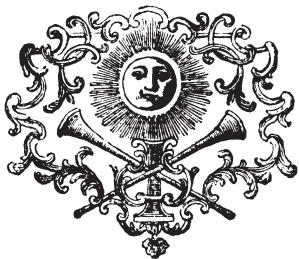


THE FEDERALIST

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

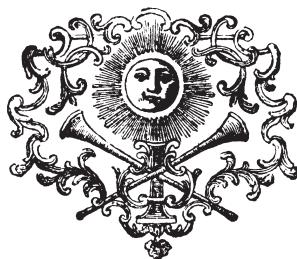


THE FEDERALIST

a political review

Editor: Giulia Rossolillo

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



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No Time Left to Lose

“What is wrong with Europe is as clear as daylight: if one wants a common currency, there has to be banking union, which means equipping ourselves with European mechanisms for banking supervision, bank deposit guarantees and crisis management. And that requires, in turn, a minimum common tax, and common fiscal policies which do not undercut each other. This too, in turn, requires closer coordination of economic policies and a more vigilant oversight of imbalances which might be building up, for both lender and debtor nations. For reasons which are obvious, all of these tasks can only be carried out by institutions which have won democratic legitimacy before Europe’s citizens, not just at the moment of their election, but in each and every decision taken, and under close control.”

So writes Jose Ignacio Torreblanca, one of many commentators on the eurozone crisis to have highlighted the inescapable need for Europe to complete its monetary union with political union (April 5, 2013). What Torreblanca expresses is a simple truth which the leaders of the national governments and European institutions, the national and European parliamentarians, the political parties and the lobby groups, as well as public opinion, now have no choice but to heed.

Until they do, most of the European countries, especially those that are currently struggling the most, are destined to go on seeing their unemployment levels rising and their capacity to produce goods and services falling; this will exacerbate the existing social tensions and encourage widespread populism; the risk of a worsening of the sovereign debt crisis will continue to be a threat hanging over the future of the eurozone. It also represents a threat to the stability of countries outside the eurozone, like the UK, which, for this very reason, want to be closely involved in the reorganisation of the European framework. The British Prime Minister, David Cameron, has repeatedly reminded the eurozone countries that Treaty changes are needed in order to reinforce the euro.

It is in this context that the UK is insisting on the need to rethink relations between the different categories of EU countries, which may be defined, according to their situation with regard to economic and monetary union, as the “ins”, the “pre-ins” and the “outs”. Cameron’s “plan” is to renegotiate the Treaties in order to get certain competences transferred back to national level and obtain reductions in the financial contributions of the member states, yet without this undermining the advantages of single market membership. He also plans to put the results of these negotiations to referendum.

At the start of 2013, the President of the European Council, Herman van Rompuy, tried to avert the risk of a British national referendum on Europe, arguing that this would make sense only in the wake of Treaty change; what, otherwise, would a British referendum actually be on? But the truth is that there already have been modifications. And in the meantime Germany, too, through finance minister Schäuble, has requested that certain aspects of the banking union supervision and control mechanisms be included in a possible future revision of the Treaties.

How, for their part, do the eurozone governments, MPs and MEPs intend to respond to the challenge thrown up by these developments? Will they have the ability, and the will, to carry through to completion the political plan that was (and still is) the basis for the creation of the single currency? Until just a few weeks ago, the German chancellor Merkel was the only eurozone government leader prepared to openly raise the issue of the need to resolve the problem of political union in order to complete the process of monetary unification, albeit without providing precise indications on how to go about achieving this, and without finding anyone willing to put her words to the test. Recently, however, there have emerged leaders who do seem ready to take up this challenge. The first was the Italian prime minister, Enrico Letta, who is currently grappling with a national crisis whose ultimate outcome is, without doubt, inextricably linked to the outcome of the European one. Indeed, Letta, addressing the Italian parliament and also in talks with Angela Merkel, French president François Hollande, and the leaders of the European institutions, underlined the need to see the economic and monetary union evolving in a federal direction. Subsequently, French president Hollande, speaking at a press conference on 16 May at the Elysée Palace, stated, for the first time, that *“L'idée européenne exige le mouvement. Si l'Europe n'avance pas, elle tombe ou plutôt elle s'efface; elle s'efface de la carte du monde, elle s'efface même de l'imagination”*

naire des peuples. Il est donc plus que temps de porter cette nouvelle ambition. L'Allemagne, plusieurs fois, a dit qu'elle était prête à une Union politique, à une nouvelle étape d'intégration. La France est également disposée à donner un contenu à cette Union politique. Deux ans pour y parvenir. Deux ans, quels que soient les gouvernements qui seront en place. Ce n'est plus une affaire de sensibilité politique, c'est une affaire d'urgence européenne.”

In short, the governments of the two key countries of the European Union, together with that of Italy, which has always played a decisive role in paving the way for the crucial steps in the integration process, seem at last to be converging on a key point, underlined as long ago as December 1991 by former German chancellor Helmut Kohl, who, addressing the Bundestag in the wake of the Maastricht summit, underlined that political union is the indispensable bedfellow of economic and monetary union. As he pointed out, recent history has shown just how misleading it is to imagine that economic and monetary union can survive indefinitely without political union. The politicians of all the European countries, in the wake of the launch of the single currency, made the serious mistake of not allowing this fact to be realised; as a result, we are today confronted with a situation so grave that it threatens to bring down an entire continental-scale system of values, institutions, and social and production models. France, Italy and Germany truly have no time left to lose. The time has come to agree on concrete steps towards political unification of the eurozone, to give this agreement the tangible form of a pre-constitutional pact open to any eurozone country wishing to participate, and to do so now, before the project definitively loses credibility. This is a point that the French president Hollande, to his credit, has clearly specified, remarking: “*ce n'est plus une affaire de sensibilité politique, c'est une affaire d'urgence européenne.*” All this amounts to an enormous responsibility and it is one that the governments, parliaments and politicians in these three countries must, together, prove capable of shouldering, with the support — it is to be hoped — of the Community institutions.

The crisis has exposed institutional, economic and financial problems that have long been brewing in Europe. The inadequacy of the European framework has been apparent ever since the first, hesitant responses to the Greek crisis in 2010, which were due to the fact that the

French and German governments, urged by the USA to act quickly in order to prevent disaster on the financial markets, lacked the instruments needed to intervene: the Lisbon Treaty does not envisage the possibility of having to save the euro, while the eurozone, with the exception of the ECB, has neither instruments allowing rapid intervention, nor mechanisms for correcting the economic and financial imbalances that can arise between the various countries. A second sign of Europe's inadequacy came just a year later, in 2011, when the economic and financial instability of Spain and Italy emerged as a further threat to the euro. This was the point at which the governments and national parliaments found themselves with no choice but to start bending the existing Treaties to their own requirements, and even stepping outside the Treaty framework. All of a sudden, the widely-held belief (developed in the wake of the lengthy and laborious process of adopting the Lisbon Treaty) that no further institutional reform would be necessary for a great many years was swept aside. The next two years saw several major developments: article 136 TFEU was modified in order to establish the legitimacy of the European Stability Mechanism (this modification was ratified unanimously by all 27 EU member states including the UK and the Czech Republic); 25 states entered into the fiscal compact (an international treaty in which the UK and Czech Republic declined to participate); and the European Stability Mechanism entered into force for the 17 eurozone member states. Throughout all this, the UK, having excluded itself from the eurozone consolidation process (which it could not in any case impede, given that saving the euro was also in its own interests), took advantage of its freedom to introduce another question into the arena of political debate: that of refounding the European Union.

Regardless of the will of the governments and of the national and European institutions, all this has had the effect of reintroducing the concept of differentiation into the European unification process; in other words, the political logic implicit in the creation of a currency shared by only a vanguard group of states, which, as the experience of the past 20 years has shown, cannot work within an EU-wide institutional framework.

At the end of 2012, this logic had assumed such force that even the keepers of the current European order (i.e. the presidents of the European Commission, the European Council, the Eurogroup and the ECB) were prompted to propose a roadmap for creating four unions (banking, fiscal, economic and political), plus a separate, additional budget for

the eurozone. Basically, this roadmap, which sets out the stages to be accomplished in order to transform the economic and monetary union into a federal union, albeit by a deadline (2018) that is still too long, provides a framework within which to act in order to speed up the process of creating a federal Europe.

However, when the grip of financial speculation loosened, this roadmap was soon reduced to the implementation, in the short term, only of the banking union. The blame for this does not lie only with the governments. Indeed, this watering down of the plan can also be attributed to the reticence and reluctance, on the part of national MPs, MEPs, and the various political families, to abandon the current European and national frameworks, as well as to a general lack of confidence in the ability of politics, both at national and European level, to solve problems.

Our countries are caught in a vicious cycle which sees them compelled to apply austerity measures in the economic and social fields, and crushed by the absence of growth prospects and by the deepening political crisis. To break this cycle it is necessary to highlight, rather than underplay (or even deny), the close relationship that exists between the need to realise the European political union project and the need to create, without delay, the instrument that is crucial to the promotion of a European monetary-economic policy, namely a separate budget for the eurozone funded with its own resources (starting with a tax on financial transactions and a carbon tax) — a budget that must be democratically controlled and governed, within a bicameral federal framework, by the representatives of the citizens of the countries that have adopted, or intend to adopt, the single currency. This is the terrain on which, within a very short space of time, the future of the euro and of Europe will be decided.

The momentous challenge now facing the Europeans is quite clear to the rest of the world, and is summed up well in several passages of a memorandum sent to President Obama by a group of experts from The Brookings Institution. The section dealing with the euro, significantly entitled *Eurozoned Out*, appears in the part devoted to the Black Swans, i.e. “events so dramatically negative that [the President] will need to take steps in advance to avoid them” (Big Bets – Black Swans, Recommendations for President Obama’s Second Term, Brookings, January 2013): “The question of whether EU leaders want the Euro to

remain intact has been settled. But, they now face two crucial challenges. First is the danger that political and economic accidents related to the current crisis will threaten the survival of the Euro. It will take some time to build a new Eurozone. During this period, much of the European Union will be in recession or experience stagnation. Member states will disagree strongly about the future course of action. Elections are likely to be fought on these issues and they could bring to power radical parties with rejectionist policies. The result may be a political crisis that leads to an inadvertent fracturing of the Eurozone followed by contagion and a disorderly collapse.”

The risks described above are very real ones. The uncertain situation in Italy together with the widening of the economic gap between France and Germany are threatening to bring down the economic and monetary union, derail the European political project, and plunge the weakest countries into chaos. Quite simply, a confederal framework is incompatible with the survival of an economic and monetary union. The eurozone, at supranational level, completely lacks mechanisms of redistribution and balancing and the fiscal and social instruments that are needed in order to compensate for the asymmetries that, instead of diminishing, have increased since the introduction of the euro — asymmetries that are turning into dangerous divergences. In the past few years, the added value produced by the German manufacturing industry, considered as a proportion of the German GDP, has doubled compared with that recorded in France; furthermore, Germany has recorded a trade balance surplus greater than that of all the other eurozone countries put together (in 2012 it was slightly higher than China’s, while France actually recorded a negative balance of trade). At the same time, Italy, a key European country in terms of the size of its population and its economic influence, has, on account of its vast public debt and volatile political situation, become a loose cannon for the rest of Europe.

It falls to politics to point the expectations of the different sections of public opinion in a positive direction, embarking on a new phase in the process of building Europe, geared at resolving the eurozone crisis by creating a new institutional framework and promoting the transfer, to European level, of national sovereignty in the fiscal, banking, economic and political spheres. For this to happen there has to emerge without delay, in France and Germany, the concrete will to reduce the imbalances that have been created between these two countries as a result of national industrial, economic and fiscal policies that are in-

creasingly incompatible with the objective of achieving their integration; this must be accompanied by the will to relaunch, together, the roadmap of the four unions needed to create the federal union. For its part, Italy, to facilitate the development of the process and play a positive role in reviving the political dimension of European integration, must provide concrete proof of its desire and capacity to remain in Europe, implementing, urgently, the reforms that everyone now knows to be indispensable in order to prevent its whole system — institutional, economic, financial and judicial — from collapsing under the weight of its social and political disorder and of the cost of its national debt. It is only in the setting of a renewed convergence of purpose and policies between the main players in the process of European unification that it will be possible to implement what is the last remaining option for creating the federal union: that of creating a new, pre-constitutional pact between the eurozone countries in which they will undertake to move from a provisional, intergovernmental government to a democratic, federal government responsible for currency, taxation and the economy in the eurozone; and at the same time, convening, in the near future, a European constituent assembly with a mandate to draw up the constitution of the federal union and lay down rules to regulate the transition from the old to the new European institutions and the relations between the eurozone and the rest of the EU.

Because doing nothing, or allowing these issues to be postponed, amounts to leaving the way clear for those wanting to see Europe's disintegration,

This is why anyone who genuinely cares about the future of their own country and of Europe must undertake to make politicians, the institutions and public opinion appreciate the urgency and historic importance of creating a European federation now, within the framework and using the instruments demanded by the present historical and political moment. There is no time left to lose.

The Federalist

Seventy Years of the European Federalist Movement (1943-2013)

SERGIO PISTONE

The 70th anniversary of the European Federalist Movement (MFE) comes at a time when the survival of European integration is in real danger — a situation that risks undoing the great achievements that the process of European unification has brought in terms of the pacification of our continent and the evolution of the economic-social and political-civil spheres. It is now desperately urgent to start a constituent process that will culminate in the creation of a European federation embracing all the countries willing to make this choice, countries that can only come from among those belonging to the eurozone or seriously intending to join it. Failure to take this step — and the European elections of May 2014 are the last opportunity — will inevitably result in a process of disintegration that is already clearly foreshadowed by the depth of the euro crisis and the rise of nationalistic tendencies.

European unification is in the grip of an existential crisis and the MFE is at the forefront of the struggle to turn this crisis into the spring-board to make the definitive federal leap forwards that will result in a consolidated united Europe capable of meeting the fundamental needs of the European citizens. These include European economic development that is environmentally and socially sustainable and territorially balanced; true democratic representation of the European citizens in European institutions and policies; and a real capacity to act on the international stage, allowing Europe to contribute to the building of a world that is more peaceful, more just, and more respectful of the global ecological balance.

Against this background, we feel it is worth outlining, for the benefit of anyone involved in, or wanting to join, the federalist struggle (especially the young), what the MFE is, what it has done, and what it is still doing in pursuit of the objective of European federation.

The Birth and Organisational Evolution of the MFE

The origins of the MFE can be traced back to the *Ventotene Manifesto*, written in August 1941 by Altiero Spinelli and Ernesto Rossi during their captivity on the Italian island of Ventotene, together with around a thousand other antifascists. The text of the *Manifesto* was also the result of an extensive, months-long debate with Eugenio Colorni and his wife Ursula Hirschman, which also saw the participation of a group of other captives who went on to sign up to the *Manifesto*, namely Dino Roberto, Enrico Giussani, Giorgio Braccialarghe, Arturo Buleghin and a Slovenian student called Lakar. The ideas enshrined in the *Manifesto*, and their dissemination in Resistance circles, partly through the underground journal *L'Unità Europea*, led to the formal foundation of the MFE during a clandestine meeting in Milan, held at the home of Mario Alberto Rollier on 27-28 August 1943. This meeting was attended by 31 people: Arialdo Banfi, Giangio Banfi, Ludovico Belgioioso, Giorgio Braccialarghe, Arturo Buleghin, Lisli Carini Basso, Vindice Cavallera, Eugenio Colorni, Ugo Cristoforetti, Alberto Damiani, Vittorio Foa, Giovanni Gallo Granchielli, don Ernesto Gildardi, Leone Ginzburg, Enrico Giussani, Ursula Hirschman, Willy Jervis, Elena Moncalvi Banfi, Guido Morpurgo Tagliabue, Alberto Mortara, Bruno Quarti, Dino Roberto, Mario Alberto Rollier, Ada Rossi, Ernesto Rossi, Manlio Rossi Doria, Altiero Spinelli, Fiorella Spinelli, Gigliola Spinelli, Franco Venturi, Luisa Villani Usellini. Guglielmo Usellini and Cerilo Spinelli were unable to take part because they had been arrested a few weeks earlier while distributing a federalist leaflet calling on the citizens to prepare for war with the Nazis.

Thereafter, the MFE became involved in the armed resistance against fascism and Nazism — which cost Ginzburg, Colorni and Jervis their lives — and also liaised with other Resistance movements across Europe. These exchanges led to the drafting, in Geneva in July 1944, of a *Federalist declaration of European resistance fighters* that incorporated the key ideas of the *Ventotene Manifesto*. This document, together with a federalist congress that Spinelli, having left occupied Italy for France (already liberated), organised in Paris in March 1945, were among the premises for the birth, in December 1946, of a supranational organisation of European federalists, i.e. the Union of European Federalists (UEF). Ever since its foundation (if we exclude the period 1959-1972, during which there existed two European federalist organisations: the supranational MFE and the *Azione europea federalista*

ista) the UEF has been the supranational political-organisational framework for the action of the MFE.

As well as being involved in the formation and activities of the UEF, the MFE also took part, within the UEF, in the organisation of the Congress of The Hague (7-10 May 1948) that led to the formal creation of the European Movement (EM), the body serving to coordinate and liaise between Europe's different pro-unity movements and European-minded parties, trade unions and cultural associations. The Italian branch of this movement, named the Italian Council of the European Movement (CIME), was created in December 1948 on the initiative of the MFE, which, in the same year, had also promoted the formation of federalist intergroups within the two chambers of the Italian parliament. The first intergroup presidents were Enzo Giacchero (subsequently a member of the High Authority of the ECSC and president of the UEF) in the Chamber of Deputies and Ferruccio Parri in the Senate. Ever since, the federalist intergroups have been a substantially stable presence in the Italian parliament. Several years later, in 1956, the MFE, being profoundly critical of the national governments' Europeanist policy, which, at that time, revolved entirely around the drafting and implementation of the Treaties of Rome, declined to take part in the refounding of the CIME. However, exactly a decade on (1966), the MFE joined the new CIME and has been one of its main pillars ever since. In 1995 the MFE also became an ordinary member of the World Federalist Movement (which had been founded in 1948), thereby paving the way for the UEF to join this organisation in 2004.

The MFE (including its youth section) recorded its peak membership (50,000 members and 1,000 sections) in 1954, a time when the campaigns for a European Defence Community (EDC) and European Political Community (EPC) were creating the impression that the objective of European federation was within reach. In the 1960s, the number of MFE members plunged to around 2,000, before rising to 10,000 in the 1980s, the period when the direct election of the European Parliament made the European integration project, once again, a more high-profile topic. Although the MFE currently has only 3,500 registered members, it actually has as many militants as it did when its membership was at its peak levels. It should be pointed out that the relatively low number of registered members is linked to the fact that involvement in the federalist struggle, because of the nature of the objectives pursued, is a complex and long-term commitment; this is in-

deed why the MFE is essentially a movement of militants, whose members include a relatively small proportion of general supporters.

It must also be underlined that the MFE, thanks to the political and theoretical expertise of its leaders, its number of active militants, and its remarkable capacity to organise campaigns geared at mobilising public opinion, has constantly been a more prominent presence at European level than all the other organisations that champion European federal unity. Analysis of the action carried out by the various Europeanist movements, from the Resistance on, seems to provide confirmation of Giuseppe Mazzini's view that Italy leads the way in terms of real commitment to European unification.

The Guiding Principles of the MFE's Action

For a proper understanding of the action carried out by the MFE and of the role it has played in the unfolding of the European integration process, it is necessary to have a clear appreciation of the basic principles that, upstream of its concrete actions, which are linked to changing political scenarios, have always been the MFE's source of guidance. These principles first emerged, in their essence, during the Second World War (in the *Ventotene Manifesto*, in the documents approved at the time of the founding of the MFE, and in other texts) and were progressively defined and clarified over the years that followed. Spinelli must certainly be considered a key point of reference in this regard, although the contribution of Albertini was equally important. The MFE has been actively and uninterruptedly engaged in this field for seventy years without, unlike other political forces, ever changing its name; this is explained by the fact that its theoretical and strategic line (despite of course evolving) has remained substantially unchanged, and also by the fact that its fundamental objective has not yet been reached (indeed, this is still Europe's most important political problem).

That said, the guiding principles of the MFE's action can be summarised schematically in two ideas: first, that the struggle for European federation has priority over the struggles for internal reforms of the nation-states, and second that the democratic national governments are both instruments for and obstacles to the creation of the European federation.

The first of these affirmations is based on the federalists' recognition of the need to overcome internationalism, in other words the tendency, shared by the main universalistic ideologies of the Enlight-

enment (liberalism, democracy and socialism, i.e. the ideological foundations of Western and Western-style democracies), to consider the elimination of violence at international level and, therefore, international collaboration and ultimately the peaceful integration of nations, as almost automatic consequences of the nation-states' full embracement, internally, of the concepts of freedom, democracy and social justice. The MFE, on the other hand, completing a line of thought begun by the fathers of the American Constitution (in particular Alexander Hamilton) and by Immanuel Kant, and developed in the twentieth century mainly by the English federalist school (in particular Lord Lothian, Lionel Robbins and Barbara Wootton) and by Luigi Einaudi in Italy, holds that lasting peaceful cooperation between nations can be achieved only by overcoming, through federalism, the international anarchy that stems from the absolute sovereignty of the states. It further explains that absolute state sovereignty is, in general, the structural cause of wars and acts of imperialism, phenomena that have always been a part of the history of the European system of states and that were exacerbated in the first half the twentieth century by the historical crisis of the nation-states, that is to say by the structural impossibility (with each country retaining its absolute sovereignty) of governing, in a peaceful and democratic fashion, the growing interdependence between the nation-states brought by the Industrial Revolution.

This imbalance between the level of interdependence and the capacity for governing it produced a heightening of international unrest and expansionist tendencies that eventually led to the two World Wars, which, on closer analysis, can be interpreted as attempts at hegemonic unification of Europe. In this setting, progress towards freedom, democracy and social justice was inevitably arrested and replaced by a drive towards pathological centralisation of state power, authoritarianism and ultimately totalitarianism, in other words by an organisation of the state based exclusively on its pursuit of power rather than on the needs of the person. The effects of the exercising of absolute state sovereignty in the era of interdependence were, in short, catastrophic, but they opened up the way for Europe's peaceful unification; indeed, in a situation in which it was clear that the fundamental problems could be tackled only at supranational level, European unification emerged as the indispensable condition for resuming the journey towards freedom, democracy and social justice. Moreover, since the interdependence produced by the Industrial Revolution is clearly destined to extend pro-

gressively to the whole of the world, the MFE has always seen the federal unification of Europe as a fundamental historical step towards global unification, meaning a federation of large continental or sub-continentalsize federations.

These considerations are the basis for the MFE's conviction that any internal reforms of the nation-states occurring outside the context of a process of European unification moving in a federal direction are destined to be impossible or, at best, precarious; they are also the basis for the identification, since the time of the *Ventotene Manifesto*, of a new dividing line between the forces of of conservation and those of progress. This line no longer coincides with the traditional ones that, within the framework of the nation-states, distinguish between greater or lesser levels of freedom, democracy and social justice, but rather with the line that separates the defenders of absolute national sovereignty from those who advocate its overcoming through the federation model.

These considerations on the priority of the struggle for European federation cannot be separated from considerations regarding its strategic-organisational aspects, which are based, as indicated earlier, on the view of the democratic national governments as both instruments for and obstacles to the creation of the European federation. They are instruments in the sense that the European federation can be created only on the basis of decisions reached freely by democratic governments (given that any form of hegemonic-imperial unification must, on principle, be excluded), but also, indeed above all, in the sense that the governments are, objectively, obliged by the current historical situation (characterised by the structural crisis and impotence of the nation-states) to implement European unification policies. Basically, in the wake of World War II, the emergence of the alternative "unite or perish" (an expression used by French foreign minister Aristide Briand in 1929 when he presented what was the first proposal for European integration to come from a government) prompted the start of a long and coordinated drive, on the part of governments and democratic forces, for a policy of European unification. But it has to be understood that such a policy will not automatically lead to European federation. The governments are, in fact, obstacles to this outcome given that the holders of national power, even in the framework of democratic systems, are objectively impelled — in accordance with the law of self-preservation of power explained by Machiavelli in chapter six of *The Prince* — to impede the irreversible

transfer of a substantial part of that power to a new sovereign supranational system. This tendency — Machiavelli specifies — inevitably manifests itself more strongly in permanent bodies of executive power, such as diplomatic corps and high-level civil and military bureaucracies, than in relatively transitional political figures (heads of state and of government, ministers, parliamentarians). For the former, a transfer of sovereignty would imply a more marked loss of power and status and this is the reason why they are (albeit with exceptions of course) the natural custodians of nationalist traditions. For the latter, the situation is less clear-cut: they are the expression of the democratic parties; furthermore, having ideological platforms containing an internationalist component they tend to be more or less vaguely Europeanist; in addition, they have an organic relationship with public opinion, and public opinion, when forced to confront the fundamental problems of the contemporary world, remembers the disasters produced by the different forms of nationalism and by the impotence of the nation-states and is increasingly inclined to favour the idea of European unity.

The existence of this complex and structurally contradictory attitude, on the part of the national governments, to the question of European unification has several fundamental implications for the federalist struggle.

The development of an effective struggle for the European federation depends absolutely on the creation of a federalist political force that, independent of the governments and of the national parties, has the capacity to drive them to make the choices, in favour of federal unification, that they themselves are unable to make spontaneously. The principle of federalist autonomy is clearly set out in the *Ventotene Manifesto* and it took a laborious process to render it tangible. A decisive point in this process was the decision that the federalist force should be a movement rather than a party fighting with other parties to win national power; this decision was dictated by the awareness that pursuit of the objective of European federation demanded a transverse organisation able to represent all political forces and economic and social environments that identify with the democratic system, and that this organisation should steer clear of factions defined by traditional distinctions between progress and conservation. The practical and theoretical work of Albertini, during his time as leader of the MFE, was another decisive contribution to this process. Indeed, Albertini's commitment to promoting the principle of federalist autonomy, which fol-

lowed on from that of Spinelli, but was much more systematic, culminated in the concrete conceptualisation and implementation of three fundamental principles: one political, one organisational and one financial.

The first principle, namely that of political autonomy, is illustrated by the refusal of the body of militants leading and managing the MFE to identify with any single national party. This choice allowed them, at opportune moments, to establish extremely useful relationships (collaborations and tactical alliances) with the democratic parties, yet without ever jeopardising the movement's complete autonomy. The second principle is related to the selection and training of militants. The main concern was to avoid the conditioning influences to which a cumbersome and costly administrative apparatus would have exposed the movement; indeed, had it had such an apparatus it would inevitably have depended largely on external funding in order to survive. It was thus decided that all federalist militants should be "part-time" militants, in other words, individuals with jobs of their own that guaranteed them economic independence but that also left them sufficient free time to devote to their federalist activities. In this way it proved possible to create an inexpensive organisation that was thus totally immune to pressure or coercion by political or economic forces. The third and final principle is that of the movement's financial autonomy. What this meant, in real terms, was that MFE members were always aware that their federalist work would never bring them financial reward and, indeed, would likely cost them money. This understanding, which was the financial basis of the MFE's autonomy from the start of Albertini's leadership, did not preclude it from receiving external funding, but it was established that such funding would be used above all, to pay for specific actions. Meanwhile, the organisation's permanent structure has always run on its "own resources", a fact that has strengthened its impermeability to external influences.

Going beyond all this, however, Albertini's great insight was to see that this autonomy (political, organisational, and financial) enjoyed by the MFE actually stemmed from its cultural autonomy, which he went on, brilliantly, to define. He realised that only a strong cultural motivation (together with a strong moral compass of course), in other words, only the absolute conviction that the federalist doctrine (compared with prevailing political ideas) really did have something new to say —something of real value, capable of furthering un-

derstanding of the historical situation —, could, in fact, sustain a long-term, often burdensome and difficult endeavour, conducted not for power or financial reward, in a number of militants great enough to constitute an independent federalist force with the capacity to influence reality. The remarkable contribution of Albertini, together with his followers, consisted of a detailed theoretical analysis of federalism that highlighted this motivation and enriched, beyond measure, federalist thought.

Here, it is necessary to point out, albeit briefly, the two most significant results of this theoretical analysis.

First of all, Albertini levelled a radical criticism at the concept of nation. Indeed, developing some of Proudhon's ideas, he showed that nations are not entities that pre-date the nation-states, but rather an ideological reflection of people's sense of belonging to the states, bureaucratic and centralised, that emerged in continental Europe in the wake of the French Revolution. In short, the sense of nation that is prevalent in populations was not a premise for the formation of the nation-states, but rather a consequence of their creation, and of the creation of political programmes designed to impose unity of language, culture and traditions across state territories. The result of all this was the systematic destruction of spontaneous nationalities, in other words, of the sense of belonging to natural communities (meaning the territorial dimensions of individuals' birth, life and death — the nations in the etymological sense of the term), and the transfer, to the state, of the individual's sense of belonging, in order to create an exclusive loyalism and, therefore, the basis of aggressive foreign policies.

By criticising the idea of nation, Albertini was trying to overcome a major limit of the political ideologies — liberal, democratic and socialist — held by the democratic political parties of Europe. These ideologies are universalistic and therefore, in principle, favourable to supranational unification. At the same time, however, they tend to mythicise the nation-states, which are seen more as "natural" institutions, in that they are founded on "pre-existing" nations (but as pointed out this is an ideological self-mystification), than as historically determined and thus historically supersedable institutions. Thus, in a structural sense (but also because of the tendency of national parties to cling on to the power they hold), these ideologies tend to interpret supranational power more as cooperation between nation-states than as the overcoming of absolute national sovereignty.

It must be underlined that Albertini's theoretical work — his demys-

tification of the ideology of nation — constitutes a hugely important development of Spinelli's federalist thought. Indeed, although Spinelli's ideas revolve around the concept of the historical crisis of the sovereign nation-state and what he considers the instruments and concrete political actions through which to pursue the overcoming of this institutional system, the founder of the MFE actually failed to provide a scientific criticism of the idea of nation, which is its ideological basis. In addition to this important contribution to federalist thought, Albertini made another even more significant one, which also overcomes a limit in Spinelli's argument. I refer to Spinelli's excessively narrow idea of the federalist doctrine, which he sees essentially as the theory of the federal state, in other words as a constitutional method allowing the peaceful coexistence of a group of independent and coordinated governments. This framing does not really match up to the conviction that federalism represents the path of historical progress. This latter affirmation, to have a solid basis, needs to be supported by a definition, in the body of federalist doctrine, of the specific guiding value of federalist engagement and of its relationship with the values upheld by the emancipatory ideologies from which federalism is descended. This doctrine should also contain a clear and strong vision of the historical process, which brings out the value of federalism as a valid political response to the crucial challenges of our times and indicates the conceptual instruments that can be used to tackle, in a rigorous manner, the problem of understanding the historical process. Here, once again, Albertini offers clarification first of all through a radical a critical revision of Marx's concept of historical materialism which, in its revisited form, seems to lend itself to a scientific analysis of the historical process. Albertini retains the theoretically valid core of Marx's theory — his recognition of the deterministic link between the evolution of the mode of production and several fundamental social phenomena, including, in particular, the increase, in depth, of interdependence in society (i.e. the progressive involvement of increasingly large sectors of the population in decision-making processes) — and, for this reason, is able to show how the same link emerges in relation to the growing interdependence, in breadth, of human society. The evolution of the industrial mode of production and the birth of what is known as the scientific mode of production thus emerge as the ultimate objective causes of the start of the supranational phase of history, which in turn explains why the barycentre of political struggle, if the new processes are to be governed and placed at the service of progress, has to shift from the national to the supranational setting.

