencies from the dangers of the speculation which their very weakness stimulates and, on the other, by the need of Germany (abandoned by its European partners to the mammoth task of rebuilding the economy of the new *Länder*), to lure in capital from other markets by offering high incentives; it is reflected in the fact that the governments of Europe have, as they strive to meet the convergence parameters established by the Maastricht Treaty, found themselves obliged to channel almost all the resources available to them from the increase in productivity into reducing their budget deficits, in order to counterbalance the effects of the currently high interest rates; it can be seen in the increased cost of labour generated by the failure of the governments of Europe to harmonise their fiscal systems in a setting characterised by complete freedom of capital movement, thus allowing capital to escape taxation, and leaving labour as the main taxable asset.

Clearly, all these factors can be attributed to a single cause: the monetary and political division of Europe, although, having said that, this cause has now been removed, in part, by the launch of the single European currency. The countries of the EMU will form one large economic and monetary area in which the gross domestic product will be affected very little by foreign trade and in which, therefore — in the same way as the economy of the United States is largely unaffected by the exchange rates of the dollar — the general economic trend will be largely independent of exchange rates between the Euro and other currencies. The danger of speculation on national currencies will disappear as they themselves are phased out, and the European Central Bank will enjoy a considerable measure of freedom in the setting of interest rates. In Europe therefore, the conditions are emerging in which politics will be able to recover its supremacy over the financial markets, and in which governments, freed from many of the constraints that have determined their actions in this post-Maastricht period, will once more be able to structure their welfare systems in the manner they consider most appropriate.

However, while a large unified monetary area is necessary in order for all this to come about, it is not, on its own, enough. Monetary union is, by its very nature, fragile and incapable of dissipating the climate of mistrust and rivalry that has always coloured relations among the member states first of the Community, and latterly, of the Union. There do not, as yet, exist the right conditions for the launch of a bold policy on investments, either at European or at national level — a fact which is borne out by the

Stability Pact which was signed by the governments at Amsterdam, and whose aim is to perpetuate the restrictive policies which have paved the way for the birth of the single European currency. In the same way, monetary union cannot, by itself, create the conditions necessary for the implementation of a serious programme of fiscal harmonisation, destined to increase the taxation of capital and reduce the taxation of labour. Politics will never effectively win back its supremacy over the financial markets until a European power emerges which is founded on the democratic consensus of the citizens of Europe, a power which accepts responsibility for protecting the interests of Europe as a whole and which, endowed with the necessary fiscal and budgetary competences, has the capacity to implement a true European economic policy and to restore a situation of financial equilibrium whenever divergent trends should emerge among the member states.

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This is the only way in which Europe can free itself from the constraints which, in the last decade, have slowed down its economic growth and led observers to call into question the welfare state. Moreover, it is important to note that this does not mean that a future federal government of Europe will be directly responsible for social security policies, except perhaps in a peripheral manner. Rather, the task of such a government would be to guarantee the general political and financial conditions needed to allow the member states, in a climate of confidence and serenity, to develop their own welfare policies, designed to benefit the citizens (particularly the most underprivileged), without however, losing sight of the crucial need to keep their budgets balanced. And there is more to it than this. Social security will become an important area in which the new federalism of which Europe is destined to constitute the first example can be put to the test: a federalism organised not on the traditional two-tier system (based on the European Union and the states) but on many different levels of government, right down to regional and local levels. This federalism will represent the framework within which the forms of federalism already existing in Germany, in Belgium, and to some extent, in Spain, as well as the federalist vibrations which are being felt in countries like Italy and Great Britain, may be allowed to evolve, and within which their institutional designs may be refined. Unless they can be built into a solid European political context, the federalist models and trends mentioned are, with the exception of the tried and tested federalism



of Germany, destined to degenerate into secessionism and, in Italy's case, into primitive forms of tribalism. Solidarity will always be more efficient and less likely to degenerate into systems of patronage the closer the levels of government in charge of it are to the needs of the citizens, (and provided a fair territorial distribution of resources is guaranteed). Indeed, the closer they are, the better they are able to identify and prioritise areas of real need, eliminating the waste and abuse of resources and giving tax-paying citizens the possibility to play a direct role in the decision-making process which determines how the resources which they make available to the community are used, and to ensure the correct application of the decisions reached. Once again, however, in order to avoid giving rise to institutional chaos and to the disintegration of the very structure of the state, all this requires the existence of a central power strengthened by the democratic consensus of the people.

