THE FEDERALIST

a political review

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

Hamilton, The Federalist

YEAR XXVII, NUMBER 3, DECEMBER 1985

ISSN 0393-1358

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The Federalist was founded in 1959 by a group of members of the Movimento federalista europeo and has been published in English, French and Italian since 1984. 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.

UNDER THE AUSPICES OF THE FONDAZIONE EUROPEA LUCIANO BOLIS

Editor: Mario Albertini. Three issues a year. Subscriptions: European Community, 20 ECU or $ 20; other countries (by air mail), 30 ECU or $ 30. Published by EDIF, via Porta Pertusi 6, I-27100 Pavia. All payments should be made by cheque or by bank transfer directly to EDIF. English language editing: Anthony Baldry.

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CONTENTS

Reflections on Gorbachev's Plan

Mikhail Gorbachev, the General Secretary of the Soviet Communist Party, has presented a plan for world disarmament the major features of which are reproduced here in note form as a guide for readers who may not have read them all or who may not remember them all.

As has generally been observed, the position contained in this plan represents a highly significant turning point in Soviet foreign policy which to be fully appreciated must be examined in the short, medium and long term perspective. The Soviet text speaks of three phases which, it should be noted, are highly contrastive as to their features and chances of success.

Before assessing each of them in turn we should bear in mind that for various reasons the first and second could not have been drawn up without the third phase (complete abolition of nuclear weapons). The first reason is simply that, faced with Reagan's programme to abolish nuclear arms by means of the space defence, it was inevitable that the USSR would include the same objective in its programme, but using a different formula. The second reason concerns the apocalyptic nature of nuclear arms and the fact that it is consequently impossible to mobilize world public opinion regarding initial objectives of partial nuclear disarmament without presenting this as a series of steps towards total disarmament. Thirdly and finally, in a somewhat different way, the same requirement — at least as regards the passage from the first to the second and third phases — also holds true for the Superpowers' political and military bodies which will accept a policy, which is so hard for them to stomach, only if they have a relatively clear vision of the security conditions which can be achieved with each phase.

This obviously does not mean that we will really achieve total disarmament following Gorbachev's or Reagan's plans. But the fact that it is already necessary, operatively, to establish a symbolic relationship between partial and total nuclear disarmament highlights the existence of new evolutionary trends in world politics which need to be examined in particular as regards their possible developments in all countries and not just the USA and the USSR. Now these trends, taken as the basis for future world politics, show that, unlike the past, disarmament (i.e. permanent and organised peace) is no longer just a moral problem which goodwill, pure and simple, can resolve outside the political arena, but has become: a) a political problem created by the current state of affairs, and more precisely by the fact that the increasingly destructive power of weapons is changing the motivations and the expectations of political behaviour, and hence the very nature of political processes; b) a problem which cannot be pushed to one side until it is resolved.

If it is in some way true, as Marx stated, that history only creates the problems it is capable of resolving, then this means that a new historical age is about to begin, characterised by the construction of mankind's political unity, and prospectively, an end to war as a means for resolving nations' conflicting interests. Indeed it is not possible to conceive of the nuclear age as a mere continuation of the past or its political institutions. But this is difficult to understand because, although suggested by the current position, it is not fully comprehensible within bipolarism, the currently operating position. Under this position which is the one adopted by Gorbachev, Reagan and all those who argue that the course of world politics depends above all on their will, all the nuclear disarmament programmes, whatever their source, while being the only conceivable developments, are nevertheless such as to be relegated to the realm of illusions. Indeed thinking cannot rest — except in the form of a dream — on the idea of a world kept peaceful by the goodwill of Reagan, Gorbachev and their successors.

This difficulty about conceiving the future (the cause for the current confusion of reason) vanishes if we tie thinking into reality, which, in fact, indicates that there is a decline and not a growth in bipolarism. It simply disappears if we think of the new (disarmament), not in terms of the old (the world which is about to disappear), but in terms of the new: the European Union, the strengthening of great regional units, the end of bipolarism and, as a result of new power relationships arising from a multipolar

equilibrium, a transformed UN capable of exercising control over disarmament and developing a just international economic order.

It is in this light, moreover, that we can appreciate that Gorbachev's and Reagan's nuclear disarmament plans are affected by the new state of affairs in world politics but are unable to shape them into anything else but a cardboard dream. Just consider that the USA and the USSR are proposing to achieve peace and disarmament by the very means with which they feed the opposite, namely military primacy. We need therefore to stress: a) the Americans and Russians are not able to stabilize any form of deterrent (because no really credible deterrent exists), and hence they keep on recycling plans to ban nuclear weapons; b) in their initial form these plans are not always distinguishable from those used to develop the strategic concept of limited nuclear war; c) the process of disarmament can only take shape when we move towards the power of prohibiting war, a power which can only reside in human beings' will to march towards mankind's unity.

The considerations which apply in the long term to Gorbachev's plan do not apply in the short term. It is in this area that major objectives can be achieved, albeit precariously, until such a time when the problem of peace will be the responsibility of all the peoples of the Earth, i.e. when bipolarism has ended. It goes without saying that international détente *is an indispensable premise in the steps leading up to this moment.*

These first phase objectives can be pursued, firstly, because by reducing strategic nuclear weapons by a half, the USA and USSR would not reduce their military power at all (their stores of nuclear arms are much greater than those needed to destroy the whole of mankind, which is the same thing as saying that they are partly useless), secondly, because both countries would keep their full second strike capacity, and, thirdly, because of the physiological need for cycles of détente *after those of tension.*

There is considerable uncertainty in Europe over another important aspect of the first phase: the complete elimination of medium range USA and USSR missiles from Europe. But Europeans must realise that this development is inevitable in the case of détente. *It is necessary for Europe to abandon, albeit gradually, the pretension that they be protected by the USA even at the cost of international tension.*

The problem of the second phase remains. Gorbachev argues that in this phase the USA and the USSR ought in any case to complete the reductions agreed during the first phase. Moreover, other nuclear powers ought to commit themselves to disarmament.

The radical step to be undertaken should be to eliminate all tactical nuclear weapons. The ban on space attack weapons should become multilateral and all nuclear weapon experiments should be abandoned. These proposals are compatible only with the first stages of multipolar equilibrium, and an end to the need for the USA and the USSR to include their part of Europe in their own security sphere.

In all other circumstances, persistent bipolarism in particular, these measures would run counter to both the USA's and the USSR's security. We should not forget, however, that in the absence of any real process of world political unification the logic of raison d'Etat *and its corollary — the maximisation of power — cannot in any way be overcome.*

The Federalist

NOTE

1 - ... The Soviet Union proposes that a step-by-step, consistent process of ridding the earth of nuclear weapons be implemented and completed within the next 15 years, before the end of this century...

Stage One. Within the next 5 to 8 years the USSR and the USA will reduce by one half the nuclear weapons that can reach each other's territory. As for the remaining delivery vehicles of this kind, each side will retain no more than 6,000 warheads.

It stands to reason that such a reduction is possible only if both the USSR and the USA renounce the development, testing and deployment of space-strike weapons. As the Soviet Union has repeatedly warned, the development of space-strike weapons will dash the hopes for a reduction of nuclear armaments on earth.

The first stage will include the adoption and implementation of a decision on the complete elimination of medium-range missiles of the USSR and the USA in the European zone — both ballistic and cruise missiles — as a first step towards ridding the European continent of nuclear weapons.

At the same time the United States should undertake not to transfer its strategic and medium-range missiles to other countries, while Britain and France should pledge not to build up their respective nuclear arsenals.

The USSR and the USA should from the very beginning agree to stop all nuclear explosions and call upon other states to join in such a moratorium as soon as possible.

The reason why the first stage of nuclear disarmament should concern the Soviet Union and the United States is that it is they who should set an example for the other nuclear powers. We said that very frankly to President Reagan of the United States during our meeting in Geneva.

Stage Two. At this stage, which should start no later than 1990 and last for 5 to 7 years, the other nuclear powers will begin to join the process of nuclear disarmament. To start with, they would pledge to freeze all their nuclear arms and not to have them on the territories of other countries.

In this period the USSR and the USA will continue to carry out the reductions agreed upon during the first stage and also implement further measures aimed at eliminating their medium-range nuclear weapons and freezing their tactical nuclear systems.

Following the completion by the USSR and the USA of a 50-per-cent reduction of their respective armaments at the second stage, another radical step will be taken: all nuclear powers will eliminate their tactical nuclear weapons, i.e. weapons having a range (or radius of action) of up to 1,000 kilometres.

At this stage the Soviet-US accord on the prohibition of space-strike weapons would become multilateral, with the mandatory participation in it of major industrial powers.

All nuclear powers would stop nuclear weapon tests.

There would be a ban on the development of non-nuclear weapons based on new physical principles, whose destructive power is close to that of nuclear arms or other weapons of mass destruction.

Stage Three will begin no later than 1995. At this stage the elimination of all remaining nuclear weapons will be completed. By the end of 1999 there will be no nuclear weapons on earth. A universal accord will be drawn up that such weapons should never again come into being.

We envisage that special procedures will be worked out for the destruction of nuclear weapons as well as for the dismantling, re-equipment or scrapping of delivery vehicles. In the process, agreement will be reached on the number of weapons to be scrapped at each stage, the sites of their destruction and so on.

Verification of the destruction or limitation of arms should be carried out both by national technical means and through on-site inspections. The USSR is ready to reach agreement on any other additional verification measures...

Thus, we propose that we should enter the third millenium without nuclear weapons, on the basis of mutually acceptable and strictly verifiable agreements. If the United States Administration is indeed committed to the goal of the complete elimination of nuclear weapons everywhere, as it has repeatedly stated, it now has a practical opportunity to carry it out in practice. Instead of spending the next 10 to 15 years in developing new space weapons, which are extremely dangerous for mankind, weapons allegedly designed to make nuclear arms unnecessary, would it not be more sensible to start eliminating those weapons and finally do away with them altogether? The Soviet Union, I repeat, proposes precisely that.

The Soviet Union calls upon all peoples and states, and, naturally, above all nuclear states, to support the programme of eliminating nuclear weapons before the year 2000. It is absolutely clear to any unbiased person that if such a programme is implemented, nobody would lose and all stand to gain. This is a problem common to all mankind and it can and must be solved only through joint efforts. And the sooner this programme is translated into practical deeds, the safer life on our planet will be.

2 - ... We are extending by three months our unilateral moratorium on all nuclear explosions, which expired on December 31st, 1985. Such a moratorium will remain in force even longer if the United States for its part also stops nuclear tests. We propose once again to the United States that it joins this initiative whose significance is evident practically to everyone in the world.

Obviously the adoption of such a decision has by no means been simple for us... A reduction of nuclear arsenals alone, without a prohibition of nuclear weapons tests, does not provide a way out of the dilemma of nuclear threat, since the remaining weapons would be modernized and there would still be the possibility of developing increasingly sophisticated and lethal nuclear weapons and appraising their new types at test ranges. Therefore, the cessation of tests is a practical step towards eliminating nuclear weapons.

I wish to say the following at the outset. Any references to verification as an obstacle to the establishment of a moratorium on nuclear explosions are totally groundless. We declare unequivocally that for us verification is not a problem. Should the United States agree to stop all nuclear explosions on a reciprocal basis, appropriate verification of compliance with the moratorium would be fully ensured by national technical means as well as with the help of international procedures including on-site inspections when necessary. We invite the United States to reach agreement with us to this effect.

The USSR resolutely stands for making the moratorium a bilateral, and later, a multilateral measure. We are also in favour of resuming the tripartite negotiations, involving the USSR, the USA and Great Britain, on the complete and general prohibition of nuclear weapons tests. This could be done immediately, even this month. We are also prepared to begin without delay multilateral test-ban negotiations within the framework of the Geneva Conference on Disarmament, with all nuclear powers taking part...