At the same time, Albertini shows that federalism, far from being merely the theory of the federal state, is itself a fully-fledged political ideology and thus on a par with liberalism, democracy and socialism. Federalism, however, not only contains, in the body of its doctrine, the fundamental ideas proposed by the modern world's great emancipatory ideologies, it also manages to overcome their limits and to arrive at a more satisfactory understanding of the fundamental problems of our age. According to this vision, federalism, like the other ideologies, is characterised primarily by a value: whereas liberalism has freedom as its ultimate objective, democracy has equality, and socialism social justice, the ultimate objective of federalism is peace. And peace is not an alternative to these other values; on the contrary, it incorporates them at a higher level, given that the elimination of international anarchy (which implies the subordination of all other values to the need for state security) is the essential condition for the full expression of freedom, equality and social justice (which must be understood as consubstantial) and in short, for the possibility of eliminating all forms of subordination of men by men. In this way, Albertini takes up the fundamental political, legal and historical-philosophical ideas of Kant (the height of the Enlightenment), which have been made relevant to our times by the crisis of the nation-states and the growing interdependence of human action beyond national boundaries, of which European integration is the most advanced manifestation. Albertini regards these phenomena as the premises for the pursuit of world federation, in other words, for the realisation of perpetual peace. And he also adds, with searing clarity, that the overcoming of exclusive national loyalism through European federation would put an end to the culture of the political division of mankind, which implicitly legitimises the duty to kill for the nation, and constitute, rather, an affirmation of the right not to kill, with a view to its full affirmation through world federation. The World Wars, the discovery of nuclear weapons, and the growth of international interdependence all suggest that Kant's prediction is coming true: he believed, in fact, that only direct experience of the devastation of war, combined with mankind's innate commercial spirit (implying the growth of interdependence), would induce states to renounce their "wild freedom" and submit to a common law. Federalism also has a characteristic structural aspect, the federal state being indicated as the form of organisation of power that makes it possible to overcome the closed and centralised structures of the nation-state. This can be achieved both below and above the level of the state: in the first case

through the formation of truly autonomous regional and local bodies of government, and in the second through the creation of effective supranational forms of political and social solidarity. In addition, it is necessary to consider a historical-social aspect of federalism. Briefly, the overcoming of mankind's division into antagonistic classes and nations creates the possibility of realising the pluralism typical of the federal society, summed up in the principle of unity in diversity; in this way, the historical setting is seen to be capable of allowing the realisation of a value through an appropriate power structure. Indeed, in federal societies, loyalty to society as a whole co-exists, in a non-hierarchical relationship, with loyalty to smaller territorial communities (regions, provinces, cities, districts). The fact that this social balance has been developed only partially in the federal societies that have existed to date has two explanations. First, the class struggle (which can be overcome only through the full development of the scientific revolution, and thus the overcoming of the proletarian condition) has caused the sense of being part of a given social class to prevail over all other forms of social solidarity, preventing other, deep-rooted strong bonds of solidarity from forming in regional and local communities. Second, the struggle between the states on the international stage (which can be eliminated only through the unification of the whole world, a process beginning with European federation) has resulted in a strengthening of central power at the expense of local powers.

The creation of a European federation thus emerges as the crucial event of our times, or rather as the first affirmation of the federalist course of history that will culminate in the full realisation of peace through the federation of the world. Federalism is thus called upon to play, in our times, a role similar to that played in the past by the liberal, democratic and socialist ideologies: through its development and affirmation of the culture of peace, federalism offers society a model capable of providing an answer to the greatest problems of our age and thus makes it possible for us, once again, to envisage the future, a future that the traditional ideologies, having lost their revolutionary impetus, no longer allow us to see.

Ever since the 1960s, this concept of federalism has been the cornerstone of the cultural identity of the MFE militants (together with their criticism of the idea of nation).

To wage its struggle effectively, the federalist force, in addition to being absolutely independent, must also know how best to act in order to push the governments towards the goal of supranational federal uni-

fication. In this regard, the following are crucial points: i) the federalist force must have a supranational structure, so as to be able to operate jointly at European level; ii) it must be capable of mobilising public opinion, without however using elections for this purpose, which is instead the way parties operate; iii) it must systematically denounce the limits and contradictions thrown up by the European integration that the governments, adopting a structurally confederal approach, pursue: namely, the inefficiency that derives from the need for unanimous decisions on fundamental questions and the democratic deficit linked to the fact that integration in the absence of federal institutions empties national democracy of substance yet fails to fill the void that is left with supranational democracy (i.e. crucially important decisions are referred to supranational level, in spite of the fact that no fully democratic system has been created at this level); iv) it must be capable of exploiting these contradictions, especially when they become acutely evident, in order to push the governments in the direction of federal-type choices.

Finally, clarification of the contradictory attitude of the national governments to European unification has another implication for the federalist struggle: it raises the idea of a democratic constituent assembly (along the lines of the Philadelphia Convention, which, in 1787, drew up the Constitution of the United States of America — history's first federal state). Basically, ever since Spinelli's era, the MFE has argued that there is really only one way to arrive, finally, at the European federation, and that is to implement a democratic constituent process, in other words, to entrust the task of defining the supranational institutions to a parliamentary-type body, i.e. a body that acts by majority, in a public setting, and whose proposals enter into force among the ratifying states, without the need for ratification by all of them. This is the only kind of procedure that can allow the achievement of federal results, first because it implies the governments' renunciation *ipso facto* of the right of national veto (i.e. the unanimity rule that produces results determined by the least common denominator), and second because, by involving the representatives of the people, it can foster a growing democratic awareness of the political and institutional changes needed to complete the European process. The constituent method is thus the alternative to the approach based on IGCs whose decisions, taken by secret vote, must be unanimous and then ratified unanimously; it is an approach far more suited to choices of a confederal nature. The need to start a democratic constituent

process has, in fact, always been at the centre of the MFE's action, even though its views on the best course to follow have changed over time according to its perception of the opportunities offered by the different political situations (directly elected constituent assembly entrusted with drafting a European constitution; transformation of a consultative parliamentary assembly into a constituent assembly, of its own volition or following the conferring of a specific mandate by the national governments; direct election of the European Parliament; referendum on the conferring of a constituent mandate on the European Parliament).

On the basis of these guiding principles, the MFE has influenced the process of European integration in two ways.

First, the thought and action of the MFE, spearheading the European federalist front, have been crucial in sustaining, throughout the European unification process, the demand for a European federal constitution, and for popular participation in the building of Europe. It is quite clear that the idea of European federal unity, without the presence of a movement constantly and exclusively engaged in its promotion — obviously the attention of the parties to this issue can only be superficial and discontinuous —, would have disappeared from arena of political and cultural debate and, as a result, the prospect of a democratic and federal outcome to the integration process would have lost all practical relevance.

In addition to this general influence, the MFE has also succeeded in exerting a specific and decisive influence, albeit only at particularly testing times when the historical situation, bringing the governments face to face with problems that could not be tackled without implanting federal democratic seeds into the (European) integration bodies or resorting to true transfers of sovereignty, prompted them to tailor their European integration policies accordingly. At such times, when the governments are forced to confront the limitations of their approach to European integration, the federalists find themselves with far more scope for exerting a decisive influence on the process. In this regard, it is worth remarking that the MFE's action has been bolstered considerably by a strong convergence of the national interest with an advanced form of European integration — a situation particularly evident in Italy where, for objective reasons (primarily the weakness of the state), it shaped government policy for some considerable time.

In the light of this introduction, let us now take a look at the concrete action of the MFE over the years.

The Action of the MFE

The action of the MFE from 1945 to the present can be divided into six phases.

From the Liberation to the Collapse of the European Defence Community (1945-1954).

In the years immediately after the end of the Second World War, the MFE was engaged mainly in establishing its own organisational structure. However, it lost no time in introducing the European constituent assembly as a political watchword, first through an *Italian University manifesto for European federation* (signed, in the first half of 1946, by 266 university lecturers, including Calamandrei, Devoto, Campagnolo, Rollier, Giovanni De Maria, Gino Cassino, Ezio Franceschini, Felice Perussia) and then through an appeal addressed to the candidates in the April 1948 general elections, which was heeded (signed) by 630 of them. The MFE (on the volition of Calamandrei in particular) was also instrumental in the Italian Constituent Assembly's decision to include, in the new Italian Constitution, an article (art. 11) that, while not referring explicitly to European unification, nevertheless envisaged possible "limitations of sovereignty necessary for an international order that ensures peace and justice among peoples" and made it possible for Italy to ratify all the European Treaties without the need to revise its Constitution.

The launch of the Marshall Plan in 1947, and the resulting introduction of a European unification policy, allowed the MFE, under Spinelli, to mount a hugely influential political action that culminated in the battle for a European Political Community (EPC) to flank the European Defence Community (EDC). Faced with the Cold War situation, characterised by the division of the world's major powers into two opposing blocs, Spinelli immediately realised and declared that the process of European unification could be launched only within the Western bloc (partly because the USA, knowing that it would help to strengthen its bloc, was strongly in favour of European integration). He pointed out that unification, providing it were effective, would allow Europe, entering into a partnership of equals with the USA, to recover its independence, and would also ultimately prove to be a decisive element in overcoming the situation of opposing blocs, opening up the way for the unification of the whole continent. Along these lines, and gaining leverage from the deficiencies of functionalist (confederal-

type) integration, he developed a strategy designed to obtain, through a twofold action (mobilisation of public opinion and contacts with government and political party members less conditioned by nationalist traditions), decisions capable of triggering a constituent process linked to the objective of European federal unification.

In the phase here considered, the first important practical application of this strategy came when the MFE (and the UEF) tried to get the Council of Europe to introduce a constituent role for the Consultative Assembly in Strasbourg. It was felt that this assembly, despite having no power, might prove able to exert continuous pressure on parliamentarians and party leaders interested in European unification and, therefore, like any parliamentary assembly, have the capacity eventually to acquire real powers. The thinking was that, in such a situation, the MFE, highlighting the need for democratic control of the integration process, which was then taking its first steps in the economic field (through the OEEC and the first attempts to establish a customs union) and the military field (through the Brussels Pact and the North Atlantic Treaty), might manage to convince the Strasbourg assembly to spearhead the campaign to create European federal institutions. This was, indeed, attempted, both through advisory work targeting MPs, and through a petition for a pact on European federal union organised in 1950. This petition, which was a considerable success especially in Italy (where it was signed by over 521,000 citizens, including 246 MPs, adopted by 493 town or city councils and by 39 provincial administrations, and also signed by prime minister Alcide De Gasperi, the President of the Republic Luigi Einaudi, and numerous ministers), appealed to the Consultative Assembly to draft a federal pact — it was hoped that this might be used as the basis for implementing gradual economic unification and a common foreign and defence policy among the countries entering into it —, and to recommend that it be ratified by the member states of the Council of Europe, which would have to undertake to bring it into force among the ratifying countries upon its ratification by a group of states with a total population of 100,000,000 people. It is worth noting that the method proposed was that of the vanguard (i.e. the method of allowing those countries willing to take part to press ahead with the initiative), which was subsequently applied first in the construction of the European Coal and Steel Community (ECSC) and then in that of the other Communities, which initially had six members.

Although this first attempt failed, another opportunity soon arose with the negotiations on the EDC between France, Germany, Italy and

the Benelux countries. As soon as it became clear that the governments of the Six had a concrete plan to create a European army, along the institutional lines of the ECSC, Spinelli saw that basic contradiction inherent in the functionalist method (which pursues European unity in the absence of a European state) was, in this case, so dramatically apparent (an army without the political guidance of a democratic government) that it provided plenty of scope for demanding federal unification and application of the constituent method; he did his utmost to exploit this opportunity, in particular through the relationship he managed to establish with De Gasperi. The main product of this action was the preparation, by the enlarged ESCS Assembly (the Ad Hoc Assembly), of a draft statute for the EPC. This was a very advanced document and its approval would have opened up the way for the realisation, in a relatively short space of time, of federal unification. However, this did not happen because the governments, in addition to having the text redrafted by a diplomatic conference, tied it to ratification of the EDC. As a result, when this collapsed on August 30, 1954, following a vote by the French parliament, the EPC project collapsed with it, thereby removing, for decades, the prospect of a qualitative transition from functionalist integration to federal integration.

Criticism of the Common Market and Popular Campaigns for a European Constituent Assembly (1954-1966).

Following the collapse of the EDC, the European governments fell back on the creation of the European Common Market (an objective already envisaged by the EPC project) and Euratom. The authors of the Treaty of Rome were guided by the firm belief, which defines the functionalist approach, that economic integration would automatically lead, sooner or later, to political unification. The MFE denounced this illusion and, more generally, argued that the situation after the collapse of the EDC no longer presented three fundamental conditions that had previously put the governments of the Six in a situation seemingly offering real scope for federalist intervention in pursuit of the objective of the European federation, namely: (i) active American support for integration, (ii) an acute fear of Soviet expansionism — Stalin's death and the first timid signs of East-West detente had been key factors contributing to the collapse of the EDC —, and (iii) the need to avoid German rearmament. In the new setting, they argued, European unification was, on account of the irreversible crisis of the nation-states, still as necessary as ever, but it was no longer realistic to expect, in the short

term, the emergence of a Europeanist policy comparable to that which the EDC project had put on the table. For these reasons, it was decided that the MFE's priorities should be to demand, in uncompromising terms, European federation and a European constituent assembly and, by fiercely criticising the governments' Europeanist initiatives, to keep these demands alive in public opinion until such time as the inadequacy of the governments' approach became so glaringly obvious that they might once again be expected to make more advanced choices, with the potential to evolve in a federal direction. The concrete result of the adoption of this line, which opened up a considerable divide between the MFE and the democratic parties and also led to a split with the federalist organisation at European level, was a major Europe-wide campaign calling for the European people to be given constituent power. This period saw two campaigns for, respectively, the European People's Congress (EPC) and the Voluntary Census of the European Federal People.

The EPC campaign was conducted under Spinelli's guidance in the period 1956-1962; taking Gandhi's Indian National Congress as an example and source of inspiration, it involved the organisation of "primaries" (the first example of elections of this kind in Europe) in various European cities. The aim was to create a permanent congress of representatives of the European people, which, by involving an ever-increasing number of European citizens, would eventually reach the level of democratic legitimacy and political influence required to force the governments to convene a European constituent assembly. The number of citizens voting in the EPC elections peaked at 650,000 (they numbered 455,000 in Italy alone), after which the campaign ran out of steam. Renewed efforts to mobilise public opinion behind the demand for a European constituent assembly were mounted in 1963-1966 under the leadership of Albertini (who had succeeded Spinelli at the helm of the MFE), this time through the Voluntary Census of the European Federal People campaign, which was intended to be a re-run of the EPC campaign but on a larger scale. This campaign, too, ran its course, having attracted around 100,000 supporters, again mostly in Italy. It should be pointed out that while the Italian section of the MFE was largely involved in the Voluntary Census campaign, most of the supranational MFE members were engaged in an action being conducted by the European Democratic Front — Italy's man at the forefront of this campaign was Umberto Serafini, MFE member and general secretary of the Italian Section of the Council of European Municipalities and Regions

of Europe —, which was targeting those sectors of society and of the political system in the European states that were unwilling to passively accept the antidemocratic features of European integration, and seeking to involve them systematically in the federalist struggle.

The EPC and Census campaigns did not lead to the creation of a European constituent assembly, but they can be credited with having kept alive, in a historical phase in which the successes of economic integration were tending to mask the structural limits of the European Communities, the democratic federal alternative to a European construction project whose weakness and fragility stemmed from its failure to make provision for popular participation. Even though the federalist message reached only a small section of public opinion, these popular campaigns provided the first example, in European history, of a grassroots political action capable of crossing national boundaries and growing, in a unified manner, in different European countries; they also showed that, whenever the citizens were asked to show their support for a completely united Europe and for popular participation in the process of achieving it, their response was largely positive. All this hard work and commitment proved crucial in the building of an independent federalist force and, therefore, in the creation of a resource, in terms of mobilising capacity, that was subsequently to prove enormously useful in the presence of other circumstances and conditions.

The Fight for Direct Election of the European Parliament (1967-1979).

From 1967 onwards, the MFE decided that its strategic efforts should be focused on the struggle to obtain the direct election of the European Parliament (EP), which was seen as a stepping stone to the much sought-after European constituent assembly. To this end, it indicated the direct unilateral election of the Italian representatives to the EP (and possibly those of other countries, too) as a practical means of moving closer to the objective of European elections by direct universal suffrage, and also a way of overcoming de Gaulle's opposition to this objective. It should be pointed out that the direct election of the EP was a cause already espoused by the federalist organisations that did not share Spinelli and Albertini's radical criticisms of the Treaty of Rome. The MFE's decision to add its support was based on three firm convictions, deriving from an analysis of the effective development of the European integration process.

First of all, the success of the Common Market was creating a situation that, while seeming to confirm that the governments had been right

to choose the functionalist approach, was actually creating an increasingly marked discrepancy between the advance of economic integration and the lack of evolution of the Community institutions (the Luxembourg Compromise of January 1966 had effectively blocked a proposed transition to majority voting in the Council of Ministers and a strengthening of the EEC Commission). This situation was exacerbating Europe's inefficiency and democratic deficit, but above all it was exposing the weakness of the argument that political integration would automatically follow economic integration — to the point that the conditions were becoming ripe for a convergence, on the issue of the European elections, between the Europeanism present in the democratic parties and federalist action. Furthermore, direct European elections, albeit not implying the attribution of real powers to the EP, would, objectively, have had constituent value. Indeed, by inducing the formation of a European system of parties and giving the EP legitimacy before the people, they would have prompted the parliament to assume, in practice, a constituent role, given that the advances in the process of economic integration were presenting the governments with problems (economic policy, monetary unification, planning at European level, agricultural prices, and so on) that could not be resolved effectively without starting the construction of a democratic European government. Finally, the increasingly real prospect of the UK joining the Community — Britain clearly wanted to join in order to prevent the Community from evolving in a political direction — was making it essential, gaining leverage from the contradictions thrown up by the functionalist approach to integration, to pursue a strategy based on the identification, as intermediate objectives (i.e. ones compatible with the existing power situation), of institutional transitions with federal potential that the governments might, upon the emergence of the first inevitable impasse, prove ready to embrace.

The objective of the direct election of the EP, and the launch, in Italy, of the campaign for the direct unilateral election of its representatives, marked the start of the strategic phase known as “constitutional gradualism”, which envisaged, as the next stage, the creation of a single currency, another key step towards the possibility of creating a true European government.

Having decided to fight for the direct election of the EP (starting with direct unilateral elections in Italy), the MFE showed itself to be resolutely committed to this objective, above all striving to organise a substantial level of popular mobilisation around the issue. The landmarks of this mobilisation were:

— the submission to the Italian Senate, in 1969, of a proposed bill of popular initiative (the bill carried 65,000 authenticated signatures) for the direct election of the Italian representatives in the European Parliament; this initiative was picked up again in 1973 by the Italian regions of Piedmont, Umbria and Abruzzo, which presented both chambers of the Italian parliament with proposed bills of regional initiative identical to the one the MFE had presented to the Senate;

— the 1975 campaign of information and debate on the European elections and the European Union (linked to Belgian prime minister Tindemans' "mission" to advance European integration), which included, notably, a popular petition, signed by 150,000 citizens, calling on the EP to assume a constituent role, and a demonstration in Rome during the European Council summit of 1-2 December 1975 (which decided that the European elections would be held on a single date in 1978, even though this date was subsequently put back a year). The Rome demonstration was attended by 4,000 federalists, a delegation of whom (led by Albertini and by Giuseppe Petrilli, president of the CIME) was received by the then president of the European Council, Aldo Moro. During the summit, the Italian government, spurred on by the federalists, was instrumental in securing the decision to hold the first European elections, even possibly without the participation of United Kingdom and Denmark (these countries, to avoid being isolated, subsequently fell in line with the decision);

— the organisation (between 1976 and 1978) of a systematic action designed to encourage the parties to include, in their European election manifestoes, a commitment to federal reform of the Community system;

— the demonstration in front of the EP building in Strasbourg on July 17 1979 during the parliament's first session following its election in June that same year; 5,000 young Europeans representing federalist organisations and democratic forces took part in this event, demanding commitment, from the EP, to the objectives of a European government, a European currency, and a strong Community budget.

All this endeavour was undoubtedly a key factor in bringing about the direct election of the EP (and also contributed to the success of the first European elections). It is no coincidence, however, that the introduction of this milestone by the European governments came during the crisis of European economic integration of the 1970s (a period characterised by monetary instability, the energy crisis and the collapse of the European "currency snake"), in other words, a time when the need for a strong relaunch of integration — and thus for involvement

of public opinion — had become imperative, in order to prevent the whole project from collapsing. It is also worth underlining that the crisis of the 1970s showed that the MFE had been right when, in its harsh criticism of the Treaties of Rome, it had argued that, because of Europe's institutional deficits, the process of European integration would inevitably grind to a halt at the first signs of a serious economic crisis.

From Spinelli's Draft Treaty to the Maastricht Treaty (1980-1993).

Once the first EP (1979-1984) was instated, the MFE began to focus on how best to exploit its constituent potential. In this context, the efforts of Spinelli, working within the EP, and of the federalists, outside it, became combined in a joint action geared at mobilising (in public opinion, the parties, local authorities and economic and social organisations) massive consensus around the EP's drive for an overhaul of the institutional framework of the Communities.

In the 1970s, Spinelli had decided to resign as leader of the MFE (he nevertheless remained a lifelong member) in order to conduct his federalist struggle from within the European institutions. By founding the Italian Committee for European Democracy and the Institute for International Affairs he succeeded in establishing organic relations with the political class that allowed him to become a member of the European Commission (from 1970 to 1976) and then a member of the EP (first, from 1976 to 1979, as a member of the delegation of the Italian parliament to the EP and then, from 1970 until his death, as a directly elected member). It should be pointed out that he decided to stand as an independent candidate in the electoral list of the Italian Communist Party in order to encourage the full integration of this party not just into the liberal-democratic system, but also into the sphere of Europeanist politics in Italy. As a directly elected member of the EP, Spinelli, together with the other parliamentarians who founded the Crocodile Club, gradually managed to secure the commitment of the entire EP to the idea of a new treaty on Europe. Spinelli's draft treaty envisaged a transformation of the Community into a federation with effective powers of government in the field of economic and monetary policy and made provision for a mechanism that would allow the transfer to federal level, without the need for further treaties, of powers in the field of foreign and security policy. It was envisaged that this treaty, inspired by the Philadelphia Convention, would enter into force in the ratifying countries, provided they were in the majority and had an overall population corresponding to 2/3 of the Community population. The draft

Treaty establishing the European Union was adopted by the EP on 14 February 1944 by a very large majority.

The MFE's systematic campaign support of Spinelli's draft treaty began with the founding of the Crocodile Club in 1980 and its high point came with the mass demonstration in Milan on 28-29 June 1985 (during the European Council that convened the IGC that drew up the Single European Act – SEA), which attracted 100,000 participants from all over Europe. Although even this was not enough to get the governments to accept the EP's most advanced requests, the fact that the EP, taking on a constituent role, had proposed a federal-type overhaul of the whole the Community system was undoubtedly a factor that contributed decisively to the highly evolutionary phase of European integration that followed, and culminated in the Maastricht Treaty.

The decision to convene the IGC that drew up the SEA was adopted — on the initiative of the Italian presidency (led by prime minister Bettino Craxi and foreign minister Giulio Andreotti) — by a majority, overcoming the opposition of the British, Danish and Greek governments. The SEA not only ushered in some significant institutional reforms (namely an extension of the principle of majority voting in the Council of Ministers and a strengthening of the powers of the EP), but also marked the start of a programme designed to complete the establishment of a single market. In this way, the foundations were laid for relaunching the objective of monetary union. The MFE's efforts to raise awareness of this objective among the political and ruling class and among the governments, also through initiatives at European level, actually dated back to the start of the 1970s. Indeed, then, with the governments and diplomats struggling to work out confederal solutions to the contradictions (exacerbated by the end of the Bretton Woods system) that inevitably arose within the Common Market as a result of the co-existence of different national currencies governed by monetary and exchange rate policies dictated by different national agendas, the federalists had been the first to denounce the limits of the intergovernmental approach and to introduce the issue of the creation of a single currency and, by implication, that of the creation of a European federal state. The fact that they had framed the issue in clear terms and had gathered support in authoritative quarters was to prove decisive when, subsequently, the start of the process of constructing the single market exposed even more clearly the need to examine the question of monetary union. Indeed, as realised by European Commission president Jacques Delors and his advisor Tommaso Padoa-Schioppa, among oth-

ers, the free movement of capital (scheduled to be introduced in 1990) was an objective incompatible with a fixed exchange rate system, being liable to induce speculative currency movements on a vast scale. The switch to a single currency was therefore essential to guarantee the survival of the single market. In 1989-91, it was this intrinsic movement towards the creation of the single market, facilitated by a changing global scenario — the end of the bipolar system had created a pressing need to set the strengthening of the newly reunified Germany in the framework of an irreversible deepening of the process of European integration, while the end of Europe's division into two opposing blocs had raised the urgent need to integrate the countries of central and eastern Europe into the Community system and radically altered the terms of Europe's relations with the USA —, that led to the adoption of the Maastricht Treaty. And this was the treaty that, as well as significantly increasing the powers of the EP and launching cooperation in the fields of external and internal security, established the fundamental objective of creating a single European currency.

In this setting, the MFE was active, mainly, in two areas.

First of all, strongly committed to the objective of monetary union, it continued and developed the systematic political work that it had been doing in this area ever since the creation of the customs union in 1968, and another key part of which had been its campaign to have Italy join the European monetary system at its inception in 1979. This commitment was based on the firm belief that monetary union, by completing the process of voiding the national governments of their capacity to implement macroeconomic policies, would make it even more difficult to defer the creation of a European federal government. Second, it remained committed to the objective of a European constituent assembly and, in this regard, the high point came with its proposed bill of popular initiative (organised in 1988 and signed by around 120,000 Italian citizens). This led to the consultative referendum of 18 June 1989 (held in conjunction with the European elections), which saw 88 per cent of the Italians who voted in the European elections expressing their support for the European federal constitution and a constituent role for the EP. This result — together with the demonstrations, attended by thousands of federalists, held in Rome during the European Councils of 27-28 October and 14-15 December 1990, chaired by Andreotti — undoubtedly had the effect of making the commitment and action of the Italian government during the process of adopting the Maastricht Treaty more convincing and more effective.

From the Maastricht Treaty to the Lisbon Treaty (1994-2007).

In the period following the entry into force of the Maastricht Treaty, the MFE's work was geared mainly at supporting the actual implementation of monetary union — seen as a strategic step towards a European federal constitution — and Italy's participation in this project. Its action in these areas was flanked by an increasingly strong and systematic commitment to the idea that Europe should assume an active and independent role on the global stage in order to respond effectively to the challenges being thrown up by globalisation and the post-bipolar world order.

The MFE has always (ever since the time of the *Ventotene Manifesto*) seen the European federation as a fundamental step towards the global federation envisaged by Kant, a view based on the conviction that the growth of international interdependence — produced by the development of the Industrial Revolution and considered a fundamental factor in the historical crisis of Europe's nation-states — would, in the long run, inevitably render even continental-size states inadequate, thereby bringing the ideal concept of global unification out of the realm of utopia and into that of historical possibility. This view became particularly strong in the period spanning the end of the 1970s and the start of the 1980s, and was summed up very effectively in the slogan “Unite Europe to unite the world”, launched at the MFE congress in Bari on 23-24 February 1980. Basically it represents a translation, into political terms, of the realisation that the expansion of human interdependence beyond national boundaries (in the setting of the transition from the industrial to the post-industrial society underpinned by the technical and scientific revolution) is reaching a level at which all fundamental problems assume a global dimension, and there emerge real threats to the survival of mankind (the risk of nuclear and environmental destruction, the huge divide between the North and South of the world, most tellingly exemplified by the fact that 80 per cent of the world's resources are in the hands of 20 per cent of the global population, ungoverned global economic interdependence); and that all of these problems will find valid responses only through the gradual but effective building of global unity.

In a world that is becoming a community of destiny and in which “unite or perish” (a decisive factor at the root of the process of European integration) is becoming an increasingly globalised concept, there is, more than ever, a need for a Europe equipped with the capacity to act on the international stage, so as to be able to implement — in accordance

with its own vital interests — a policy of global unification. In the current historical setting, this is an objective that may be pursued: i) by exporting the European experience of integration and pacification to other parts of the world (through the formation of regional integrations); ii) by rethinking and strengthening the global international organisations, starting with the United Nations. This need, already strongly felt also by the United States and the USSR in the second half of the 1980s (the time of the agreements on disarmament and the start of Gorbachev's *perestroika* in the USSR), has become particularly pressing following the emergence of the monopolar world order, which has left the USA shouldering increasingly unsustainable burdens and at the same time fuelled a temptation to respond to the problem of global unification with hegemonic-imperial solutions. For Europe, whose global economic importance has grown considerably with the creation of the single currency and the progressive enlargement of the EU, it has become urgently necessary, according to the MFE, to introduce a common foreign, security and defence policy — going much further than the mechanisms of intergovernmental cooperation introduced in these areas by the Maastricht Treaty and subsequently by the Amsterdam and Nice Treaties — in order to create a partnership of equals with the USA and, in this way, form a vanguard spearheading a policy of global unification.

The creation of the single European currency (with the self-exclusion of the UK), the enlargement of the Community system to the countries of central and eastern Europe (which see it more as an economic opportunity than as a political objective), the need (no longer deferrable) for a united economic government to complete the monetary union, and the need for Europe to play an active role in promoting progress and peace in the world, all had the effect of pushing the issue of a European federal constitution between the members of the nascent eurozone (necessary in order to ensure efficient, democratic and irreversible European unification) higher and higher up the agenda. One of the most significant initiatives in this sense was the document published in 1994 by Wolfgang Schäuble (chairman of the CDU/CSU parliamentary group, the governing party in Germany under Chancellor Kohl), and Karl Lamers, which reiterated the urgency of the need to create the single currency (at that time still in the balance), starting with the countries already ready, in terms of the state of their public finances, to do so, and underlined the need to combine the launch of the single currency with the creation of a political union, so as to render Europe's unification irreversible and capable of guaranteeing the whole of Europe po-

litical and economic stability. The MFE, for its part, kept up its efforts to spur on the politicians and mobilise public opinion around these issues, organising, among other things, demonstrations (attracting thousands of participants) to coincide with the European Council meetings in Turin on 29 March 1996 and Florence on 22 June 1996. The following year it launched its supranational Campaign for a European Federal Constitution. A particularly important moment in this campaign was the demonstration held in Nice on 7 December 2000 to coincide with the European Council meeting that approved the Nice Treaty together with an annexed protocol, desired by the Italian and German governments, that gave rise to the decision, taken in Laeken on 15 December 2001, to convene a Convention on the future of the European Union. The 10,000 people who took part in this demonstration were calling, essentially, for a federal constitution drawn up using a democratic constituent method.