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In fact, it is on the degree of democratic consensus that the extent of the resources that can be channelled into the pursuit of solidarity (in other words, the extent of the sacrifice that the people can be asked to make to relieve the suffering of the most underprivileged) depends. And if, in Europe, the conditions for this consensus can be created, it can be expected that, in the future of the continent, the level of social solidarity will tend to increase, and will certainly not decrease. Having said that, this level will, of course, always vary according to the changing requirements of a rapidly developing society.

Quality of life is a function of many factors, essentially the level of private incomes, the quality of work, the amount of free time one has, the level of environmental protection and the quality of, and the degree to which it is possible to benefit from, public goods and services and the social security system. And quality of life can, in any case, only increase in proportion with the increase in resources made available by higher productivity in the workplace. After all, the Industrial Revolution in its various phases (albeit in different ways, and not always following direct routes) transformed the lives of men, leading to larger real incomes, improved working and environmental conditions, shorter working hours and the growth of the welfare state. Today, the revolution that is taking place in the sphere of information and communication is, as far as the prospect of increased productivity is concerned, opening up broad new horizons. Europe has the human resources, the educational structures, the

cultural traditions and the material infrastructures needed to take on a leading role in this process — and it is a role which it will indeed be in a position to play, provided it manages to unite. It will fall to politics and social forces to determine the proportions in which the increased resources produced shall be assigned to different possible uses, and in particular, to what extent they shall be used to enrich the most enterprising and fortunate members of society and to what extent channelled into the pursuit of public ends and social solidarity. And in a political framework like the one which will characterise the future European federation (freed as it will be from the dependence on the financial markets to which the current member states are, on account of their division, condemned), these are decisions which they will be able to take quite independently. And it is difficult to imagine that the European political class will turn its back on the values and traditions by which it has always been guided, and pursue the realisation of a model of society in which the rich grow ever richer and the poor ever poorer.

*Francesco Rossolillo*

## VIEWPOINTS \*

### RETHINKING WORLD CITIZENSHIP

This article deals with the changing nature of the present system of national citizenship and the evolving concept of world citizenship. It covers three issues. First, it examines the current system of “citizenship”, which is derived from the Westphalian System of nation-states. Second, it examines the changing nature of national citizenship. Third, it suggests that a form of world citizenship is evolving.

#### 1. *The Current Order of Nation-states.*

a) *The Westphalian System.* Humanity has evolved through two stages of political organization and it is now embarking on a third. The first “global order” was based on tribes and city-states and the imperial ambitions of some tribes and city-states (such as Athens and Rome). For example, the Roman Empire in the third to fifth centuries was periodically attacked by Goths. As Michael Grant, the biographer of Constantine (?272-337) has pointed out: It was, indeed, fortunate for Rome that the Goths, like other Germans, were disunited and disorganized: every geographical unit of Gothic territory had its own separate markets, selling goods to whoever was prepared to buy, whatever race they belonged to. But what was especially crippling for the Goths was that the fragmentation that was characteristic of them had long extended to political life, for Gothic society normally had no real leader or leaders, no one capable of introducing or enforcing any degree of centralization.<sup>1</sup>

The present system — based on nation-states — is often called the “Westphalian System”, which began in 1648, with the Treaty of Westphalia at the end of Europe’s Thirty Year War and the destruction of the Holy

\* This heading includes interventions which the editorial board believes readers will find interesting, but which do not necessarily reflect the board’s views.

Roman Empire. “Nation” refers to an ethnic group and “state” is the political apparatus to govern that group.

One characteristic of the system is the centralization of power in some form of ruler. Because of improvements in technology such a person can govern large areas of land. Second, clear boundaries are very important for the Westphalian System and so the globe is divided up into a neat patchwork of nation-states. Third, there is uniformity. Nation-states have many similarities in, for example, their political institutions (even though they may operate differently) and this similarity enables governments to co-operate with one another.

b) *Citizenship and the Nation-State System.* Citizenship is a vital component of the Westphalian system. Everyone has to be a citizen of a nation-state (even refugees still have ambitions to be a citizen of either their former country or a new one). Citizenship, in legal and political terms, is the link between the individual and that person’s national government.