In the absence of a positive response from the United States, the Soviet side has every right to resume nuclear tests starting January 1st, 1986...

3 - ... Space must remain peaceful, strike weapons must not be deployed there. Neither must they be developed. And there must also be introduced very strict controls, including the opening of relevant laboratories for inspection...

It is our profound conviction that we should approach the third millennium not with the Star Wars programme, but with large-scale projects of peaceful space exploration by all mankind. We propose to start practical work in developing and implementing such projects. This is one of the most important ways of ensuring progress on our entire planet and establishing a reliable system of security for all...

4 - The Soviet Union considers the task of completely eliminating still in this century such barbaric weapons of mass destruction as chemical weapons fully feasible.

At the talks on chemical weapons within the framework of the Geneva Conference on Disarmament certain signs of progress have recently become evident. However, these talks have been inadmissibly drawn out. We are in favour of intensifying the talks on the conclusion of an effective and verifiable international convention prohibiting chemical weapons and destroying the existing stockpiles of those weapons, as was agreed upon with US President Reagan at Geneva...

We are prepared to make a timely announcement of the location of enterprises producing chemical weapons and ensure the cessation of their production; we are ready to start developing procedures for destroying the corresponding industrial base and to proceed, soon after the convention enters into force, to eliminating the stockpiles of chemical weapons. All these measures would be carried out under strict control, including international on-site inspections.

A radical solution to this problem would also be facilitated by certain interim steps. For example, agreement could be reached on a multilateral basis not to transfer chemical weapons to anyone and not to deploy them in the territories of other states...

5 - In addition to eliminating weapons of mass destruction from the arsenals of states, the Soviet Union proposes that conventional weapons and armed forces become subject to agreed-upon reductions.

Reaching an agreement at the Vienna negotiations could signal the beginning of progress in this direction. It now appears that an outline is discernable of a possible decision to reduce Soviet and US troops and subsequently freeze the level of armed forces of the opposing sides in Central Europe. The Soviet Union and our Warsaw Treaty allies are determined to achieve success at the Vienna talks. If the other side also truly wants this, 1986 could become a landmark for the Vienna talks too. We proceed from the understanding that a possible agreement on troop reductions would naturally require reasonable verification. We are prepared for this. As for observing the commitment to freeze the number of troops, in addition to national technical means, permanent verification posts could be established to monitor any military contingents entering the reduction zone.

Let me now mention such an important forum as the Stockholm Conference on Confidence- and Security-Building Measures and Disarmament in Europe. It is called upon to create barriers against the use of force or covert preparations for war, whether on land, at sea or in the air. The possibilities for this have now become evident.

In our view, especially in the current situation, it is essential to reduce the number of troops participating in major military manoeuvres which are notifiable under the Helsinki Final Act.

It is time to begin dealing effectively with the problems still outstanding at the Conference. The bottleneck there, as we know, is the issue of notifications regarding major ground force, naval and air force exercises. Of course, these are serious problems and they must be addressed in a serious manner in the interest of building confidence in Europe. However, if their comprehensive solution cannot be achieved at this time, why not explore ways for partial solution, for instance reach an agreement now about notifications of major ground force and air force exercises, postponing the question of naval activities until the next stage of the Conference?

It is not by chance that a significant part of the new Soviet initiatives is addressed directly to Europe. Europe could play a special role in bringing about a radical turn towards the policy of peace. That role is to erect a new edifice of *détente*...

6 - Ensuring security in Asia is of vital importance to the Soviet Union, a major Asian power. The Soviet programme for eliminating nuclear and chemical weapons by the end of the current century is harmonious with the sentiments of the peoples of the Asian continent, for whom the problems of peace and security are no less urgent than for the peoples of Europe. In this context one cannot fail to recall that Japan and its cities of Hiroshima and Nagasaki became the victims of the nuclear bomb and Vietnam a target for chemical weapons.

We highly appreciate the constructive initiatives put forward by the socialist countries of Asia, by India and other members of the non-aligned movement. We view as very important the fact that the two Asian nuclear powers, the USSR and the People's Republic of China, have undertaken a pledge not to be the first to use nuclear weapons.

The implementation of our programme would fundamentally change the situation in Asia, rid the nations in that part of the globe as well of the fear of nuclear and chemical warfare and bring security in that region to a qualitatively new level.

We see our programme as a contribution to a search, together with all the Asian countries, for an overall comprehensive approach to establishing a system of secure and lasting peace on this continent.

7 - ... The pattern imposed by militarism — arms in place of development — must be replaced by the reverse order of things — disarmament for development. The noose of the trillion-dollar foreign debt, currently strangling dozens of countries and entire continents, is a direct consequence of the arms race...

The Soviet Union is opposed to making the implementation of disarmament measures dependent on so-called regional conflicts...

The Soviet Union's goal is not to whip up regional conflicts but to eliminate them through collective efforts on a just basis, and the sooner the better...

European Union: Steps and Constitution

JOHN PINDER

European Union is not likely to be created unless it is designed and disseminated. This is strikingly illustrated in the pre-history of the European Parliament's Draft Treaty.

"Habent sua fata libelli", writes Spinelli in his autobiography.[1] The "little books" to which he refers were writings by Einaudi and by the British Federal Union authors such as Beveridge, Lothian and Robbins, which Einaudi sent to Spinelli and his friends in confinement on the island of Ventotene in the period around and following the outbreak of World War II. The "destiny" of the writings was to help inspire and form Spinelli's federalist ideas so as to enable him to share with Rossi the authorship of the Ventotene Manifesto of 1941, which became the launching pad for the European federalist movement; then, forty years later, the same ideas moved him, showing remarkable consistency of thought though flexibility in application, to be the architect of the Draft Treaty.

The Draft Treaty in turn has moved the minds of many people. It has, in the measured words of careful lawyers, "played a major role in shifting the centre of debate".[2] It has also shown which political and social forces, which parliaments and governments, are in favour of European Union on the principles defined by the Parliament and which are against. It has provided a

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[1] ALTIERO SPINELLI, *Come ho tentato di diventare saggio: Vol. I, Io, Ulisse*, Bologna, 1984, p. 397.

[2] ROLAND BIEBER, JEAN-PAUL JACQUÉ, JOSEPH H.H. WEILER (eds), *An Ever Closer Union: A critical analysis of the Draft Treaty establishing the European Union*, Commission of the EC in co-operation with the European University Institute, Luxembourg, 1985, p. 9.

strategic aim which has united contemporary federalists. But design and dissemination alone are not a sufficient strategy to achieve such a great change as the establishment of European Union. It is worthwhile to ask what can be learnt from postwar European history about the characteristics that can enable such a strategy to succeed.

Aims and Steps: a North-South Difference

Some people prefer to affirm and disseminate a great objective, others to work for steps in that direction. European federalists have tended to divide along these lines into an ideological South and a pragmatic North. The South has feared that northern pragmatism may achieve no more than little steps in no particular direction; the North has feared that ideology may separate the South from reality. If the ideology captures the underlying reality of our time, however, and if the steps are not too small and in the right direction, the two approaches are complementary. The difference should give rise to a creative synergy, not a destructive division.

There need clearly be no difference of principle. The European Parliament's Draft Treaty does not aim for federation, but a European Union that lacks the element of armed power which is common to all federal systems. European Union itself, which is now the uncontested objective of European federalists, is thus a step towards European federation — which is itself only a step in a more general process of federalism in the world. Moreover Spinelli, who originally saw the European Economic Community as a nasty trick,[3] has come to recognise that, "thanks to the European Community, our generation has seen the dream of a free, united Europe beginning to come true".[4] The Community as it stands today, with the EEC its most important part, is evidently a big step towards European Union. The question is not whether federalists should be interested in steps towards the aim, but how to distinguish the smaller from the larger or more important ones.

Robert Schuman was surely right to see the European Coal and Steel Community as "the first concrete foundation of a

[3] ALTIERO SPINELLI, « La Beffa del Mercato Comune » (24 September 1957), in his *L'Europa non cade dal cielo*, Bologna, 1960, p. 282.

[4] ALTIERO SPINELLI, Preface to BIEBER, JACQUÉ, WEILER (eds), *op. cit.*, p. 3.

European Federation which is indispensable to the preservation of peace".[5] It established the Community institutions which have enabled the European Parliament to present its Draft Treaty as a prudent constitutional reform, not a leap in the dark. The EEC Treaty, which extended the competence of those institutions to large areas of economic policy, was another major step. Direct elections to the European Parliament have added a federalising dynamic to the institutions. Codecision by the Parliament with the Council in determining the non-obligatory part of the budget serves as a model for the general procedure of codecision envisaged by the Draft Treaty, making Parliament and Council into a House of People and House of States on the lines of the Bundestag and Bundesrat. Even the modest European Monetary System is a step down the road towards union, at the end of which lies the citadel of economic sovereignty.

The UEF has identified five main elements[6] that must be added to the EC as it stands today, in order to establish the European Union: codecision, majority votes, monetary union and public finance union[7] as well as completion of the internal market. How much the Single European Act may contribute to completion of the internal market will remain a matter of controversy for some years ahead. But the Act is certainly only a small step towards European Union. To understand why the step was small may help us to know how to make the steps bigger in the future. The choice of strategy may, indeed, be helped by a more general analysis of the conditions which have enabled important steps to succeed in the past, or caused them to fail.

Conditions for Taking Important Steps.

Examination of the half-dozen significant steps mentioned above and of two or three that failed suggest that they are more likely to be taken on four conditions: if the steps offer a solution to an urgent political problem confronting governments; if powers are to be entrusted to institutions in which there is sufficient confidence; if enough political and social forces have been mobil-

[5] Statement by Robert Schuman, French Foreign Minister, May 9th, 1950.

[6] Resolution of the Federal Committee of the Union of European Federalists, meeting at Strasbourg, June 1st and 2nd, 1985.

[7] The term is employed by DIETER BIEHL to describe the fiscal and public expenditure aspects of European Union (see « A Federalist Budgetary Policy Strategy for European Union », *Policy Studies*, London, October 1985).

ized in support; and if participation in preparing the step is confined to states where mobilisation is adequate for taking it.

When the European Coal and Steel Community was established, an expansion of German steel production was essential if Germany was to reconstruct its economy so that Germans could earn their living and pay their way in the world. Yet France still feared a recrudescence of the German war potential. Monnet was able to persuade Schuman, followed by Adenauer, that common regulation of the coal and steel industries was the only instrument which could allow the necessary revival of German production with neither alarm about security on the part of the French nor an untenable inequality on the German side. The Schuman declaration envisaged only the High Authority as the federal institution, but the European Assembly and Court of Justice were soon added to the proposal, corresponding to the levying of taxes direct from legal persons in the Community and the application of Community law direct to them. Thus, within a few weeks of Schuman's proposals on May 9th, 1950, provision had been made for the elements in the Community institutions which remains to this day among its principal federal features — including the principles of direct elections (ECSC Treaty, article 21.3) and budgetary codecision (article 78). The Council of Ministers, which was also added during the negotiations for the ECSC Treaty, can be converted from an intergovernmental to a federal institution if, as the Draft Treaty proposes, majority votes and codecision within time limits convert it into a second chamber such as the *Bundesrat*. Monnet's political acumen, which enabled him to identify the moment when the French and German governments, followed by those of Italy and Benelux, would accept such a significant step towards federation in order to deal with the pressing economic and political problems of German coal and steel production, likewise underlay his judgement that the Six must be ready to proceed without Britain, where the balance of political forces was then quite unfavourable to any proposals for European integration. Thus Monnet identified the problem, the instrument, the institutions with federal elements, and the balance of federalist and nationalist forces accurately enough to achieve this epoch-making instalment of federation.