The governments' response to the request advanced by the federalists and the EP was to convene the European Convention chaired by Valéry Giscard d'Estaing. In this way, some of the aspects of the democratic constituent model were embraced, namely participation both of MEPs and of national MPs (as in the drawing up of the Charter of Fundamental Rights that was formally proclaimed in Nice), transparent meetings, and a chance for the voice of civil society to be heard. However, the principle of unanimity was still applied throughout the process, from the resolutions of the Convention through to the governments' final approval of the text prepared by the Convention and the ratification of the same by the states. Although the MFE did its utmost to encourage the adoption of a draft constitution that was as advanced as it possibly could be, a significant minority of its number, led by the Pavia section, already highly critical of the re-nationalisation process by that time under way in the EU, had little time for the Convention, having been certain since it was convened that its results would inevitably be disappointing, given that efforts to study a reform of the Treaties (considered desirable in view of the EU's imminent enlargement) had failed to take into account the need for differentiated integration, in other words, different forms of integration for countries with different levels of commitment to Europe; the Pavia federalists maintained that a constitution could be created only by starting with a vanguard of Europe's founding states. The MFE, on the other hand, while also judging the Convention's draft constitution unsatisfactory, nevertheless felt that the Treaty establishing a Constitution for Europe contained elements that constituted steps in the direction of federalism and

democratic participation, and also that the use of the term constitution (with all that it symbolises) would, albeit without marking the creation of a federal state, provide important leverage for demanding the immediate implementation of further decisive steps towards full federalisation of Europe (given that a constitution without a state would be an unsustainable situation). For these reasons, the MFE supported and worked to promote ratification of the Constitutional Treaty. Although, the ratification process ultimately failed because of the negative results of referenda held in May-June 2005 in France and Holland, it is worth remembering that the draft Constitution was ratified by the majority of the EU states, representing a majority of the European population.

Following the impasse reached in 2005, the MFE attempted to relaunch the constituent process. Identifying the principle of unanimity, i.e. the national veto, as the obstacle to the desperately needed advances, the movement decided to focus on resolving this crucial issue. While a minority of its members (still harshly critical of the new directions taken by the EU following its enlargement, which had seriously undermined any political vocation it may have) continued to campaign for the creation of a federal vanguard within the EU through the signing of a federal pact between the founding countries, the strategic objective of the MFE's action at European level in the period 2006-2007 became that of having the draft Constitution (revised and improved to take into account the results of the French and Dutch referenda) submitted to a Europe-wide consultative referendum to be held on the same day as the 2009 European elections; a further aim was to have it enter into force, among the ratifying countries, subject to its approval by the "double majority" of member states and voters. It should be pointed out that the idea of holding a Europe-wide referendum, which was a key point and a strength of the campaign for the Congress of the European People, was based on the view that national referenda are not transparent, as they allow the choice on European unity to become conditioned by internal political struggles and do not allow the European citizens to speak as such.

At the end of 2007, the governments responded to the federalist demands — these were also backed up a signature campaign, which, however, ran out of time before reaching its full potential — by signing the Lisbon Treaty, whose formal entry into force was scheduled for the end of 2009. This text still contained, albeit in a somewhat watered-down form (and with additional derogation clauses to meet demands from the Czechs, Irish and Polish), the main reforms included in the

Constitutional Treaty, but all reference, even symbolic, to the concept of constitution had been erased; this had been done with the precise intention of reducing, as far as possible, any expectations that the process of institutional change in a federal direction might rapidly be resumed. In short, the institutional system resulting from the process that began immediately after the monetary union came into force contains some important federal characteristics — I refer, in particular, to the relative autonomy of the Commission, the supremacy of Community law guaranteed by the European Court of Justice, the role of the directly elected EP, and the use of majority voting for some of the decisions taken by the Council of Ministers; however it is also weighed down by many other features that constitute a hard core of a stubbornly confederal nature, namely: the need for unanimous decisions in key areas (finance, foreign, security and defence policy and institutional reform), the right of secession, and the fact that the EU's true government is a body, the European Council, that can be likened to the congresses of the Holy Alliance.

The EU Faces a Stark Choice: European Federation or Disintegration (2008-2013).

The year in which the governments signed the Lisbon Treaty (2007) was also the one that, following the bursting of the housing bubble in the United States, marked the start of the most serious global economic crisis since the one that began in 1929. Federalists maintain that the deep-rooted cause of the great recession, which is still not over, lies in the contradiction between, on the one hand, the phenomenon of globalisation, which has taken the interdependence between the countries of the world to a level at which the market and society have already become, in many ways, global, and, on the other, the lack of a global order able to govern this reality. For this reason, the need to create an international system capable of starting the transition towards peaceful and democratic unification of the world (a need already fuelled by threats to the survival of mankind, especially with regard to the environment and weapons of mass destruction) and, consequently, of completing (as the first and decisive step in this direction) the federal unification of Europe has become one that can no longer be deferred.

Before looking at the recent situation as regards European integration and the work done by the federalists in this setting, it should be underlined that the crisis that began in 2007 has laid bare the structural weakness of the American economy; indeed, the US economy is char-

acterised by an extremely serious fourfold deficit (trade, budgetary, banking and private) that is, essentially, a reflection of the impossibility of reconciling healthy and sustainable economic development with the burden of responsibilities that comes with being the world's leading political-military power. Another point worth remembering is that recent years have also seen the emergence of new global economic powers that are showing a strong growth momentum despite being countries that still have large pockets of poverty (I refer, in particular, to China, India, Brazil, Indonesia, Russia, and South Africa). What we are, in fact, witnessing is the progressive establishment of a multipolar system and the end of the end of the undisputed domination of the West.

As far as the European project is concerned, the main thing to emerge from the world's present financial, economic and social difficulties has been the existential crisis of European integration. Basically, the European "edifice", which is still only half-built, today runs a very real risk of collapsing. Indeed, there is currently a force, of an economic nature, that is driving Europe towards disintegration, and it stems essentially from the depth of the euro crisis. The attacks, by financial speculators, on the sovereign debts of the European countries and the costs, to the most indebted and economically struggling countries, of borrowing on the markets, are unsustainable and have the effect of counteracting economic recovery policies, paving the way for insolvency and recession; but they are also a clear sign of the contradictions inherent in a monetary union that was created without also creating an economic union, and of the dramatic political and economic divide that has, as a result, opened up between the northern and southern eurozone countries. It must, first of all, be quite clear that should the euro collapse, the return to the national currencies would not only imply huge financial costs, but would also bring a return to competitive devaluations and different forms of protectionism and therefore spell the end of the Common Market. In short, it would mark the end of a sixty-year historical cycle that has guaranteed the Europeans conditions of peace and civil-political and socio-economic progress never previously experienced. A catastrophe of almost unimaginable proportions for all Europeans, it would also have terrible consequences for the world as a whole, given the exemplary nature of the European pacification process and the decisive role that a united Europe is called upon to play in the building of a more just, more peaceful and more environmentally sustainable world. What the crisis has also shown (and this is something that the governments themselves and the European insti-

tutions have realised) is that the single currency cannot survive unless the monetary union is consolidated and completed with the creation of an economic union and a political union (which imply, as the first step, alongside the banking union that is currently being finalised, the creation of a separate and additional budget for the euro area financed with own resources, and thus the introduction of an independent power of taxation in the eurozone).

However, it must be realised that there is also another force, this time political, that is driving Europe towards disintegration, and it is generated by a strengthening of opposition to European integration, together with the emergence of clashes of a nationalistic nature between European countries: the economically strong countries are accused of selfishness and, in turn, accuse the economically weak ones of parasitism and of failing to implement economic discipline. In this setting, there are widespread concerns over the hegemonic role of Germany within the EU, raising uncomfortable memories of a time when Germany's hegemonic ambitions were the main factor leading to two world wars. There can be no underestimating the dangerousness of a spread of these eurosceptic and nationalistic trends, as opposed to the preservation and advancement of European unification.

The problems at the root of the forces now pushing Europe towards disintegration are the *inefficiency and democratic deficit* that have always characterised the process of European integration but were accentuated by the establishment of the monetary union and have been exacerbated by the financial crisis and economic-social crisis that began in 2007. In the current phase, this inefficiency — linked to the fundamentally confederal nature of the European institutions (and the impediment represented by the national veto) — translates, above all, into slow and inadequate interventions; meanwhile, the democratic deficit makes it extremely difficult to exercise solidarity between the nations and therefore impossible to address the crisis properly, i.e. by combining the necessary financial recovery with economic development that is environmentally and socially sustainable and territorially balanced.

The crisis has therefore highlighted the need to create, in the eurozone, a state power that is democratic (directly legitimised by the citizens) and efficient (equipped with its own resources), both in the financial and in the administrative field.

The economic imbalance (accentuated by the current crisis) gradually created between the weak and strong members of the eurozone, i.e. between the core group led by Germany (which includes Finland, Benelux and Austria, with France an intermediate position) and the peripheral countries (the main ones being Italy, Spain, Portugal, Greece and Ireland), is one of the most disruptive influences to have emerged in this general framework of inefficiency and democratic deficit. This imbalance (which clearly goes against the commitment to economic social and territorial cohesion enshrined in the European Treaties as a factor able to contribute to expansion of the internal market) is reflected in a number of differences in terms of growth rates, unemployment levels, the states' internal imbalances, poverty belts, levels of productivity and competitiveness, trade and balance of payments imbalances, borrowing and bond rate spreads; and the reason for it is the precarious state of the euro. Crucially, there is a very real risk that it could cause struggling countries to default on their sovereign debts; this would inevitably lead to their withdrawal from the single currency and trigger the start of Europe's economic disintegration.

In the same way as the presence of internal imbalances generates regional nationalism within the states (Italy is a case in point), the presence of economic imbalances within Europe is, more than anything else, the factor responsible for growing nationalistic tendencies that are undermining European integration on a political level. As already mentioned, in the struggling countries there are inevitably emerging nationalistic grievances against the strong countries, which are felt to benefit from integration at the expense of the weak ones (in this sense, Germany, the strongest of the strong and suspected or openly accused of having hegemonic tendencies, is a particular target). Nationalistic tendencies are emerging in the strong countries, too, both as a reaction against the accusations levelled by the peripheral countries, and because the struggling countries, on account of their economic inefficiency, are seen as a millstone around the necks of the strong ones and an obstacle to the growth of Europe as a whole.

Having clarified all this, the priority must be to specify the route that needs to be followed in order to overcome the inefficiency of European unification and, therefore, the unacceptable economic and territorial imbalances that characterise it and are hastening its disintegration. Clearly, the challenge is to succeed in switching from essentially *negative* economic integration (meaning the elimination of obstacles to the free movement of goods, persons, services and capital) to a form of

economic integration that can also be defined *positive* (i.e. based on the introduction of strong supranational policies designed to address the imbalances that are inevitably produced by a market that is not adequately governed). The creation of the single market, of which the monetary union is an absolutely necessary part, above all because it eliminates the protectionism related to exchange rate fluctuations, has certainly been a key factor in the economic development and, therefore, progress linked to the enlargement of the European market. But, while the formation of an economy of European (and, in many ways, global) dimensions has, inevitably, substantially reduced the efficacy of national instruments of economic governance, this trend has not been countered by the establishment of European instruments capable of implementing an effective policy of economic, social and territorial cohesion or a counter-cyclical policy, which could prove extremely effective only in a system that is integrated at European level. In short, creating an economic union of countries with vastly differing growth, productivity and efficiency levels, without also introducing the structural solidarity that is represented, albeit in a very embryonic form, by the so-called structural funds, was always bound to result, even in a context of overall growth of the European economy, in the severe imbalances that we are now seeing and that, as mentioned, are at the root of the instability of the euro and the spread of nationalistic tendencies.

It has to be pointed out that some of the blame for the imbalances between the European countries lies with the states themselves (being linked to phenomena such as waste, parasitism, corruption, tax evasion, widespread illegality, and inefficient public administration), which therefore have no choice but to embark on a serious process of restructuring and reform. However, as shown by all rigorous and objective studies dealing with the issue of the states' internal imbalances (i.e. studies not tainted by national or regional prejudices), these problems are actually an additional factor with respect to the central (and systemic) problem that is the lack of true positive economic integration. It should also be pointed out that a European system of structural solidarity would (for example by establishing the conditions for rebalancing interventions) be able to put pressure on the states to implement national restructuring and recovery programmes.

In concrete terms, switching to positive economic integration would today amount to going beyond stopgap measures, such as the bailout fund, the fiscal compact, a more active role for the ECB, the provision of aid to countries in difficulty, and so on, all of which fail to

get to the root of Europe's weakness. In other words, it would amount to overcoming the situation of a monetary union without an economic government — which is the same as saying without a state, given that structural redistribution is a fundamental aspect of democratic statehood —, which the federalists have always recognised as untenable. Having a European economic government means creating a fiscal union among the eurozone countries, equipped with a European treasury that can act as a lender of last resort. It also means having a supranational budget to allow the adoption, at European level, of measures geared at bringing about a revival of environmentally and socially sustainable and territorially balanced growth, and therefore European taxes and eurobonds capable of at least tripling the EU budget, which currently does not even amount to 1 per cent of the European GDP. It also entails close European supervision of banks. In short, it means having the capacity to impose strict financial discipline in a context of solid and consistent growth and effective solidarity. Obviously, a true European economic government implies a substantial transfer of sovereignty, in the macroeconomic and fiscal sectors, from the states to Europe and, therefore, an efficient and democratically legitimate supranational institutional system. In short, what is needed is an executive power legitimised by the vote of the European citizens, a legislative system based on full codecision between the EP and the Council, and the elimination of all forms of national veto.

In short, the federal solution is the only one that, by resolutely addressing the imbalances between the strong and the weak countries that are undermining the single currency and fuelling opposing nationalistic tendencies, can save the process of European integration. It also represents the framework for overcoming the issue, fraught with dangers, of relations between Germany and its European partners. Indeed, the emergence of a real prospect of harmonious development for all the European countries would inevitably lay to rest the concerns over Germany's economically dominant position. Moreover, upon the transition from a prevalently confederal to a federal system the political problems linked to demographic size would be relativised (it is not Germany's fault that it has the largest population of all the EU countries), since decisions would, without exception, be taken by a majority (there would be no national vetoes), albeit with the application of the weighting systems typical of federal voting mechanisms.

While there can be absolutely no doubt that European federation is both necessary and urgent, the problem now is how to secure, from the governments, the decision to accomplish this objective, which was indicated as far back as the Schuman Declaration and has been deferred ever since. In this regard, it must be specified that Germany, although more or less directly accused of having a selfish attitude and being opposed to the provision of aid to the weakest countries, is actually openly in favour of the federalist route. Moreover, the great majority of German politicians maintain, quite rightly, that federal political union is the crucial precondition for the creation of a European economic government, which would imply the creation of structural solidarity by the strong countries for the weak ones. They in fact make it perfectly clear that *the transfer of resources* implicit in the concept of effective and solidarity-based governance of the European economy must be accompanied by a *transfer of powers to supranational level*, so as to make it possible to monitor the correct use of aid granted and avoid instances of parasitism; this would clearly encourage greater commitment to internal restructuring, rather than a perpetuation of the current waste and inefficiency.

On the other hand, it must be pointed out that resistance to the federal leap forward comes, if anywhere, from France. Indeed, at the time of the negotiations that led to the single currency, there was quite widespread opposition in France to Kohl's request that the construction of the economic and monetary union be accompanied by serious steps towards political union. Today the French government insists on the absolute need for a European economic government, and thus for the transition to positive integration that implies solidarity-based growth, but it will not go so far as to accept, unequivocally, the transfer of sovereignty to a supranational democratic (i.e. federal) system, instead displaying its usual attachment to confederal intergovernmentalism. In this setting, a fundamentally important role could be played by Italy, which at decisive points in the European integration process, has repeatedly proved able to strengthen the initiatives launched by the Franco-German leadership and render them more advanced in a democratic-federal sense. The current phase, which sees the destiny of Europe hanging in the balance, lends itself absolutely to a decisive intervention on the part of the Italian government, which should put pressure on the French and German governments to agree to launch, between the countries of the eurozone and those that intend to join it, a constitutional pact to introduce financial restructuring, solidarity-based growth and a democratic-federal framework.

Obviously, such a role, on the part of Italy, will be effective only if it is accompanied by strong and concrete commitments to internal restructuring and reform (in particular to reducing the national debt, combatting waste and tax evasion, increasing efficiency in the public sector, and rationalising the political institutions). It is a real problem for the governments of the strong countries, the German one in particular, to get public opinion at home to accept the idea of solidarity-based European federalism, given that they have to overcome the kind of reactions typically displayed by strong regions towards weaker ones (one need only think of the attitude of public opinion in northern Italy towards southern Italy). For this reason, it is crucial to ensure that public opinion in these countries is able to appreciate that the introduction of such a system goes hand in hand with the achievement of real advances (in terms of restructuring, reform and modernisation) in the more backward countries.

The final point to underline is that, while the depth of the crisis facing Europe is undoubtedly a fundamental factor in creating the conditions for highly advanced choices by the governments, there is another factor that must also be present and active: namely the application of pressure from grassroots level.

In the present phase, in which “European federation now” is the only valid response to a crisis that threatens to spell the end of European integration, the federalists have decided to press for a constituent process that radically overcomes the unanimity rule. This implies the taking of three crucial decisions: i) the states willing to take part, and those in whose vital interests it is to do so (namely, the eurozone member states and the countries wanting to join the single currency), must make the decision to start this constituent process and, thus, to create a federation within the confederation (i.e. within the broader EU comprising all the member states, which would obviously all retain the rights already acquired and would be guaranteed the possibility of joining the federal vanguard at a later date, should they wish to do so); ii) it must be agreed that voting within the constitutional convention that these countries will be required to convene will be by majority and not by consensus; iii) it must also be agreed that there will be no modification of the draft Constitution by ICG prior to starting the process of its ratification, and that its ratification will be by a referendum to be held simultaneously in the countries that participated in its drafting.

The EP also has a decisive role to play in getting the governments to start the above-outlined constituent process of the federal union. Indeed, the EP must show that it is absolutely committed to the implementation

of a European plan for environmentally and socially sustainable economic growth based on investments in infrastructures, environmental reconversion of the economy, the use of renewable energy sources, research and innovation — a plan to be financed from European own resources (generated by taxes, such as the proposed taxes on financial transactions and on CO₂ emissions, and by the issuing of euro project bonds). At the same time, the EP should submit an exhaustive proposal for modification of the EU Treaties that amounts to the introduction of a European federal Constitution for the eurozone. In addition, it must also organise interparliamentary Assizes through which to win support for this proposal among national MPs, in such a way as to turn the 2014 European elections into an opportunity to obtain popular legitimisation of the constitutional proposal. These initiatives would favour the convening of a Constitutional convention to ratify the draft Constitution.

To encourage these developments (made extremely complex by the need to work out differentiated forms of European institutional integration for the eurozone and non-eurozone countries and, in particular, to resolve the issue of the differentiated functioning of the European Parliament), the aim of federalist action now is to try to achieve systematic mobilisation of all those (in the parliamentary groups, political forces, social and economic forces, general public, local administrations and world of education and culture) who are in favour of the European federation. This mobilisation is being sought through an extensive campaign for European federation now.

On the basis of the experience acquired over seventy years of unwavering commitment and unstinting effort, we know that the MFE will, as ever, do its duty and are confident in its reaching the final victory.

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A Budget for the Euro Area: Objectives, Procedures and Institutions

DOMENICO MORO

1. The Cost of Today's Intergovernmental Europe

The origin of the economic and financial crisis afflicting the EU is political, not economic. In 2008, when the American subprime crisis spread to the rest of the industrialised world, the ratio of gross public debt to GDP in the euro area, the USA and Japan was 70.0 per cent, 71.6 per cent, and 195.5 per cent, respectively.¹ In 2012, these values stood at 93.1 per cent, 105.0 per cent and 238.4 per cent; this, together with the fact that the crisis continues to bite in Europe, whereas the USA and Japan, albeit slowly and thanks to questionable economic policies, are overcoming it, shows that the market penalises Europe not for its sovereign debt, but rather for the absence of any European federal sovereignty. The economic and financial crisis has, in fact, shown that the market behaves differently towards monetary unions that have a government than towards those that still do not: in the case of the EU, it punishes the intergovernmental method of eurozone economic governance. Moreover, the intergovernmental method is proving to be increasingly damaging also to the single member states that are bent on pursuing it. In a situation characterised both by the absence of a federal budget to support a policy of economic growth and by the constraints of the Stability and Growth Pact (SGP) and fiscal compact, if the European economy as a whole is in recession, states that continue to fail to comply with the SGP inevitably find themselves having to persist with pro-cyclical policies, in this case recessionary, thereby triggering a vicious cycle of ever-worsening economic problems. On the other hand, in today's intergovernmental Europe, the states that are in a better position, like Germany, are reluctant to pursue a development policy, for fear of later finding them-

¹ In 2012, the ratio of *net* public debt to GDP for these three areas was, respectively, 70.1 per cent, 78.4 per cent and 138.9 per cent.

selves in difficulty in the event of a slowdown in their economic growth. Paradoxically, even though the financial crisis has clearly shown that the Maastricht Treaty and SGP are unable to give the EU the instruments it needs to respond effectively to severe crises like the present one, the European governments have continued to seek answers through intergovernmental methods, even stepping outside the framework of the existing Treaties, thereby compounding the European democratic deficit. However, 2012 saw a dawning realisation, among the European institutions and governments, of the inadequacy both of the existing measures and, above all, of the institutional framework in which they are implemented. On 26 June 2012, the heads of state and government, due to meet the following 28-29 June, were sent a report entitled “Towards a Genuine Economic and Monetary Union” drawn up by the President of the European Council in collaboration with the Presidents of the Commission, the Eurogroup and the European Central Bank (ECB). This report proposed “a vision for a stable and prosperous EMU based on four essential building blocks:” an integrated financial framework, an integrated budgetary framework, an integrated economic policy framework, and a strengthening of democratic legitimacy and accountability.² A positive effect of this report was that it started a debate among the European institutions, including the European Parliament, which resulted in a renewed affirmation that the ultimate objective behind the banking union, fiscal union and economic union proposals is that of political union, even though the nature of this union was not specified in detail and, above all, its realisation was envisaged only after the creation of the other three “unions.” In the context of this same debate, the European institutions, including the Parliament, have started to acknowledge the fact that the euro area must have a separate budget of its own.

One point, however, must be absolutely clear. If it is true, as claimed in a recent European Commission document,³ that the Six Pack and the Two Pack have effectively exhausted all scope for improving prevention measures and procedures for correcting national budgets within the existing Treaties, it is also true that the two intergovernmental treaties establishing the European Stability Mechanism (ESM) and the fiscal compact have exhausted all scope for creating “treaties outside the Treaties”, i.e. without radically changing the orig-

² European Council, *Conclusions*, Brussels, 29 June 2012, EUCO 76/12.

³ European Commission, *A blueprint for a deep and genuine economic and monetary union - Launching a European Debate*, COM(2012) 777, 28 November 2012.

inal design that has been the basis of the European construction ever since the birth of the ECSC. What we have now, following the latest measures, has been called “a delegitimised bureaucratic monster.”⁴ The time has come for Europe to choose: either to advance towards the European Federation, or to remain on the fringes of world affairs.

This paper analyses the measures that it proved possible to take within the framework of the Treaties and then those that had to be approved outside it, before finally discussing the prospect of equipping the eurozone with its own budget.

The Evolution of Economic Governance within the Existing Treaties: the Six Pack and the Two Pack.

The Six Pack, consisting of five regulations and one directive, was approved in late 2011.⁵ Under the regulation dealing with *preventive* measures and reform of the SGP, which gives the “European semester” a legal basis, the Commission, at the start of each year, is required to present an annual growth survey. On the basis of this survey the European Council draws up economic and fiscal policy guidelines both for Europe and for the single member states, in the latter case setting in motion the mechanism of surveillance of the budgetary policies of the states, which are required to submit “national reform programmes” (taking into account the “EU 2020 Strategy”) and “stability and convergence programmes”, setting out their medium-term objectives. In the case of countries with a public debt exceeding 60 per cent of their GDP, the budget objectives will be assessed taking into consideration the expected improvement of the structural deficit, which must amount to at least 0.5 per cent of GDP per year (without considering cyclical effects and one-off measures). In particular, the regulation modifying the *corrective* arm of the SGP requires countries whose debt-to-GDP ratio has exceeded 60 per cent to show that they have implemented measures capable of reducing

⁴ Fabrizio Saccomanni, *Verso una vera Unione economica e monetaria?*, 10 January 2013. Talk given at the Rotary Club of Reggio Emilia.

⁵ Two regulations reform the Stability and Growth Pact (SGP), the first giving the “European semester” a legal basis, and the second strengthening the system for correcting excessive deficits (regulation n. 1175/2011 and n. 1177/2011); the third envisages a system of sanctions for states that violate the SGP (n. 1173/2011); the fourth introduces a procedure for the prevention and correction of macroeconomic imbalances in the EU (n. 1176/2011), and the last provides for a system of sanctions for excessive macroeconomic imbalances applicable only to the eurozone countries (n. 1174/2011). Directive 2011/85/EU, on the other hand, sets out requirements for budgetary frameworks of the member states.

it at an adequate pace, i.e. at an annual rate of at least 5 per cent over the previous three years. By the end of June each year the Commission proposes country-specific economic and budgetary policy *recommendations*; countries found to have an excessive deficit are informed and the Council may formally invite them to take appropriate measures.

The last two Six Pack regulations introduce, for the first time in the European context, the concept of macroeconomic surveillance and, like the SGP, they comprise, on the one hand, a *preventive* arm and a *corrective* arm to deal with excessive macroeconomic imbalances and, on the other, a system of *sanctions* imposable on euro area countries failing to implement the necessary corrective measures. The Commission will carry out periodic assessments based on indicators of *internal* imbalances (public and private debt, the evolution of bond and real estate values, unemployment levels, etc.) and *external* imbalances (current account balances, foreign investment trends, real exchange rates, evolution of export market shares, evolution of costs and prices, etc.). Should an “excessive imbalance” be found to exist, the Council, upon the recommendation of the Commission, will request the country concerned to take corrective action within a specified period of time, and in accordance with a plan of action that the Council will first have approved. With regard to this second, *corrective*, part of the procedure, a state repeatedly failing to implement the Council’s recommendations will be liable to a fine amounting to 0.1 per cent of its GDP. The decision to impose a fine — to which only eurozone countries are liable — is reached by the Commission and, unless opposed by a qualified majority of member states, taken as approved by the Council. Finally, Directive 2011/85/EU introduces stricter requirements on budgetary frameworks including the requirement to supply cash-based data on a monthly basis in order to ensure better control of national public finances.

The *Two Pack* comprises two regulations, approved by the European Parliament on 12 March 2013, which apply only to the countries of the euro area. One concerns countries in severe financial difficulties receiving or needing to receive assistance from: one or more other states, the IMF, the European Financial Stability Facility (EFSF) or the ESM. The other relates to the prevention and correction of excess deficits in eurozone countries.⁶ Under the first of these regulations, the

⁶ The Commission, to avoid unnecessary overlaps with the provisions of the Six Pack, has clarified the extent to which the two packages of measures will be made complementary.

Commission, on the basis of its assessments, can decide to step up surveillance of a country that risks finding itself in a situation of financial instability and may ask the Council to recommend that the said country requests financial assistance. Once a member state has requested assistance, it, together with the Commission, must draw up an adjustment programme aimed at re-establishing a healthy and sustainable economic situation. The second regulation entitles the Commission to issue an opinion on the budget of the state concerned, before it is submitted to its national parliament for approval. According to the timetable established by the regulation, by 15 April each year, every member state must submit a medium-term budgetary framework drawn up on the basis of independent macroeconomic forecasts, while the draft budget for the following year must be published by 15 October each year. If the Commission finds that the proposed budget does not respect the financial policy obligations laid down in the SGP, it will ask for it to be reviewed. The budget must be approved by 31 December each year.

The innovative feature of the Six Pack and the Two Pack lies in the fact that the Commission, on the basis of a more stringent schedule and the adoption of severe measures by the member countries, is required to express a preliminary opinion on national budgetary policies and, in the case of countries with excessive macroeconomic imbalances, to agree on plans for reform. In addition, these measures endeavour to make the system of sanctions more streamlined and automatic. Indeed, in principle, the Council is required to support the Commission's decision to impose a penalty on a defaulting member state and may reject the decision only if a qualified majority of the states votes against it (*reverse qualified majority*).

The Evolution of Economic Governance outside the Existing Treaties: the European Stability Mechanism and Fiscal Compact.

The market, in the absence of a vigorous European policy for managing the current crisis, translated the persistent political and economic uncertainty into continuously rising interest rate spreads on government bonds issued by the most heavily indebted countries. As a result, the interest rates on these bonds reached levels far higher than those normally recorded by the bonds of financially struggling member states of existing federations. Pressured by the markets, the European governments were forced to put mechanisms in place to defend the euro, which they did in three stages, differentiated by the adoption of three different instruments, including two new treaties. In chronological or-

der, on 9 May, 2010 the eurozone member states decided to establish, *temporarily*, the European Financial Stability Facility (EFSF), which can issue bonds or other debt instruments on the market in order to raise the funds needed to provide loans to euro areas countries in financial difficulty, recapitalise banks or buy sovereign debt.⁷ However, in a context of continuing financial instability it was immediately clear, since the EFSF was established only for a limited period — it is due to expire this year —, that the market would accept only measures designed to guarantee *structural* stability within the eurozone; therefore, the heads of state and government, less than six months later, were forced to hurriedly take steps to set up a *permanent* financial crisis management mechanism, in place of the EFSF. Thus, the European Council of 28-29 October 2010 had to launch the Treaty establishing the European Stability Mechanism (ESM),⁸ better known as the “bailout fund.” In the meantime, during the European Council of 9 December 2011, 25 EU countries (the UK and the Czech Republic did not participate), acknowledging the British opposition to the adoption of measures for coordination of budgetary policies and for deficit and public debt reduction, alongside the Council, decided to adopt the so-called fiscal compact.⁹

Unfortunately, the press and the mass media in general tend to talk about Europe only when Europe is demanding sacrifices and not when it is advancing towards the achievement of institutions, like the ESM, that are capable of promoting active policies for the economic and financial governance of the eurozone. Cohn-Bendit, at odds with the French Socialist Party which, had, at first, intended to vote against the ESM, remarked that this institution can be seen as the embryo of a future treasury,¹⁰ albeit one limited to the eurozone countries. Not long

⁷ From the legal standpoint, this is a private company under Luxembourg law whose partners are the countries of the eurozone (See: ECB, *The European Stability Mechanism*, Monthly Bulletin, July 2011).