But there is no agreement on how “citizenship” is acquired. For example, in France, the citizens are the inhabitants of French territory. Being French is associated with French language and culture — and these can be acquired by learning them. By contrast, the German notion of citizenship is ethnic. Anyone of German ethnic origin can claim German citizenship. Thus, a person whose German family may have lived in (say) the Ukraine for two centuries will find it easier to acquire German citizenship than a person born in Germany of Turkish (“guest worker”) parents. The term “guest worker” is a way that the Germans fool themselves that the Turkish presence — Berlin is now the fourth largest “Turkish” city — is only a “temporary problem.” But there are now up to three generations of such “guest workers” residing on German soil — still without German citizenship. Similarly, to become a Japanese citizen, a person has to be born of parents whose own parents were Japanese. This explains why Japanese-Koreans, whose families have been resident in Japan for a century, still do not have Japanese citizenship.

Meanwhile, at the other end of the spectrum, Australian and US citizenships are acquired by residence in the countries and according to government criteria (which nowadays are based on the applicant’s skills or the number of relatives already present in the country).

Michael Dobbs-Higginson, in his study of the Asia Pacific region, has described some of the problems created by western colonialism:

Colonizing nations often drew borders on maps without any consid-

eration for ethnic or geographic boundaries. For this reason, for example, many Thais live outside Thailand... Many nations in Asia Pacific have fought, and in a very few cases are still fighting, guerrilla wars initiated by minority races who feel no national loyalty to the "country" in which they live. The collection of tribal island cultures that is the Philippines has little more than its colonial past to unify it. The same is true for Malaysia, India and Indonesia.<sup>2</sup>

He goes on to identify four groups of "Chinese": People's Republic of China, Hong Kong, Taiwan and the Chinese Diaspora. Of the latter category, there are about 43 million Chinese in the region. Their status has changed over the years, as Dobbs-Higginson pointed out:

During the 1950s, Mao Zedong referred to the Chinese abroad as Chinese nationals. He urged the Overseas Chinese to return to their homeland to help build the new China. But during the 1960s and 1970s, the Chinese leadership changed its mind. Instead, it advised these overseas kith and kin to assimilate into the country in which they lived so that they could create beachheads of influence and at the same time continue to remit foreign exchange to their families at home. When Deng Xiaoping resurfaced as a power in China, he also wooed the Overseas Chinese.<sup>3</sup>

Thus, there is the irony that although citizenship is one of the key components of the Westphalian System, there is no agreement on such a basic matter as how it is acquired. But this may not matter so much now because the Westphalian System is in decline.

## 2. *The Westphalian System under Threat.*

The Westphalian System is now being eroded by two somewhat interrelated sources. First, there are new problems which transcend national borders. This article, owing to space limitations, will deal only with the environment and the economy.<sup>4</sup> Second, there are new institutions which also transcend national borders: inter-governmental organizations (such as the United Nations), transnational corporations and non-governmental organizations (NGOs).

a) *The Environment.* The Westphalian System is having difficulty coping with global environmental problems. Here are four instances of the limitations of a national government.

First, pollution is not new but its global character certainly is. For example, acid rain is generated in one country and falls in another; the

1986 nuclear disaster in the USSR resulted in radioactive contamination going across Europe. Second, on the alleged "global warming", here is one global problem being created by many countries but which will have different impacts. Australia, on a per capita basis, is a major contributor to this problem and yet the rising sea (if it takes place) will hurt Australia's neighbours in the South Pacific and Indian Oceans' islands far more than Australia itself. In other words, people in one country will suffer because of the lifestyles of people in other nations.

Third, diseases such as AIDS, can now sweep more easily from one country to another because of improvements in transport which permit people to travel from one continent to another. Finally, national governments think in the short-term: up to the next election or palace coup. Environmental problems, by contrast, build up over the years. They do not necessarily manifest themselves within the lifetime of a government.

b) *The Economy.* Western economies are still heavily influenced by the ideas of John Maynard Keynes (1883-1946). His basic idea was that there should be some government intervention in the economy during a recession by putting money into circulation to stimulate economic activity.