The Treaties of Rome benefited from the institutional pattern that had been set by the ECSC, bringing within its scope the general common market and the regulation of the atomic energy industry which responded respectively to the German need for

a large industrial space and the current French concern about energy supplies.[8] The relationship between problems, competences and institutions was articulated with great clarity by Pierre Uri in the drafting of the Spaak Report[9] on which the Treaties were based. But with the failure to secure ratification of the Treaty for a European Defence Community in mind, Monnet realised that the soundness of the project might not itself be enough without some hard work mobilising the members of the parliaments that would have to ratify the new Treaties; and he used his Action Committee for the United States of Europe, comprising the leaders of the relevant political parties and trade unions, successfully to this end.[10]

The need for codecision of the EEC budget arose when the Community's revenue finally became "own resources" in the 1970s. Already by February 1965, the Second Chamber of the Netherlands States-General had resolved that the EC could not be given its own tax resources unless the European Parliament were to have a central part in the EC's budgetary process.[11] No taxation without representation; and since the member states' parliaments could not control the EC's own resources, this would have to be done by the European Parliament. Thus the pressing political problem was that the Community could not get its own resources, which the Treaty stipulated and the French wanted in order to secure the financing of the agricultural policy, without satisfying the Dutch parliament that the funds which were escaping democratic control at national level would be democratically controlled by the European Parliament. The Treaties of 1970 and 1975 provided, therefore, for codecision between Parliament and Council over the Community budget, even if the Parliament's role is tenuous with respect to the so-called obligatory expenditure.

In taking the European Council's decision in September 1976 to implement the Treaties' provision for direct elections, the Heads of State and Government did not seem to be motivated

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[8] JEAN MONNET's perceptions of these political concerns are given in his *Memoirs*, London, 1978, pp. 418-25.

[9] *Rapport des Chefs de Délégation aux Ministres des Affaires Etrangères* (The Spaak Report), Comité Intergouvernemental créé par la Conférence de Messine, Brussels, April 21st, 1956.

[10] *Op. cit.*, p. 423.

[11] See MIRIAM CAMPS, *European Unification in the Sixties: From the Veto to the Crisis*, New York, McGraw-Hill, 1966, p. 59.

by any particularly urgent political problem.[12] Unlike most other federal instalments, this involved no transfer of instruments or competences from the member states to Community institutions. Apparently there has been less need for an acute problem to induce the governments to transfer an instrument.

The establishment of the European Monetary System (EMS) in 1979 showed how the Commission's President, then Roy Jenkins, could assume the role, first performed by Monnet, of identifying the problem (concern about the impact of dollar instability on the mark and franc) and mobilising the political sponsors (Schmidt and Giscard d'Estaing), as the basis for a significant federal instalment, which comprised not only the EMS as it stands today but also provision for Stage Two including the European Monetary Fund (which Robert Triffin aptly calls the European Federal Bank [13]).

Among the steps that failed, the European Defence Community was the most spectacular. The proposal for a European Army certainly responded to governments' perception of an acute problem, in the form of a Soviet military threat in the early 1950s, with the consequent need for German troops to be recruited without raising French fears of insecurity or German resentment against inequality. The EDC Treaty, signed on May 27th, 1952, stipulated the European Army as the instrument with which the six Community states would confront the problem. But the Treaty did not provide for a suitable political authority to which this Army would be responsible. It was not until the autumn of that year, after Italian federalists (in fact Spinelli) had urged de Gasperi to persuade the Community governments that a European Political Community was required,[14] that the *Ad Hoc* Assembly was appointed to draft the EPC Treaty, which was thus not ready until nearly a year after the signature of the EDC Treaty. After a further year of delay, the EDC was voted down by the French National Assembly.

[12] The Italian Presidency was however confronted by evidence of public demand for the elections, in the form of a demonstration of 5,000 federalists — foreshadowing the much greater demonstration organised by the Movimento Federalista Europeo when the European Council met in Milan in June 1985. There is also evidence that President Giscard d'Estaing saw this as a way to fulfil a pledge to take some European initiatives (see J. MONNET, *op. cit.*, pp. 512-3).

[13] In *The Federalist*, XXVII (1985), pp. 37 ff.

[14] See ALTIERO SPINELLI, « The Growth of the European Movement since World War II », in C. GROVE HAINES (ed.), ***European Integration***, Baltimore, 1957, pp. 58-60; also his *The Eurocrats*, Baltimore, 1966, p. 192.

Perhaps the political forces which opposed the EDC in France were too strong to overcome even if the government had presented a soundly conceived project in the first place. But it seems quite likely that a French government which campaigned in 1952 for a sound political project, including the federal institutions that would be required to control integrated European armed forces, would have secured enough support in the centre to outvote the gaullist and communist opposition. The lesson must surely be that proposals to integrate a fundamental instrument of sovereignty should at the same time specify the democratic federal institutions which are to be responsible for it.

The Werner proposals of 1970 for Economic and Monetary Union teach a similar lesson. The problem to which they were addressed was the instability both of the international monetary system and of exchange rates within the Community, perceived as a threat to the common market and the common agricultural policy. The instrument was to be a common currency or permanent locking of parities. But although the control of money is the citadel of economic sovereignty, the Werner Report's only reference to the issue of its possession was that a "centre of decision for economic policy will exercise independently, in accordance with the Community interest, a decisive influence over the general economic policy of the Community".[15] The setting up of the Werner Group followed a meeting of the finance ministers' Council in February 1970, at which Karl Schiller pointed out that majority voting in the Council and a transfer of powers to the European Parliament would be required for the final stage of full economic and monetary union, entailing modification of the EEC Treaty.[16] The institutional implications of monetary union were thereafter burked, doubtless through fear of upsetting the French, who were still slowly emerging from the spell of de Gaulle. Perhaps there was no way to win French support for the necessary institutional reform at that time. But the technique of tactful evasion certainly did not work. Explicit pressure for reform of the Community institutions to make them efficient and democratic might well have won enough support in France, perhaps to influence the government of the day, but more likely

[15] *Report to the Council and the Commission on the realisation by stages of economic and monetary union in the Community* (The Werner Report), Supplement to Bulletin 11-1970 of the European Communities, Luxembourg, 8 October 1970, p. 12.

[16] See LOUKAS TSOUKALIS, *The Politics and Economics of European Monetary Integration*, London, 1977, pp. 88-9.

to prepare the ground for a swifter change of policy than in fact took place in the years following. The fact that even de Gaulle had won less votes than his two opponents, Mitterrand and Lecanuet, in the first round of the Presidential elections in December 1965, after threatening the Community through the empty chair in the Council, might have suggested that the French people and political class could be more responsive than French ministers to the European Union type of proposal. Of course governments' immediate concern is normally the reactions of other governments. But their efforts towards European Union are not likely to succeed unless they also consider the scope for the development of policy in the partner countries as well as current government policies.

In so far as there is substance to the Single European Act, it is because member governments were seized of the need to complete the internal market, in order to meet American and Japanese competition in the third industrial revolution. The mass of legislation required, as demonstrated in the Commission's White Paper on *Completing the Internal Market*, would clearly not be passed without extending the practice of majority voting in the Council. The twelve member governments were therefore able to agree on significant institutional changes in this field. But no such consensus developed about the need for institutional responses to challenges in other fields. Mrs Thatcher's lack of sympathy for the whole idea of European Union was very obvious; and this alone would have made it difficult to move to European Union by amending the EC Treaties, which requires unanimity among the member states. Pressure from France and Germany might have had an effect, if there had been any sign that they were ready to proceed to European Union, if necessary without the British. But of pressure such as this there was no sign. On the contrary, the Germans seemed highly resistant to the idea of economic and monetary union, which is at the heart of the European Union project; and the French government never showed any real commitment to the principles of codecision and majority votes.

The need for a core group to be ready to proceed in advance of the rest is not, therefore, the only lesson to be learnt from the SEA. Mobilisation in France and Germany was also inadequate in 1984-85; and one reason for this is the lack, particularly significant in Germany, of any perception of an urgent need to move towards economic and monetary union, which would at the same time pose the question of institutional reform, so that the unified European economy could be properly governed.

Are there Steps to European Union?

Monetary union and codecision are the crux of European Union. Monetary union implies, of course, economic and monetary union; and public finance union is, as the concept of cohesion introduced by the Mediterranean countries into the Single European Act has shown, a corollary of free trade and, *pro tanto*, of monetary integration. If there is real codecision, which implies also majority voting in the Council (for unanimity leads not to codecision but to no decision), then the internal market will be completed; and codecision is a must once the point of no return has been reached in the direction of monetary union, for there is no other way to manage the integrated money and economy effectively and democratically. The only other route to Union would be through European defence integration; and although federalists should certainly think more about this field, it still seems likely to follow economic and monetary integration rather than to lead it.

The analysis of steps towards federation has shown that they are often taken to deal with an urgent political problem. Competition with Japan and the US is the problem that is currently perceived as urgent; and as the inadequacies of the Single European Act become apparent, this may generate a renewed impulse towards European Union. This impulse is not likely to suffice, however, unless combined with perceptions of acute monetary problems, which may derive from the dollar and yen exchange rates, from American interest rates, from third world debt, or from the member states' inability to conquer unemployment and stagflation without a powerful collective effort.

The difficulty here is that, as Europe's principal financial power, German support for economic and monetary union is indispensable, yet Germany appears to fear closer monetary association with its EC partners, seen as unreliable on inflation, more than it fears all the dangers of European monetary fragmentation combined. It was hoped, during the last two years, that political pressure from France in favour of the European Union project as a whole would overcome German monetary doubts. There was no such pressure in the event. But whether or not such pressure may be forthcoming in the future, the prospects for European Union will be improved in so far as Germans are welcoming monetary union rather than resisting it. A process of steps towards monetary union could help to attune their thinking to the idea: British participation in the exchange rate mechanism of the EMS; the removal of French and Italian exchange controls; German acceptance of bank accounts in ECUs;

movement to Stage II of the EMS. The European Parliament could perform a useful role in becoming a constituent for monetary union,[17] developing the brief outline contained in the Draft Treaty into a more structured programme for the establishment of economic and monetary union by stages. It should endeavour to work closely in this with financial circles in Germany as well as other member states.

There is certainly a general political problem arising from the Community's institutions. Spinelli has convincingly demonstrated the sclerosis that afflicts them.[18] But the experience of the last two years indicates that the critical mass of member governments may not take institutional reform sufficiently seriously unless the institutions' incapacity is blocking the solution of specific problems about which they are really concerned. Most of them are concerned about completion of the internal market, hence the institutional changes in the Single European Act. As the governments discover that these changes are not enough for the purpose, they may understand the need for a more effective system of majority voting in the Council and for codecision to remove the democratic deficit. But a more powerful motive for such institutional reform would be progress towards economic and monetary union. The questions raised by Schiller in the discussions on economic and monetary union in 1970 would have to be answered by giving the institutions these federal characteristics; and this, together with agreement to complete the economic and monetary union, would provide the main substance of the European Union itself. If this essential substance was wanted by enough member states, their acceptance of the European Union as a whole should be the formal consequence.

The cases of the European Defence Community and the Werner plan have demonstrated how far-reaching functional proposals can fail if they are not accompanied by the necessary institutional framework. The European Parliament's Draft Treaty has shown what such a framework would be like. But member states such as France and Germany may become readier to give the keys of

[17] See "Steps to Make the ECU a Pillar of the New International Monetary Order", paper drafted by Alfonso Jozzo and presented by the Economic Commission of the Union of European Federalists to the Federal Committee of the UEF on 1-2 June 1985; see also resolution on the ECU and EMS, passed by the Federal Committee at that meeting.