⁸ Formally, two treaties were signed with the same name, one on 11 July 2011 and the other on 2 February 2012. The ESM is established as permanent intergovernmental organisation under public international law and based in Luxembourg.

⁹ European Council, *Statement by the Heads of State or government of the euro area*, Brussels, 9 December 2011; ECB, *A Fiscal Compact for a Stronger Economic and Monetary Union*, Monthly Bulletin, May 2012, pp. 79-94.

¹⁰ “La création du MES est un premier pas vers une Europe fédérale avec son propre Trésor public et un budget conséquent.” The quotation is taken from *Mécanisme européen de stabilité: la bourde historique de la gauche*, Le Monde, 25 February 2012.

afterwards, the IMF made a similar point.¹¹ Indeed, the ESM: 1) can borrow on the capital market: these loans — it matters little what name they are given — would be something along the lines of US treasury bonds; 2) it can use the resources it has to recapitalise (through the intermediary of loans to member states) banks and insurance companies that are in difficulty (following the signing of the fiscal compact and the creation of the banking union, it will, subject to a formal request for assistance from the ESM by a state in financial difficulties, be able to contribute directly to the recapitalisation of financial institutions, adopting a policy comparable to the bailouts of AIG and Fannie Mae and Freddie Mac by the US Treasury); 3) it can use its resources to reduce the difficulties of the eurozone countries and in this sense would be providing something similar to US intergovernmental grants, although only in some respects, given that it would be providing loans and not subsidies; 4) it can purchase the bonds of struggling states, both on the primary and on the secondary market: in this case, it would even have more powers than Federal Reserve System, which cannot buy, on the primary market, bonds issued by states of the American federation; 5) finally, it is worth noting a major difference between the EMS and the EFSF: because of the different legal nature of these two institutions, their issuing of bonds on the European capital market would have a different impact in statistical terms. In the case of the EFSF, the debt would be allocated, pro rata, to participating states, thus increasing the size of the public debt of the eurozone. In the case of the EMS, on the other hand, it would be considered the debt of a “European institution” and would not therefore be allocated to the member states. The public debt incurred by the EMS would therefore be, to all intents and purposes, a *European debt*.¹²

As already mentioned, because of the inadequacy of the SGP as a means of enforcing fiscal discipline, the heads of state and government had to introduce additional rules that, lacking the agreement of all twenty-seven members, had to be approved in a separate Treaty, namely the Treaty on Stability, Coordination and Governance in the Economic and

¹¹ Stijn Claessens, Ashoka Mody, Shain Vallée, *Paths to Eurobonds*, IMF Working Paper, WP/12/172, July 2012.

¹² See: Committee on Monetary, Financial and Balance of Payments Statistics, *CMFB Opinion on the Recording in National Accounts of the European Stability Mechanism (ESM)*, 10 March 2011; European Commission, *Eurostat's Preliminary View on the Recording of the Future European Stability Mechanism*, 7 April 2011.

Monetary Union, of which Title III is the fiscal compact. The aim of this Treaty is to reinforce fiscal discipline, especially in the eurozone countries, by further strengthening the SGP, already strengthened by the Six Pack and the Two Pack. The main new elements are the following: on the one hand, the balanced budget rule, which must be incorporated into the states' respective constitutions, and the automatic correction mechanism (to be based on a set of principles which the European Commission will propose), which must be transposed into national law; and, on the other, the strengthening of the excessive deficit procedure. The balanced budget criterion will be deemed met if the annual structural deficit is in line with the medium-term objectives, as defined in the SGP's preventive provisions, and does not exceed 0.5 per cent of GDP.¹³ Every member state, in the event of another state violating the new rules, may call upon the Court of Justice to enforce the budget balance and correction mechanism rules. Furthermore, the Treaty does not include the obligation to reduce debt exceeding 60 per cent of GDP according to a numerical parameter, i.e. a mean annual rate of 5 per cent of accumulated debt. The other innovation introduced by the Treaty is the more efficient and automatic triggering of the procedure for remedying an excessive deficit. Indeed, the procedure, launched on the initiative of the Commission, can be blocked only if the eurozone members of the European Council, deciding by a qualified majority, vote against it. Finally, provision is made for further measures to improve coordination of national budgetary policies, and thus to promote the convergence and competitiveness of the European economies.¹⁴ The Treaty's most important innovation, however, is the rule on its entry into force. The Treaty will come into effect when twelve of the seventeen euro area members have ratified it, and thus on the basis of a qualified, not a unanimous, majority, which will be an absolute first in the European setting. Overall, these are significant measures that, as pointed out, are not found even in existing federations.¹⁵ But this only makes their incorporation into the framework of a federal democracy even more urgent.

¹³ In the case of countries with a government debt lower than 60 per cent of GDP, a higher deficit is allowed (i.e. of 1 per cent).

¹⁴ These are targets already noted in the *Euro Plus Pact*, even though the provisions of the latter are not legally binding, the policies advocated are not clearly specified and no concrete objectives are set (See: ECB, *A Fiscal Compact for a Stronger Economic and Monetary Union*, Monthly Bulletin, May 2012, pp. 79-94).

¹⁵ Federico Fabbrini, *The Fiscal Compact, the "Golden Rule", and the Paradox of European Federalism*, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2096227.

The Lisbon Treaty has Already been Overtaken by Events.

The “reverse qualified majority” principle was introduced with a view to making the adoption of measures more streamlined and automatic, but, as pointed out by the ECB, the regulations provide for a procedure that sanctions excessive deficits, but not violations of the public debt rule.¹⁶ Furthermore, in spite of the approval of the Six Pack and Two Pack rules, some weaknesses remain in the implementation of fiscal policy in the single member countries, namely: the greater complexity of the new, strengthened, structure of fiscal governance (which risks reducing its transparency and enforceability and, ultimately, its accountability); the clause on the many “exceptional circumstances” that can temper decisions on the presence of an excessive deficit or debt; a lack of automaticity in the identification of failures to comply with the enhanced SGP; the need for the necessary national political will in order to implement, effectively, sound fiscal policies; and the need for a real will, on the part of the Commission, to establish the existence of excessive deficits and to act on requests for adoption of the necessary corrective measures.

Indeed, taking, for example, the measure that, more than all the others, really ought to encourage the member states to pursue virtuous policies — i.e. the system of sanctions —, it has to be noted, also in the light of the fact that the larger countries are the worst offenders,¹⁷ that this stage in the procedure has never yet been reached. Here, we are referring not only to 2003, when France and Germany, having both exceeded the deficit ceiling of 3 per cent, agreed, with Italy’s support, to loosen the constraints of the SGP, but also to the more recent approval of the 2014-2020 European financial framework. It has been suggested in the press that, on that occasion, Germany suggested that the excessive deficit procedure against France need not be initiated, providing France agreed to a reduction in its funding.¹⁸ It is always worth remembering that what really matters in order to ensure that the financial rules are respected by the different levels of government is not so much

¹⁶ ECB, *The Reform of Economic Governance in the Euro Area – Essential Elements*, Monthly Bulletin, March 2011.

¹⁷ France, for example, has complied with the deficit rule in only seven out of the nineteen years since it came into effect (See: Samuel Laurent, *A l’origine de la “règle des 3%”, la France l’a souvent ignorée*, Le Monde, 14 February 2013).

¹⁸ Adriana Cerretelli, *Meno rigore meno crescita, lo strano patto franco-tedesco*, Il Sole 24 Ore, 16 February 2013.

the *size* of the penalty as its *certainty* (as is true in the prevention of wrongdoing generally). Indeed, the SGP is not working as it should precisely because this condition is lacking, and it is lacking for a very simple reason: the fact that art. 126, paragraph 11 of the Treaty on the Functioning of the European Union stipulates that it falls to the Council to decide whether or not sanctions must be imposed on countries that do not respect the SGP constraints, in other words, to an institution in which the parties involved are represented. This is the only possible explanation of why Greece, for an entire decade, managed to lie about its financial situation, without being unmasked. The supposed incompetence of Commission officials, initially blamed when the true extent of the Greek public debt became public, actually had nothing to do with it; there is nothing the Commission can do in the face of a mechanism that objectively favours collusion between the countries of the euro area. If European economic governance, of which the SGP is an important part, is to work, the European institutional system must be based firmly on the principle of separation of powers and on their democratic legitimacy. Therefore, for example, the decision to impose fines should be entrusted to an institution that is above the states and independent of them, as the European Commission should be. In the absence of this distinction between the responsibilities of the various European institutions, the mechanism of checks and balances, which serves to guarantee the effectiveness of the rule of law, simply cannot work.

Finally, there is also a more concrete aspect to be taken into account. As a consequence of the procedures laid down in the rules here considered, the period of time that elapses before the excessive deficit procedure, or procedure for excessive macroeconomic imbalances (around a year and a half), reaches the stage at which it might be decided to impose sanctions, and also the way in which the SGP really operates, it is actually the market, rather than the Council, that imposes sanctions first. What is more, the penalties envisaged (ranging from a minimum of 0.1 per cent to a maximum of 0.5 per cent of GDP) are actually relatively small compared with the additional cost to the national budget due to the size of the interest spreads inflicted, by the market, on countries not striving to achieve sound finances. Without Europe's intervention, Greece could have ended up paying much more than Germany does on its government bonds (as much as 20-25 per cent of GDP), while Italy's spread already stands, today, at around 2-3 per cent of GDP.

2. The Benefits of a Euro Area Budget Funded by Own Resources and the Urgent Need for the European Parliament to Submit a Draft Revision of the Treaties that Explicitly Envisages this

It is Generally Agreed that the Lisbon Treaty is Superseded, that the Euro Area Needs a Budget of its own, and that a Constituent Assembly Needs to be Convened in Order to Bring this About.

The report entitled *Towards a Genuine Economic and Monetary Union*,¹⁹ submitted by Herman Van Rompuy to the European Council of 28-29 June 2012, opened a debate on the prospect — welcomed by all the main European institutions — of equipping the eurozone with its own budget.²⁰ In particular, the European Parliament, on 20 November 2012, approved a resolution in which it denounced the limits of the intergovernmental method and argued that “a leap should be made towards a truly federal Europe.” Furthermore, having remarked that “the completion of a genuine EMU within the Union will require in the medium term a Treaty change to be completed,” it reserved the right to make proposals that would subsequently need to be examined by a new European Convention. In particular, with regard to the euro area, the Parliament pointed out that “under the existing Treaties the member states whose currency is the euro can finance an increased Union budget in the framework of the own resources procedure by introducing specific taxes or fees in accordance with an enhanced cooperation procedure.”²¹ Instead, the European Commission, on 28 November 2012, presented a document entitled *A blueprint for a deep and genuine economic and monetary union — Launching a European Debate*²² which also highlights the need for the eurozone to create its own, independent budget and reiterates a number of times that the Treaties have to be modified, proposing a series of measures and a timetable for implementing them. Finally, on 5 December, ahead of the European Council

¹⁹ European Council, EUCO 120/12, 26 June 2012.

²⁰ Jean Pisani-Ferry, Erkki Vihriälä, Guntram Wolff, *Options for a Euro-area Fiscal Capacity*, Bruegel Policy Contribution, Issue 2013/01, January 2013; Guntram B. Wolff, *A Budget For Europe's Monetary Union*, Bruegel Policy Contribution, Issue 2012/22, December 2012; Daniel Gros, *The False Promise of a Eurozone Budget*, CEPS Commentary, 7 December 2012; Michael D. Bordo, Lars Jonung and Agnieszka Markiewicz, *Does the Euro Need a Fiscal Union? Some Lessons from History*, NBER Working Paper, n. 17380, September 2011.

²¹ European Parliament, 2012/2151(INI).

²² European Commission, COM(2012) 777, *op. cit.*

meeting of 12-13 December 2012, the Presidents of the European Council, European Commission, Eurogroup and ECB presented their definitive report on economic and monetary union²³ The report, after recalling that the “history and experience of other currency unions shows that there are various ways of progressing towards a fiscal union and [that] the EMU’s unique features would justify a specific approach,” pointed out that “while the degree of centralisation of budgetary instruments and the arrangements for fiscal solidarity against adverse shocks differ, all other currency unions are endowed with a central fiscal capacity.”

However, even though all the main EU institutions agree that the time has come for the eurozone to press ahead with the creation of its own budget, the means of financing it remain to be defined, as do its tasks. Furthermore, critically, the timetable envisaged for its implementation is too long to allow it to represent an answer to the ongoing economic and financial crisis, and the dramatic social consequences this is having.

The Key Importance of a Euro Area Budget Financed by Own Resources.

The reasoning of those who advocate the creation of an adequate budget for the eurozone countries stems from the fact that the Maastricht Treaty has not proven effective in the face of the current major economic crisis. The Treaty envisaged that the eurozone countries would take advantage of normal economic times to keep their budgets practically balanced or in surplus, so as then to have sufficient resources to rely on during economic downturns. What actually happened, however, was that many countries used the higher fiscal revenues generated in favourable economic phases to reduce taxes or spend more; as a result, in negative phases of the cycle, they found themselves with no choice but to pursue pro-cyclical policies, increasing taxes or cutting spending. But the present financial crisis, in the absence of a federal budget, has not even spared countries with sound public finances: Spain and Ireland both complied with the terms of the Treaty (recording, before the subprime crisis, a public debt/GDP ratio of 40 and 25 per cent, respectively), and yet their low public debt was not enough to protect them from the ferocity of the real estate crisis that overwhelmed them, and both eventually had to be bailed out by the European Union.

²³ http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/134069.pdf.

The debate has also drawn in research centres and European intellectuals. As a rule, their reflections start from the observation that the euro area is the first example, in history, of a centralised monetary union in which fiscal policy remains the sole responsibility of the member states. Given that it concerns a new institutional formula, it is inevitable that debate over how the future eurozone fiscal union should be structured will give rise to differences of opinion on the right model to pursue. However, the current debate has at least made it possible to highlight that the euro, to survive, needs a fiscal union and that in turn the fiscal union, to work, demands the meeting of a series of conditions, namely those indicated by a study that analysed the experience of five existing federations: Argentina, Brazil, Canada, Germany and the USA. The economist Michael Bordo²⁴ and others have identified five conditions that, for the sake of clarity, are here listed in a slightly different order from that in which they were originally presented: 1) a degree of revenue and public expenditure for the member governments that reflects the preferences of their citizens; 2) the ability to learn from mistakes and adapt to changing economic and political circumstances; 3) credible commitment to a no-bailout rule; 4) the creation of a euro bond market guaranteed by taxes collected at supranational level; and 5) an efficient European system of transfers between member states designed to benefit countries subject to asymmetric shocks. If we consider the experience of the EU and, in particular, of the euro area countries, we can say that, looking at the considerable extent of public spending at national level, the first condition is undoubtedly met, whereas the second, since the explosion of the Greek debt crisis, has started to be met. Instead, in the framework of the current Treaties and as shown by the Greek situation, the condition of credible commitment to a no-bailout rule is not met, given that, contrary to what occurs in the existing federal systems, the eurozone, not having a federal budget to safeguard the economic and monetary union, cannot intervene to help a member state in difficulty without running the risk of triggering the collapse of the entire monetary union. If the eurozone decides to confirm the provisions of the existing Treaties, a credible commitment to the no-bailout rule will be possible only in the presence of a separate budget for the eurozone. An adequate budget for the eurozone countries is also the prerequisite for meeting the last two conditions listed above.

²⁴ Michael D. Bordo, Agnieszka Markiewicz, Lars Jonung, *Does the Euro Need a Fiscal Union?*, *op. cit.*.

The second aspect of the debate over the question of a eurozone budget concerns the role of federal fiscal policy in avoiding excessive fluctuations in per-capita levels of income and consumption in the event of regional economic shocks. In this regard, some contributions have looked at the role played by risk-sharing mechanisms in smoothing the effects of these shocks on income levels; risk-sharing mechanisms can be divided into, on the one hand, public policies such as welfare and federal fiscal policy and, on the other, actions of the market, such as portfolio choices, decisions on direct investments, access to the credit market and workforce migrations. A pioneering study focusing on the US federation in the period 1963-1990 found that “39 per cent of shocks to gross state product are smoothed by *capital markets*, 13 per cent are smoothed by the *federal government*, and 23 per cent are smoothed by credit markets. The remaining 25 per cent are not smoothed.”²⁵ Obviously, if market mechanisms and public policy instruments are to be able to work adequately, a number of conditions have to be in place, such as the presence of a stable and fully integrated continental financial market, the absence of balance of payments constraints, and, above all, the existence of a federal budget. According to the risk-sharing model quoted above, almost two thirds of the shock are smoothed by the market, as opposed to less than a sixth by federal budget policy. However, what should really be highlighted here is not so much the entity of the role played by each of the three conditions just mentioned, as their relative importance and, above all, the importance of the related institutional aspects. A financial and monetary market that is fully integrated on a continental scale helps to smooth the negative effects on income levels of a regional shock far more than the budget laws of a single member country can. This means two things: on the one hand, that financial market integration and stability help to reduce the amount of public resources needed to smooth the impact of regional shocks on per-capita levels of income and consumption and, on the other, that the establishment of a eurozone budget that makes it possible to intervene to minimise the effects of an asymmetric shock is, for the market, a guarantee that the region experiencing a negative cycle does not risk having to leave the economic and monetary union. Therefore, the public leverage (government intervention) has a positive multiplicative effect far exceeding its size in

²⁵ Pierfederico Asdrubali, Bent E. Sorensen, Oved Yosha, *Channels of Interstate Risk Sharing: United States 1963-1990*, The Quarterly Journal of Economics, MIT Press, (1996), 111(4), pp. 1081-1110.

absolute terms. What all this means, transferring the reasoning to the European setting, is that had the eurozone had a federal budget funded by European taxes, the cost of the public intervention necessary in the case of the Greek, Irish, Portuguese and Spanish crises would have been significantly lower than it actually was, and significantly lower also than the cost of these countries' spiralling national debts following the financial crisis. However, it is important not to draw the wrong conclusions from the above study, such as the idea that the limited role of the federal budget in smoothing regional shocks makes achievement of financial stability apriority objective.²⁶ It is, after all, the use of the federal budget to counter regional shocks that makes it possible, in turn, to make the best use of the market mechanisms and minimise the mobilisation of public resources; in other words, it is the upstream political choices that enable optimal market functioning, not the other way round.

This is why support must urgently be thrown behind the creation of a eurozone budget, providing two conditions are met: the first is that this budget be *additional* to the current EU budget; and the second is that, once it has been incorporated into the current Treaties, it be subject to the provisions of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, including the possibility for the euro area to reach a maximum structural deficit of 0.5 per cent of GDP, and thus to issue eurobonds worth around 50 billion euros a year. Needless to say the request for an additional budget and for the possibility of borrowing up to 0.5 per cent of GDP must go hand in hand with the recognition and establishment of a European power of taxation in order to guarantee the additional resources necessary to service the debt.

What Should be the Objectives of the Eurozone Budget?

Considering that the fundamental objective to be pursued is the establishment of a eurozone budget financed by own resources (taxes and borrowing), the question that must inevitably be asked is what objectives this budget should be given. To answer it, it is necessary to distinguish between two options that are complementary to each other, but have different time frames. The first is to fund European public goods, such as a single foreign and security policy and the introduction of a sustainable development policy for the entire eurozone; the second is to introduce economic policies designed specifically to cope with

²⁶ Daniel Gros, *The False Promise of a Eurozone Budget*, *op. cit.*.

asymmetric shocks and guarantee financial market integration and stability on a continental scale. A single European foreign and security policy is clearly necessary: one only has to think of the negative experience of the Balkan conflict or the more recent military intervention in Libya, the need to secure the safety of the Mediterranean and Middle East, and the need to make savings in times of scarce resources. That said, at European level the necessary will to move rapidly in this direction has yet to be demonstrated.

On the other hand, with regard to the promotion of a sustainable development policy for the entire euro area, the most suitable approach is to set up a “European Agency for Sustainable Development”, which would have the task of promoting the transition from an economy based mainly on the accumulation of physical capital and the consumption of scarce resources, such as the land and, more generally, the environment, to an economy based mainly on knowledge and thus on the accumulation of human capital and on respect for the land and the environment. The Agency would thus work towards long-term objectives shared by the European Parliament and the national parliaments, and would have to enjoy broad guarantees of independence. The euro-zone budget should start by earmarking the necessary resources.

However, the economic and financial crisis demands answers in the short term. To date, the objectives around which there is emerging broad consensus at the level of the European institutions (Parliament, Commission, European Council and ECB) are those of financial stability, the implementation of an income and employment stabilisation policy in the event of asymmetric shocks, and a policy of income support for the unemployed.

With regard to the financial stability objective, the incorporation of the ESM into the existing Treaties would, given the powers it has (e.g. to borrow on the capital market), represent a major step towards stabilisation of the European financial market and the issuing of eurobonds. Furthermore, its faculty to borrow on the market would also make it the institution that could be used to create the European Redemption Fund proposed by German economists as an instrument for reducing government debt in Europe,²⁷ and it is actually identical to the instrument

²⁷ The German Council of Economic Experts (GCEE) suggests transferring the share of public debt exceeding 60 per cent to a European Redemption Fund (ERF). This share of the national public debt would be covered by a joint and several guarantee provided by all the participating states, while the individual states would be responsible, before the mar-

created by Alexander Hamilton after he proposed that the US federal government should purchase the debts of the states.²⁸ The European Parliament has already expressed its support for this solution. Intervention of the ESM, incorporated into the Treaties, would therefore help to reduce the spread that, linked to the risk of having to leave the euro, is currently a major source of instability and a major cost factor for national public finances.

However, this, in isolation, would not be enough to end the crisis, because European public opinion would not take kindly to efforts exclusively targeting the financial system by many considered, rightly to a large extent, the cause of the current economic and financial crisis. It is necessary to give a clear signal that the eurozone is a community of destiny within the broader European Union — a signal that can only be the promotion of a policy to support economic growth and employment. This is why a separate budget has to be created for the euro area, financed (through taxes and borrowing) with its own resources. The document presented by the European Commission at the end of November last year may be taken as a starting point for reflection on this topic. Barroso's proposals take into account the requirements that were expressed by France and Germany as soon as the debate on a centralised budget for the eurozone got under way. France would like the budget to contain resources for the financing of an “unemployment fund”, while Germany would be willing to grant countries in need only temporary aid, subject to the adoption of measures designed to boost the competitiveness of the beneficiary country's economic system.²⁹ The Commission document proposes two

ket, for the share up to 60 per cent. The GCEE proposes communautarisation of the debt exceeding 60 per cent, *temporarily* and for the sole purpose of clearing it within 20-25 years. The German economists' idea, supported by the European Parliament, is for the ERF to purchase maturing debt that needs renewing as long as the residual debt incurred by the states remains within 60 per cent of GDP: in this way, the states will be debtors of the fund for the excess portion. The ERF will borrow on the market in order to obtain resources it transfers to the states. In order to guarantee the purchase, by the ERF, of the maturing national debt, the countries that have transferred this debt will be required to indicate the tax whose proceeds will be used to fund the payment of the annual debt service rates, deposit “collateral” as a guarantee of payment, undertake to introduce consolidation of the debt, whose burden they will continue to bear, and launch structural reforms. To deal with debts rising above the 60 per cent mark, whose burden they will continue to bear, they will have to introduce measures along the lines of the German and Swiss debt brake model.

²⁸ Michael D. Bordo, Agnieszka Markiewicz, Lars Jonung, *Does the Euro Need a Fiscal Union?*, *op. cit.*

²⁹ G. Steinhauser, *Euro Zone Considers Central Budget to Fix Cracks*, The Wall Street Journal, 25 September 2012.

types of intervention: on the one hand, contractual arrangements, linked to the beneficiary country's undertaking to pursue, as just mentioned, greater competitiveness of its economic system. However, in the document, provision is also made for the activation of a stabilisation policy, in addition to the one promoted by the countries hit by an economic shock. The transfers of resources, which would have to be temporary to avoid giving rise to moral hazards, may, together with project bonds, be used in investment projects in the energy, environment, transport, and telecommunications sectors, for example. The other measure proposed by the Commission, which would have the advantage of strengthening support, in public opinion, for the European project, is that of paying contributions to the unemployed as a supplement to their state contributions, along the lines of what already happens in the American federal system.

The Procedure for Creating a Euro Area Budget: the Limits of the European Parliament and European Commission's Current Proposals.

The question of the procedure to be followed in order to create a separate budget for the eurozone has, in part, already been addressed both in the resolution adopted by the European Parliament, and in the document issued by the European Commission in late November 2012, which highlight two aspects of the eurozone budget problem. If provision must be made for a budget that is financed with its own fiscal resources, *but must also be balanced*, it would, in the view of the European Parliament and the Commission, be possible to go down the enhanced cooperation route, remaining within the framework of the existing Treaties. This procedure, however, has its limitations: all it allows is the establishment of a common tax, put in place at national level in the countries participating in enhanced cooperation — a tax whose proceeds could be assigned, in part or in whole, to the European budget; it does not allow the transfer of fiscal sovereignty to the European institutions, which, instead, would require an amendment of the current Treaties. According to the European Parliament and the Commission, a Treaty revision would also be necessary if the eurozone budget were to be financed by borrowing.

The resolution of the European Parliament, while it has the merit of quite correctly raising a problem that is very real, i.e. the need to establish a eurozone budget, is, at the same time, also very weak. It defers the incorporation of the ESM Treaty and fiscal compact into the existing Treaty framework, even though an acceleration of this process would, in several ways, strengthen the euro area. As already mentioned, making the

ESM part of the existing Treaty framework would imply recognition of the eurozone's power to issue eurobonds and, above all, would make it possible to overcome the problem of democratic legitimacy underlying the ESM. Incorporation of the fiscal compact, on the other hand, would introduce, into the Treaties, a principle not accepted at the time of the drafting of the Lisbon Treaty, but which is, instead, embraced by the fiscal compact, namely the principle that a treaty can come into force when a majority of the EU countries, in this case the members of the eurozone, have ratified it. On this basis, it can be argued that the treaty resulting from a future European constituent assembly should come into force on its ratification by a majority of the eurozone countries. However, the European Parliament should undertake to submit, as soon as possible, a draft reform of the existing Treaties, explicitly indicating the need to give the eurozone a budget financed with its own fiscal and debt instruments and the need for the new treaty to come into effect following its ratification by the majority of the European states and citizens, thereby ensuring that the next European elections are true constituent elections. Such an initiative on the part of the European Parliament would be strengthened if, in the meantime, the eurozone countries were to enter into a "pre-constitutional"³⁰ agreement having the same objectives.

What Institutional Structure Might be Envisaged to Manage the Euro-zone Budget?

As regards the institutions that, within the current institutional framework, might, in the first instance, be called upon to supervise the management of the eurozone budget — additional to the EU budget —, it must be noted that the existing Treaties would need to be amended in order to allow for a separate vote on the two budgets: in the first case, the budget would be voted on by the European Parliament operating in restricted composition (i.e. only the part of the Parliament representing the countries of the eurozone) and, in the second, by the European Parliament operating in its full composition. Should, instead, the eurozone budget, rather than being funded by own resources, result from a splitting of the revenue from a given tax (like the tax on financial transactions or the carbon tax) between European and national levels, it would be possible to proceed in accordance with the terms of article 13 of the fiscal compact, which states that "the European Parliament and the national Parliaments [...] will together determine the organisation [...] of a conference of rep-

³⁰ Sergio Fabbrini, *L'Europa che Cameron vuole*, Il Sole 24 Ore, 25 January 2013.

representatives of the relevant committees of the European Parliament and representatives of the relevant committees of national Parliaments in order to discuss budgetary policies.” This “conference of representatives” would, however, have to have jurisdiction on revenue sharing and it would fall to the European Parliament, in the restricted composition of the eurozone countries, to decide on the budget policy to adopt.

The need for allocation of shared resources to be decided jointly by the European Parliament and national parliaments was highlighted over three decades ago by Albertini.³¹ The real issue, however, is to work out how the mechanism of a joint *decision* (let alone debate) by the two parliamentary levels might work in practice. An indication in this regard is provided by the historical precedent of the Australian federation during the crisis of the 1930s, when it was agreed that only the federal government, on behalf of all the levels of the federation, should borrow on the capital market. The Loan Council, in which both state level and federal level were represented on an equal footing, was established to decide on debt policy and the allocation of the revenue derived from borrowing. In the event of equality of votes cast, the president of Loan Council had the deciding vote.³² This solution could also work for the eurozone budget. The “conference of representatives” of the parliaments should be composed, in equal measure, of the European Parliament in the composition of the eurozone countries, and the parliaments of the eurozone countries. Both would be chaired by a president chosen jointly, for example the president of the Eurogroup. If the vote on resource allocation resulted in a tie, the president, i.e. the figure representing the common European interest, would have the casting vote. The vote on the division, between European and national level, of the revenue from the new tax on financial transactions, which would represent the first own resource of the additional eurozone budget, could be a first practical application of this mode of operation of the “conference”.

³¹ Mario Albertini, *Schema del rapporto del Presidente dell'U.E.F. al Comitato federale del 14-15 marzo 1981*, *Il Federalista*, 23, n. 1 (1981).

³² It is worth pointing out, however, that the Loan Council was required to decide unanimously on the allocation of resources collected. In the event of failure to reach a unanimous decision, decision the allocation of funds was decided on the basis of a formula that can be considered highly dubious, given that it rewarded the least virtuous states. Indeed, according to this formula, 20 per cent of the resources collected would be assigned to the federal government, and the rest divided among the member states on the basis of the debt levels they had reached in the previous five years.

A Budget for the Euro Area: the Road Leading to the Decisive Federal Leap

GIULIA ROSSOLILLO

Introduction.

The results of recent elections held in Italy and other European countries have shown very clearly the emergence, in some sections of public opinion, of a strongly negative attitude towards the process of European integration and the single currency. Many people blame the current economic crisis on the creation of the euro and believe that scrapping the single currency would allow the states to replace the austerity policies imposed at supranational level with development policies. These views, specious as they are — they fail to take into account the fact that the influence of the eurozone countries on the global market would, following their return to their national currencies, be absolutely negligible compared with that of the continental-scale economies, making their recovery of monetary sovereignty purely illusory — nevertheless highlight an aspect that has been becoming increasingly evident in recent years, namely the inability of the European Union, and within it the monetary union, structured as they presently are, to provide effective solutions to the crisis.

This is an aspect that should be taken into account by anyone who, conscious that it is only through a quantum leap forwards in the process of European unification (rather than a return to national divisions) that Europe will find a way out of the present crisis, is trying to work out the roadmap that will lead Europe in this direction. Indeed, if it is true that a real solution to the problems currently afflicting the Europeans will be found only when the states are prepared to stop acting as “masters of the Treaties” and unite in a federal state, it is also true that the current scepticism towards Europe and the single currency, an attitude whose spread could jeopardise the entire integration process, will not be curbed unless, *as of now*, tools are found that can show the European

citizens that a turnaround is possible, and that the European institutions, far from being concerned only with austerity, have the capacity to offer them new prospects for growth and development.