This does not work so well in a globalized national economy. An injection of money into (say) the Italian economy does not now necessarily stay in Italy. About half of what is called "international trade" is actually trade conducted within different components of the same transnational corporations. An attempt to stimulate a national economy by traditional Keynesian methods will not necessarily work. A tax cut for Italians will not necessarily be spent in Italy, but could be spent on (say) Japanese, South Korean or American goods and services.

Kenichi Ohmae, a Japanese business consultant, has coined a new term: the Inter-Linked Economy (ILE) of the Triad (US, Europe and Japan), joined by the Asian "tigers" (such as Taiwan, Hong Kong and Singapore):

The emergence of the ILE has created much confusion, particularly for those who are used to dealing with economic policies based on conventional macro-economic statistics that compare one nation against another. Their theories don't work any more. While the Keynesian economist would expect to see jobs increase as an economy picks up, the ILE economy sometimes disappoints them. Jobs might be created abroad instead. If the government tightens the money supply, loans may gush in from abroad and make the nation's monetary policy nearly meaningless.

If the central bank tries to raise the interest rate, cheaper funds flow in from elsewhere in the ILE. For all practical purposes, the ILE has made obsolete the traditional instruments of central bankers — interest rate and money supply.<sup>5</sup>

“Buy Australian” or “Buy British” campaigns are therefore doomed to be unsuccessful as a way of changing expenditure patterns. Given the involvement of foreign corporations in so many aspects of Australian or British economic life, it is often difficult to buy, for example, specifically “Australian” products. Even the labelling may be unhelpful because “Australian made” can also include goods assembled in Australia from foreign components (for example, many “Australian” fruit juices are made from fruit juice extracted overseas and packaged in Australia).

Additionally, such campaigns are undermined by communications corporations. The impact of global television includes — for better or worse — the development of a global consumer culture. This is currently based on such items as Coca Cola, Big Macs and Madonna. Big Macs are the global fastfood and Coke supplies the global soft drink. Coca-Cola is sold in more countries than there are members of the UN and Cable News Network (CNN) is watched in more countries than there are in the UN. There is a McDonalds outlet opening somewhere in the world every 14 hours and the McDonalds chain has three times more staff than the UN.

Consumers want these foreign items. They are not interested in domestic equivalents. This means that each nation-state, has to export goods and services in order to finance the imports wanted by its consumers.

Fish are not aware that they are swimming in water. They take the water for granted. Much the same could be said about social conditioning in humans. We take our social environment for granted and we often do not observe how we are being absorbed into the global consumer culture.

Harry Stein was an Australian left-wing journalist. In his early years he had been a member of the communist party. In his memoirs, he recalled his first trip to England and he was annoyed at the way in which British communists referred to him as a “colonial.”<sup>6</sup> The British communists had become conditioned to thinking in imperial terms — even though they were opposed to imperialism. But then much the same could be said about Harry himself. Harry recalled his youth and the way that he liked to spend his money: “I was fastidious about what I wore and was an avid reader of *Esquire*, the American magazine, both for its stories and fashion notes.”<sup>7</sup> This leading Young Communist League member was both opposed to US policies — and yet loved US fashion and was a member of the emerging

consumer society.

Consumerism is seductive. A person may not know just how their tastes are being moulded by the global corporations — or how their tastes may run counter to their professed political opinions.

c) *The New Global Institutions.* The new global institutions are: international organizations, transnational corporations and non-governmental organizations.<sup>8</sup> National governments have found it necessary to create international (or more accurately “inter-governmental”) organizations to facilitate co-operation across national frontiers. The mere fact that these organizations exist is itself proof that governments (albeit reluctantly) acknowledge that they do need to work together on an increasing range of issues, such as health and protecting the environment.

The UN is the best known example of an inter-governmental organization. While most popular attention to the UN has been focussed on political and military co-operation (such as peacekeeping operations) the real breakthroughs have been in economic and social co-operation. Until the expansion, in the late 1980s, of the UN’s peacekeeping work, at least 80 per cent of the UN’s resources went into economic and social co-operation. For example, the UN co-ordinated the campaign to eradicate small pox (achieved in 1980), and create a new law of the sea (1982). Indeed, inter-governmental organizations are now a growth industry.