[18] ALTIERO SPINELLI, *Towards European Union*, Sixth Jean Monnet Lecture, Florence, European University Institute, 1983.

economic sovereignty to reformed EC institutions if their confidence in those institutions, and in the European Parliament in particular, is meanwhile strengthened. Experience of the Parliament playing an influential and responsible role would help in this. While the "cooperation procedure" under the Single European Act applies to only a limited range of subjects and gives the Parliament more of a blocking than a constructive power, the UEF and the European Movement have indicated [19] how a small group of member states could, by voting only for legislative texts which have been approved by the Parliament, give the Parliament an effective power of codecision, and how this method could be applied to all matters for which majority voting is stipulated in the EC Treaties as well as in the Single European Act — hence for the agricultural policy, commercial policy, aspects of industrial policy and the whole of budget expenditure, as well as for most of the decisions required to complete the internal market. While member governments themselves could hardly be expected to apply such a policy consistently, their parliaments could bind them to do so, as the Dutch Parliament bound its government as regards the EC's own resources. The Italian Parliament, too, has recently shown how it can commit its government in support of the European Parliament. Such an action undertaken by the Parliaments of, say, Italy, Spain and Belgium or the Netherlands would be enough to ensure that no EC laws were made without the approval of the European Parliament; and this would substantially enhance the European Parliament's influence and responsibility, as well as offering a model of the sort of co-operation between the European Parliament and member states' parliaments that will be essential when the constitution of the European Union has to be ratified.

Mobilisation of Support.

This brings us to the mobilisation of support for European Union. The federalists' campaign in favour of the European Parliament's Draft Treaty has demonstrated the breadth and depth of support among the political and social forces, as well as among parliaments and governments in Italy, Spain and the Benelux countries in particular. This gives a very substantial base from which to launch the next round.

[19] Resolution of UEF Bureau, January 11th, 1986, and of European Movement Executive Committee, January 18th, 1986.

With the exception of the Italian government, however, the support of governments for the European Parliament and European Union project was not at all firm. One reason for this may have been that the Draft Treaty was so extensive that support for it could be couched in general terms without firm commitment to anything in particular. The Schuman declaration may offer an example to be followed in future. It laid down the basic principles for the ECSC, which the states that wished to be members would have to accept. This ensured that only the states that were agreed on those principles would be committed to support ratification of a treaty which embodied them. Spinelli's proposal [20] that the European Parliament compose a mandate containing the basic principles of the Draft Treaty follows that successful example.

The federalists must seek to mobilise enough support to ensure that the mandate is adopted by parliaments, governments or referenda, or a combination of these,[21] in all the EC member states. British federalists have made clear their belief that Britain would accept such a mandate if it was clear that France, Germany, Italy and some other member states were ready to proceed, with or without British acceptance; and that if Britain does not accept, it is necessary for the future of Europeans, the British included, that the others should nevertheless go ahead. To make this prospect more credible, a study of the legal implications would be of value. If it is true that an economic and monetary union governed by democratic institutions is the centrepiece, it should be possible to show how a core of committed states could establish this ahead of the others, as they did in a much more modest way in the case of the EMS.

None of this will be possible without French and German commitment to a suitable mandate. That must be the prime objective of a mobilisation campaign. If the earlier analysis is right, the persuasion of France and Germany will be aided by step-wise progress in the influence and responsibility of the European Parliament and in the establishment of economic and monetary union. The facts of such progress might even, combined with other political changes, persuade the British to adopt a constructive attitude towards the European Union project. But

[20] ALTIERO SPINELLI, *Working Document*, Committee on Institutional Affairs, European Parliament, January 24th, 1986.

[21] See FERNAND HERMAN, *Working Document*, Committee on Institutional Affairs, European Parliament, February 18th, 1986.

although such steps can prepare the way for a constitutional act, they cannot be a substitute for it. The mandate should be the focus of the federalists' campaign of mobilisation, which should result in the European Parliament playing its full part in the constituent process, after the European elections of June 1989.

Notes

EUROPE AND THE CMEA: TOWARDS A EUROPEAN OSTPOLITIK?

The CMEA, or Comecon countries as they are sometimes known, have once again asked for a start to be made to official negotiations with the EEC. Mutual recognition is indispensable if commercial, production and financial ties between the two organisations are to be improved, and would also contribute to a new role that Europe could play on the international political scene. In the course of a press conference, held in Paris on October 4th 1985 together with the French President Mitterrand, Gorbachev, the Soviet Communist Party Secretary, stated: "We feel that it would be useful to develop more constructive ties between the Council for Mutual Economic Assistance, and the European Economic Community. In this respect the CMEA countries have proposed a constructive initiative which may well be received favourably. It is important that concrete results be achieved. On this basis, as we have stated on other occasions, if the EEC countries are able to act as a political entity, *then we are ready to seek out a common language with them on concrete international problems as well. This could take place in various ways, including Parliamentary relationships, particularly with the representatives of the European Parliament".*

European governments and public opinion should note the clearcut change in the Soviet and CMEA countries' attitude towards the European Community as compared with the years of the cold war. In 1962 the Common Market was defined as "the economic basis of the aggressive NATO block in Europe and ... a weapon of cold war imperialist policy and source of increase in international tension" ("The thirty-two theses on the Common Market", Pravda, *26-8-1962). But by 1972 Breznev had already recognised "the situation really existing in Western Europe" and the need for the CMEA countries to set up co-operative relationships with the Common Market. Subsequently, the CMEA secretariat was asked to establish direct contacts with the EEC Commission and in 1975 the Commission's President Ortoli and the CMEA's Secretary Faddeev held an official meeting, to examine ways of recognising the two organisations, which, however, ended without any positive results. On September 26th, 1985, CMEA Secretary Sytchev once again made it known to the European Community that the CMEA countries were willing to normalise mutual ties by means of the approval of a joint political "Declaration" stating that the "CMEA and the EEC establish official relationships with each other in compliance with the powers of both organisations".*

The reply that the European Commission, in agreement with the Council of Ministers, sent was extremely cautions. In principle, the idea of establishing official ties between the two organisations is accepted as is the attempt to reach a joint declaration. European Commissioner De Clercq stated: "At the same time it is proposed that each of the European countries in the CMEA should normalise their relationships with the Community". In other words the Commission seems to be more interested in using official CMEA recognition as a means of creating or strengthening bilateral ties with the EEC and the individual CMEA countries, rather than setting up a series of overall negotiations with the Eastern European countries. According to some observers, at a general level, the EEC would be willing to discuss only a few problems relating to the environment and exchange of statistical information. Commercial and technological relationships ought instead to be restricted to bilateral agreements between the EEC countries and the Eastern European countries in the Community and the CMEA.

Behind the Community's extremely cautious attitude, bordering on open obstructionism, there certainly lies the residual nationalist tendencies of the member States. Western Germany wants to go on having privileged relationships with the German Democratic Republic and feed the dream of German unification, which is, however, unthinkable outside the context of European unification. France willingly flirts with the USSR in an attempt to continue gaullist policy tous azimuts, *whereas Italy cultivates special ties with Balkan countries etc. All in all, there is no European* Ostpolitik, *but only national* Ostpolitiken. *Of course, these petty-minded conservative reasons never emerge explicitly in political debate. There are at least two major objections which are advanced by the European Community to justify this prudent,*

wait-and-see attitude vis-à-vis *overall economic co-operation with the CMEA.*

The first objection relates to the political asymmetry existing between the CMEA and the European Community. While the EEC is potentially a supranational organisation governed merely by Europeans, i.e. without the direct participation of the USA, the CMEA includes the USSR as well as Eastern European countries. It follows that there is a tendency to think that the CMEA must be considered as an instrument of Soviet hegemony over Eastern Europe and that therefore it would be bad for Western Europeans to consider it as a true partner: it would strengthen Moscow's power over its allies.

There is some truth in this affirmation. The relationships between states are what they are and entail real responsibilities for the Superpowers. It cannot be ruled out that the promptness with which the USSR tries to promote the CMEA's recognition by the Community is motivated by the very practical reason that it wishes to keep relations between its European allies and Western partners under control. This is obvious: in a bipolar world, the way in which the United States behaves with its Western European allies when discussing directly with the USSR on European security is not very different. But this is only one aspect of the problem. There is also the question of establishing whether greater economic co-operation between Eastern and Western Europe does not make it possible for socialist countries to become increasingly autonomous in the long and very long term, within the CMEA. It is not in fact reasonable to base European policy on the illusion that it is possible to replace the CMEA with something else without taking into consideration the awful possibility of an international cataclysm. The CMEA was created by Stalin in 1949 as a socialist block reply to the flattery of the Marshall Plan, but it was practically inactive for so long as the development model applied by Eastern European countries slavishly followed the Soviet model. Self-sufficiency was the order of the day in those times and no organisation was needed to co-ordinate the division of labour within the socialist camp. But from the sixties onwards the situation has completely changed and now intra-CMEA trade is even more important for individual Eastern European countries than intra-Community trade is for EEC countries. Indeed this is precisely the reason for the CMEA's weakness: it is a market which is entirely closed to world trade and its possibilities for growth are now strictly tied to active participation on the international market. For this reason, it is very important to create ties with the European Community, the

world's leading commercial power. The question now becomes: is it reasonable to argue that a decision that placed the Eastern European countries in a position to stimulate economic growth and increase their peoples' well-being would increase their dependence on Moscow? The truth is that failure to open up with the West would bring about precisely the effect that the opponents of stricter ties between the two European camps fear. A glance at the "complex programme" adopted in 1971 by the CMEA to strengthen common institutions is more than sufficient to convince oneself of this. On the one hand, it is affirmed that "the Council for Mutual Economic Assistance which will be responsible for taking all the decisions needed to achieve the current complex programme, will have an increasingly greater part to play", and that on the other hand "socialist economic integration does not entail the creation of any international body". The contradiction is as striking as it is understandable. The CMEA countries cannot do without greater international integration. Faced with an increasingly turbulent international market, the tendency to strengthen the CMEA is certainly destined to prevail over the arguments of those who would like to restrict its powers. The overtures to the European Community may thus become a decisive factor in the economic and political growth of the CMEA. If Western Europe is able to offer CMEA countries appropriate monetary (ECU) and financial instruments (a system of credit facilities for their foreign trade) it is likely that such instruments will become the vehicles for a process of internationalisation of socialist economies which ought not to be procrastinated any further and which can only be delayed by the short-sightedness of Western European governments.