The EU Budget and the Pretence of “Own Resources”.

The shortage of resources available to the EU goes a long way towards explaining the impotence of the European institutions in the face of the crisis. This shortage of resources is due to the EU’s lack of fiscal capacity, and also to the fact that the single member states have the power to block proposed increases in the EU budget. For this reason, the issue of resources must be the starting point for efforts to find a way out of the vicious circle in which the EU, and the eurozone in particular, now seem to be caught.

The European Coal and Steel Community (ECSC) was, of course, based on a particularly advanced funding mechanism. Indeed, whereas the traditional international organisations were, and still are, financed by contributions paid by their member states, the Treaty of Paris (1951) gave the ECSC the power to levy direct taxes on coal and steel production and thus to finance itself.¹

However, the six founding states of the ECSC did not feel that the same mechanism should be applied to the European Economic Community, an international organisation with much more far-reaching objectives, including economic integration in the broadest sense (i.e. not just the economic integration of one specific area).² Indeed, Article 200 of the TEEC stated that “the revenues of the budget shall comprise, apart from any other revenues, the financial contributions of member states,” which effectively meant that the functioning of the Community depended on the capacity and willingness of the states to finance it. However, the possibility of setting up a system of own resources was not excluded by the Treaty, which entrusted the Commission (Art. 201

¹ On this point and on the EU’s system of “own resources”, see. J. Haug, A. Lamas-soure, G. Verhofstadt (with the collaboration of D. Gros, P. De Grauwe, G. Ricard-Nihoul, E. Rubio), *Europe for Growth. For a Radical Change in Financing the EU*, Notre Europe, Brussels, 2001, especially p. 4 ff..

² As remarked by U. Draetta, *Elementi di diritto dell’Unione europea. Parte istituzionale. Ordinamento e struttura dell’Unione europea*, 5th ed., Milan, Giuffrè, 2009, p. 199, while attributing the power of taxation to an international organisation not subject to effective democratic control could be tolerated within the context of a specific sector, like the ECSC, it would not have been acceptable in the case of an organisation like the European Economic Community.

TEEC) with the task of examining “the conditions under which the financial contributions of member states provided for in Article 200 could be replaced by the Community’s own resources” and, to this end, of submitting a proposal to the Council, which, acting unanimously and after consulting the Assembly, would then have to lay down the necessary provisions and recommend their adoption by the member states.

All this led to the establishment, in 1970,³ of an “own resources” system of financing, based on revenue deriving from three different sources: customs duties, agricultural levies and a share of value-added tax receipts. The innovative aspect of this solution (compared with the original system, based exclusively on contributions from the member states) was the fact that the revenue collected derived — in the case of the customs duties and agricultural levies at least — from common policies; in other words, it was revenue generated through activities managed by the Community institutions. However, the European Community was not assigned proper powers of taxation, since the own resources were not decided at supranational level, but by the member states, and were also collected by the member states, which kept a share as reimbursement of the costs involved (this still applies today, with the states currently retaining 25 per cent).

But the growing competences of the European institutions, together with a progressive decline in revenue from the Common Customs Tariff and agricultural levies (due to a general global liberalisation of trade), meant that these own resources were soon insufficient to finance the activities of the Community. Therefore, 1988⁴ saw the introduction of the so-called fourth resource, which consisted of a percentage of each member state’s GDP. The introduction of this fourth resource essentially marked a return to a system of Community funding based on contributions from the states. Indeed, the bulk of the EU budget (over three quarters) now comes from this resource.⁵ Basically, the survival and functioning of the supranational system still depends, as it did in the past, on the capacity (and willingness) of the states to finance it.

In conjunction with the decision on the fourth resource, the Brussels

³ Council decision of 21 April 1970 on the replacement of financial contributions from member states with the Communities’ own resources, in OJ L 94 of 28 April 1970, p. 19.

⁴ Council decision of 24 June 1988 on the system of own resources of the European Communities, in OJ L 185 of 15 July 1988, p. 24.

⁵ On this point, see S. Saurel, *Le budget de l’Union européenne*, Paris, La Documentation Française, 2010, p. 171.

European Council of 1988 also introduced a new, multiannual financial planning instrument whose purpose was, on the one hand, to decide types of and place ceilings on own resources, and on the other to determine financial perspectives (now called the multiannual financial framework) for periods of at least five years at a time.⁶ The EU's own resources and the multiannual financial framework are today governed by Articles 311 and 312 TFEU, which require the Council, in both cases, to act unanimously (in the case of the decision on own resources, the European Parliament is consulted and the decision enters into force only after it has been approved by the member states in accordance with their respective constitutional requirements, whereas the multiannual financial framework can be adopted only after obtaining the consent of the European Parliament). Furthermore, the fact that Article 310 TFEU expressly states that "the revenue and expenditure shown in the budget shall be in balance" means that the decision on own resources also determines the EU's expenditure ceiling. Therefore, unlike what happens in federal states, in Europe it is the member states that decide the size of the EU budget, which currently amounts to just over 1 per cent of their GDP.⁷

In times of severe economic crisis, of the kind we are experiencing today, it is inconceivable that the states should decide to step up their contribution to the funding of the supranational level: the lack of resources and the need to respect the parameters of the Stability and Growth Pact are, in fact, forcing them to use all their available resources to shore up the domestic economy. As a result, at a time when intervention by the EU institutions is more necessary than ever, the resources at the disposal of these institutions are tending to diminish.

The Relationship between the methods of Funding an Organisation and its Degree of Independence from its Member States.

This situation is clearly illustrated by recent events relating to the multiannual financial framework and EU own resources for the period

⁶ See L.S. Rossi, *La dinamica interistituzionale nella definizione del bilancio comunitario*, Il Diritto dell'Unione europea, 2006, n. 1, p. 179 ff, especially p. 189 ff..

⁷ As remarked by J.-F. Jamet, *L'Europe peut-elle se passer d'un gouvernement économique?*, Paris, La Documentation Française, 2011, p. 55, the EU member states have a very strong influence over the EU budget, given that this budget is funded almost entirely by their contributions and that it is the states, together with the European Parliament, that fix the size of the budget and decide how it should be used; by contrast, the states of the American and Canadian federations are not directly involved in the federal budget procedure.

2014-2020. Indeed, during the negotiations prior to the adoption of these instruments, the member states agreed to set a lower ceiling on EU spending than seen in the past. This agreement on a smaller EU budget was opposed by the European Parliament, which instead proposed, on the one hand, introducing changes in the direction of greater budget flexibility, and, on the other, equipping the EU with proper own resources, such as those that would derive from the tax on financial transactions, recently the subject of a proposal for an enhanced cooperation. Leaving aside the greater flexibility route, which in any case would not solve the problem of the scarcity of resources, it should be underlined that the idea of allocating the revenue from the tax on financial transactions to the EU budget — even though this shows that the European Parliament is aware of the vicious circle created by the EU's lack of fiscal capacity — would nevertheless run into some quite considerable difficulties. If, on the one hand, the proposal advanced was to give the EU a power of taxation, it would never be accepted by countries, like the UK, that are strongly opposed to any kind of political evolution of the Union. It is, in fact, unthinkable that the EU should be assigned a power in violation of the principle *no taxation without representation*: such a proposal would, in fact, be acceptable only if it were accompanied by an overcoming of the current confederal logic and the creation of a democratically legitimised European government. If, on the other hand, the proposal was to have the financial transaction tax, which will probably be adopted through the mechanism of enhanced cooperation, paid into the EU budget by the states participating in the cooperation, this, too, would be unacceptable as it would amount to using a tax applied only in some states (those taking part in the enhanced cooperation) to fund the budget of all of them (i.e. of the entire EU).

These events also serve to illustrate the importance, to the running of an institution, of the way in which it is financed. Indeed, when an international organisation is funded entirely by contributions from its member states, it remains heavily dependent on them: if they decide to stop contributing to its funding or if their contribution is insufficient, the organisation cannot operate. Conversely, if an organisation is able to fund itself, i.e. has fiscal capacity, it will be independent of the states and thus able to determine its own conduct.

In times of crisis, when the member states are unable to meet their obligations, particularly in the terms of social spending, the existence of a higher level of government, able to procure the necessary re-

sources, becomes fundamental. As pointed out by Wheare,⁸ it was the two world wars, more than anything, that brought about an exponential increase in revenue at federal level in the existing federal states. This circumstance made it possible for the central governments of these states to transfer resources from the richest to the poorest areas at a time when the member states, being able to raise funds only at local level, were no longer able to meet the needs of their populations. If, at that time, these central governments had lacked the power to levy taxes and been dependent on funding from the individual states, the federal structure would have collapsed, because the member states would not have had the resources necessary to finance the federation.

This is precisely the scenario we are witnessing in Europe today: the EU does not have the capacity to procure resources autonomously, and neither can it expect to acquire this capacity in the future, given that some of its member states are absolutely opposed to any progress towards this end. The solution, therefore, has to be based on a different perspective and must necessarily involve only those states that, having already agreed to relinquish their monetary sovereignty, now feel ready to be part of the initial core of a federal state.

The Proposals for Giving the Eurozone an Additional Budget.

From this perspective, it is easy to appreciate the fundamental importance of the proposal to create a separate and additional budget for the euro area, funded by own resources. This proposal is contained in the report entitled “Towards a Genuine Economic and Monetary Union”, drawn up by Europe’s “four presidents” (of the European Council, ECB, Commission and Eurogroup),⁹ in the Conclusions of the European Council meeting of 28-29 June 2012, and in the Communication from the Commission of 28 November 2012 entitled “A blueprint for a deep and genuine economic and monetary union.”¹⁰ These are documents that clearly outline the prospect of equipping the euro area with fiscal capacity, a separate budget, and an EMU Treasury,

⁸ K. Wheare, *Federal Government*, Oxford, 1964, p. 103 ff..

⁹ *Towards a genuine economic and monetary union*, Report by the President of the European Council Herman van Rompuy (in close cooperation with the Presidents of the Commission, the Eurogroup and the European Central Bank), 25.6.2012; *Towards a genuine economic and monetary union*, Interim Report by the President of the European Council Herman van Rompuy (in close cooperation with the Presidents of the Commission, the Eurogroup and the European Central Bank), 12.10.2012.

¹⁰ COM(2012) 777 final.

the idea being that these instruments would make it possible to break the vicious circle in which the question of EU funding is currently caught and give the eurozone the instruments it needs to correct the asymmetry due to the paradoxical coexistence of a common monetary policy and single national economic policies.

As many have already pointed out,¹¹ an additional budget for the monetary union could have different functions, being an instrument that could serve not only to help member states in the event of asymmetric shocks, but also to finance a plan for growth and development capable of responding to the most urgent needs of the states in crisis, such as the need to create employment. Resources corresponding to 2 per cent of the GDP of the member states, coming from the tax on financial transactions or from the carbon tax, would be sufficient to meet these goals. On the one hand, this solution would allow Great Britain to remain outside any forms of political integration, while still allowing the states wanting to go down this route to do so; on the other, it would make it possible to implement a development plan for the eurozone and, following the austerity measures thus far pursued in Europe, open up a prospect of growth and employment, thereby helping the European citizens to see that Europe, far from being only punitive, can help to positively influence their future.

Even though the debate over the legal instruments to use in order to create this budget is still in its very early stages, it is already possible to outline several avenues that could be pursued.

The first option is to use the ordinary Treaty revision procedure provided for under Art. 48 TEU. This is an option that has many disadvantages and that continues to be regarded warily by the majority of the states. First of all, application of Art. 48 would be a long and complex undertaking, entailing the calling of a convention and an intergovernmental conference and ratification by all the member states. What is more, it would mean reopening the question of Treaty revision (a veritable Pandora's box), and thus running the risk that any project eventually emerging from the IGC and convention would merely be the result

¹¹ E. Rubio, *Eurozone budget: 3 functions, 3 instruments*, Notre Europe, Tribune, November 2012; P. Toporowski, *A Budget for the Eurozone: An Idea Fast Maturing*, Polish Institute of International Affairs, Bulletin n. 117, December 2012; G. Wolff, *A budget for Europe's monetary union*, Bruegel, Policy Contribution 2012/22, December 2012; F. Zuleeg, J.A. Emmanouilidis, *A budget for the eurozone?*, European Policy Centre, Commentary, October 2012.

of an unsatisfactory compromise reached with the states that are opposed to a strengthening of the supranational level.¹²

The Commission itself, in the Communication mentioned earlier, stressed that Treaty revision is a step that should be reserved for a later stage, whereas “proper fiscal capacity for the euro area could initially be developed under secondary law.” This statement, indicating that the existing Treaties might contain provisions that could be used to kindle the issues of fiscal capacity and a budget for the eurozone, may actually provide a valuable starting point. After all, amending the Treaties to actually create these instruments would be a more clearly defined and less problematical undertaking if the process had already been ignited.

The provisions that can be examined to this end are, on the one hand, those relating to the establishment of enhanced cooperation agreements, and on the other Art. 136 TFEU. These are, in fact, the only ones able to raise the prospect of integration between only some of the member states, in this case the ones that use the single currency.

As we know, to launch an enhanced cooperation,¹³ a minimum of nine states must formally approach the Commission, submitting a request to be able to cooperate more closely in a given area (i.e. advance towards integration more quickly than the states not involved), providing it has first been established that their objective cannot be achieved by the Union as a whole. The Commission submits a proposal and the cooperation must be authorised by the Council acting by a qualified majority and having obtained the necessary approval from the European Parliament. Once established, the enhanced cooperation becomes part of the institutional structure of the EU and is governed by its institutions. In particular, on matters relating to an enhanced cooperation, the Council decides in restricted composition (i.e. only the members from the countries participating in the cooperation), whereas the other

¹² For more, in general, on forms of flexibility resulting from compromises reached within intergovernmental conferences, see A. Stubb, *Negotiating Flexibility in the European Union. Amsterdam, Nice and beyond*, New York, Palgrave, 2002.

¹³ After remaining inert for many years, the enhanced cooperation mechanism was first applied with Regulation 1259/2010 of 20 December 2010 which related to the implementation of enhanced cooperation in the area of the law applicable to divorce and legal separations (published in OJ L 343 of 29.12.2010, p. 10), and recently led to the adoption of Regulation 1257/2012 of 17 December 2012, implementing enhanced cooperation in the area of the creation of unitary patent protection (published in OJ L 361 of 31.12.2012, p. 1). The enhanced cooperation agreement is governed by Articles 20 TEU and 326-334 TFEU.

institutions act in their full composition. Furthermore, there are other conditions: the cooperation must comply with the Treaties and with EU law, may not be detrimental to the internal market or to economic, social and territorial cohesion in Europe, may not constitute an obstacle to or a source of discrimination in trade between the member states, may not cause distortions of competition between them, and may not interfere with the competences, rights and obligations of the member states which are not part of it.

One obvious advantage of this mechanism is that the cooperation can be authorised by the Council acting by a qualified majority, which means that its implementation does not demand the consensus of all the member states. However, as a mechanism to be used for the purpose of putting in place an initial fiscal capacity and separate budget for the eurozone, it presents certain weak points.¹⁴ First of all, it is not stipulated at the outset which states can be involved in an enhanced cooperation, in the sense that these agreements are open both to states belonging to the euro area and to those from outside it; therefore, enhanced cooperation is not a mechanism specifically designed to address the needs of the euro area.¹⁵ Second, enhanced cooperations are fully incorporated into the institutional structure and mechanisms of functioning of the EU, with the result that the states taking part in the cooperation are left little room for manoeuvre.¹⁶

Conversely, compared with the provisions on enhanced cooperation, the other provision that could be exploited — Art. 136 TFEU —

¹⁴ The instrument of enhanced cooperation is seen by the European Parliament [resolution of 20 November 2012 (2012/2151(INI)] as the means of introducing taxes and duties specific to the euro area. In this sense, see D. Moro, *A Budget for the Euro Area: Objectives, Procedures and Institutions*, The Federalist, 55 (2013).

¹⁵ On the limits of the use of enhanced cooperation as an instrument for completing the economic and monetary union, see O. Clerc, *La gouvernance économique européenne*, Brussels, Bruylants, 2012, p. 481 ff, which points out that enhanced cooperation, being required to respect the single institutional framework of the European Union, does not really lend itself to the creation of bodies specifically for the Eurozone; an additional risk is that an enhanced cooperation would also be open to states wanting to hinder the process of creating an economic government.

¹⁶ A further consideration that would seem to discourage the use of enhanced cooperation as a means of creating an embryo eurozone budget emerges from an *obiter dictum* of the *Pringle* judgement (27 November 2012, C-370/12, *Pringle*, not yet published), according to which “an enhanced cooperation can be established only if the Union has jurisdiction to act in the area of that cooperation”, a circumstance not deemed by the Court to exist in the case of the EMS and which would probably not exist in that of the creation of an embryo eurozone budget, either.

offers some interesting pointers. This article has served as the legal basis for the adoption of several measures aimed at tackling the crisis, including the Treaty establishing the European Stability Mechanism (ESM), otherwise known as the bailout fund. It is worth noting that since Art. 136 TFEU originally stipulated that the member states whose currency is the euro — the Council in its restricted composition to be precise — could only adopt measures designed to contribute to the smooth functioning of the EMU (in particular provisions serving to strengthen the coordination and surveillance of budgetary discipline and allowing the drafting and monitoring of economic policy guidelines), a further paragraph had to be added, giving the states the faculty to establish a stability mechanism. This amendment was made using the simplified revision procedure under Art. 48.6 TEU.¹⁷ This is the basis on which the states of the euro area subsequently concluded the Treaty establishing the European Stability Mechanism. The ESM is, therefore, based on a treaty that is separate and distinct from the founding Treaties (TEU and TFEU), even though its establishment was, as it were, authorised by them.

This mechanism has allowed the eurozone countries to enjoy a certain amount of room for manoeuvre, moreover without raising particular problems as regards the compatibility of their action with the EU's institutional structure.¹⁸ In fact, the Treaty establishing the ESM, while entrusting certain functions to the Commission, the ECB and the European Court of Justice, created new organs of its own (a board of governors and a board of directors), which are composed solely of representatives of the eurozone states and responsible for deciding how the ESM works.

Clearly, the creation of a eurozone budget funded with own resources and managed by a democratically legitimised eurozone government would be more than just a forward leap in terms of European integration; indeed, it would change the nature of the bond between the states that adopted the single currency and would demand a rethinking of the relations between the eurozone and the rest of the EU. Impossi-

¹⁷ European Council Decision of 25 March 2011 amending Article 136 of the Treaty on the Functioning of the European Union with regard to a stability mechanism for member states whose currency is the euro (2011/199/EU), published in OJ L 91 of 6.4.2011, p. 1.

¹⁸ The Court of Justice, in the *Pringle* judgement (*cit.*), has also underlined the compatibility of the ESM Treaty with EU law.

ble to accomplish through the mechanisms currently provided for in the Treaties, it would be a step that would necessarily entail their revision. However, it is important to appreciate that, by exploiting the mechanisms provided by the founding Treaties, the embryo of a supplementary budget for the eurozone could already be created today, and that this embryo, raising the issue of the need to control democratically the management of the resources pooled by the eurozone countries, would constitute a reality that would have to be taken into account when revising the Treaties.

Article 136 TFEU as the Means of Creating an Embryo Eurozone Budget.

Article 136 TFEU could be the right instrument for this purpose. One possible scenario is that the member states could agree, during a European Council meeting, to amend Art. 136 through the simplified revision procedure already used to give the ESM Treaty a legal basis, adding a further paragraph giving the states the faculty to create an embryo eurozone budget. A solution of this kind, requiring use of the simplified revision procedure as per Article 48.6 TEU, a unanimous decision by the European Council, and approval by the member states in accordance with their respective constitutional requirements, would necessarily have to be supported by the states outside the eurozone, too. However, we should not overlook the fact that the current wording of Art. 136 is rather vague¹⁹ and that, especially under the pressure of the urgency to find an effective means of breaking the current deadlock,²⁰ it could conceivably be interpreted in a way that would allow — on the basis of the same paragraph 3 that allowed the conclusion of the ESM Treaty — the adoption of a treaty that would see the eurozone states pooling the revenue from the tax on financial transactions and entrusting its management — provisionally — to an intergovernmental body similar to the ESM's board of governors or to a proper finance minister for the eurozone.

The creation of a eurozone budget through a Treaty based on Art. 136 rather than through exploitation of the provisions on enhanced co-

¹⁹ J.-C. Piris, *The Future of Europe. Towards a Two-Speed EU?*, Cambridge, Cambridge University Press, 2012, p. 107.

²⁰ As underlined by F. Zuleeg and J.A. Emmanouilidis, *A budget for the eurozone... op. cit.*, “the debate over a eurozone budget may also follow a much broader trend, observed again and again in the crisis: what seemed impossible becomes likely, what was inconceivable is implemented.”

operation would have two clear advantages: first of all, the circle of states involved would already be defined, given that measures adopted on the basis of this provision refer only to states that have joined the single currency; the second is the fact that Art. 136, not applying all the restrictions that limit activities of states deciding to enter into an enhanced cooperation, would allow the eurozone member states plenty of freedom for movement.

Article 136 could therefore represent the opening that might allow the eurozone countries to take the first steps towards the creation of a federal state, offering a solution far less traumatic than the setting up of an international treaty outside the framework of the founding Treaties, which would upset the current institutional balance of the Union, and at the same time constituting an initial step that could subsequently be completed with a true revision of the Treaties.

Indeed, a Treaty based on Art. 136 could conceivably be designed to address only the issue of the pooling of resources such as those deriving from the tax on financial transactions, and the creation of a body responsible for managing them. This would constitute a step that, although preliminary, would serve to raise the issues of democratic legitimisation (of this new body) and of the structuring of an institutional framework for the eurozone. As already underlined, the creation of a democratically legitimised government of the euro area equipped with fiscal capacity — and thus the establishment of a federal core within the European Union — would in truth necessitate modification of the current structure of the EU, possible only through revision of the Treaties. However, the existence of an initial, embryo eurozone budget and a transitional authority responsible for managing it would, when that point were reached, constitute a reality that would force the member states to find institutional solutions capable of ensuring the coexistence of an evolving eurozone federation and the broader confederal Union.

Reforming the European Decision-Making Process: Legitimacy, Effectiveness and Clarity

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The economic and financial crisis has raised fundamental questions about the future of European integration.¹ Indeed, the European states — in particular the eurozone members — have realised that, in order to recover their sovereignty vis-à-vis the markets and thereby the capacity to make decisions about their own future, they have to form a more coherent system. While, on the one hand, the idea of forming a banking union has progressed rapidly over the last few months, and the debate regarding certain aspects of economic and fiscal union has continued (notably the opportuneness of pooling part of the debt), on the other, stricter, common rules have already been adopted, the European Stability Mechanism (ESM) has entered into force, and there has been a strengthening of the resources and role of the European Investment Bank.

Given the transfer of competences that these joint measures imply, the question of political union can clearly no longer be eluded. European decisions must enjoy adequate democratic legitimacy² in the eyes of the citizens and the decision-making mechanisms must be simple and clear enough to be effective and transparent. Without these elements the citizens will not accept economic union and questions will continue to be asked about the political vision behind European deci-

¹ This text is a reviewed and updated version of the article by T. Chopin, J.-F. Jamet, F.-X. Priollaud, *Une union politique pour l'Europe*, Questions d'Europe, Policy paper of the Robert Schuman Foundation, n. 252, 24 September 2012.

² Democratic legitimacy derives, first of all, from the democratic definition of the political goals of the European institutions. It also assumes that the legislation necessary for achieving these goals is democratically voted upon. Finally it requires democratic control of the implementation of this legislation.

sions, and this, in turn, will be liable to weaken and even threaten the survival of the entire economic integration project.

Against this background, the present paper examines the terms of the debate, identifying several concrete proposals and looking at their legal feasibility in view of the type of reforms that they would entail. They can thus be divided into proposals involving: (i) innovations that nevertheless leave the Treaties as they stand; (ii) limited changes to the Treaties under the simplified revision procedure provided for in Article 48 TEU; (iii) more extensive Treaty modifications under the ordinary revision procedure also provided for in Article 48 TEU.

1. Political Union: What are We Talking About?

1.1. A Necessary Clarification.

As an effect of the present crisis, doubts over the democratic legitimacy and efficacy of the European decision-making process have returned very much to the fore. Even though the renewed debate on these issues is to be taken as a positive sign, some points need to be clarified and warnings issued in order to prevent it from falling into the trap of abstract slogans whose only effect would be to create more disillusionment.³

The concept of federalism, an ever-present element in the debate on political union, needs particular clarification. Objectively, federalism is a system of organisation of powers based on the division of competences between different levels of government. However, it must be distinguished from the concept of the federal state.⁴ The latter is discussed in the context of the debate on the future of the European Union, without, however, helping to clarify it. On the one hand, in fact, the EU is not a state and therefore conflicts are liable to arise over the distribution of powers between the nation states and the other levels of government; on the other hand, there can be no denying that the EU already has certain traits and instruments of a federal nature, namely, among others, a currency, a central bank, a budget, and a parliament elected by direct universal suffrage. The crisis has also led to increasing federali-

³ On this point, see T. Chopin, *L'union politique: du slogan à la réalité*, Rapport Schuman sur l'Europe. L'état de l'Union 2013, Paris, Lignes de repères, 2013.

⁴ Against this prevailing argument, see O. Beaud, *Théorie de la Fédération*, Paris, Presses universitaires de France, 2007.

sation of EU economic policy: indeed, the creation of the ESM and the strengthening of the instruments of economic governance (the six pack, the fiscal compact, and the two pack) lay the foundations for true fiscal federalism. Similarly, the banking union will lead to the creation, within the ECB, of a European supervisory authority and, probably, of a bank resolution mechanism. From this perspective, the choice of the term “federal leap” is clearly an unfortunate one in two ways: first, it does not reflect the reality of today’s EU, which already has characteristics of a federal nature⁵ and, echoing the expression “a leap in the dark”, it conveys uncertainty and somehow elicits anxiety.

This confused and inaccurate use of political terminology can potentially lead to dangerous misunderstandings. In the economic field, it influences the debate on the reform of EU economic governance. This is, indeed, why, outside France, the proposal for an economic government⁶ has not been well received, a situation that highlights the very real need, in relation to European economic policy, for clarity, simplification and legitimisation.

The differences that this debate brings out are the same ones that, in Europe, characterise the different national political cultures. In France, the term government is synonymous with politicisation and interventionism; in Germany it recalls the desire for rules designed to be independently implemented, while in the UK and central Europe it raises the spectre of a federal state liable to limit individual freedoms. Being unable to reach a common vision of the European political and economic system, i.e. of federalism, the member states are also unable to come to an agreement on common governance and ultimately on the collective management of European public goods (macroeconomic stabilisation, climate and energy, European defence, and so on).⁷ And yet such an agreement is precisely what is now not only necessary but desperately urgent! The objective of the political union should therefore be to strengthen the legitimacy of the European decision-making process, at the same time, making it more effective and easier to understand.

⁵ Y. Bertoncini, *Saut fédéral ou unions politiques?*, in Le Mot de Notre Europe, 22 June 2012.

⁶ On this point, see J.-F. Jamet, *L’Europe peut-elle se passer d’un gouvernement économique?*, Paris, La documentation française, 2nd ed., 2012.

⁷ See the works by S. Collignon on the “République européenne”, in particular *The European Republic. Reflections on the Political Economy of a Future Constitution*, Beteirosmann Foundation, 2003 and (with C. Paul), *Pour la République européenne*, Paris, Odile Jacob, 2008.

1.2. *The Terms of the Current Debate.*

The debate on political union is alive in many EU member states, especially Germany where it is being conducted at the highest level.⁸ In September 2012, the foreign ministers of eleven EU member states⁹ signed a document that may be regarded as the first attempt to formalise a project for political union. In December 2012, the European Council President Herman Van Rompuy chose the European Council summit to present a roadmap for the creation of genuine economic and monetary union,¹⁰ identifying four key challenges, including the achievement of a strengthening of democratic legitimacy and accountability.

While three of the proposed unions (the banking, fiscal and economic unions) have been the focus of considerable attention, no detailed proposals have yet been advanced with regard to political union. An important exception in this regard has, however, been the recommendation to create, albeit as yet without specifying a time frame, a single body responsible for representing the eurozone externally and for giving it a single voice in international settings like the IMF.¹¹

Despite numerous appeals,¹² nothing concrete has yet come of Van Rompuy's address. Angela Merkel seems to be in favour of a new convention,¹³ while José Manuel Barroso, President of the European

⁸ Angela Merkel was very explicit in an interview granted to several European newspapers on January 19 2012: "Over a long process, we will transfer more powers to the Commission, which will then handle what falls within the European remit like a government of Europe. That will require a strong parliament. A kind of second chamber, if you like, will be the council comprising the heads of government." ... "And finally, the supreme court will be the European court of justice. That could be what Europe's political union looks like in the future (...)." See U. Guérot, *The Euro Debate in Germany: Towards Political Union?*, European Council on Foreign Relations, ECFR, 5 September 2012.

⁹ Cf. Final Report of the Future of Europe Group comprising the Foreign Ministers of Austria, Belgium, Denmark, France, Italy, Germany, Luxembourg, The Netherlands, Poland, Portugal and Spain, 17 September 2012.

¹⁰ *Towards a Genuine Economic and Monetary Union*, 5 December 2012. See also the Conclusions of the European Council of 13 and 14 December 2012.

¹¹ Cf. European Commission, *A blueprint for a deep and genuine economic and monetary union. Launching a European Debate*, 28 November 2012, COM(2012) 777 def., and *Towards a Genuine Economic and Monetary Union*, *op. cit.*.

¹² Cf. in particular S. Goulard and M. Monti, *De la démocratie en Europe. Voir plus loin*, Paris, Flammarion, 2012.

¹³ Cf. *The Future of Europe: Merkel Pushes for Convention to Draft New EU Treaty*,

Commission, has called for a “democratic federation of nation states.”¹⁴ Angela Merkel and Michel Barnier have proposed that the President of the European Commission be elected by direct universal suffrage. Jean-Claude Trichet has recommended the creation of a new post: that of eurozone finance minister.¹⁵ However, such interventions never lead to anything; these proposed steps continue to be postponed to some (even remote) future time, and specific commitments are never made.¹⁶

Furthermore, whereas many aspects of the integration process (fiscal federalism, banking union, the status of the non-eurozone EU members, especially the UK) are no longer taboo subjects, in many states (including France until recently) there is still no debate on its political and democratic aspects. In this regard, it is worth noting that on May 16, 2013 the French president François Hollande declared his country’s willingness to give substance to a political union.¹⁷ The nature of this substance soon started to emerge in Franco-German proposals¹⁸ aimed at creating a full-time President of the Eurogroup and an offshoot of the European Parliament responsible for the euro area.