Transnational corporations have helped to create one global economy. The USSR and China have tried to stand outside the global economy but they have succumbed to it. If you can’t beat them, join them. Money, for example, moves freely through the global economy. Until recently, money moved slowly because of strict national banking regulations. The regulations were weakened in the 1980s. Money is itself a source of money in that corporations speculate on the changing value of currencies. Up to US\$600 billion can move through foreign exchange dealings in a day. The dealers can force up or down the value of currencies. For example, in late July 1993, the speculators moved in the French franc and began selling it. The central bankers (especially those of France and Germany) moved in to protect the franc by buying it with foreign currencies. The franc was still devalued and the French and German central bankers spent US\$69 billion in their futile effort (the money went into the hands of the speculators — one of whom made US\$1.5 billion in less than a week).

Second, transnational corporations operate across national bounda-

ries. They can play governments off against each other; if one government tries to get tough with a corporation it will try to find a more congenial environment in another nation-state. Third, corporations create a global consumer culture. They can pick up a marketing idea (such as hamburgers or dinosaurs) and quickly create a global appetite for it. Finally, such corporations often operate beyond national control. For example, one of the biggest financial scandals in recent years has been the collapse of the Bank of Credit and Commerce International (BCCI). As the UK newspaper *The Guardian* commented: “The first lesson of the collapse of the Bank of Credit and Commerce International is the need to create an international mechanism to police the billions of footloose funds, legal and illegal, which can be shifted around the world at the press of a computer keyboard without adequate control. The 1980s gave us international de-regulation, but not the international surveillance which should go with it. BCCI is rooted in the secret tax havens of Luxembourg and the Cayman Islands. Owned by Arab money and run by Pakistanis, it was not only rudderless but stateless as well, with no central bank standing behind it. The Bank of England has done well to marshal a global clampdown at short notice, but this does not answer the question of why a bank which had been indicted for laundering drug money and which secretly bought control of two American banks was allowed to get away with it for so long. The governor of the Bank of England observed that ‘innuendo is one thing, evidence quite another.’ That is exactly the point. If there isn’t an international body to keep watch on a global fraud, there will only be innuendo until a bank becomes so financially rotten that, as with BCCI, it is in danger of dropping from the tree by itself.”<sup>9</sup>

A non-governmental organization is any organization outside the government (such as the public service and the defence forces) and business. NGOs have long played an important part in the life of developed western countries. The only countries this century that have tried explicitly to do without NGOs have been the communist ones, notably the USSR. The USSR believed that the government itself could provide all the services from the cradle to the grave and it knew what was best for the people. Thus, all the eastern European NGOs operated on the fringe of official existence — and at times being declared illegal. With the end of communism, these NGOs have been the basis of eastern Europe’s “civil society.”

One reason for the recent rapid expansion in NGOs has been the overall decline in confidence in western political systems. There is widespread cynicism among voters about politicians. There is much

evidence to support their cynicism in that, as argued above, national governments do not (in the two examples) necessarily have much control over the national environment or the national economy.<sup>10</sup>

Second, NGOs mobilize the community. They enable individuals to take an active role in working for a better society. One way in which this is done is through voluntary service. NGOs are a vehicle whereby hundreds of thousands of people can volunteer their services. People will volunteer their time, money and gifts-in-kind to NGOs — but they will not volunteer to do the same for official government bodies.

Third, NGOs are also good at research. This is important because universities in many countries are going through various financial crises and so there is not so much scope for research to be conducted. Additionally, much of the research that is conducted and written up, is too detached from the general public. Academics talk too often to each other, and too little to the general public. NGOs conduct their own research and can popularize esoteric university research. They also good at using the mass media to publicize their findings.

Fourth, NGOs show that a good way to bring about change is to establish a model of how they would like things to be. In other words, providing warnings is not enough: it is also necessary to provide an alternative. Thus, NGOs are often on the leading edge of change. Through their advocacy work, they provide innovations, fresh thinking and new visions. They — rather than government — often set the pace.

Fifth, NGOs survive the fads and fashions of governments; they outlive the terms of elected governments. They provide a continuity of care and a continued focus on social justice issues when governments might prefer to ignore those issues.

Sixth, many NGOs transcend their own national borders. Amnesty International members, for example, can only campaign on behalf of prisoners outside the their own country. Third World development groups are raising money for people outside their own country. Membership of NGOs is a passport to international affairs.