The second objection advanced by a number of critics of greater agreement between East and West concerns the absence of formal democracy in the Eastern European socialist countries. Open economic collaboration with socialist countries, it is argued, would strengthen and perpetuate non-democratic powers. It is an objection which suffers from the cold war climate and which is repeated when relationships between the two Superpowers deteriorate. In actual fact, Europe peacefully enjoys economic ties with many Latin American, African and Asian countries whose real democratic status is highly doubtful. The substantial problem lies elsewhere. True democrats ought to be aware that the future for democracy is world-wide and that this now depends on the affirmation of an effective process of détente *and an end to the politics of opposing military blocs. Only a fool could argue that an incurable conflict exists between socialism and democracy, as*

if it were possible in the East only to think about the value of social justice and in the West to think about political equality. It is necessary to admit that a process of democratisation, which follows different roads and formulas from those typical in the West, is being undertaken in the East. The peoples of Eastern Europe are perfectly aware of the need to advance their socialist regimes towards forms of government where greater liberty, including economic freedom and popular participation in the management of power, is achieved. But it is also necessary to recognise that this process of democratisation is continually hindered by political and military tensions between the two Superpowers. In a bipolar world, democracy and socialism end up inevitably by becoming instruments of imperialist power. There is only one way out. European countries of East and West alike have world tasks and responsibilities. The basic terrain of conflict and détente *between the Superpowers is and will continue to be Europe. Every step forward towards opening up frontiers and establishing stricter co-operation between economies and peoples represents a step forward towards peace in Europe. The Franco-German example is valid in this respect. The spirit of conquest and domination of these two states has generated two world wars. Today we live together in friendship in the European Community. Why cannot such steps be undertaken between the countries this side and the other side of the now decrepit "iron curtain"? Everything that today favours* détente *will end up in the long run by favouring democracy.*

The European Community must not shirk its responsibilities. The recognition by Gorbachev of the European Community as a political entity *and the explicit consideration of the European Parliament are certainly the fruit of the struggle for European Union. It is a further confirmation of the correct path chosen and the need to continue without any form of hesitation, despite the setbacks in Luxembourg, in our attempts to achieve the priority objective of the Union. The forces of progress, including the "European left", ought by now to understand that the cornerstone for any plan for renewal and peace is European political unification. Although it is true that only when Union has been achieved will it be possible to draw up a coherent European foreign policy, nevertheless some important steps forward can be taken now. The European Community has for example demonstrated with the Lomé agreements and GATT trading negotiations that it is a credible and major partner at a world level. Why does the European Parliament not ask the Commission to commit itself at once, without shilly-shallying, to a series of negotiations which end up in an overall agreement for economic co-operation with the CMEA?*

Guido Montani

THE TREATY ESTABLISHING THE EUROPEAN UNION AND THE LEGITIMACY OF DEMOCRATIC MAJORITY DECISIONS

Gerda Zellentin's article "Ueberstaatlichkeit statt Bürgernähe?" (Integration, *1/1984), contains a critique of the Treaty establishing the European Union approved by the European Parliament on February 14th, 1984 which needs to be commented.*

Zellentin argues that the passage from unanimous to majority decisions, which the European Parliament considers decisive though hard to achieve, given many national governments' resistance, is questionable as regards its principles. She believes that the "binding nature of democratic majority decisions is questioned even within the Member States particularly with reference to the new tasks of public authorities. Indeed, if we consider the wide-ranging chronological, territorial and objective implications, not to mention the implications of genetic technology (destined to play a decisive role in bio-society), or microelectronics and information technology (without which economic activity in the next decades will be unthinkable) or even the use of atomic energy, it is obvious that democratic bodies will have to take decisions whose political content is irreversible, uncorrectable and uncontrollable. In those cases where the majority decides definitively on the possibilities of survival of the current and future generations, on the survival of natural and historical assets, on the quality of the environment, majority decisions are neither adequate, nor morally admissible. Life and health cannot be sacrificed to the needs of political compromise, if we do wish to avoid a 'tyranny of the majority' with no legitimacy". Fairly vague conclusions are derived from these considerations regarding the need to give life to a European Union which, instead of being founded on a European superstate model and hence on majority voting, is close to citizens and thus gives the maximum

space for decentralisation, responsibility of individuals and their participation [1].

This type of criticism of the Draft Treaty Establishing the European Union finds very sensitive ears within the European Federalist Movement. For some years now, we have been dedicating great attention to the question of the institutional options needed to face the problems raised by the transition to a post-industrial society adequately [2]. *We have begun to reflect on the need to integrate classical federalism with newer forms which seem to give central importance to the extension of bicameralism to all levels of the organisation of a federal State, the division of powers on the basis of territorial and nonfunctional criteria, the "cascade" system of elections. Faced with the situation whereby today we increasingly come up against the need to make decisions capable of impressing a direction on the social and historical process that will influence the destiny of peoples for a very long time and maybe forever, we have come to the conclusion that the plan should have a constitutional nature. In other words, the constitutional pact, which in democratic states makes political and social forces jointly responsible in the defence of the regime, i.e. of the institutions which regulate the struggle for power and constitute the bases for political cohabitation, must be extended to a wider terrain: the planning level. This means that the plan's approval must be based on participatory mechanisms which are more effective and articulated than current ones and must require the same qualified majority (normally two thirds) needed to introduce constitutional changes* [3].

If therefore we are very sensitive to the question of the legitimacy of majority democratic decisions vis-à-vis *the problems*

[1] When Zellentin's book *Möglichkeiten alternativer Entwicklung und Integration in Europa*, which is announced in a note of the article considered here, comes out, we will be able to understand more precisely the author's proposals regarding the European Union 'close to the citizens' and whether they are worth discussing.

[2] See in particular M. ALBERTINI, "Discorso ai giovani federalisti", *Il Federalista*, XX, 1978, n. 2-3; L. LEVI e S. PISTONE, "L'alternativa federalista alla crisi dello Stato nazionale e della società industriale", *Il Federalista*, XXIII, 1981, n. 2; F. ROSSOLILLO, *Città, territorio, istituzioni*, Napoli, Guida, 1983; F. ROSSOLILLO, "Federalism in a Post-industrial Society", *The Federalist*, XXVI, 1984, n. 2.

[3] We may mention in this respect B. GUGGENBERGER and C. OFFE (eds.), *An den Grenzen der Mehrheitsdemokratie. Politik und Soziologie der Mehrheitsregel*, Opladen, Westdeuscher Verlag, 1984, which contains very interesting considerations and analyses regarding this subject and a few conclusions which tally with ours.

posed by modern scientific and technological progress, we consider the criticism that Zellentin formulates on this basis regarding the Draft Treaty Establishing the European Union as being very misleading. At a Community level the introduction of majority decisions within the representative body of national governments (which must go hand in hand with the attribution of full legislative codecision entrusted to the European Parliament) means the elimination of the right to national veto, a mechanism which has been blocking the development of European integration for the last fifteen years or so. Substantially it is a question of extending the democratic system from the national level to the supranational level and of establishing a European democratic sovereignty in the absence of which the Community is destined to break up and Europe is destined once more to become a nest of vipers that will make its decline and subordination to the Superpowers irreversible.

Apart from this prospect, the current confederal structure of the Community has extremely adverse implications precisely in respect of problems which are so preponderantly and rightly felt by Zellentin. This is particularly evident, for example, vis-à-vis *the problem of pollution. That pollution no longer stops before national barriers, is all the more true in an area like the Community where the process of integration has produced particularly marked forms of interdependence. Now the absence of a democratic European power prevents any effective control of decisions which, though part of the sovereign powers of individual states, can nevertheless produce extremely adverse consequences for neighbouring states. This state of affairs is not restricted to pollution but is apparent in all cases where there is a growing interdependence that is not matched by a democratic supranational power able to govern it. Only a strong democratic European power would be able to control the decisions of great multinational enterprises effectively, which in the absence of effective State control (which individual national governments are too weak to exercise), may very well produce adverse and irreversible consequences* [4].

For this reason Zellentin's reservations vis-à-vis *the passage to majority decisions of the European Community, as well as playing into the hands of the nationalists, are also counterpro-*

[4] The inability to identify clearly in supranational federalism the only instrument able to face this problem often provokes the emergence of protectionist trends in progressive circles. This temptation has not been entirely discarded even in the book mentioned in note 3. Cfr. p. 179.

ductive with respect to the need to set up effective democratic control over the problems connected with the rise of post-industrial societies.

Having said this we are fully aware that the Draft Treaty Establishing the European Union does not give a complete reply to this need. Precisely because of this, while considering the reform of the community democratically and federally as the strategic objective of its struggle, the MFE is at the same time committed to a long-term struggle towards a new type of federalism, mentioned in passing above, and the reform of the democratic system itself so as to bring it into line with a historical situation which makes it possible to make decisions which endanger the possibilities of life for future generations. In this respect, it is also extremely important to realise that the achievement of the European Union will create the essential political framework needed to achieve these objectives.

The basic point is that with the transformation of the Community in a democratic and federal direction we will overcome the structural deficiencies which the democratic systems suffer from at a national level and which depend basically on the fact that the basic problem goes beyond national boundaries. Within the framework of solid supranational democracy the dangers of authoritarian involution which are always present in the stifling national democracies would disappear and it would be possible to fight in a non-illusory way to achieve democracy for the problems of post-industrial society. To this we must add that the Draft Treaty Establishing the European Union contains an important option which goes beyond pure interstate federalism: the indication of the principle of subsidiarity as a basic criterion in the division of powers between the national and supranational levels. The second paragraph of Article 12 lays down that "The Union acts exclusively to develop tasks which in common may be carried out more effectively than by the individual Member states separately, in particular those whose implementation requires action by the Union since their dimensions or their effects go beyond national confines". Since this principle of subsidiarity is one of the structural elements of federalism taken as a general criterion of organisation of society and the state, it is more than legitimate to expect that the recognition of this principle by the European constitution will increasingly tend to influence the internal evolution of Member states favouring their restructuring on federal lines.

Sergio Pistone

EUROPE'S ROLE IN FINANCING INTERNATIONAL DEVELOPMENT

In the decade following the oil crisis, the international debt of the non-oil producing Third World countries increased at an average annual rate of 19%. Though various factors contributed to this increase, the three major causes were increased oil prices, the increase in real interest rates and worsening terms of trade.

Being higher than the world average, the rate of economic development achieved by many Third World countries has itself contributed to their worsening balance of payment figures since it has caused imports to rise faster than exports. Cumulative destabilizing effects arose when this coincided with the increase in real interest rates and the slump in the world economy.

These international problems were certainly not the only cause of the Third World's financial difficulties. Instead of being restricted to investment, foreign loans have frequently been used to support consumer spending and this has led to illusions about the strict need to keep one's balance of payment figures in the black.

The Third World's economic position has been aggravated by an interplay between world recession and these countries' own internal problems. Return on investments financed by foreign loans has decreased in the wake of the world recession and this, in turn, has made it much harder to produce the income needed to pay back loans — which, of course, is precisely the reason for the current widespread debate on the need to restructure world finance because of the risk that the international financial system will crack up. The size of the debt is not the most serious aspect of the situation. Far more significant is what lies behind it — the unsolved problems of the world's financial and monetary system, the continuing international circumstances threatening the Third World. Indeed, by any standard one may choose to adopt, the size of the Third World's overall debt is by no means large. If we restrict our field to international banking activities, OECD statistics show that after a considerable increase due to the oil crisis, the Third World's share of foreign loans stabilized at around 30%.

A glance at the current situation in the light of the position in the early part of the century shows how remarkably smaller lending is today. At the beginning of the century, foreign loans were roughly three times the size of world trade, whereas today they are not much more than a tenth. How much more meaningful

these figures are when we consider recent trends. The rocketing US trade gap makes the Third World's financial problems pale by comparison, a conclusion which is, moreover, upheld by the IMF's latest forecasts. The current international financial system just cannot cope with the problem of international debt.

A Historical Precedent.

At the beginning of the century the international financial system successfully coped with major capital transfers, owing to the sterling exchange standard's stability and the City of London's central role in a system whose heyday was the late nineteeth and early twentieth centuries when the UK was able to balance its major capital exports with an identical trading surplus.

During this period the UK was a constant net exporter of capital for long-term overseas investment. Through the City's efficient, sophisticated mediation, developing countries' structural deficit was properly financed. No risk to the system's stability or to sterling's position as the main reserve currency and principal means of international payments arose from this outflow of capital which was offset by the UK's trading surplus. In other words, the loans and investments arranged by the City returned to the UK as demand for goods and services. The system's stability was further strengthened thanks to the City's position as the world's major financial centre since this meant that the UK was able to stave off any pressure on her gold reserves by raising the Bank of England's discount rate so that gold was drawn in mainly from European countries.

This in general terms was the financial and monetary system that had grown up towards the end of the Nineteenth century. The system began to collapse when the UK's economic advantages were lost with the industrial revolution's spread to other countries. The arrival of two new economic and political giants, Germany and the US, made inroads on the UK's privileged position in open markets. Hence the UK found it increasingly difficult to export capital without running up a trade gap.

The situation was further aggravated by the lack of a central US bank since the Federal Reserve System was only founded on December 23rd 1913. The Bank of England itself had for many decades been acting almost like a central bank in its ties with the US domestic market. Obviously this was a destabilising factor. The US authorities had not only failed to accept their responsibility as regards effectively contributing to a balanced international monetary system, by giving the dollar functions similar to sterling,

they were even calling on sterling to finance their domestic economic development.