1.3. The Urgency of the Reform.

For the past four years or more, the priority, quite understandably, has been to find solutions to the economic crisis. In that time, the conditions for creating an effective European economic framework have become clear: on the one hand, there has to be, at European level, macroeconomic and financial supervision, which must in turn be sup-

Spiegel Online International, 27 August 2012.

¹⁴ State of the Union Address to the European Parliament, 12 September 2012.

¹⁵ Cf. Speech by J-C. Trichet, then president of the ECB, on the occasion of the presentation of the 2011 Charlemagne Prize, Aix-la-Chapelle, 2 June 2011.

¹⁶ François Hollande, in an interview with *Le Monde*, 18 October 2012: “L’union politique c’est après, c’est l’étape qui suivra l’union budgétaire, l’union bancaire, l’union sociale.”

¹⁷ François Hollande : “L’Allemagne, plusieurs fois, a dit qu’elle était prête à une union politique, à une nouvelle étape d’intégration. La France est également disposée à donner un contenu à cette union politique (...). Ce n’est plus une affaire de sensibilité politique, c’est une affaire d’urgence”, introduction by the President of the Republic at the press conference of May 16, 2013.

¹⁸ *La France et l’Allemagne ensemble pour renforcer l’Europe de la Stabilité et de la Croissance*, 30 May 2013, <http://www.elysee.fr/assets/pdf/contribution-franco-allemande.pdf>.

ported by the corrective instruments that are needed in order render it effective and credible; on the other hand, the eurozone must ensure that it has its own means of preventing and dealing with the crises that its single states are unable to resolve.

However, the citizens remain perplexed by the increasing federalisation of European economic policy decisions.¹⁹ Surveys show, alarmingly, a growing mistrust of the main European institutions.²⁰ As a result, precisely at a time when the competences of the European institutions are increasing and they are being called upon to make decisions in sensitive areas intimately bound up with sovereignty, they seem to lack adequate democratic legitimacy.

For some years now, the legitimacy of European decisions has been an increasingly pressing issue. Indeed, since the start of the 1990s, the EU has been experiencing an unprecedented legitimacy crisis. The best informed analyses highlight the following trends: a progressive structuring of opinions (during the 1980s and 1990s) followed by a gradual process of “politicisation” (emerging in the referenda held in France and the Netherlands in the spring of 2005 and then in Ireland in 2008). The effect of this gradual process of “political learning” on the part of the citizens was to bring to an end the “permissive consensus”²¹ that had characterised public opinion towards Europe since the beginning of the European integration process: there is now no member state whose citizens “blindly” trust their elites to manage, to best effect, their European interests.²² The citizens want the right to speak. This is a situation that, apparent for many years, has been rendered even more evident by the crisis.

The fact is that, coupled with the crisis, the citizens’ growing mistrust of the European institutions and of the current reforms has pre-

¹⁹ Cf. T. Chopin and J.-F. Jamet, *L'Europe sans les Européens*, Libération, 14 December 2012.

²⁰ Standard Eurobarometer 78 / Autumn 2012.

²¹ The expression “permissive consensus” was invented by V.O. Jr., Key, *Public Opinion and American Democracy*, New York, Alfred A. Knopf, 1961, and was first introduced in relation to European integration by Lindberg and Steingold in their assessment of the support of public opinion for European integration, in Leon N. Lindberg and S.A. Scheingold, *Europe's Would Be Polity. Patterns of Change in the European Community*, New Jersey, Prentice Hall, 1991.

²² See, for example, L. Siedentop, *A Crisis of Legitimacy*, in Prospect, 2005, or J. Thomassen, *Citizens and the Legitimacy of the European Union*, The Hague, WWR Web publication, n. 19, 2007. On this point, see also T. Chopin, *La crise de légitimité de l'Union européenne*, in *Raison publique*, Presses de la Sorbonne, n. 7, 2007.

sented the EU with a major political challenge. Either the European leaders show that they can agree on measures sufficient to deal with the crisis and respond to the criticisms regarding the EU's democratic and executive deficits and, in so doing, encourage the emergence of a European people (*demos*) and help to give real meaning to the concept of European citizenship, or they risk facing a rise in eurosceptic sentiment, given that, without such agreements, any further integration will not be accompanied by the necessary levels of democratic control and decision-making capacity. There is a risk that many Europeans will fall back on their sense of national identity in the belief that only the nation can guarantee them their political rights.

Moreover the rise of extremism and populism is symptomatic of Europe's legitimacy crisis. The various elections — presidential and general — held across Europe (from Sweden to Hungary, not forgetting France, Italy, Denmark, Belgium and Greece) confirm the strength of the populist forces and of the far right, both of which promote, in the arena of public debate, a form of economic and cultural (identity-based) protectionism. These extremist and populist anti-European forces criticise the power held by the national and European élites and seek to gain leverage by challenging the democratic and political legitimacy of the European institutions.²³

The current situation constitutes an emergency that Europe's leaders can no longer hope to manage while at the same time postponing their more ambitious ideas to some future time. This is particularly true in France, a country that is still traumatised by the events of 2005 and in which every party lives in fear of becoming divided over the issue European institutional reform. It is absurd, really, since both the 'yes' and the 'no' brigade share, for the most part, the desire to make Europe more democratic. But if they go on refusing to enter into this debate, there is a risk that the 'no' faction will grow, in other words that an increasing number of citizens will refuse to accept transfers of major economic competences to Europe.

2. Making Political Union Concrete

In this context, several solutions might be put forward for strengthening democratic legitimacy and accountability vis-à-vis the citizens.

²³ For an analysis of the rise of populism in the various EU member states, see A. Laquière (et. al.), *Populismes: l'envers de la démocratie*, Paris, Vendémiaire, 2012.

2.1. Strengthening European Leadership.

The economic crisis has thrown down a real challenge in terms of the leadership, coherence and efficacy of European governance.²⁴ Indeed, in a crisis situation in which the EU and its member states should be coming up with answers that will truly help the Europeans to overcome the difficulties they are experiencing, the citizens, with frustration, are beginning to see the limitations of European governance and its “executive deficit”:²⁵ the weakness of the European executive power, the polyarchic nature of the Community institutions and therefore the absence of clear political leadership, the competition between institutions and states, and the slowness and unpredictability of the negotiating process between member states. From this perspective, resolving Europe’s “executive deficit” means starting with the creation of a clearer, more legitimate and more accountable leadership.

— A first step could be that of merging the presidency of the Commission with that of the European Council, a solution that would help the EU to speak with one voice. The Lisbon Treaty allows for this innovation: it was precisely to create this possibility that the ban on also having a national mandate was retained in the Lisbon Treaty whilst that on having more than one European mandate was withdrawn. The European Council would merely have to appoint a single person to fill the two posts. This solution would strengthen the political legitimacy of the president, who would thereby enjoy both Community and intergovernmental legitimacy; he would also be answerable politically to the European Parliament.

A change of this kind would not require amendment of the Treaties. An inter-institutional agreement would suffice.²⁶

²⁴ V. T. Chopin *L'Europe face à la nécessité de décider: un leadership politique européen est-il possible?*, in *Rapport Schuman sur l'Europe. L'état de l'Union 2011*, Paris, Lignes de repères, 2011; Id. *Vers un véritable pouvoir exécutif européen: de la gouvernance au gouvernement*, Questions d'Europe, Policy paper of the Robert Schuman Foundation, n. 274, 15 April 2013 and *How the EU could overcome its Executive Deficit*, Policy Network, May 2013.

²⁵ We borrow this expression from N. Véron *The Political Redefinition of Europe*, Opening Remarks at the Financial Markets Committee (FMK)’s conference on “The European Parliament and the Financial Market”, Stockholm, June 2012. Cf. also N. Véron, *Challenges of Europe's Fourfold Union*, Hearing before the US Senate Committee on Foreign Relations: Subcommittee on European Affairs, on “The Future of the Eurozone: Outlook and Lessons”, August 2012; and P. Ludlow, *Executive Power and Democratic Accountability*, Eurocomment, Quarterly Commentary, September 2012.

²⁶ An inter-institutional agreement is an act adopted jointly by the EU’s institutions

— The single president mentioned above could be elected by indirect universal suffrage, along the lines of what is provided for by the laws of the vast majority of the EU member states (i.e., appointed by the European Parliament), a circumstance that would require the European Council to undertake, even informally, to appoint, as President of the Commission, the candidate nominated by the party or coalition that has a majority in the European Parliament. At a later stage, it would be possible to raise the question of an election by direct universal suffrage, as suggested by the CDU during its Leipzig congress in 2011. This would have the advantage of giving the EU President democratic legitimacy and a clear democratic mandate.

Under the Treaties as they presently stand, the European Council can undertake (i) to nominate, as President of the Commission, the candidate presented by the party that won the European elections (an undertaking that would be consistent with the European Council's obligation, under the Treaties, to take into account the results of the European elections, (ii) to elect the President of the European Commission as President of the Council. Any change in the method of appointing the President of the Commission or of the Council, with a view to an election by direct universal suffrage, would require a revision of the Treaties according to the ordinary procedure (intergovernmental conference preceded by a convention, unless the European Parliament were to accept the absence of a convention).

— With regard to the European elections it would appear appropriate to ensure that the lists put forward by the national parties belonging to a European party share the same name and programme in all the member states. Each party should also put forward a candidate for the post of President of the European Commission.

This reform would not require amendment of the Treaties.

— One of the problems to solve regarding European elections is that of defining political majorities that are clearer than they have been to date.²⁷ From this perspective, the suggestion of applying a majority

in their area of competence by which these govern their means of cooperation or undertake to respect a set of fundamental rules. Inter-institutional agreements are born of the practical requirement of the institutions to specify certain measures in the Treaties, relevant to them, in order to prevent conflict and to adjust their respective competences. Originally they were not part of the Treaties and were formally introduced with the Lisbon Treaty, in article 295 of TFEU.

²⁷ Except for the EPP-Liberal agreement in 1999 that introduced, for the first time, a partisan split within the European Parliament.

bonus to the party winning the elections²⁸ would be worth exploring within the framework of a reform of the European electoral system.

Any change in the system used to elect MEPs requires a revision of the Council decision on the election of MEPs. Under article 223 TFEU, the procedures for electing MEPs are established by a unanimous Council decision, after the approval of the European Parliament by a majority vote of its members. To enter into force, this decision has to be ratified unanimously by the member states.

— Redefining the composition of the European Commission. This is an aspect crucial to the legitimacy of the Commission, which has been criticised for having evolved in the direction of an intergovernmental model and allowed itself to turn into a kind of second Council. In order to break away from the principle of “representation” of the member states within the College of Commissioners, the President of the Commission should be given the possibility to choose the portfolios given to the commissioners (without negotiation taking place between the states) and to create a hierarchy of portfolios by creating “Deputy Commissioners”.

It is possible to change the number of members of the European Commission without modifying the Treaties via a simple decision on the part of the European Council acting unanimously (art. 17 par. 4 TEU). However a change to the rules governing the Commission’s composition, which breaks away from the equal rotation principle between the member states and the principles set by article 244 TFEU, would require a revision of the Treaties according to an ordinary procedure (IGC preceded by a convention).

— Better communication by the European Commission. The College of Commissioners should make public the results of its weekly meeting to a much greater extent than it does at present (its work remains relatively confidential, even though it is, in many ways, same as that of a council of ministers. This is partly because the minutes of a College meeting are not available until a week after the event itself). At the very least a press release summarising the main points addressed and the main decisions taken should be published on the very same day. Finally a European audiovisual agency might be created to do more than what is done within the framework of the existing initiatives (Arte, Euronews).

This reform could be implemented with the Treaties as they stand.

²⁸ For more details, see T. Chopin and L. Macek, *Après Lisbonne, le défi de la politisation de l’Union européenne*, in Les Etudes du CERI, n. 165, Centre d’Etude et de Recherches Internationales, Sciences Po, 2010.

2.2. Involving the National Parliaments in Economic and Budgetary Supervision.

In terms of strengthening democratic legitimacy, the national parliaments and the European Parliament have a decisive role to play.

— The implementation of article 13 of the fiscal compact²⁹ would make it possible to increase the involvement of the national parliaments in decision-making processes and therefore also the legitimacy of decisions taken concerning budgetary control.³⁰ This implementation could be based initially on a conference of eurozone MEPS belonging to the European Parliament's Committee on Economic and Monetary Affairs (excluding those from states that have not ratified the fiscal compact), and of the chairs of the national parliaments' finance committees and economic affairs committees. This eurozone conference could adopt initiative reports and issue opinions or resolutions.

The means for implementing article 13 of the Fiscal Stability Treaty could be laid down in the framework of an inter-institutional agreement.

— The eurozone conference would be given an important role within the economic and budgetary supervisory mechanisms that are envisaged for the member states of the economic and monetary union. It would meet in regular sessions; it would also be possible to convene complementary extraordinary sessions. On the basis of the reports presented by the member states and the Commission (which should allow a consolidated view of euro area public finances), but also of investigations that it might launch of its own initiative, this institution would monitor the solidity of the eurozone and the member states' respect of the commitments made (a qualified minority of MPs/MEPs might be given the power to have recourse to the European Court of Justice in the event of a breach). It would also need to be informed of progress achieved in the implementation of measures relating to the conditions governing aid programmes and would have the power to convene hear-

²⁹ Article 13 of the new Treaty stipulates that “the European Parliament and the national Parliaments of the Contracting Parties will together determine the organization and promotion of a conference of representatives of the relevant committees of the European Parliament and representatives of the relevant committees of national Parliaments in order to discuss budgetary policies and other issues covered by this Treaty.”

³⁰ Y. Bertoncini, *Les parlements de l'UE et la gouvernance de l'UEM. Quelle dimension parlementaire pour l'“Union politique”?*, Tribune, Notre Europe – Institut Jacques Delors, 11 April 2013.

ings with the national ministers, the President of the ECB and the President of the Eurogroup.

There would need to be a Treaty revision using the simplified procedure provided for by article 48 par. 3 TFEU. However, within the limits of the competence of the eurozone conference, Treaty modification according to the ordinary revision procedure (ICG preceded by a convention) cannot be ruled out.

An institutional change in the monetary area (the possibility of convening hearings with the President of the ECB, which the latter is obliged to attend) would be possible using the simplified procedure envisaged by article 48 par. 3 TFEU, but it would require a decision on the part of the European Council acting unanimously after consultation with the European Parliament, the Commission and the European Central Bank.

2.3. Strengthening the Legitimacy and the Role of the European Parliament.

— Greater proportional representation of the European population would strengthen the democratic legitimacy of the European Parliament whose present composition far from satisfies the principle of equal democratic representation: for example, the number of MEPs per inhabitant is twice as high in Finland as it is in France. But since, in a democratic system, citizens must all have the same political rights, their vote should carry the same weight.³¹ This principle, i.e. that the number of inhabitants per MEP should be same in all countries (nevertheless making provision for a minimum representation in order to guarantee that even the least populous member states are represented), is an objective criterion that it is difficult to fault.³² Now, in view of the substantial increase in the powers of the European Parliament introduced by the various Treaties, strengthening the democratic legitimacy of this institution — moreover the only one to be elected by direct universal suffrage — has become a major and a necessary challenge, as the decisions of the German Constitutional Court continue to underline.³³

³¹ V. T. Chopin and J.-F. Jamet, *La répartition des sièges de député au Parlement européen entre les Etats membres: un enjeu démocratique autant que diplomatique*, in Questions d'Europe – Policy paper of the Robert Schuman Foundation, n. 71, 2007.

³² A simple solution would be to have an MP for X (e.g. 1) million inhabitants with a minimum of one or two MPs per member state.

³³ The German Constitutional Court's decision on the Lisbon Treaty stresses that the democratic principle applied to a State means the respect of certain conditions that the

A modification of this kind would require a revision of article 14 par. 2 TEU according to the ordinary treaty revision procedure (IGC preceded by a convention).

— Acknowledgement of the European Parliament and Council's joint right to legislative initiative. The "monopoly on initiative" enjoyed by the European Commission applies only to the "Community pillar". Indeed, in the areas that, prior to the Lisbon Treaty, came under the second (common foreign and security policy) and third (justice and internal affairs) pillars, the member states have a joint right to initiative with the European Commission. It might be appropriate to extend this rule to the areas of the Community pillar, not with the aim of restricting the Commission's prerogatives, but rather to add a democratic element to the initial stage of the Community decision-making process. A sharing of the right of initiative between, on the one hand, the Commission (which would retain this prerogative), and, on the other, the MEPs and governments of the EU member states on the other (in the shape, for example, of a joint right to initiative between these two branches of European legislative power) would offer two advantages over the system in force at present: (i) it would meet the democratic requirements that form the basis of representative democracy (in which the executive and legislative bodies share the power to propose legislation), (ii) it would give the citizens the feeling that they are being heard and that their European and national representatives are able to convey their requests.³⁴ This innovation might be presented as a complement to the citizens' right to initiative introduced by the Lisbon Treaty.

A modification of this kind would require a revision of the Treaties (art. 225 TFEU) according to the ordinary procedure (ICG preceded by a convention).

— Giving the European Parliament the opportunity to play a greater role in the supervising excessive deficits and macroeconomic imbalances, as part of a modification of article 126 TFEU. In particular, the European Parliament should be able to decide by a simple majority to launch an excessive deficit procedure or the procedure for excessive macroeconomic

Union does not fulfil, notably the fact that the European Elections are not undertaken according to the "one man one vote" principle. On this point we might refer to the discussion on *Les conséquences du jugement de la cour constitutionnelle fédérale allemande sur le processus d'unification européenne*, Fondation Robert Schuman / Konrad Adenauer Stiftung, September 2009.

³⁴ V. Y. Bertoncini, *Europe: le temps des fils fondateurs*, Michalon, 2005.

imbalances on the basis of a recommendation made by the Commission, should the Council have decided not to follow the Commission's opinion.

This reform would require a Treaty modification according to the simplified revision procedure of article 48 par. 6 TEU.

— In order to strengthen the technical expertise available to the MEPs, a European council of economic advisors could be created, which the European Parliament and eurozone conference could consult. The Parliament and conference would also be allowed to seek the opinion of the European Economic and Social Committee, so as to be able to gather, in addition, the viewpoint of the body representing European civil society.

The creation of a European council of economic advisors would be possible with the Treaties as they stand. Conversely, explicit provision would have to be made, in the Treaties, for the possibility of the European Parliament consulting this council (and the European Economic and Social Committee). This would require modification of the Treaties, according to the simplified revision procedure, which demands a unanimous decision by the European Council (art. 48 par. 6 TEU).

2.4. Increasing the Legitimacy of Eurogroup and Eurosummit Decisions.

— Bringing the Eurogroup under the control of the European Parliament, creating the post of Vice-President of the Commission and of the Council responsible for matters relating to the euro and economic affairs, so as to create the European finance minister called for by Jean-Claude Trichet and Wolfgang Schäuble. This person would fulfil two roles contemporaneously: that of Commissioner for Economic and Monetary Affairs and that of President of the Eurogroup, which, from that moment on, would be accountable to the European Parliament. He would enjoy the status of Vice-President of the Commission and of the Council. He would be supported by the Eurogroup working group for the preparation and follow-up of meetings concerning only the eurozone member states, and by the Economic and Financial Committee for meetings concerning all the EU member states. Under his authority he would have a general secretariat of the eurozone treasury, whose mission (range of tasks) would depend on the objectives of the fiscal union being created (in particular using the existing guarantee mechanisms and budgetary instru-

³⁵ J. Pisani-Ferry has underlined the risk linked to such a fusion/merger, hypothesising a situation which a Commissioner requests sanctions against a state and then chairs

ments).³⁵ The Vice-President of the Commission and of the Council responsible for the euro and for economic affairs would be the political voice of the euro. He would be responsible for communicating the Eurogroup's decisions and for representing the eurozone within the international financial institutions. He would be responsible for explaining how the eurozone member states' budgetary and structural policies form a coherent policy mix with the ECB's monetary policy. Finally, he should regularly address the eurozone conference.

The tasks of this Vice-President of the Commission and of the Council responsible for the euro and for economic affairs could be defined within the framework of the Eurogroup Protocol.

— A committee responsible for the euro should be created within the European Parliament. The eurozone institutions (the ESM, the “Troika”) should be accountable for their actions before this committee. The president of this committee would also be invited to the Eurogroup meetings and Eurosummits so that his opinion might be heard.

This modification might come as part of a revision of the Eurogroup Protocol.

3. What Methods Should be Used?

For the process of European integration to advance, it must be understood that the question of the method to be used is inextricably bound up with that of the political will that is required. The legal instruments are, in fact, technical instruments at the service of a political project whose survival depends on the fact that it is proposed by the states and accepted by the people.

the Council during which the proposal is to be rejected or accepted. Actually a similar situation exists in the field of competition: the European Commission investigates and decides, under the supervision of the EU Court of Justice. Nevertheless Jean Pisani-Ferry proposes another solution, just as readily envisaged: the creation of an independent budget committee that would make it possible to “extérioriser la surveillance des déficits excessifs en la confiant à une autorité distincte des services de la direction générale des affaires économiques et financières (ECFIN), (...), sur laquelle le commissaire n'aurait pas autorité. La mise en place d'un tel comité budgétaire indépendant libèrerait le commissaire de son rôle de procureur et permettrait alors d'envisager qu'il cumule ses fonctions avec celle de président de l'Eurogroupe”, in *Assurance mutuelle ou fédéralisme: l'euro entre deux modèles*, Bruegel, 8 October 2012, available at : <http://www.bruegel.org/nc/blog/detail/article/911-assurance-mutuelle-ou-federalisme-la-zone-euro-entre-deux-modeles/>.

3.1. The Centrality of the Dialogue Between France and Germany.

From this perspective, the period leading up to the European elections of May 2014, which will culminate in the selection of the next President of the European Commission, is crucial, because it will oblige those involved in the European debate — governments, citizens, civil society — to declare the direction they wish to impart to the process of building Europe. It is, in fact, clear that it is not so much written texts as practical political action that will prove decisive. Indeed, the EU's capacity, or otherwise, to advance will depend very much on who is chosen to lead the European institutions. In this regard, the differences that have arisen in recent weeks between the President of the European Commission and some national leaders are, at once, worrying and reassuring: worrying because they undoubtedly have the effect of rendering the EU more fragile at what is already a time of great political, economic and social uncertainty; reassuring because they mark the start, finally, of a true politicisation of the European debate, which was something unthinkable until just a few years ago.

The relations between France and Germany, on the other hand, merit a different analysis, as they may be seen as a particularly reliable gauge of European political will. We know from the lessons of the past that the European project does not advance unless there is convergence between France and Germany. In this regard, the recent tensions between Paris and Berlin should not be overplayed. Franco-German relations have always been influenced by domestic electoral cycles and the early part of a term of government is typically something of a trial period, in which leaders first judge and then gradually get to know each other.³⁶ The first year of Hollande's presidency was no exception and now, after a period of tension, Franco-German relations seem to be entering a new era. However, whereas Germany, until now, has always promoted a federal vision of the European project (while France remained more attached to an intergovernmental solution), it now seems to be tempted to place the economic and political leadership of the eurozone in the hands of the states rather than the European institutions.³⁷ This change of direction

³⁶ Cf. H. Utterwedde, *Coopération franco-allemande: des tensions productives*, in T. Chopin and M. Foucher (eds), *Rapport Schuman sur l'Europe. L'état de l'Union 2013*, Paris, Lignes de repères, 2013.

³⁷ Cf. P. Ricard, *L'Allemagne s'est convertie à une Europe des Etats et à un pilotage économique de la zone euro*, *Le Monde*, 24 June 2013.

could signal a new balance in Franco-German relations, whose apparent evolution is taking place in a setting in which Germany is showing a new readiness to develop special relations with other member states, be they the UK or the countries of central and eastern Europe.

This declining federalist fervour on the part of Germany, coupled with a real weakening of French influence within the EU,³⁸ has implications as regards the method used to organise economic governance in Europe and to create, when the time comes, the political union. For this reason, different possible methods need to be identified and their feasibility analysed bearing in mind the relations between political forces within the EU and their chances of reaching the objectives set.

3.2. Evolution with or without Treaty Revision?

To begin with, there are certain steps that could be taken without altering the current legal framework and that would simply require the interested states to give eurozone economic governance a political dimension. These undoubtedly include the appointment of a full-time president of the eurozone (who would therefore have no other, national mandates) and the establishment of timetables for the economic and fiscal convergence of the member states and for achieving unified representation of the eurozone within the IMF and the World Bank. All these are reforms that could certainly be introduced using the mechanisms envisaged by the current Treaty framework, providing there exists the political will to carry them through.

However, it is clear that, political signals aside, the achievement of full integration of the eurozone in the economic and banking spheres, thereby completing its monetary integration, will require a significant evolution of the current legal framework; but how might this be pursued?

An initial option could be to use the instrument of enhanced cooperation between the 17 — soon to be 18 — euro area countries. The Lisbon Treaty does, in fact, make provision for more extensive recourse to enhanced cooperations, which can now be established in all the areas of European action, providing they involve at least nine member states and do not contravene the Treaties. Thus, enhanced cooperations could be undertaken in relation to specific issues, as was the case of the agreement on the introduction of a tax of financial transactions, which was en-

³⁸ Cf. F.-X. Priollaud and D. Siritzky, *Que reste-t-il de l'influence française en Europe?*, Paris, La documentation française, 2011.

tered into by eleven member states. But this is, precisely, an instrument designed to be applied in specific sectors — the EU patent and the law applicable to divorce and legal separations with international implications, for example — rather than to a broad project for economic union.

In these circumstances, the ordinary Treaty revision procedure would seem to be best route to follow in order to move the process of European integration forward. This is the method that has always been used in the past, be it in relation to the creation of the single market (the Single European Act) or the single currency (Maastricht Treaty), or to the area of common foreign and security policy or European policy on asylum and immigration (Amsterdam Treaty). Today, however, it is no longer certain that there exist the political conditions necessary for revision of the Treaties, i.e. the unanimity of the member states necessary to approve and ratify the changes proposed. Opting for the Treaty revision route would have the effect of opening, once again, the Pandora's box of demands, from different member states, for special treatment, starting with the UK which, more than ever, seems set on redefining the terms of its relations with the European Union.³⁹

3.3. Recourse to an Intergovernmental Treaty?

Whereas the unanimity needed in order to revise the European Treaties seems unlikely ever to be reached, there remains the possibility of having recourse to the constituent method through the signing of an international treaty, compatible with the founding Treaties.⁴⁰ This method has already been used in the past: in the area of cross-border police cooperation, for example, it led to the signing of the Prüm Convention in 2005, which rapidly became part of the *acquis communautaire*. A definite advantage of using an international treaty is that it does not need unanimous ratification by the signatory states in order to take effect. Indeed, the conditions of its entry into force could be similar to those governing the entry into force, in 2012, of the Fiscal Stability Treaty (fiscal compact).

³⁹ Cf. T. Chopin and J.-F. Jamet, *Grande-Bretagne: sortir du dilemme*, *Le Figaro*, 24 January 2013; J.-F. Jamet, *Several Europes but which ones ? A proposal to rationalise European Integration*, in T. Chopin, M. Foucher (eds.), *Schuman Report on Europe. State of the Union 2013*, Springer, 2013; T. Chopin “Two Europes”, in *Europe in search of a new settlement. EU-UK relations and the politics of integration*, London, Policy Network, 2013.

⁴⁰ V. J.-C. Piris, *The Future of Europe: Towards a Two Speed Europe?*, Cambridge, Cambridge University Press, 2012.

It must nevertheless be recognised that choosing the option of an international treaty instead of European Treaty revision would possibly signal a renunciation of more decisive steps towards the economic and fiscal federalism that the crisis has shown to be necessary. This option would reinforce the intergovernmental character of the economic and monetary union, and thus raise questions regarding the democratic integrity of this political project. Clearly, with the people(s) of Europe expecting the European project to be founded on political legitimacy, the European Parliament and the national parliaments cannot be excluded from the process of economic integration. In other words, any step towards closer European integration must be accompanied by the achievement of closer democratic integration.

3.4. Recourse to the “Convention” Method?

Recourse to the use of “conventions”, not just to revise the Treaties but also to legitimise the European project, is an original approach that deserves to be examined in depth. After all, conventions, which bring together national MPs, MEPs, government representatives and members of the European Commission (i.e. complementary sources of legitimacy), have already been shown to work.

Specialised conventions — whose composition would vary depending on the issues being examined — might be convened by the European Council, which would authorise them not to legislate, but to define proposals on major aspects of European integration. These proposals, insofar as they fall within the framework of the current Treaties, would be submitted to the European legislator for examination.

From the European social model to the community budget, the debate over the Union’s borders or the future of the common agricultural policy, a more frequent use of conventions would be an intelligent way of involving the national parliaments, whose role, far too often, is confined to that of censors of the construction of Europe. In this way they would become a real driving force and one, moreover, that is not out of touch with national public opinion.

3.5. What Compromise is Possible?

Clearly, since both Treaty revision and the signing of an international Treaty, are avenues that present certain limitations, there exists no ideal solution. For this reason, the final part of this analysis is given over to the outlining of a compromise that might be deemed accept-

able, namely a Treaty modification that:

- consolidates the existing international treaties (EMS, fiscal compact) in a Protocol on Economic and Monetary Union to be annexed to the TFEU;
- creates a revision procedure for this protocol, which authorises the EMU member states to modify the provisions of the TFEU specifically relating to EMU without the need for ratification by the non-eurozone member states. Every new provision would, of course, have to be compatible with the other provisions of the Treaties;
- specifies, in the framework of a Protocol on the United Kingdom, the areas (in addition to the internal market) in which the UK continues to participate. In this framework the UK would clearly cease to have a voice (in the European Parliament and in the Council) on decisions relating to areas in which it has decided not to participate. As regards the EU budget, the UK would have a say only on issues relating to the areas in which it participates, but not on the budget as a whole. Finally, the UK would retain an opt-in right regarding policies in addition to those in which, under the terms of the Protocol, it had already undertaken to participate.
- introduces amendments that strengthen the democratic legitimacy of the European institutions (cf. the proposals set out herein).

The crisis, the European citizens' growing mistrust of the European institutions, and the reforms now under way bring Europe face to face with a major political challenge.

With the European elections on the horizon, the time has come to get the debate started. Even though France and Germany's presentation of a joint document in the run-up to the European Council summit of June 27-28, 2013 must be viewed positively, the EU's future institutional framework and policies still need to be clarified.

The recent Franco-German initiatives are, in fact, somewhat ambiguous and raise a series of questions that need to be answered, for example that of the future full-time Eurogroup president's accountability to the European Parliament. In addition, the idea of strengthening intergovernmental coordination raises the question of the risk of competition, on economic matters, between the two branches of executive power (the Commission and the Council) and between the two different sources of provisions (intergovernmental treaties within the euro-zone and EU Treaties). How can all these elements be reconciled? Moreover, the powers of the offshoot of the European Parliament re-

sponsible for the eurozone would also need to be clearly specified. How would this body exercise its democratic control? Would it have the power of co-decision with the Council on economic matters? Would it exercise any control over the “Troika”? Would it have the power to question and approve the appointment of the President of the Eurogroup? Finally, everything is still very vague as regards the method to be used and, in particular, the possible amendment — even limited, in line with Germany’s wishes — of the Treaties. In this last scenario, advances in eurozone integration would clearly bring to the fore the difficulties concerning the framing of the relationship between the EU and the eurozone, in other words the need for stronger differentiation between the status of the eurozone and that of the broader EU (i.e. the EU countries that are not part of the eurozone, in particular the UK, which would seize on any Treaty revision procedure as an opportunity to renegotiate derogations).