Therefore, NGOs are a growing force in global politics. They are adept at attracting media coverage, they appeal to people who are disenchanted with the usual party political process, and they provide a sense of vision and continuity which outlasts the short-term perspective of their own governments.

d) *Implications for Traditional Notions of Citizenship.* The decline in the relevance of nation-states has obvious implications for the traditional

notions of citizenship. A person's national government and that person's nation-state are no longer so significant for that person's sense of loyalty. That person's wealth, consumer tastes and political activities, for example, are likely to be influenced by factors outside the nation-state. They will still be a citizenship of that nation-state but the nation-state will have declining relevance for them.

### *Creating World Citizenship.*

a) *Towards the Post-Westphalian System.* The replacement for the Westphalian System will not be created overnight. No one in 1648 got out of bed one morning and said that they would create a new global order that day. The global order evolved and people bit by bit noticed that a new global order had emerged. The system of nation-states will not disappear entirely. There will still be a role for national governments, albeit a somewhat reduced one.

The new era will not like today's either/or society. It will be one of multiple options — several features running together in a bewildering range of options. Therefore, national governments will remain but will not be as important as the mass media like to imply (especially at election time).

Therefore, a new global order is evolving in which national governments are having to share their authority with international organizations (especially the UN), transnational corporations (TNCs), and NGOs. The post-Westphalian global order will need to find formal ways of drawing TNCs and NGOs into global decision-making. For example, TNCs benefit greatly from UN peacekeeping operations. Why not impose global taxes on TNCs to help finance the UN? This could be accompanied by giving TNCs a role in UN decision-making: no taxation without representation.

b) *World Citizenship.* The notion of world citizenship is also part of creating the post-Westphalian system. Some foundations for a form of world citizenship already exist and have taken root. First, attention has already been given in this article to the development of a global consumer culture, whereby people are encouraged to think of themselves as part of a global market.

Second, some NGOs enable citizens to take action against their own government over policies of which they disapprove. Governments are not the only source of wisdom in society. NGOs also form a global commu-

nity (such as Rotary, Greenpeace, Amnesty International) which mean that ordinary people the world over now do more in conjunction with each other than ever before.

Third there are the global religious networks which have always cut across the neat patchwork of countries, such as the Baha'is, Christianity and Islam.

Fourth, there are specific world citizenship NGOs which exist to encourage people to think of themselves as world citizens. Some of the NGOs are: Citoyens du Monde (Paris)<sup>11</sup> and World Citizens Foundation (San Francisco).<sup>12</sup> These are consciousness-raising NGOs.

Finally, Earth, seen from outer space, is a blue planet without national borders. It is a borderless world. Humans have created political borders. But a new view of the earth is emerging.

In 1948 the English astrophysicist Fred Hoyle remarked: "Once a photograph of the earth taken from the outside is available, once the sheer isolation of the earth becomes plain, a new idea as powerful as any in history will be let loose." Twenty years later one of the Apollo missions made that photograph available. We knew what it would look like long before we saw it. We were accustomed to phrases like "spaceship earth", "global village", but seeing the photograph was a remarkable experience. Within 12 months the first Earth Day was held. Within 18 months the Environmental Protection Agency was founded. The first of the European "Greens" parties was formed... This was "picture-power" indeed.<sup>13</sup>

To sum up, the post-Westphalian global order will be an era of multiple "citizenships". A person will still have a national citizenship (because the nation-state will still exist, albeit in a reduced form). A person could even possibly have other citizenships if they work for a TNC and they have to travel extensively. There even be just a common European Union citizenship for the people in western Europe (already the passports checks on EU — as distinct from non-EU — countries are a mere formality).

They will also be increasingly world citizens in an economic and cultural sense. This could also include paying taxes directly to the UN. The UN Secretary-General, in order to ease the UN's financial problems, has suggested that the UN rely on sources of income other than national governments, such as "a levy on international air, which is dependent on the maintenance of peace."<sup>14</sup>

In short, the traditional notion of national citizenship is undergoing a major change. Its next form will include a global dimension.

<sup>1</sup>Michael Grant, *The Emperor Constantine*, London:Weidenfeld Nicolson, 1993, pp. 54-5.

<sup>2</sup>Michael Dobbs-Higginson, *Asia Pacific: Its Role in the New World Disorder*, London: Heinemann, 1993, p. 14.