There is little point in going further into this matter which illustrates the existence of a historical precedent demonstrating that financing Third World countries' long-term structural deficits is perfectly feasible. It shows that foreign development loans can be handled by one financial centre (in one country) only in specific circumstances giving rise to economic and financial supremacy, which are in due course bound to be eroded.

The Current Situation.

This historical precedent helps to clarify how far the US can finance international economic development in today's world and whether, in different political and economic conditions, it can, in fact, hope to emulate the UK.

As with the UK, for a period of time, circumstances enabled the US to offset its sizeable capital outflow with a trade surplus. In the immediate postwar period, there were no great difficulties, the Marshall plan being a prime example of this capability. But today there are various signs that these favourable market conditions are a thing of the past. In much the same way that the UK's market domination was undermined by German, French and US growth, so, from the late sixties onwards, Japan's development and the completion of the European Customs Union have made inroads on the undisputed economic hegemony of the US. And just as the UK lost its privileged position of being the only industrial power with the spread of the industrial revolution, so, too, the US has lost its privileged position of being the only developed market of continental size, so vital for optimising modern production technologies.

In 1944, at the time of Bretton Woods, the US economy had roughly 40% of the world GDP, 90% of world gold reserves were in Fort Knox, the US industrial system was going at full blast, while the rest of the world was reeling under the aftermath of war. Today, the US has roughly 20% of world GDP, gold reserves have been redistributed and the rest of the world has developed faster than the US economy.

These key data bring out the insuperable, historical constraints on the role of the US: while its relative strength in the world economy has decreased, the demand for international finance and currency to stimulate world economic integration and development has risen proportionately. These two trends are contradictory and the absence of a European Central Bank has further compounded

their destabilizing effects. In much the same way as the Bank of England was forced to take over the functions of central banking in the US at the turn of the century, similarly, today, the dollar, both inside and outside Europe, fills the gap left by the absence of a European Central Bank.

This brief analysis shows that the US is unable in the current circumstances to guarantee adequate financial support for international economic development on its own.

The Role of Banks as Intermediaries.

The central role the US plays in propping up the international financial system is based on the assumption that the US acts as a banking intermediary between foreign creditors and countries with structural debts, a function which has become increasingly difficult.

A triangular financial system grew up in the wake of the first oil crisis whereby OPEC countries were structural creditors, Third World countries were debtors and industrial countries and American banks in particular recycled surplus funds.

But doubts have now arisen as to the OPEC countries' capacity to produce financial surpluses and in the near future they may well be forced to sell their accumulated assets to offset the current account deficits.

The international banking system will then be 'burnt' at both ends: while the Third World countries will maintain or increase their demand for capital funds — their lack of liquidity often compelling them to negotiate new loans to avoid defaulting on interest payments due on previous loans — at the very same time OPEC countries may very well begin to withdraw their deposits.

In other words, the system will have to face up to falling deposits and frozen assets, a difficulty which the key country is compounding by consuming resources and failing to contribute to the rest of the world's finance. The direct consequence of this will be the need to find a 'low gear' state of equilibrium, which is why the international financial system has forced debtor countries to deflate their economies so as to reduce or severely curtail any increase in debt.

The resulting contradictory trend in relationships between industrialised countries should be highlighted. The role as structural creditor that OPEC countries are abandoning must inevitably be taken over by others and in recent years Japan and to a lesser extent Europe have taken up this role. The trend has gone hand in hand with New York's development as an international financial centre, in keeping with the dollar's role as the major reserve currency. The responsibility for propping up the international financial system and the ability to provide the necessary financial resources remain separate, with the result that the system is very fragile.

What Deflation Means for the Third World.

Simply by measuring their deflationary impact on Third World countries, we can appreciate the adverse effects of the measures adopted by the current international financial system. Lower growth rates, falling per-capita income, rising unemployment, falling international trade and with it a slowdown in the international division of labour have to varying extents all affected the Third World. The newly industrialised Asian countries have been the most successful in adapting to the changed economic climate, whereas, at the other end of the spectrum, the Black African and some South American countries will shortly be facing very harsh consequences. The outlook for the entire Third World is, indeed, very bleak.

The consequences can in fact be measured by turning the matter round and looking at it from the opposite point of view, i.e. what size of debt would be needed to achieve a planned growth rate and what rise in per-capita income would be sufficient, at least prospectively, for the Third World to break out of its condition of chronic underdevelopment? CEPII, the French government's authoritative economic forecasting unit, made the following calculations as regards this problem: to guarantee an annual 2% rise in per-capita income, Third World countries would have to increase their debt threefold by the end of the decade over the 1982 figures. This forecast should be considered in the light of the fivefold increase in the Third World's debt between 1975 and 1982. The forecast further shows that simply keeping pace with current per-capita income would require an annual increase of 40 thousand million dollars in the Third World's debt.

Only a high increase in the Third World's debts and an associated high growth rate will lower the risk of a crisis in the international financial system. It is clearly in the interests of the industrialised and Third World countries to look for a solution which ensures balanced growth in the world economy. Therefore, the central problem is to revamp the international financial system.

This, in turn, means reconsidering the workings of the international monetary system and, in the final instance, the world

economy. A set of objectives needs to be drawn up and Europe's role within such a framework needs to be defined.

A World Solution.

Keynes put forward one possible approach. During the Bretton Woods negotiations, which led to the IMF's establishment, he argued for a world government based on strengthened international organisations, at that time considered to be the core of a government which would have managed the world economy. In the long term, this is the proper line of thinking and indeed the winning answer, since it fulfils historical requirements; but in the short term, while some progress may be made in this direction, it is highly unlikely for historical and political rather than economic reasons that much progress can be made. Proper understanding of the merits of Keynes' project is vital. Keynes argued that the true source of development is effective demand. But, while the consumer society has exhausted its potential for development in industrialised countries, economic growth can be sustained as long as the potential demand from the Third World can be turned into effective demand. In an age of world markets, the rational management of Third World demand will be of major significance. Regardless of political and moral considerations, however justified they may be, we must recognise that a new economic growth cycle can be activated if effective Third World demand is properly financed by the international community. But can such a plan really be implemented today?

An European and African Solution.

The affirmation of a new economic order has (from Bretton Woods onwards) been a far-sighted ideal. In the current climate, a new world economic order is fast becoming a realistic and necessary answer to pressing problems. A new system is feasible because it can be supported by joint European and African initiatives — indeed we may safely add this is the only strategy which will ensure that both Europe and Africa, and in the final analysis the entire world, will develop.

The correct solution to the problem is to launch a new European "Marshall plan" for African development, the only strategy really capable of supporting the modernisation of the European economy, which is unthinkable outside a plan for the development of international co-operation. A Europe falling back on itself would be fatally forced to protect its manufacturing capacity which would entail a return to protectionism, the progressive obsolescence of Europe's industries, economic stagnation and second league status for Europe. The real problem is to reach agreement on how to bring about this solution. Strengthening the process of economic and monetary unification in both Europe and Africa is of decisive significance.

What is at issue is the development of the international economic system and its financing; establishing a new monetary system is essential if international finance is to achieve balanced development and have a progressive role.

Europe's economic and monetary unification would pave the way for a currency functioning alongside the dollar, which could be used both for payments and as an international reserve currency. This is also an indispensable condition for uniting Europe's capital markets. Only in this way can Europe hope to play a leading world role on a par with the City of London's role in the past.

Establishing a European Monetary Union is crucial because to ensure adequate financial support for a Third World solidarity programme Europe must increase its 'weight' in the world economy. Likewise, strengthening existing African monetary unions and making a start to the process of monetary and economic unification of Africa are indispensable for Africa's balanced development. Internationally, African unity would ensure equal partnership in relationships with Europe and the other industrialised areas, whereas a divided Africa would be condemned to submit to the hegemony of more advanced states, in the form of a new colonialism. African unification is also required to ensure optimum allocation of resources in Africa.

We should recall the historical precedent of postwar Europe whose reconstruction was based on a unified project: this ensured the best possible use of US aid under the Marshall Plan and laid the bases for equal partnership between Europe and the US, although it was not possible to achieve this immediately.

Africa should take its cue from the European Monetary System (EMS) and set about establishing and developing an African Monetary System. The EEC's experience is important. The monetary problem was not considered at the time of its foundation because, in the first stages, the EEC was able to use the dollar in lieu of a European currency. But today the EEC cannot work without a common currency because the dollar crisis is the cause of fluctuating exchange rates: in order to work, a market needs stable prices of raw materials and manufactured goods which is impossible without monetary stability. For Africa,

developing a process of monetary unification is even more indispensable. In Europe, the problem was to abolish customs barriers, which were holding up economic development, to allow a better division of labour, whereas in Africa the problem is how to create an agricultural and manufacturing capability which cannot develop spontaneously. This is why it is vital to achieve an optimum allocation of resources throughout the whole of Africa, distributed in keeping with a coherent common loan policy.

Currency is a decisive feature in economic sovereignty. Any proposal for monetary unification raises the issue of European and African autonomy. The greater both continents' freedom to follow their natural vocation becomes and the sooner they have the means to control their own destiny, the more co-operation between Europe and Africa will be able to develop.

Dario Velo

Problems of Peace

THE PROPOSALS FOR DENUCLEARISATION. A ROAD TOWARDS PEACE?

The recent "Treaty of Rarotonga" (August 1985) put forward by Australia and New Zealand which bans nuclear arms in a wide area of the Southern Pacific, once again proposes the idea of denuclearisation as a strategy by which to move towards a more peaceful world at last free from the nuclear threat.

Not all denuclearisation proposals have the same form or the same function. They vary significantly according to their proponents. Some of the proposals reject nuclear energy even for peaceful and social purposes by highlighting the ecological problem (an example of this is the Greenpeace initiative against French nuclear experiments on the Mururoa atoll).

Other initiatives are essentially designed to sensitize and directly involve public opinion by inviting citizens, or their representatives at a local level, to state that their city or even their house is a nuclear-free area. Such initiatives are partly linked with the Peace Movement in its continual search for "strategies" and action which demonstrate the desire and will for peace for all men. Although they may sometimes be exploited for political ends or take the form of unrealistic statements, nevertheless they may be considered as a testimony to the desire to keep peace in the public eye.

Nuclear ban proposals and treaties which involve states and their governments, or even whole continents, have very different implications, or at least they should have.

It is however necessary to stress that these proposals basically have the same objectives and reflect the same logic as the Non-Proliferation Treaty signed in 1968 by 82 countries and which came into force in 1970. The denuclearised areas are thus consid-

ered as a means of preventing the spread of nuclear capacity to other countries.

The miserable failure of the Non-Proliferation Treaty should at least be a means of reflection on denuclearisation. What turned this treaty into an illusion was the baseless idea that the major nuclear powers, and in particular the USA and the USSR, which both signed the treaty, would respect the clauses that asked them to put an end to all nuclear tests, the cessation of the arms race and the promulgation of measures which are effective vis-à-vis *nuclear disarmament. During the negotiations on non-proliferation the Japanese ambassador pointed out that if the powers who possessed nuclear arms did not fulfil their commitments, the treaty would have lost its moral base. In 1970, when the treaty came into force, Harold Wilson, the British Prime Minister at the time, stated: "We know that there are two forms of proliferation, vertical proliferation and horizontal proliferation. Countries which are now committed to never possessing nuclear arms have the right to expect that the countries who do have nuclear arms play their part in the agreement." The arms race in recent years only goes to show that those hopes were illusory and make it increasingly clear that such treaties imply the recognition of the predominance of states who do possess nuclear arms.*

The same considerations are true for denuclearisation proposals. Moreover, their history helps to make us realize that, far from being concrete attempts at trying to reach a less armed and hence more peaceful world, they have always been subordinated to the logic of power politics and the confrontation between the USA and USSR, the world's two greatest nuclear powers.