The crisis has had the effect of eliminating many taboo terms: political union, fiscal federalism, banking union. The debate must be pursued in more depth in order to speed up the introduction and implementation of the reforms that are now desperately needed in order to restore the citizens’ faith in the European institutions.

Attachment
Table summarising the proposals presented

Proposals	No Treaty revision	Ordinary Treaty revision procedure	Simplified revision procedure	Revision of the Eurogroup protocol
<i>Single presidency of the Union (merging of the presidency of the European Council with that of the Commission)</i>	X			
<i>Election of the President of the Union by the European Parliament</i>		X		
<i>Modification of the voting method applicable in European elections</i>	X			
<i>Modification of the number of Commission members</i>	X			
<i>Composition of the European Parliament – suppression of the degressive proportionality rule</i>		X		
<i>Revision of the strictly egalitarian rotation rule between member states envisaged by the TEU for the composition of the Commission as of 1 November 2014.</i>		X		
<i>Better communication by the European Commission</i>	X			
<i>Acknowledgement of the European Parliaments right to initiative</i>		X		
<i>Implementation of art. 13 of the fiscal compact</i>			X (inter-institutional agreement)	
<i>Creation within the European Parliament of a committee responsible for the euro</i>		X		
<i>Creation of a European council of economic advisors</i>	X			
<i>Strengthening of the European Parliament's role with regard to excessive deficit control</i>			X	
<i>Creation of a Vice-President of the Commission and of the Council responsible for the euro and economic affairs</i>			X	

Slippery Slope: the Need to Reverse the re-Atlanticisation of European Defence

HAJNALKA VINCZE

The European Union's so-called Common Security and Defence Policy (CSDP) celebrates its 15th birthday in a state of deep hibernation, to use the expression employed by the French Chief of the Defence Staff, admiral Guillaud.¹ Once the centre of attention and the winner of all popularity contests — Eurobarometers made a point of showcasing its level of support in public opinion (consistently topping the 70 per cent mark) during the first couple of years, but then apparently lost interest in the question —, considered both the symbol of the Union's strategic ambitions and the depository of its true potential, the CSDP is now the “stepchild” of European integration: the one that puts its weaknesses in a cruel light, while at the same time diverting attention and resources from the “real issues” on Europe's agenda.

Blaming the financial crisis and the subsequent turmoil for the CSDP's fall from grace would be all too easy but, more importantly, it would be false. The derailment of the EU's defence policy from its original course pre-dates the onset of the crisis; indeed, were it not for this derailment, the CSDP would have all the potential to be part of the solution to Europe's current predicaments. And a crucial part at that: a shared strategic vision underpinned by actual defence initiatives would give Europe a badly needed boost, both psychological and economic. The European Council's so-called Defence Summit in December 2013 may turn out to be the starting point for a revival. The present paper will argue that even keeping the CSDP in hibernation would be better, for Europe, than re-launching it along the route it had started to go down before falling into its artificial coma. A radical return to the foundations is needed, if European defence is ever to live up to its name, in other words to both the “defence” and the “European” parts.

¹ Hearing of Admiral Edouard Guillaud before the Defence Commission of the *Assemblée nationale*, 5 October 2011.

The re-NATO-isation of the EU's Security and Defence Policy

If there is one clear illustration of why constructive ambiguity, a much-touted concept, should never be cultivated in order to overcome deeply rooted divergences, and to create the appearance of unity and the illusion of a policy, it is that provided by the defence domain. A *faux pas* here might jeopardise vital interests and leave the states that made it constrained, for several decades (the lifespan of major equipment programmes), to follow a counterproductive course. This is obviously the risk now facing European defence. When it was launched in 1998-1999, the principles on which it was officially based upon were clearly left deliberately ambiguous to accommodate two irreconcilable visions. The decision to include the question of military equipment opened the way for a re-interpretation of the original intention and even for the prospect of a possible return to the *status quo ante* — this time, however, with Europe in a much weaker position.

The Original Idea of Emancipation Through the CSDP.

Even in hindsight, knowing its very mixed results, the Franco-British proposal announced in December 1998 in Saint-Malo, adopted half a year later in Cologne by the Fifteen, which then officially launched what was first called the CESDP (Common European Security and Defence Policy), did indeed represent a genuine breakthrough. This is true even though it was actually just a clever cover for two visions that were still diametrically opposed. For Britain, the new instrument was a means of enhancing the Europeans' capabilities for the sake of NATO: the more capable the allies became, the more valuable they would be for Washington, which, therefore, would be more inclined to stay engaged in Europe — this being, as much as ever, the key strategic priority for London. France, on the other hand, saw the CESDP as a decisive step towards laying the foundations for European sovereignty and for turning the EU into a fully-fledged, autonomous player on the international stage. Notwithstanding these irreconcilable differences, Saint-Malo saw the achievement of what nobody would have thought possible even a couple of years before. The former NATO monopoly on European security matters was replaced by a sort of *cohabitation* between the North Atlantic Alliance and the European Union. The main functions of the Western European Union — in the nineties the WEU floated between the two institutions — were absorbed by the EU. The

Alliance's attempt, a non-starter from the outset, to establish a European Security and Defence Identity (ESDI) within NATO, based on the principle of "separable but not separate" European capabilities, had to make way for the EU's brand new, and far more dynamic and popular policy: the CESDP.

Regardless of British reservations, the fact was that NATO no longer had a monopoly, and the EU was henceforth a legitimate setting in which to discuss and develop policies on military matters. As Richard Hatfield, Policy Director at the UK Ministry of Defence, put it: Saint-Malo "let the genie out of the bottle."² This was an opinion widely shared in the American policy establishment from the outset. The United States' representation in Brussels was quickly increased by half, and US Secretary of State Albright did not shy away from publicly setting conditions for this "autonomous" defence endeavour on the part of America's closest friends and allies. She famously stressed the need for Europeans to avoid "the three Ds": namely "decoupling" European decision-making from the Alliance (thereby enshrining NATO's so-called right of first refusal); "duplication" of NATO structures and planning processes; and "discrimination" against non-EU member NATO allies (most notably Turkey). To further demonstrate US discontent, and perhaps also their hope that the Europeans might have second thoughts, American diplomats persisted for months, sometimes even years, in confusing European security "identity" with European security "policy", using the acronym ESDI when referring to the CESDP.³

However, the difference between the two was anything but insignificant, as pointed out by Peter Rodman at a congressional hearing in 1999: "This EU effort to construct a separate European defense identity comes three years after NATO adapted its own procedures to recognize and promote a European Security and Defense Identity within the Alliance framework. The new EU procedure, in contrast (at least in some Europeans' minds), will enable Europe to dispense with the Americans, 'if it wishes'. That seems to be, indeed, its whole point."⁴

² Richard Hatfield, *The Consequences of Saint-Malo*, public lecture at IFRI, Paris, 28 April 2000.

³ Madeleine Albright, William Cohen, *Get ESDI Right*, Wall Street Journal, 24 March 2000.

⁴ Peter W. Rodman, *European Common Foreign, Security, and Defense Policies - Implications for the United States and the Atlantic Alliance*, testimony before the Committee on International Relations, United States House of Representatives, 10 November 1999.

The future Assistant Secretary of Defense for International Security Affairs could not have been more right. Leo Michel, from the US National Defense University, recently summed up the Americans' main worries: "American officials and experts worried that key consultations and decisions affecting European political-military and defense matters might migrate over time from NATO, where America's unique political and military strengths ensure it has a prominent role in shaping Alliance policies and operations, to the EU, where there is no US seat at the table."⁵ Or as the editor of the *Atlantic Monthly* put it back in 2005: "NATO is ours to lead, unlike the increasingly powerful European Union."⁶

Recent years have seen a marked change in the Americans' narration of the situation. Contrary to widespread belief, this change does not represent a genuine shift in the US approach, but is, rather, the logical consequence of the derailment of the CESDP (now called the CSDP) from its initial course. Since early 2008,⁷ Washington has been issuing repeated verbal assurances that "the prevailing concern among American officials and experts is not that EU activities in the security and defense domain risk overshadowing NATO". Quite the contrary. The main worry — according to the official line — seems to be henceforth that these activities are not enough. "Theological debates" about whether the EU or NATO is the proper framework apparently do not count any more, the only important thing is to deliver the capabilities needed to reach common goals. Obviously this is only partly true. First, Washington is as determined as ever to preserve NATO's primacy in the two fields that are deemed crucial for staying in control, namely in the area of military operational command and in the defence industrial sectors. As for the rest, this newfound *nonchalance* is the direct result of a realistic assessment of the CSDP's evolution over the past fifteen years. To put it bluntly, there is clearly no longer anything to fear. Not only has the EU's defence policy retreated spectacularly compared to

⁵ Leo Michel, *NATO, the European Union and the United States: Why not a virtuous ménage à trois?*, Project paper presented at a conference "The Future of the U.S. European Command in a Post-Afghanistan, Post-Arab Spring, Chaotic, Unpredictable and Financially-Constrained 'New, New World'", co-hosted by the Atlantic Council and the National Defense University, in July 2012.

⁶ Robert D. Kaplan, *How We Would Fight China*, The Atlantic Monthly, June 2005.

⁷ Speech by Victoria Nuland, US Permanent Representative to NATO, in Paris in January 2008.

its initial dynamic, but the regression has become so blatant that even the possibility of its return to the NATO fold is nowadays being evoked increasingly openly.

The Reversal of the Initial Concept: Retreat Area by Area.

The necessity to respect the so-called complementarity with NATO resulted, in practice, in the imposition of a series of restrictions on the CSDP,⁸ the first of these being the exclusion from its remit of anything even remotely resembling territorial defence *per se*. However, even though real progress, in line with what was initially planned and envisaged, would nevertheless have been possible within this strictly-defined framework, the actual outcome has turned out to be far from a realisation of the CSDP's true potential. Expectations were deceived, taboos maintained and, due partly to the much-touted comprehensive approach, the debilitating principle of so-called complementarity even found itself reinforced over time. The CSDP, following an initial phase of dynamic advances, apparently hit a plateau around 2005, and has been plagued by missed opportunities, persistent impasses, and even spectacular retreats ever since. Suffice it to think of the very limited scope and ambition of its overwhelmingly low-risk operations (that make them almost impossible to distinguish from mere political gestures); of the lack of a coherent policy framework surrounding them, as a result of which they all seem more like haphazard adventures; or of the defining moments when the CSDP missed the call, failing to engage in operations that were tailored to its original objectives (Libya in 2001, Lebanon in 2006, and most recently Mali).

Furthermore, the member states also turned out to be unable to design the financing arrangements in a manner that might prevent them from acting as a *de facto* disincentive to countries that would otherwise volunteer to “do more” — the Athena common funding mechanism still covers only about 10 per cent of spending on military operations, while all other “costs lie where they fall” —; unable to put to use the Battle Groups — launched in 2004, not once have the Battle Groups been engaged to date (moreover, the whole BG system is increasingly hollow: throughout 2013, for instance, only one BG was kept on the alert instead of the required two) —; unable, too, to remove the UK-imposed

⁸ Jean-Paul Perruche, *Pour une complémentarité UE-OTAN*, in Gregory Boutherin and Emmanuel Goffi (editors), *L'Europe et sa défense*, Paris, Choiseul, 2011.

cap on the European Defence Agency's annual budget in order to allow it to function as a genuine "back office" to the CSDP, tackling effectively its most significant capability deficiencies. It is also to be noted that no major defence equipment programme (with the capacity to have structuring effects on the European technological and industrial base) has been launched since the A400M in 2003. The EU's Satellite Centre has no assigned European assets, so it has to buy all its imagery on the market — which makes it 80-90 per cent dependent on US commercial satellite imagery. Meanwhile, the EU Intelligence Analysis Centre takes about two months to process a request.

In any case, the CSDP is not about to go beyond its role as an occasional security service provider, since the question of territorial defence remains firmly excluded from its field of competence. Even though the hypothetical prospect has been present in the EU Treaties ever since Maastricht, in practice the idea of Europe-wide collective defence is at risk of dying. Indeed, the only firm collective defence commitment between Europeans disappeared with the definitive demise of the Western Union in 2011. Although the relevant provisions in the Lisbon Treaty might seem to take a step in this direction, in reality they enshrine the primacy of Article 5 of the North Atlantic Treaty. Finally, the perennial question of an EU operational headquarters is a reliable barometer of trends in the field of European defence. The creation of a military planning and conduct capability remains impossible, despite the fact that the absence of such a capability reduces operational effectiveness (unduly increasing reaction time), generates a cumbersome duplication between national headquarters that repeatedly have to be re-activated and dismantled, and results in a loss of continuity and institutional memory. For the United Kingdom, it still constitutes a red line. The only way to overcome the deadlock is through civil-military fusion; however, were such a mixed operational structure to be put in place, it might well become another example of how the biased application of the EU's comprehensive approach is on the point of smothering the CSDP's military dimension.

In fact, today, the main risk of regression stems from the rise of the so-called comprehensive approach. Obviously there is nothing wrong with agreeing that the EU needs to use the whole range of instruments at its disposal to effectively and lastingly address security challenges. In Europe this concept is self-evident. But the comprehensive approach, turning the CSDP on its head, goes far beyond simply organising the closest coordination possible. In practice, it entails the dispersion and the

marginalisation of the military component; the director of the French Defence ministry's *Délégation aux affaires stratégiques* has likened it to "carbon monoxide". To quote Michel Miraillet, "You do not see it. You do not smell it. But in the end it kills us all."⁹ Indeed, the comprehensive approach is a pretext to limit as much as possible the military component, not only within the EU's external relations generally, but also within the CSDP itself.¹⁰ Combining pro-NATO Atlanticist orthodoxy on the one hand, with pacifist daydreams of a "civilian power Europe" on the other, would result in what London has always advocated: the EU as a useful civilian complement to NATO's hard power.

In this spirit, and with the purpose of keeping European defence firmly constrained by the "complementarity" principle, a significant EU-NATO rapprochement is ongoing, and, according to some, might ultimately lead to a re-merger. Let us not forget here the initial misgivings about letting the EU and NATO get too close to each other. As noted in a Centre for European Reform policy paper, "The French seem to worry that EU defence is a delicate flower which risks being squashed in the embrace of a military giant such as NATO. French officials sometimes say that close EU-NATO co-operation could lead to the US gaining excessive influence over EU foreign and defence policy. French fears about US priorities are not completely unfounded."¹¹ However, even though the Turkey-Cyprus dispute continues to limit formal cooperation, practical rapprochement between the two organisations is now a clearly perceptible trend. The NATO Permanent Liaison Team to the EU and the EU cell in NATO attend most of the daily operational briefings held at the headquarters of the organisations with which, respectively, they liaise, while the NATO Secretary General's presence at the EU defence ministers' meeting has practically become a tradition — in addition to his attendance at numerous non-institutional occasions that provide plenty of opportunities for coordination and discussion (such as "transatlantic dinners" for EU and NATO foreign ministers) —, and the representatives, to NATO, of the rotating

⁹ Nicolas Gros-Verheyde, *L'approche globale est comme le monoxyde de carbone...*, Brussels, 13 July 2013. (<http://www.bruxelles2.eu/defense-ue/defense-ue-droit-doctrine-politique/lapproche-globale-cest-comme-le-monoxyde-de-carbone.html>)

¹⁰ For more details, see Hajnalka Vincze, "Approche globale": le danger mortel, 22 July 2013. (<http://blog.hajnalka-vincze.com/2013/07/approche-globale-le-danger-mortel.html>)

¹¹ Daniel Keohane, *Unblocking EU-NATO Co-operation*, CER Bulletin Issue 48, Centre for European Reform, June/July 2006.

EU presidency provide the North Atlantic Council and NATO Military Committee with weekly updates on EU activities. Moreover, double-hatting of military representatives has become a standard practice — indeed, with even France deciding to send the same general to EU and NATO meetings, Belgium, Luxemburg and Greece are now the only countries still adhering to the principle of separate hats. The problem, again, is not coordination, but the obvious pro-NATO bias. It speaks volumes that the generals representing their nations in European defence settings spend most of their time (routinely six days out of seven, and even when discussing EU issues) at NATO headquarters.

The Conceptualisation of Abdication.

The regression of the CSDP has now reached a point at which the notion of transferring its structures back to NATO is openly evoked. The fact that a former defence minister of Bulgaria, speaking at a conference, could go as far as to say that the financial crisis clearly shows that “it is time to stop bothering ourselves with the CSDP, and to put all our eggs into the NATO basket instead,” is a faithful reflection of the general atmosphere.¹² Albeit lacking the Bulgarian minister’s inimitable style, a number of experts have recently expressed similar ideas. The director of Carnegie Europe, Jan Techau, back in 2011, urged “Forget CSDP, it’s time for Plan B.” If his remark is not, in itself, surprising, neither should it come as a surprise that, to him, Plan B means unconditional Atlanticist loyalty. As he put it, “Europe should stop building a Potemkin village called CSDP when what it really needs will be delivered in return for some solid cultivation of the transatlantic link.” Europeans simply need to give up “futile strategies of independence or counterbalancing,” and admit to themselves and to anybody interested that “in the end, it’s Americans who will guarantee Europe’s security.”¹³

The way to institutionalise this explicitly non-ambitious approach is to recognise, as Latvia’s defence minister did at the 2012 Riga Conference, that EU-NATO relations are a “hindrance”, for which there is a

¹² The first part of exact quote said “cut the cr... on CSDP.” Boyko Noev is former minister of defence of Bulgaria (1994-1995), (1999-2001), senior fellow with the Center for the Study of Democracy, and member of the Strategic Advisors Group of the Atlantic Council. He intervened at the “The Future of US European Command” conference, organised by the National Defense University and the Atlantic Council, 19 July 2012.

¹³ Jan Techau, *Forget CSDP, It’s Time for Plan B*, European Council on Foreign Relations, 26 August 2011.

simple solution: namely to “basically merge the two organisations.” Even Jolyon Howorth, one of the leading specialists on the CSDP and formerly known to be clearly in favour of European autonomy, has now started to strike a different chord. In 2012, he started to float the idea that “there must gradually and progressively be an institutional and political merger between CSDP and NATO.”¹⁴ By 2013, the idea had been further developed: “Allied Command Operations/SHAPE should be merged into CSDP” (if, in fact, given the disparity between SHAPE’s 13,000-strong personnel and the EUMS’s staff of 350, it is possible to talk of a merger rather than a takeover); a “robust CSDP/NATO entity” should be created and the political steering bodies adjusted accordingly; there should also be a merger between the European Defence Agency and ACT (Allied Command Transformation, based in Norfolk, Virginia, that traditionally acts as the conveyor belt of US doctrinal-industrial priorities into the Alliance).¹⁵

Behind these merger ideas, we can observe a parallel ideological shift towards Occidentalism as a philosophical-political stance. It was duly celebrated at this year’s (2013) Riga conference, where the above-mentioned Jan Techau, for instance, stated that for Europe to become a real partner to the US, the Europeans have “to develop a sense that the Americans and us, we are in it together.” In order to face the challenges of the 21st century, we need to reaffirm our Western togetherness. The fact is that even formerly sceptical thinkers now seem tempted to adopt this approach. In his 2007 *rappor*t to President Sarkozy, former French foreign minister Hubert Védrine rang the alarm bells against what he called “Atlanticist/Occidentalist temptation”, pointing out that yielding to it is justifiable only if we see ourselves as belonging, first and foremost, to the so-called West, before considering ourselves Europeans or, in his case, French. However, Védrine himself is using the word “West” more and more frequently; in one of his recent interviews he used it no fewer than six times.¹⁶ Another example, on the other side of the Atlantic, is Charles Kupchan, former Director for European Affairs in the National Security Council under President Clinton. In 2006, Kupchan

¹⁴ Jolyon Howorth, *CSDP and NATO Post-Libya: Towards the Rubicon?*, Egmont Institute Security Policy Brief n. 35, July 2012.

¹⁵ Jolyon Howorth, *The EU and NATO after Libya and Afghanistan: the Future of Euro-U.S. Security Cooperation*, Yale Journal, 26 February 2013.

¹⁶ *Que reste-t-il de l’hyperpuissance?*, interview with Hubert Védrine, by Pascal Loret, in Revue Géoéconomie, August–October 2013.

wrote that “American and European interests have diverged, institutionalized cooperation can no longer be taken for granted, and a shared Western identity has attenuated.”¹⁷ Yet the same Kupchan speaks now, in the very title of his latest book, of “the West and the rest.” A re-assertion of the West paralleled by the achievement of a CSDP-NATO merger would return European defence to its pre-CSDP stage. In short, it would be back within NATO, but this time without even the prospect of possibly becoming autonomous one day — since its very return would signal that this option had already been explored and abandoned.

The Twin Crises: an Opportunity for the re-Europeisation of our Defence

Discussion and reflection on European security matters have been dominated over the last two years by two issues presented as having a determining impact on the future of European defence: the economic and financial crisis and America’s strategic rebalancing towards Asia. The former is widely referred to as a “black swan” (i.e. an unexpected event of huge impact), while the so-called US pivot is sometimes interpreted as an abandonment of Europe by its protector-ally (sometimes as a wake-up call for Europe to do more; most often both). Both these assertions are arguably misleading. First, the crisis has merely accentuated and shed an unforgiving light on trends and preferences that were, in fact, already present. Second, as regards the pivot, it can hardly be imagined that the US is about to take a hands-off approach to Europe in the strategically decisive fields, thereby leaving a void that could be filled with genuinely European defence initiatives. Having said this, both developments represent formidable opportunities, provided they are assessed realistically, and seized upon in order to fundamentally reset Europe’s defence priorities.

The Budgetary Impact of the Crisis and the Psychological Shock of the “Pivot”.

As far as the cuts in European military budgets are concerned, the figures speak for themselves. The project leaders of a one-year research programme conducted by the National Defense University and the Atlantic Council pointed out that: “European defense capabilities were al-

¹⁷ Charles A. Kupchan, *The Fourth Age: The Next Era in Transatlantic Relations*, in National Interest, September-October 2006.

ready at a very low level of investment and stretched thin by years of deployments when fresh precipitous decline began for most European states in 2008.”¹⁸ Thereafter, growing budgetary constraints led to increasingly rapid and substantial defence cuts, amounting to up to 20 per cent in the smaller states, around 10 per cent in most of the medium-sized ones, and around 8 per cent in the UK and Germany.¹⁹

These significant budgetary constraints led mainly to so-called horizontal cuts: drastic reductions of existing capabilities across the spectrum and of operational and maintenance costs, thereby leaving capabilities unready and/or unavailable, in other words hollowing out the armed forces. There have also been some vertical cuts (elimination of entire national capabilities), such as the scrapping of the UK’s maritime patrol capability; the loss, to the Dutch army, of all its tanks, as well as France’s abandonment of its second aircraft carrier programme, and with it of the idea of having a permanent carrier presence at sea. In all cases, the result is an erosion of capabilities, which necessarily entails a lowering of strategic ambition. As the British establishment now admits (and others take for granted without admitting it) “British defence policy rests on the assumption that we will not fight a major war except in partnership with the United States.”²⁰ Even within this dependence-based framework, continuing cuts mean that, in the words of the UK Chief of Defence staff, “we have to recalibrate our expectation of the level of capabilities we can field.”²¹

All this makes it easier to understand why the announcement of the US “pivot” to Asia left the European governments deeply traumatised.²² The comment that “Most European countries are now producers of security rather than consumers of it. Combined with the draw-

¹⁸ Charles Barry, Hans Binnendijk, *US and European Defense Capabilities and Cooperation: Widening Gaps*, paper presented to a State Department Outreach seminar in Washington D.C., with a short version published under the title *Widening Gaps in U.S. and European Defense Capabilities and Cooperation* in Transatlantic Current n. 6, July 2012, National Defense University.

¹⁹ Christian Mölling, *Trends within the European Union*, in C.M. O’Donnell (editor), *The Implications of Military Spending Cuts for NATO’s Largest Members*, Brookings Institution Analysis Paper, July 2012.

²⁰ Hearing of former British Foreign Secretary Douglas Hurd, Foreign Affairs Committee 2010, House of Commons, *Global Security: UK-US Relations*, 18 March 2010.

²¹ Leigh Hamilton, *Stepping Up* (Interview with UK Chief of the Defence staff Sir Nick Houghton), Defence Focus Magazine, Issue 273, August 2013.

²² *Sustaining Global Leadership – Priorities for 21st Century Defense*, Department of Defense, January 2012.

down in Iraq and Afghanistan, this has created a strategic opportunity to rebalance the U.S. military investment in Europe” set alarm bells ringing all over Europe, especially in view of the withdrawal of a significant part of American forces stationed on the Continent, and the clear shift of focus towards the Asia-Pacific region. The questions asked about our importance to America caused a general sense of unease as people began wondering how much longer Europeans can expect to go on benefiting from US security guarantees; meanwhile, the expectation, expressed by Washington, that Europe should do more to look after its own backyard is generally interpreted as a condition that the European countries must meet in order to keep Washington interested in its oldest and closest allies. To paraphrase a famous remark by Belgian foreign minister Jacques Poos in 1990, these developments, at first glance, appear to show that it is “Europe’s hour” once again. Indeed, there seems to, not least in view of the budget cuts, a compelling case for the Europeans, at last, to act in unison, and reach strategic adulthood.

Reality Check: Perspectives on Defence Budgets and American Disengagement.

Alas, the impact of the pivot is relative, both for the Europeans and the Americans. Judging by the reaction shown by most European governments so far, the more America seems to start looking away the more they rush to swear allegiance to it (for instance, making desperate efforts to remain part of exorbitantly expensive and highly uncertain US-led equipment projects). What we are witnessing is not so much a re-evaluation of the need for autonomy, as a kind of Atlanticist spasm. On the American side, the pivot does not mean abandonment of Washington’s European preeminence, far from it. Indeed, at the same time as it is turning its interest to other areas, the US is also trying to reassert its control in Europe, repeatedly reminding its allies how incapable they are without US assistance (a recent example in this sense being operation Unified Protector in Libya), reassuring them of its commitment to Article 5 through the strengthening of Reforger-type (Cold War era relic) military exercises, or if all else fails, implementing the well-proven method of “divide and rule”. As Obama’s top diplomat for Europe, Philip Gordon remarked rather outspokenly: “We want to see a strong and united Europe, speaking with one voice. In the best of all possible worlds, this voice would be saying what we want to hear... If

it is not saying what we want to hear, then we would rather that voice was less united. For the foreseeable future we will have to have relations with the EU and with nations;”²³ in short, with whoever is saying the right thing on a particular issue.

One sector in which US determination to stay in control is destined to remain as solid as ever is that of the defence industry. As the European Defence Agency’s former chief, Nick Witney observed: “For sure, the US do not expect Europeans to act fully independently from Washington;” rather, the Americans would like to see as much transatlantic coordination as possible, “especially to allow the use of American military equipment,”²⁴ particularly in view of the serious constraints on the US defence budget, which are leading the Americans to strengthen their presence in what they consider their European captive markets, and increase their exports to third countries. In this context, the NATO Smart Defence initiative, launched as a response to the EU’s similar project (Pooling & Sharing or P&S) can be seen indeed as a Trojan horse for obtaining a US/US-dominated transatlantic defence industry.

As far as the European budgets are concerned, although the general observation that “Europe disarms when the rest of the world rearms” is undoubtedly true, it must be borne in mind that the choices that determine or aggravate this overall trend are not always conscious or autonomous ones. When the Chairman of the EU Military Committee observed that, along with the budget cuts, “the continuous cost increases linked to new generation of equipment, the transformation burden and last but not least the high cost of ongoing operations”²⁵ place military leaders before a dilemma that is almost impossible to resolve, he forgot to mention that most of these extra burdens stem from decisions that are first made first in Washington, which the Europeans subsequently copy and go along with. This Atlanticist stance is highly resource-draining: one need only think of the costs of participation in Iraq and Afghanistan, or of the “cooperation” in US weapons programmes such as the F-35 Joint Strike Fighter or the missile defence initiative. The whole process of transformation (previously hyped as the Revolution in Military Af-

²³ Charlemagne’s Notebook, *Sometimes, America likes a divided Europe*, Economist.com, 30 September 2009.

²⁴ Nick Witney, Olivier de France, *Etude comparative des livres blancs des 27 Etats membres de l’UE*, Etudes de l’IRSEM n. 18, October 2012.

²⁵ *Lessons learned — General Syrén summing up three years as CEUCM*, interview in Impetus n. 14, Autumn/Winter 2012.

fairs or RMA), on the other hand, was originally designed to “establish a new relationship with our allies, based on our comparative advantage” in C3I, surveillance, targeting, precision-guided weapons, etc. In the words of one of the RMA’s conceptors, Admiral Owens, the cost of developing it would be so great as to make “cooperation with the United States attractive. This would give us control over our allies’ defence policies.”²⁶ This is not to say that Europeans do not need to invest in defence material, far from it. But they need to do so in line with their own purposes, their own way of waging wars and in a manner that will benefit the European defence industrial and technological base.

If we are ready to acknowledge that we do not have the same ambitions, the same history, the same military traditions, the same rapport with technology, or the same approach to the waging of wars as our American friends and allies, then European capabilities can be viewed in a much more realistic (and much less budget-draining) light. As Kori Schake, former West Point professor and member of President George W. Bush’s National Security Council pointed it out: “The gap between us and our allies is not nearly as important as the gap between our allies and any country or organization they could conceivably fight against. Europe may not have what we have, their capabilities may not permit them to fight with the awareness, precision, and confidence that the United States does, but they are plenty good enough.” In her view, the Americans need “to recalibrate their approach so that it focuses less on what Europeans need to buy in order to operate the way we do, and instead focuses on how we can fight without Europeans becoming smaller replicas of the American way of war.”²⁷ For us Europeans, such a realisation could indeed be the starting point for a major shift in our approach to European defence as such.

The Real Opportunity: a Fundamental re-Prioritization.

Rather than touting the crisis as an opportunity to simply collectivise defence assets (with the risk of increasing the degree to which individ-

²⁶ Admiral Owens, *High Seas. The Naval Passage to an Unchartered World*, Annapolis, Naval Institute Press, 1995, quoted by Yves Boyer, *L’OTAN va-t-elle finir par “tuer” la politique européenne de défense?*, Annuaire français des relations internationales 2010, (volume XI), Brussels, Editions Bruylants, 2010, p. 711.