<sup>3</sup>*Ibid.*, pp. 175-6.

<sup>4</sup>See: Keith Suter Global Agenda: *Economics, the Environment and the Nation-State*, Sydney: Albatross, 1995.

<sup>5</sup>Kenichi Ohmae, *The Borderless World*, London: Collins, 1990, p. xi.

<sup>6</sup>Harry Stein, *A Glance Over an Old Left Shoulder*, Sydney: Hale & Iremonger, 1994, p. 43.

<sup>7</sup>*Ibid.*, p 38.

<sup>8</sup>See: Keith Suter, *Global Change: Armageddon and the New World Order*, Sydney: Albatross, 1995.

<sup>9</sup>"After the Debacle", *Time*, August 16 1993, pp. 34-9.

<sup>10</sup>"The Bank That Got Away", *The Guardian* (London), July 8 1991, p. 5.

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<sup>13</sup>John Cato "Foreword" in Kathleen Whelan, *Photographs of The Age: Newspaper Photography in Australia*, Sydney: Hale & Iremonger, 1993, p. 7.

<sup>14</sup>UN Secretary-General, *An Agenda for Peace*, New York: United Nations Department of Public Information, 1995, pp. 67-8.

## Thirty Years Ago

### AT THE CROSSROADS BETWEEN THE NATIONS AND EUROPE \*

The end of the transitory period of the Common Market must be seen not just as an economic fact, but as a complex historical event, and as one whose significance, therefore, lies not only in its economic results, taken in isolation, but also in the nature of the political situation which allowed them to be achieved. It is, however, a significance which has not yet been fully grasped by our countries' politicians and, for this very reason, has so far failed to become the driving force behind a political will capable of matching the opportunities which the market has created. Instead, the picture which emerges is one of light and shade, one of great uncertainty over what might be the consequences, both in the near and in the more distant future, of this historical event.

The Common Market can be seen as the most highly developed and the clearest embodiment of what must be considered the fundamental aspect of post war politics in Western Europe: the prevalence of European unity over any other general political orientation. In fact, this aspect, which represents an expression of Europe's determination to recover, proved decisive in the evolution not only of the Six, but of the entire Atlantic area. It could, moreover, also prove decisive in the future as it represents the indispensable basis for the development of a political design whose ultimate objective is the total unification of Europe (in the pursuit of which the continent will achieve its definitive deliverance and contribute to the establishment of an international balance which is more receptive to the great social changes which are taking place everywhere).

Reflecting on a past now behind us, it is clear that the positive aspects of the period following the end of the Second World War are to be attributed to the growth of European unity, and to appreciate their real

\*This article was published in French in *Le Fédéraliste*, X (1968).

value, simply set them alongside the negative aspects (which appear all the more negative in view of their tragic consequences) that characterised the period after World War I: power conflicts and the predominance of nationalistic zeal were replaced by collaboration among states, and protectionism, economic self-sufficiency and impoverishment by a restructuring and expansion of the economy on a continental level. Indeed, it is thanks to the building of this embankment that the element of irresponsibility which still remains within our political forces has been contained and prevented from regenerating disastrous situations. However, we must not forget that there is everything still at stake. With a few commendable exceptions, the prevalence of European unity has been born of circumstance rather than of the will of men and, because of this, still needs to be transformed into an enduring order.

Even today, despite the events which seem to point to a European society in the making, European unity still depends more on circumstance than on the will of the democratic parties: indeed, while paying lip service to the European purpose, these parties in fact concentrate their efforts in other directions. They are still seeking, more and more in vain, to marshal support among citizens for anachronistic objectives which can never be achieved (the renewal of the state, of politics and of society along national lines), without appearing to appreciate the contradiction which exists between the building of Europe and the restoration of national states, failing to understand that a European federation represents the historical alternative to the irreversible crisis of the national states.