Nor is it mere chance that the USSR has tried to give the greatest weight above all to the proposals relating to Central Europe, the Mediterranean and Asia, i.e. the areas where there is direct confrontation between the two blocs, in an obvious attempt to reduce American presence. Moreover, the USA have always stressed that any proposal must not undermine the current military balance and have applied this irrenounceable principle when rejecting, together with Western powers, the Rapacki plan (1958) for denuclearisation of the territories of Poland, Checkoslovakia, East Germany and West Germany, and subsequent amendments, right up to the Gomulka plan in 1964. Their acceptance would, in fact, have weakened America's military position in Europe, where the German Federal Republic represents the advanced front.

Not so long ago (June 1982), the Independent Commission on Disarmament and Security Issues, an international group of

government officials and former officials set up in 1980 under the chairmanship of Olof Palme, developed a new proposal to create a denuclearised zone in Central Europe relating to battlefield nuclear weapons. This plan has been interpreted as an attempt to avoid the political implications and exploitation which undermined the credibility of previous plans, inasmuch as it is based on the characteristics of a certain type of nuclear weapon rather than on territorial extension. It does, in fact, provide for the denuclearisation of a wide band of territory 150 kilometres wide on both sides of the boundary of Western Germany, on the one hand, and East Germany and Checkoslovakia on the other hand, with the possibility of extending it vertically to the extreme north and south of the two blocs. There would be two advantages. The first that West Germany would continue to be part of the West's defensive structures (the problems raised by a denuclearised Germany and hence in some ways separate from the rest of Western Europe have always been considered prominent particularly as regards German unification). The second relates to the strengthening of barriers against the involuntary or accidental outbreak of a nuclear war. The removal of battlefield nuclear weapons which might be used in a desperate situation against a conventional and unstoppable attack and which would give rise to uncontrolled escalation, would make it possible to take more studied decisions and solve the conflict before the situation could deteriorate.

It is highly significant that Cyrus Vance, former US Secretary of State was a member of the Palme Commission as was Georgij Arbatov, a member of the Soviet Communist Party's Central Committee and that the USSR not only approved the plan but also proposed an extension of the denuclearised zone. This means that it would not bring political or strategic questions of the two Superpowers or their hegemonic role into play, and hence cannot be presented as a real contribution to the peaceful evolution of international relationships.

But the most important consideration is the fact that this proposal, like the previous ones, does not consider Europe's autonomy at all.

The real problem for Europe, both in the East and the West, is accepting the idea of being the front line for hegemonic powers and playing a subordinate role in international relationships.

Certainly the presence of tactical and battlefield nuclear weapons makes it easier to overcome the nuclear threshold, and the road towards which we need to direct our efforts is certainly denuclearisation, but this should be interpreted as the complete

abolition of nuclear weapons throughout Europe. The possibilities for this approach being adopted are in the hands of Western Europe, where the realisation of the process of political integration would create the pre-requisites and the indispensable conditions for the refusal of tactical and battlefield nuclear weapons: the acquisition of political independence from the USA and resulting defensive autonomy. A united and independent Europe would have the possibility and good cause to propose a non-aggressive defence model both for conventional arms (through a territorial-type defence), and for nuclear arms (the Anglo-French deterrent placed on submarines), thus achieving the twin goal of real denuclearisation in Western Europe and rejection of irresponsible neutralist positions, which would leave the field even more open to the world hegemonic aims of the Superpowers.

This could be both the first step towards the abolition of nuclear arms in Eastern Europe, which would gradually lose its position as the front line of Soviet military strategy vis-à-vis *the competitive power and, at the same time, a step towards the creation of less tense, less rigid and more evolved ties between the USA and the USSR, which would be to the benefit of Europe and the whole world.*

A decline in international tension, in some areas of the world, which is not in fact always openly stirred up but behind which there is nearly always the hand of the Superpowers, is the indispensable premise for avoiding the "horizontal" and "vertical" proliferation of nuclear weapons and not vice versa. *An example is the Middle East: a plan to denuclearise this area, presented by Iran in 1974 and backed up by Egypt, and accepted by the UN General Assembly became a dead duck because of Israel's refusal (who at the time was in a belligerent state with Egypt). The same lot befell a proposal relating to Southern Asia, presented by Pakistan after the explosion of an Indian nuclear device, which was backed up by the USA but opposed by India, in turn backed up by the USSR.*

The road to follow to reach world disarmament needs to be reconsidered, in the light of the foregoing examples and considerations made, so as not to refuse the concept of denuclearisation tout court *but to envisage it in a more global preliminary strategic plan which provides for the creation of a multipolar world order without which denuclearisation could easily, though not inevitably, become the instrument by which the* status quo, *i.e. an unbalanced and hierarchical international position, is maintained.*

Nicoletta Mosconi

Federalist Action

TOWARDS A FEDERAL EUROPEAN ECONOMY: PRE-FEDERAL MONETARY UNION *

No in-depth analysis of the monetary organisation of a federal state has yet been made so that no clear definition can be given for the institutions and mechanisms needed to provide the European Union with the powers it needs in monetary matters.

On the other hand, knowledge and thinking about fiscal and budgetary policy has reached a much more advanced stage, so much so that the term "fiscal federalism" is currently used. Analysis of how it works within existing federations, especially the United States and Federal Germany, is of great significance when defining the areas were the European Union should have fiscal powers.

Monetary organisation in existing federal states

"Monetary federalism", unlike fiscal federalism, is still a theory in an embryonic stage and this is undoubtedly due to the fact that there is no substantial difference between the monetary organisation of existing federal states and that of non-federal states. Indeed, whereas there is competition, albeit in different degrees, between the jurisdiction of the federal government and that of the member states of the federation as regards fiscal mat-

* Speech delivered in Canterbury, at the UEF seminar on September 14, 1985.

ters, with money matters this jurisdiction is solely a federal concern.

In the United States, the Federal Republic of Germany and Switzerland there is a single currency, the issue of which is the monopoly of a single central bank, just as in non-federal states, but the central bank has a special structure and even its name contains a reference to federalism (Deutsche Bundesbank and Federal Reserve System). In Germany the federal central bank is flanked by the central banks of the *Länder*. These, however, have no authority at all with regard to the issue of money, but merely a right of representation on the decision-making body of the federal bank, where the local representatives actually constitute the majority [1].

In Switzerland, the position is much the same as in Germany, while the American system displays fewer federal features, since the twelve districts of the Federal Reserve System have no institutional relationships with the member states of the American federation.

There is, however, one feature that characterises the monetary organisation of these three federal states, namely the powerful autonomy of the central bank vis-à-vis state institutions (government and parliament), which means that the bank is somewhat similar to a "federal court". In the German and Swiss cases, this autonomy stems from the predominance of the *Länder* and Cantons in the central bank's decision-making body, whereas in tre US the bank's autonomy vis-à-vis the government is safeguarded by the "private" features of the 12 districts and the long-term tenureship of office by the members of the Federal Reserve Board, the supreme body in the system.

Attempts at monetary unification in Europe.

In my view, this situation explains why all attempts to achieve monetary unification in Europe following the creation of the European Community were based, firstly, on the idea of one currency, or several currencies closely knit to each other by a fixed exchange rate, and secondly, the idea of strong centralisation of monetary power.

Formal adoption of the Werner Plan and launching of his first stage and the institution of the European Monetary Co-operation Fund were not enough to reach these objectives. Not only were the subsequent steps — expressly envisaged in the resolutions — left unimplemented, the system itself suffered the "secession" of so many states that, *de facto*, it disappeared.

[1] Some additional remarks on this subject are presented in "L'autonomia della banca centrale in Italia e in Europa" by A. Jozzo and D. Velo, in *Moneta e Credito*, June 1981.

When the European Monetary System was launched in December 1978, a more flexible approach was adopted, since the system was based on "fixed but adjustable" exchange rates. In the case of the EMS, an important point was the adoption of the ECU as the system's benchmark. Indeed, fluctuations in the national currencies are referred to this unit and deposits held by the national central banks with the European Monetary Co-operation Fund in return for 20% of their own gold holdings and dollar reserves are also stated in this currency.

For the second stage the EMS envisaged maintaining the possibility of varying the exchange rate of individual national currencies against the ECU (and hence against other national currencies). Its main feature was the creation of an institution — the "European Monetary Fund" — designed to carry out certain tasks in the management of common reserves and the granting of credits (as foreseen by the System) to the national central banks.

A European pre-federal monetary union.

Europe must establish an appropriate common monetary organisation if it wishes to maintain the customs union and the common agricultural policy. The need is all the greater since it is designed to set up a "domestic market" and tackle the problems raised by restoring growth, changes in international economic relations and the challenge of scientific and technological evolution.

We can define this objective as the establishment of a European pre-federal monetary system [2] designed to achieve two fundamental objectives: a) full convertibility of the Community currencies; b) "stability" of exchange rates so permitting the economic calculations needed to guarantee the operation of the "domestic market" and above all prevent recourse to changes in monetary parities which penalise enterprises of other countries.

[2] Employment of the term "pre-federal monetary union" can be justified by analogy with the proposals in the MacDougall Report (*Report of the study group on the role of public finance in European integration*), April 1977.

By analogy with what happens for a customs union, the real difficulty is to see that these two conditions are insulated so as to protect them from the designs of the member states. In the same way as the Treaty setting up the European Community lays down that customs duties cannot be reintroduced and entrusts a common institution ("the Commission") with the task of seeing that this "irreversible" commitment is complied with, so, too, it is necessary in the monetary field for the convertibility of currencies and the "stability" of rates of exchange to be safeguarded by a common institution preventing unilateral action by states destined to undermine the commitments undertaken.

The true difficulty with a customs union is not the removal of duties but the prevention of their reintroduction by a member state in moments of crisis and difficulty, possibly in a "disguised" form. Much the same is true in the monetary field: preventing a state from nullifying the convertibility of its currency during a crisis or resorting to "competitive" devaluations. Only the presence of a common monetary institution empowered to ensure that these two conditions are maintained and equipped with the means to overcome the crisis will ensure this objective is attained.

Basic features of the pre-federal monetary union.

Convertibility of a currency means that those resident in different parts of the Union can freely exchange assets in their national currency for the currencies of the other states, or at least into the common currency of the Union.

The common monetary institution must thus ensure: permanent convertibility of one national currency into another and into the common currency; that changes in the rate of exchange between a national currency and the common currency do not disturb the "domestic market". It must thus have the ability to intervene on the market to assure that convertibility is possible at all times and decide on changes in exchange rates.

This, however, is not possible unless the institution: controls the amount of "common currency" issued; guarantees the value of the common currency outside the area (policy vis-à-vis currencies outside the area); and "conditions" the credit granted to national central banks experiencing difficulties in keeping up the convertibility of their own money into the common currency. Even if this analysis requires much further study, a sufficiently clear picture emerges of the tasks that will have to be assigned to the "European Monetary Fund" if the EMS is really to become

the monetary tool by which Europe is assured of the existence of a domestic market for agricultural and industrial products.

The EMS and the ECU.

The establishment of the European Monetary System was really designed to deal only with the question of the rate of exchange. No solution at all has been found for the problem of the convertibility of individual national currencies, since Europeans resident in many member states cannot freely exchange their money into another currency circulating in other countries.

The need for full convertibility of European currencies — or better still the existence of a common currency — came to the fore in the early years of the EMS's operation, while the appearance of the ECU through the efforts of the operators has clearly highlighted the contradictions existing between a single market for agricultural produce and industrial products and the existence of separate financial markets.

The ECU has gradually acquired the classic function of money: a store of value (bonds and deposits have been denominated in ECU); a unit of account (balance sheets, invoices and contracts are denominated in ECU); a means of settlements (payment orders, cheques, travellers' cheques, etc.).

The member states of the Community have thus been forced to take a series of steps towards the convertibility of their national currencies, at least into the common European currency.

From the institutional standpoint, the EMS did not bring new institutions into being, but confined itself to revitalising those which already existed since they were created during attempts at unification and which had remained virtually inactive.

The European Monetary Co-operation Fund, for example, has acquired the authority to determine changes in the rates of exchange between national currencies and the ECU, as well as the composition of the ECU itself. The binding approval of the Fund, in fact, is needed for the issue of the necessary regulation by the Council of Ministers of the European Community.

Recent developments.

The wide-scale use of the ECU by private operators has brought about measures designed to prevent the central banks from being excluded from its control.

The agreements reached in Palermo last April gave the official ECU issued by the Fund greater liquidity so as to restore its

competitiveness as compared with the ECU issued by private banks. Provision was also made for circulation of the official ECU outside the European Community. Subject to certain provisions, this can now be held by other central banks and international monetary institutions, especially the Bank for International Settlements (BIS).

Establishment of a clearing system for private transactions with the BIS as agent will allow the management of the ECU to be taken out of the hands of the so-called "Euromarket", thus laying the foundations for ensuring the liquidity of this currency, and in addition, the stability of the banking system.

Measures to be adopted.

In recent years, the European Monetary Cooperation Fund has acquired the beginnings of an authority which could be further expanded, with regard to: charges in exchange rates; management of ECU assets (directly for the "official" ECU, and indirectly for the "private" ECU), though it has not yet received any mandate to act as "guarantor" of European citizens' freedom to convert their currency without restrictions.

Further expansion of ECU-denominated assets (both private and official) will require the Fund to exercise its stabilising function more frequently. In particular, it will have to take decisions in the light of "European" rather than national initiatives. In other words, an international ECU market of considerable size will not always be able to "comply" with national initiatives without prejudicing both the value and the stability of the ECU itself.

Developments on the main international marketplaces (especially New York and Tokyo) of transactions (both spot and forward) between the ECU, dollar and yen may soon create a problem over Europe's financial "credibility" and this in turn will affect its individual national currencies.

Europe will be able to make use of a monetary organisation on a par with that reached by economic interpenetration when provisions are adopted within the EMS to: give citizens the freedom to choose between their national currency and the ECU; give the Fund sufficient ability to take initiatives, and lay down that in certain cases a majority vote will be sufficient to take decisions relating to the value of the ECU and its circulation.

These are limited, yet indispensable, objectives that must accompany the creation of the European Union in the monetary field.

Can "monetary federalism" exist?

The functions attributed to the European Monetary Co-operation Fund in this scheme are substantially in line with the indications given by James Meade for his "supranational exchange equalisation system", in which provision is made for action by a "supranational equalisation authority" to ensure control of short-term fiuctuations, together with retention of the possibility of altering the exchange rates to maintain long-term equilibrium in balance of payments.[3]

The fundamental idea, however, harks back to Lionel Robbins' suggestion — made half a century ago — for an "international currency". His attribution to a federal monetary authority of the power to vary the exchange rate of individual currencies vis-à-vis the common currency, perhaps gave us a solution to the difficult problem of making the EMS stable.[4]

It is hard, on the other hand, to answer the question whether in the light of Robbins' suggestions there exists a "federalist" solution also in the monetary field with a division of powers between federation and state (and possibly on lower levels), or whether the only way to achieve efficient currency organisation is to issue a single currency sign; here the only "federalist" feature would be the special structure of the central bank, as in the German case.

But asking whether federalism can make an original contribution in the monetary field is no longer an idle question. The struggle to provide Europe with a common currency requires that at least the federalists be capable of reflecting on these topics without being hidebound by the monetary organisation model that has characterised centralised national states.

Alfonso Jozzo

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[3] "The various forms of exchange-rate flexibility" by JAMES MEADE, in *International Payments Problems*, Washington D.C., 1966.

[4] "Economic problems of the Federation" by LIONEL ROBBINS in *Federal Union*, 1941.

Federalism in the History of Thought

IMMANUEL KANT

In the essay he wrote in 1784 called "Idea for a universal history from a cosmopolitan point of view", Kant tried to establish what the consequences of peace would be for the humana conditio. *Peace would put an end to history, which is spurred on by the contradictions of inequality and discord, in which men, dominated by the violent component of the human nature, cannot freely dispose of themselves. Once peace has been established, any legitimacy regarding man's cruelty to man, deriving from war and the possibility of war, would cease, and law would finally have universal validity. With no means of expression, man's evil instincts would disappear. Subjected exclusively to law, man's conduct would ultimately depend on the truly human part of his nature, on the autonomy of reason and on moral law.*

In particular, the seventh Thesis which we present here tackles issues that make it possible for us to recognize that Kant foreshadowed a basic part of federalist thinking. The seventh Thesis affirms that the possibility of "establishing a perfect civic constitution" depends on the creation of an external relationship between states regulated by laws, and identifies in a great "union of peoples" (Völkerbund) *the instrument by which to impose law in international relationships. The objective of the world federation, therefore, is the indispensable premise, the condition* sine qua non *to overcome a contradiction which, at that time and still today, heavily conditions all human action that attempts to achieve the basic values of freedom, justice and equality fully.*

The contradiction lies in the fact that within states citizens are asked to accept the very thing that they themselves refuse

to recognize in international relationships, namely legality. On the one hand, men urged on by what Kant calls their "unsocial sociability", have gone a good way down the road towards ending "brutish freedom", i.e. towards the affirmation of a freedom to be exercised in compliance with the law so as to respect the freedom of others: by accepting a civil constitution, men have recognised that unrestricted freedom is unacceptable since it is nothing more than a general subordination to power relationships and to the hierarchy imposed by these relationships. On the other hand, the instrument created to safeguard the freedom of individuals, the state, is at the same time the utter denial of all values. In the international context, law is turned into the rule, and indirectly the cult, of force, and morality is fully affirmed (sacrifice of oneself for the fatherland), only when it is totally denied (killing of foreigners).

However, Kant says, this very "antagonism" which lies at the basis of relationships between states, which encourages them to use material and human resources with a view to preparing themselves to face war, which is always possible, will lead, albeit very slowly, towards peace.

In this respect, Kant's thought seems to take on an almost prophetic connotation: the instruments for war that mankind possesses today, nuclear weapons, have such a destructive potential that the problem of achieving an end to the antagonism between states, or an end to the division of the world into sovereign states, cannot be considered a theoretical question, the dream of an enlightened mind, but must be accepted as a political objective. Men cannot allow themselves to live with war unless they wish to accept the idea of marking time on the march towards moral progress and unless they wish to accept the possibility of the definitive disappearance of the human race. This situation, as Kant says, will bring the states "to that which reason could have told them at the beginning and with far less sad experience, to wit, to step from lawless condition of savages into a Union of peoples.

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Seventh thesis - The problem of establishing a perfect civic constitution is dependent upon the problem of a lawful external relation among states and cannot be solved without a solution of the latter problem.

What is the use of working toward a lawful civic constitution among individuals, i.e., toward the creation of a commonwealth? The same unsociability which drives man to this causes any single commonwealth to stand in unrestricted freedom in relation to others; consequently, each of them must expect from another precisely the evil which oppressed the individuals and forced them to enter into a lawful civic state. The friction among men, the inevitable antagonism, which is a mark of even the largest societies and political bodies, is used by Nature as a means to establish a condition of quiet and security. Through war, through the taxing and never-ending accumulation of armament, through the want which any state, even in peacetime, must suffer internally, Nature forces them to make at first inadequate and tentative attempts; finally, after devastations, revolutions, and even complete exhaustion, she brings them to that which reason could have told them at the beginning and with far less sad experience, to wit, to step from the lawless condition of savages into a Union of peoples. In a Union of peoples, even the smallest state could expect security and justice, not from its own power and by its own decrees, but only from this great Union of peoples (*Foedus Amphictyonum*), from a united power acting according to decisions reached under the laws of their united will. However fantastical this idea may seem — and it was laughed at as fantastical by the Abbé de St. Pierre and by Rousseau, perhaps because they believed it was too near to realization — the necessary outcome of the destitution to which each man is brought by his fellows is to force the states to the same decision (hard though it be for them) that savage man also was reluctantly forced to take, namely, to give up their brutish freedom and to seek quiet and security under a lawful constitution.

All wars are accordingly so many attempts (not in the intention of man, but in the intention of Nature) to establish new relations among states, and through the destruction or at least the dismemberment of all of them to create new political bodies, which, again, either internally or externally, cannot maintain themselves and which must thus suffer like revolutions; until finally, through the best possible civic constitution and common agreement and legislation in external affairs, a state is created which, like a civic commonwealth, can maintain itself automatically.

[There are three questions here, which really come to one.] Would it be expected from an epicurean concourse of efficient causes that states, like minute particles of matter in their chance contacts, should form all sorts of unions which in their turn are

destroyed by new impacts, until once, finally, by chance a structure should arise which could maintain its existence — a fortunate accident that could hardly occur? Or are we not rather to suppose that Nature here follows a lawful course in gradually lifting our race from the lower levels of animality to the highest level of humanity, doing this by her own secret art, and developing in accord with her law all the original gifts of man in this apparently chaotic disorder? Or perhaps we should prefer to conclude that, from all these actions and counteractions of men in the large, absolutely nothing, at least nothing wise, is to issue? That everything should remain as it always was, that we cannot therefore tell but that discord, natural to our race, may not prepare for us a hell of evils, however civilized we may now be, by annihilating civilization and all cultural progress through barbarous devastation? (This is the fate we may well have to suffer under the rule of blind chance — which is in fact identical with lawless freedom — if there is no secret wise guidance in Nature.) These three questions, I say, mean about the same as this: Is it reasonable to assume a purposiveness in all the parts of nature and to deny it to the whole?

Purposeless savagery held back the development of the capacities of our race; but finally, through the evil into which it plunged mankind, it forced our race to renounce this condition and to enter into a civic order in which those capacities could be developed. The same is done by the barbaric freedom of established states. Through wasting the powers of the commonwealths in armaments to be used against each other, through devastation brought on by war, and even more by the necessity of holding themselves in constant readiness for war, they stunt the full development of human nature. But because of the evils which thus arise, our race is forced to find, above the (in itself healthy) opposition of states which is a consequence of their freedom, a law of equilibrium and a united power to give it effect. Thus it is forced to institute a cosmopolitan condition to secure the external safety of each state.

Such a condition is not unattended by the danger that the vitality of mankind may fall asleep; but it is at least not without a principle of balance among men's actions and counteractions, without which they might be altogether destroyed. Until this last step to a union of states is taken, which is the halfway mark in the development of mankind, human nature must suffer the cruelest hardships under the guise of external well-being; and Rousseau was not far wrong in preferring the state of savages,

so long, that is, as the last stage to which the human race must climb is not attained.

To a high degree we are, through art and science, *cultured*. We are *civilized* — perhaps too much for our own good — in all sorts of social grace and decorum. But to consider ourselves as having reached *morality* — for that, much is lacking. The ideal of morality belongs to culture; its use for some simulacrum of morality in the love of honor and outward decorum constitutes mere civilization. So long as states waste their forces in vain and violent self-expansion, and thereby constantly thwart the slow efforts to improve the minds of their citizens by even withdrawing all support from them, nothing in the way of a moral order is to be expected. For such an end, a long internal working of each political body toward the education of its citizens is required. Everything good that is not based on a morally good disposition, however, is nothing but pretense and glittering misery. In such a condition the human species will no doubt remain until, in the way I have described, it works its way out of the chaotic conditions of its international relations.

INDEX TO VOLUME XXVII (1985)

EDITORIALS

ESSAYS

Europe before the Challenge of the Future

NOTES

Direttore responsabile Mario Albertini - Editrice EDIF - Autorizzazione Tribunale di Pavia n. 265 del 31-12-1981 - Tipografia Popolare - Pavia - Spedizione in abb. post. - Gruppo IV (70%).