And this is where the picture becomes obscure, as the force of circumstance is no longer enough to guarantee the prevalence of European unity over all other general political orientations, and, hand in hand with this, a minimum of progressive order. European unity certainly appears to have all the traits of a historical necessity, but even if it is, this certainly does not exclude the possibility of periodic breakdowns in the dialectic march towards unity. In fact, nationalism has already reared up again in Europe and, by rejecting both the "federal budget" of the EEC Commission and the election of the European parliament by the people, has prevented any federal developments of the Community. If it is not defeated in time, it will prevent both the transformation of the customs unions into a full economic union, and its progressive enlargement to other countries, as soon as they are ready to join. And, more serious still, it will render impossible any solution to a problem which has already provided the first indications that a new and ruinous crisis of political power in Europe is possible: the crisis of political participation, and above

all of its most important, even if less obvious aspect. Following the protests of the student movement, everyone agrees that this is, indeed, a very real crisis. But how many people really appreciate that, in order to resolve it, the first thing that must be done is to involve the citizens of Europe in the process of European construction? Most admit, albeit reluctantly, that in order to draw the citizens back into political and social life, they must regain control over their lives as students in school and over their communal lives, in the measure in which they prove capable of taking on the attendant responsibilities. However, no one seems to realise that there is more to it than this; that it is also, and above all, a question of placing, again, their historical destiny in their own hands.

This, in fact, is the point where the crucial heart of the matter — the border between the compression and the liberation of positive forces — lies: at the crossroads between the nations and Europe. In Europe, the destiny of men depends on the possibility of directing the European economy towards social and human ends, of contributing to a *détente* which is not sinking into imperialism, of taking real action to reduce the ever widening gap which separates rich and poor countries. However, it is not by enjoying citizenship of, and the vote in, national states that these ends can be achieved; on the contrary, these "assets" can be likened to watertight bulkheads which prevent the people from taking an active and direct part in the crucial happenings of our time. It is only by enjoying citizenship of, and the vote in, a federal European state that the people of Europe can be allowed to do more than acquiesce to the decisions, taken by others, on which their very destiny depends. In fact, the national states, which have now been surpassed definitively (economic, social and cultural life is now played out on a much bigger stage) and crushed by continental powers, have cast Europeans unjustly as lesser men with respect to Russians and Americans. There is a need therefore, to look beyond the national states and to establish, on the economic foundations already laid in the Western part of the continent, the first nucleus of a United States of Europe.

The obstacle that must be overcome in order to do this is no longer to be found in the objective situation, but in the human consciousness. The existence of an economic, i.e., social basis clearly makes a lie of the claim (heard even in pro-European circles) that a European state power is still a far-off objective, still beyond the real reach of the will of men because it is still extraneous to the interests and struggles of the people. In truth, it is still considered a remote objective only because no fight is made to achieve it, because it is placed outside the scope of our own action and,



ipso facto, outside the framework of our knowledge. In fact, it is precisely because action can be taken in order to achieve it that the European state can be considered a realistic political objective. By demanding with conviction that the European parliament be elected by the people, (following the Treaty to the letter), and by reinforcing this demand through the direct election of European MPs in countries where there are no real obstacles in the way of such elections — a move that will help to remove obstacles which do exist elsewhere — the people and the grassroots of political parties can be drawn into and involved in the building of Europe.

Unless it is viewed as part of the fight for a European state power, it is impossible to appreciate the nature and scope of this action. On the other hand, when seen from this perspective, it is clear to see that mobilising, on an electoral level, the members of a community which is yet to become a state corresponds with taking the first — and at the same time, the most important — step towards the construction of that state. Simply think of the historical significance that such a vote would assume in the minds of men: by casting it they would acquire the dignity of being European citizens. In the sphere of political consciousness, if not in a fully fledged legal form, they would give rise to the people of Europe: a federal people, a people of nations, a people able to give full expression to the social and political potential of our countries in their current stage of development. A major point of reference would be created to direct political struggle and to guide our indolent politicians and our bewildered intelligentsia. The repercussions would be felt throughout Europe and throughout a world which is weary of Russian-American hegemony.

It is unlikely that this European people, mobilised through European elections and becoming aware of its identity, will falter before its democratic expression (i.e. the European federal state) has become a reality. In other words, before having come to the end, in its true domain (that of the exercising of its constituent power), of the process which will lead to the formation of a politically united Europe — an objective which the parties wrongly believe can be achieved without the direct intervention of the citizens, and outside democracy. History has brought Europeans face to face with a challenge: the question is, will they take it up, or will they allow themselves to be defeated without even having the courage to put up a fight?

*Mario Albertini*

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