²⁷ Kori Schake, *Winning the Argument on NATO*, paper presented at “The future of US European Command” conference, organized by the National Defense University and the Atlantic Council, 19 July 2012.

ual countries are relieved of responsibility) and consolidate the transatlantic connection (with the result of wasting money on capabilities not tailored to the European armed forces and on operations not necessarily stemming from the view that we, as Europeans, have of the world), we could see it as a real chance to define the European approach to the question of war. This would provide a basis on which to assess our need for capabilities and P&S arrangements, rather than the other way around. In reality, scenarios tailored to US needs, operations defined by US concepts, and material requirements reflecting US sensitivities (such as excessive force protection specifications in order to comply with the political-philosophical imperative of “zero death” even if it means potentially more collateral damage among civilians) are not only misleading when applied as a sole standard (in that they artificially inflate the so-called transatlantic capability gap), but they also tend to hide a crucially important fact. Namely, that there is a clearly European approach to war, supported by a clear political rationale. As pointed out by former Chief of the Defence staff and President of the EU’s military committee, US-style military action, which focuses on distance strikes without the intervention of ground troops, has undeniable military advantages, such as avoiding the risk of getting bogged down, and limiting friendly casualties. But it also comes with significant political disadvantages, including lack of control over belligerents, and therefore over the end result, the indispensable need for American support to mount an operation of this kind, and the accusations of “neo-colonialism” that it (constituting a blatant demonstration of one-sided warfighting based on “Western” technological superiority) would potentially fuel.²⁸

Clarification of the doctrine to be adopted is also the necessary first step towards harmonising capability requirements and putting pooling and sharing arrangements in place later on. As for the acquisition of capabilities, Europeans need to say no to resource-draining US projects such as the F-35 Joint Strike Fighter commonly referred to in the industry as the trillion-dollar programme; they also need to resist the urge to buy arms off the shelf, where cost savings are all too illusory (especially if we consider the depreciation costs), while amounting to a real loss not only of control and of security of supply, but also of the work opportunities that the European defence and technological industrial base needs in order to survive. Indeed this latter aspect has implications that reach well

²⁸ Hearing of général Henri Bentégeat before the French Senate’s *Commission des Affaires étrangères, de la défense et des forces armées*, 11 February 2013.

beyond the political-military field: the armament sector represents, for public authorities, the last major area in which it is possible to finance crucial research and technology projects in an open competition-based liberal system and, if apprehended properly with a firm strategic vision, it could be a crucial contributor to long-term economic growth.

This leads us to the next priority to be reconsidered, namely the supposedly undisputable virtues of pooling and sharing, and of supranational initiatives in general. Whereas the reduction of redundant assets in a European framework and maximum cooperation among Europeans are highly desirable, it is necessary to proceed on a realistic basis. This means not deriding as outmoded and selfish, but rather respecting, the legitimate sovereignty concerns of those who still make an effort to produce and maintain assets that can be shared. In this regard, the European Air Transport Command (EATC) between France, Germany, Belgium, Luxembourg and the Netherlands is a model that works. It is based on a genuine pooling of capabilities (for instance 50 per cent of the French military fleet is currently under EATC operational command, and the participating nations regularly carry each other's troops on their planes), but includes a double safeguard. The *Revoke Transfer of Authority* procedure allows the states, at any time, to take back operational control, while the procedure known as the *red card* allows the governments, again at any time, to take back control over their planes, without having to give their reasons for doing so. Needless to say, the EATC is not an all-encompassing EU initiative, but rather tellingly, the partner states describe themselves as "pioneers in the world of Pooling and Sharing capabilities."²⁹

Arguably one of the best examples of the risks inherent in the Community approach to defence matters is provided by the recent directive on "Public procurement in the fields of defence and security."³⁰ First, it seems to ignore that the vast majority of R&D investments in this sector are made by the individual states, which obviously expect a return on their investments both in terms of the final product, and in terms of employment opportunities for high-skilled workers. Hence opening procurements to competition across the EU might have the effect of making the states, already confined by budgetary constraints, even less inclined

²⁹ www.eatc-mil.com, accessed on 30 September 2013.

³⁰ Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security.

to invest. Most importantly, this Europe-wide opening of competition (with the salutary safeguard of the “essential national security interests” derogation still provided by Article 346 TFEU) is not complemented by appropriate protection mechanisms vis-à-vis non-European providers. One can easily understand the dismay of the French who are the only ones to attach (and therefore unfortunately the only ones to apply) a *préférence communautaire* clause to the directive. The problem is that accepting interdependence with partners who are dependent on a third party is tantamount to agreeing to depend on the latter. This is the reason why the European choice will be sustainable in the long term only if it is based on a critical mass of countries serious about strategic autonomy.

The Need for a Strategically-driven Truly European Vanguard

Nowadays, it is widely admitted that advances in the most delicate segments of European integration cannot be achieved by all twenty-eight countries together. Defence is obviously the first area incompatible with the everybody-or-nobody dogma. It is therefore no surprise that after being one of the main taboos in the European debate, “flexibility” in defence matters has now definitively gained acceptability, not only in practice but also in the framework of the Lisbon Treaty. However, it is still only tolerated, and even then only as long as the new flexible formations limit themselves to operational, practical matters, hence the preference for the mainly capability-based “clusters” approach. This approach can definitely be useful, in terms of both motivation and output, on a case by case basis, but would not by itself be sufficient to prevent Europe from “exiting history”, as former French foreign minister Hubert Védrine put it. To keep pace with the rapidly evolving international setting, a strategically-driven vanguard would have to be launched with the aim of pursuing a policy that could be genuinely called European defence.

A Necessary Rupture – from Clusters to a Vanguard.

Differentiation (the possibility for a group of like-minded countries to move faster and/or further than the rest) used to be one of the main taboos of the CSDP, together with the sensitive issues of strategic autonomy and territorial defence. However, whereas the flexibility taboo has been progressively lifted, giving room for significant Treaty changes (reflecting, in part, the variety of practical cooperation mechanisms), differentiation is still only tolerated providing it does not risk

spilling over into the two “forbidden” fields: in short, there must be no collective defence and no strategic autonomy. Bearing in mind this essential limitation, the radical change in the official approach to the issue of flexibility is remarkable. Whereas the Amsterdam Treaty was careful to exclude the second pillar (CFSP) from the scope of the newly introduced enhanced cooperation option, leaving only the rather cumbersome arrangement of constructive abstention, the Nice Treaty allowed the freshly reformed enhanced cooperation formula to enter the CFSP field — but only as long as anything with military implications remained excluded from it. Considering these restrictions, the Lisbon Treaty may be regarded as a sort of mini-revolution in the defence-related differentiation area. It confirms the establishment of the European Defence Agency (EDA) within which programmes can be pursued in different groupings; it states that “The Council may entrust the execution of a task, within the Union framework, to a group of Member States in order to protect the Union's values and serve its interests;” and it allows the launching of an essentially capability-based permanent structured cooperation between member states (the criteria for participation being the possession of high-level military capabilities and the readiness to make more binding commitments in this area).

The truth is that, despite the significance of the introduction of these changes into the EU Treaty framework, Lisbon actually merely put its stamp on existing practice. The member states already routinely organised themselves in various groupings for producing, buying, and using military hardware and for preparing for and participating in expeditionary operations. Indeed, there exists a whole range of bi-, tri- and multilateral, capability-based, geography-based and force-based initiatives (from the aforementioned EATC, to the Franco-British Lancaster House Agreement, the Nordic Defence-cooperation NORDEFCO, the European Maritime Force EUROMARFOR, Eurocorps and the Franco-German Brigade, the Force de Gendarmerie Européenne, and the A400M military transport plane programme, to name but a few) that have no basis in the Treaties. Lisbon merely provides confirmation that differentiation is now generally recognised as the only way to progress in the defence field. As the former chief of EDA wrote: “In defence, it is time to move on from the “convoy” approach — to accept the reality of a “multi-speed” Europe, and to allow “pioneer groups” of the will-

³¹ Nick Witney, *Re-energising Europe's Security and Defence Policy*, policy paper, European Council on Foreign Relations, July 2008.

ing to move things forward when not all are ready to join in.”³¹ The truth is that when the expression “pioneer group” is in the plural, it no longer denotes a multi-speed logic, but rather what it has recently become common to call the “clusters approach”. As noted in a recent report by the Clingendael Institute in the Netherlands: “In recent years, there is a focus on cooperation in so-called ‘clusters’, signifying various kinds of defence cooperation in small groups of countries.”³²

Whereas different clusters make useful contributions on specific issues and in specific sectors, there are two inherent limitations to the clusters approach. First, overall EU coordination remains essential in certain areas, both to avoid a new kind of fragmentation and to achieve the necessary impact. Second, this solution, by definition, does not address the two key issues of territorial defence and strategic autonomy. These are issues that can be addressed only by a true vanguard³³ of states (and are therefore the ones that distinguish the vanguard from both the CSDP and the clusters approach), in other words, by a pioneer group that undertakes the task of creating a *European defence* in the true sense of the term, both the “defence” and the “European” part.

The Path of re-Europeanisation: Ideas to Explore.

The events of the past 15 years together with the most recent events in the process of European integration have shown that there is a need to scale back any ambitions of advancing as a group of 28. It would already be something if all-EU measures and policies could be geared at preserving the CSDP’s *acquis* and removing the obstacles in the path of countries that would like to pursue more ambitious initiatives. To these ends, it is

³² Margriet Drent, Kees Homan, Dick Zandee, *Bold Steps in Multinational Cooperation – Taking European Defence Forward*, Clingendael Report, Netherlands Institute of International Relations, May 2013.

³³ Various names can cover the same concept, vanguard is the one preferred here, but similar content can be referred to as *core Europe*, and was called the European Security and Defence Union (ESDU) in the Tervuren declaration of the heads of state and government of France, Germany, Belgium and Luxemburg on 29 April 2003. Here they stated that “the vocation of the ESDU should be to bring together those member States that are ready to go faster and further in strengthening their defence cooperation.” Albeit in the specific context of opposition to the Iraq war and still with an extremely cautious formulation, the references to “mutual help and assistance in the face of risks of all nature” as one of the first areas of commitment of the ESDU, and the priority given to “harmonization of positions” and “increased investment in military equipment”, and especially the insistence on creating a “nucleus” of operational planning and conduct capability, can be seen as prudent signs of an inclination towards greater strategic autonomy.

possible to identify five major directions that should be followed. First, there needs to be a reaffirmation of the military dimension of the comprehensive approach, according to which crisis situations must be addressed with political, civil and military instruments. This means ensuring that the integrity of the military chain of command and the specificities of military culture are preserved within those structures referred to as civil-military “fusions”; it also means ensuring that dispersing “military expertise” across the European External Action Service is not allowed to mean eroding the military component without having first verified that the EUMS manning level and organisational structures have been left intact.

Second, it is necessary to resist any trends that might lead to a return of the CSDP to the NATO fold. Its biggest *acquis* is indeed its institutional autonomy, linked to the EU framework. Should negotiations to create a so-called European pillar of NATO be revived, all well and good, providing the pillar is set up outside the Alliance.

Third, it is necessary to impede any further opening of the defence sector across the EU, unless it goes hand in hand with the establishment of EU-wide mechanisms of protection against third states. Such mechanisms need to be in place prior to any initiative of this kind and must be as effective as the toughest protective measures implemented by the member states (otherwise it would be tantamount of giving away our European defence industrial and technological base).

Fourth, pooling and sharing should be encouraged, as long as it respects the principle of reversibility, which serves to prevent free-riding by those states that have fewer capabilities and also to prevent pooling and sharing from being a disadvantage for those states that still have significant military capabilities.

Fifth, in order to avoid the severely damaging effects of the single market on investments in the defence field, the criteria of the Stability and Growth Pact need to be amended as soon as possible, in particular by taking up the French proposal advanced at the time of the 2005 review of the Pact. The French proposed that military spending be listed as “another relevant factor” for avoiding the excessive deficit procedure. Today, the only trace of the original proposal is the vague possibility that “special consideration will be given to budgetary efforts towards increasing or maintaining at a high level financial contributions to achieving European policy goals if they have a detrimental effect on the growth and fiscal burden of a Member State.” Instead, it needs to be clearly stated that certain military expenses are considered an investment in Europe’s future and constitute a common good.

Apart from pushing for the EU to implement the above-mentioned priorities, and realising them within its own framework should EU-level action turn out to be impossible, a vanguard would concentrate on asserting itself as such, primarily through commitment to stronger mutual defence guarantees, but also by reviving the WEU Treaty among the participating states, and highlighting the absurdity of engaging together in external military operations without having first provided for the defence of its own territory. Similarly, the drive for strategic autonomy must be the underlying principle of each and every vanguard initiative, whether this relates to engaging in operations, launching European-only equipment programmes, or making institutional changes. The underlying vision must be to preserve and reassert both our independence (autonomy of assessment, decision and action, which also means being free from pressures or constraints imposed by a third party) and our specifically European “way of war”.

The “Conceptualisation” of European Defence.

Admittedly, conceptualisation is an exaggerated term for referring to a solution that is actually dictated by pure logic and common sense. As summed up by Nick Witney in the title of the article written in response to the paper, mentioned earlier, which recommended ditching the CSDP and relying solely on NATO: “It’s CSDP or live in world run by others.”³⁴ The present version of European defence, which goes by the name of CSDP, is highly imperfect: indeed, the full realisation of this concept — i.e. the creation of a true defence that is genuinely European — can be pursued only by a vanguard of committed countries. Alas, the use of plural here might be another overstatement. France seems all too alone when it comes to following these objectives. As General de Gaulle predicted, “until the sky clears up, France continues to pursue on its own what can and should be a European and an independent policy.” Indeed, for decades France alone went against the odds, waiting patiently for its European partners to “become aware” (*prendre conscience*) of the need for such a policy direction. However, time is running out. The counter-productive impact of unbalanced EU measures, the exponential growth of military equipment costs, and the continued refusal of EU partners to engage in anything remotely resembling an independent European path might well lead France to develop a sort of *combat fatigue*.

³⁴ Nick Witney, *It's CSDP – or live in a world run by others*, European Council on Foreign Relations, 13 September 2011.

French diplomacy over recent years seems to have abandoned its systematically Don Quixote attitude and now strikes a more conciliatory note. The French foreign ministry has engaged in coalition-building tactics, displayed symbolic gestures, made practical trade-offs, and even started borrowing catchphrases from the English-speaking world. It also appears to deliberately shying away from taking an opposition stance in public, in the hope that there might be someone else to do it. One problem with all this is that it does not work well. Simply put, this is not an approach in which the French excel.³⁵ The strength of French diplomacy, at its best, has always been its combativeness in its assumption of a solitary stance, its capacity to state clear principles with such clarity and confidence that its opponents have been left facing their own contradictions, at their own expense. Even more importantly, in the field of European defence, arguably one of the key permanent axes of French foreign policy in the post-Cold War environment, it is the wrong time to go *hors piste* and experiment. On the contrary, the latest developments are repeatedly providing confirmation of everything Paris has long been professing with regard to European defence.

The “pivot”, or strategic reorientation of the United States discussed in the previous pages, shows clearly that transatlantic security is far from indivisible and that US engagement cannot be taken for granted forever. The experiences of the wars in Iraq and Afghanistan, together with new budgetary constraints, can be used as serious arguments against copying the highly expensive American way of waging war. The functioning of the 28-member European Union has made it obvious, even to those most vehemently opposed to this route, that differentiation, both in terms of diverging visions and different practical arrangements, is from now on the only way to cope with the heterogeneity resulting from successive enlargements. Finally, the emergence of new powers, and their already perceptible activism in sovereignty-related fields make it all too clear that strategic autonomy is not a pre-modern concept driven by some presumed anti-American sentiment, but rather the only way, on an increasingly competitive international stage (*la mêlée mondiale*, in the words of Hubert Védrine), to stay in the race. At a time when former British Prime Minister Harold Macmillan’s famous “events, my dear boy, events!” supports flawlessly France’s traditional reasoning, Paris would be better advised to go back

³⁵ See Charles Cogan, *French Negotiating Behavior: Dealing with La Grande Nation*, New York, Barnes & Noble, 2003.

to displaying unapologetically its Cartesian logic, clearly stating and tirelessly repeating some self-evident principles.

Namely that there cannot be European defence without it being genuinely European (i.e. free from undue dependence on third parties outside our continent), and without it being genuinely defence (both from the military point of view and from that of the defence of the territory). Refusal of independence leads to dependence, refusal of power leads to being left powerless. Separately, and even more so when combined, they lead to loss of credibility, and ultimately result in an inexorable *déclassement stratégique*. If it is deemed that European defence should be pursued, then both dogmatic Atlanticism and ideological pacifism need to be barred from our strategic thinking. It might be worth quoting Robert Cooper, former advisor to former British Prime Minister Tony Blair and grey eminence to EU High Representatives Solana then later Ashton, speaking recently in his capacity as Counselor at the EEAS. Cooper, who obviously cannot be accused of anti-Americanism, or suspected of Gaullist affinities, makes some common sense remarks with regard to European defence. He starts from the fact that “there is no guarantee that American and European interests will always coincide.”³⁶ Cooper then observes that “It is highly unsatisfactory that 450 million Europeans rely so much on 250 million Americans to defend them. There is no such thing as free defence. No one yet knows exactly how or when, but at some point Europeans will find themselves paying for these arrangements.” In Cooper’s view, although the inbuilt direction is clear, the end result is far from predictable. “The logic of European integration is that Europe should, sooner or later, develop a common foreign policy and a common security policy and, probably, a common defence. But the world does not proceed by logic. It proceeds by political choice.” The stakes are now at their highest, and the choice is ours.

³⁶ Robert Cooper, *The Breaking of Nations, Order and Chaos in the Twenty-First Century*, London, Atlantic Books, 2004.

Notes

THE DEBATE IN GERMANY ON DEMOCRACY AND EUROPEAN UNIFICATION: A COMPARISON OF THE POSITIONS OF HABERMAS AND STREECK*

The existential crisis of the process of European unification is an issue that is generating a broad debate, one very important aspect of which is the question of the relationship between democracy and European unification. The contribution, in this regard, provided by the debate, in Germany, between Wolfgang Streeck, a renowned European sociologist,¹ and the philosopher Jürgen Habermas,² which has attracted considerable media attention, deserves close examination, both because it involves two highly esteemed intellectuals, and because Europe's future is, essentially, in Germany's hands. In this note, I therefore recall the main lines of Streeck's argument and the critical considerations of Habermas, which, on the whole, I deem valid and enlightening, albeit with a limit that needs underlining.

Streeck is deeply critical of European integration, adopting a stance (widely supported in many left-wing circles in Europe) that culminates, ultimately, in the idea that Europe should be dismantled to allow a return to the national sovereignties. This position fits into a broad and well-articulated critical appraisal of the strategy introduced by the cap-

* This text is based on a talk given by Sergio Pistone on 20 October 2013 in Sal-somaggiore Terme at the meeting of the MFE's *Ufficio del dibattito*.

¹ See Wolfgang Streeck, *Die vertagte Krise des demokratischen Kapitalismus*, Berlin, Suhrkamp Verlag, 2013.

² Habermas's criticism of Streeck can be found in *Demokratie oder kapitalismus? Vom Elend der nationalstaatlichen Fragmentierung in einer Kapitalistisch integrierten Weltgesellschaft*, Blätter für deutsche und internationale Politik, n. 5 (2013), his review of Wolfgang Streeck's book *Gekaufte Zeit* (Berlin, Suhrkamp Verlag, 2013).

italist ruling class in the wake of the Second World War, which was pursued increasingly successfully from the 1970s onwards. This whole strategy hinges on the concept of the revolt of capital against the mixed economy regime that became established in all the Western democracies after World War II. The term ‘mixed economy’ denotes public intervention in the market economy through strong economic policies (and also through nationalisations, although this is only one aspect, moreover not central), used as a means of tackling the social, territorial, sectorial and (from the 1970s also environmental) imbalances produced by the natural interplay of economic forces that are not governed by a political will oriented towards pursuit of the common good. The capitalist ruling class worked systematically to replace the mixed economy regime (also known as the Keynesian system, being based essentially on the teachings of Keynes) with a neoliberal regime (also termed neo-Hayekian, given that Hayek is its main point of reference³), whose aim is, through rebalancing policies, to limit state intervention in the economy as far as possible. Basically, this equates with unchallenged domination of free competition and, therefore, with systematic removal of obstacles to the pursuit of profit, in the mythical belief that this will lead to the creation of a balance that will naturally be accompanied by generalised wellbeing.

This design has been pursued, essentially, through the internationalisation of trade and production systems, a phenomenon that the revolution in information and communications technology and the end of the Cold War have helped to render increasingly global. And the increasingly effective and incisive implementation of the neoliberal line has had devastating consequences: on the economic and social level it has produced growing inequality linked to a clear weakening of the welfare state, increasingly harsh economic and financial crises, and increasingly severe environmental degradation. Moreover, this economic, social and environmental decline is being accompanied, on a political level, by an alarming decay of democracy.

In addition to the fact that inequality makes democratic participation increasingly asymmetrical, it is also important to note the progres-

³ On Hayek — whose key writings to be recalled here are *Monetary Nationalism and Industrial Stability*, London, Longmans Green, 1937 and *Individualism and Economic Order*, Chicago, The University of Chicago Press, 1939 — see Fabio Masini, *Lezioni della storia del pensiero economico*, Il Ponte, n. 2-3 (2012), special issue entitled *Federalismo. Proposte di riforma della convivenza civile*, edited by Fabio Masini and Roberto Castaldi.

sive voiding of the democratic system, which can be attributed to the fact that the nation-states are part of a supranational economy and a supranational society, both of which are governed by technocratic bodies. In a setting in which democratic states are forced to submit to markets over which they have no control (the most striking aspect of this subordination being their desperate need to finance their growing public debts, given that national fiscal resources, diminished by transnational competition, are less and less able to cover government spending), and to the decisions of technocracies essentially controlled by the capitalist elites, democracy has become a hollow term. “TINA” (there is no alternative) is the slogan of the moment, and it reflects a situation that is inevitably leading to growing disinterest in elections on the part of voters and to increasingly widespread protest demonstrations. The ultimate objective of the neoliberal strategy pursued by today’s capitalism is to get rid of democracy once and for all, establishing a supranational government inspired by Hayek’s idea of support for the free market and subject to no conditions.

European integration, in Streeck’s view, fits into this process and in fact represents its most advanced aspect. Europe, in fact, in creating the European Economic Community, realised a particularly profound form of supranational integration of the markets and of production processes. The introduction of the single market, which, following the removal of non-tariff barriers (physical, technical, fiscal), brought the elimination (admittedly still incomplete) of customs and quotas, was followed by the creation of the single currency. Throughout this journey, what has been implemented is, essentially, a negative form of economic integration (meaning the elimination of obstacles to the free movement of goods, persons, services and capital), while the initially declared commitment to positive integration (supranational policies designed to address the imbalances in the market economy) has not been honoured. All this has resulted in the systematic emergence of the neoliberal forces that want to see an end to the mixed economy, and of the rigid submission of the states to the markets.

It is important to underline the strategic role in this setting of the single currency, which, of course, embraces both strong and weak countries. By depriving the weaker countries of the possibility of devaluing their currencies — “external devaluation” was a protective mechanism that had previously allowed them to compensate for their lower levels of productivity and competitiveness —, it has obliged them to fall back on the neoliberal instrument of “internal devaluation”,

in other words to seek to increase their productivity and competitiveness through more flexible labour markets, lower salaries, longer working hours, and commodification of the welfare state.

At the political-institutional level, the voiding of democracy that is the general objective of the neoliberal strategy has been reflected in an evolution that has seen the fundamental powers of economic government transferred to supranational level, where they have become concentrated in the hands of undemocratic or technocratic organs, such as the European Council, the Commission and the European Central Bank. Ultimately, this is where an attempt is under way to structure a new type of supranational political system (hinged on technocracy instead of democracy), which aims to spearhead a global evolution in this direction.

If this is the situation as regards European integration, what the federalists propose, as an alternative, is engagement in the struggle to create a democratic European federal system (that might serve as a model and as a key incentive for a global democratic federal evolution), as this is the indispensable framework for creating positive economic integration, and thus for returning to democratic forms of economic government. But Streeck does not see it this way. Indeed, quite apart from the difficulties that a struggle of this kind presents in the current setting, he believes that a supranational democracy is not a valid solution for Europe and puts forward four arguments to support his view.

The first concerns the inefficacy of European territorial rebalancing policies aimed at boosting the competitiveness and productivity of the EU's more backward countries, in other words at modernising them. Areas cited as key examples of this inefficacy are the former GDR after German reunification and southern Italy; in both cases, the results of regional policies implemented by the nation-states and of European regional policy clearly leave much to be desired. Actually, Streeck believes that a return to national currencies, which could then be devalued, would be a far more effective solution, and also quicker to implement than a European solidarity policy, because it would not require the agreement of public opinion in the countries providing the aid.

His second argument concerns the fragile social integration of “imperfect” nation-states such as Belgium and Spain, even though, more broadly, he also cites the separatism rampant in many EU member states, including, in particular, the micronationalism of the Northern League in Italy. Streeck maintains that if problems of integration deriving from regional differences and disparities are difficult to resolve at national level, they will clearly be even more so in the framework of

a Europe that Europeanists would like to see united through a political federation, which would inevitably lack structural stability.

Whereas Streeck, in these first two arguments, questions the workability and stability of a closer political union, in the other two he questions its desirability. He points out that politically imposed assimilation of the economic cultures of southern Europe into that of the northern part would result in an unacceptable standardisation of their respective ways of life, and also that the “egalitarian ethos of constitutional democracy” can be based only on a sense of national belonging and solidarity, otherwise minority cultures would inevitably be marginalised and eventually eliminated.

Streeck concludes that the objective to pursue is not European federal union (unworkable and, on principle, undesirable), but rather the re-establishment of the national sovereignties, as these represent the only framework in which social democracy can be attained. In economic terms, this means dismantling the European monetary union, going back to flexible exchange rates, and thus to the possibility of using currency devaluation as a fundamental instrument for tackling territorial imbalances (a system of protectionism that has been dubbed “enlightened”, on the basis that devaluations should not be implemented too frequently, in order to prevent the possible development of nationalistic forces).

With regard to Streeck’s ideas, Habermas advances a series of considerations that coincide with the federalists’ vision of European unification. Like Streeck, he opposes the neoliberal current that would like to see market justice taking the place of social justice. It should be underlined that this is a stance adopted by the federalists since the time of the *Ventotene Manifesto*; indeed, the federalists argue that democracy (a value whose full realisation depends on the presence of peace), to be real, must be both liberal and social (which implies a structural commitment to overcoming disparities between people and regions).⁴ Habermas also shares the federalists’ firm belief that interdependence beyond the confines of the nation-states is an irreversible phenomenon

⁴ In this regard I refer the reader to my own works: *L’evoluzione della riflessione riguardo alla tematica economico-sociale e ambientale in seno al MFE*, PiemonteEuropa, n. 3 (2011); *Il federalismo e la questione degli squilibri territoriali*, PiemonteEuropa, n. 1-2 (2012); *Federazione europea subito come risposta alla crisi esistenziale dell’integrazione europea e per superare gli squilibri fra paesi forti e deboli dell’Unione Europea*, PiemonteEuropa, n. 1-2 (2013). See also the excellent text by Massimo D’Antoni and Ronny Mazzocchi, *L’Europa non è finita. Uscire dalla crisi rilanciando il modello sociale europeo*, Foreword by Roberto Antoni, Afterword by Stefano Fassina, Rome, Editori Riuniti, 2012.

(that, moreover, associated with that of market expansion, potentially has great progressive value) and that the predominance of neoliberal trends in the process of European integration (essentially negative integration) is structurally linked to the inefficiency and democratic deficit that characterise Europe's supranational institutions.⁵

The way to overcome the inefficiency is to equip the European institutions with the fiscal and macroeconomic powers and competences needed to mount a common European endeavour (with the relative transfers of economic resources and joint and several liability on the part of the states), as only such an endeavour (as opposed to the abstract idea that the nations can boost their competitiveness by themselves) would have the capacity to sustain, in addition to general social progress, modernisation of the European countries currently presenting problems of backwardness. Overcoming the democratic deficit, on the other hand, means switching from the current "federalism of governments", where the formation of political will depends entirely on compromises laboriously reached between representatives of national interests that are always ready to veto each other, to a situation in which MEPs (deciding by majority) and governments have equal roles in the co-decision procedure. What this means, basically, is not returning to national sovereignties that are structurally impotent in the face of supranational interdependence, but rather creating a federal and democratic European political union, as only this can create the conditions for a return to a mixed economy at supranational level and thus allow democratic politics to regain control of the markets. For this reason, it is time to press ahead rapidly (overcoming the phase of gradual advances which is clearly no longer adequate for the challenges faced) with a serious reform of the Lisbon Treaty, albeit initially applicable only to the eurozone countries.

Starting from this approach, whose convergence with the federalist one we note with great satisfaction, Habermas responds, point by point, to the arguments used by Streeck to justify his preference for a return to the national dimension over the creation of a democratic European Union.

He argues that a monetary union, to remain intact, must be capable of balancing, or at least permanently containing, the structural imbalances in

⁵ According to the federalists, the advance of neoliberalism in the framework of European integration has been facilitated by nationalist resistance (present in both conservative and liberal governments) to transfers of sovereignty to a supranational level.

competitiveness between the national economies, and that it is not the historical heterogeneity of the European economic cultures that makes it impossible to conduct this supranational policy efficiently, but rather the weakness of the fiscal and macroeconomic powers attributed to the European institutions and the absence of adequate democratic legitimacy at supranational level. Moreover, the idea that currency devaluations represent the way to make up ground is a fanciful one that fails to take into account not only the disastrous economic fallout that dismantling the single currency would have, but also the consequent and disastrous political fallout, which would include, most seriously, a re-emergence of competitive devaluations and other similar forms of nationalism.

As regards the rise of forms of micronationalism and separatism, Habermas remarks that “conflicts always arise along these historical fault lines when the most vulnerable sections of the population are caught up in economic crises or historical upheavals, become insecure, and process their fear of a loss of status by clinging to supposedly ‘natural’ identities, whether it be ‘tribe’, region, language, or nation.” The way to respond, in such cases, is to bring about economic and social progress, fundamentally through a policy addressing territorial imbalances and the need for modernisation — a policy implementable only by an efficient and democratic European political union. Obviously, it is not a question of eliminating the sociocultural diversity of the different European regions and nations — this diversity is a valuable aspect of European heritage that distinguishes Europe from other continents and is by no means a barrier to integration. What is needed, rather, is efficient and democratic multilevel federalism (basically, supranational federalism supplemented by internal federalism, in line with the federalists’ idea) and not the creation of new microstates.

Moving on to Streeck’s view that closer European political union is not desirable, Habermas criticises, in particular, his assumption that the “egalitarian ethos of constitutional democracy” can be based only on a sense of national belonging and solidarity, and can therefore be realised only within the territorial boundaries of a nation-state, using two arguments to support his case.

The first takes up an idea that he began to develop systematically more than two decades ago and that, stemming from the teachings of Mario Albertini, has actually been a key part of the theoretical heritage of the MFE since as long ago as the 1950s. Essentially, nation-states are founded on a highly artificial concept, namely the legal construct of the status of citizenship. Indeed, national consciousness, even in societies

that are relatively homogeneous in ethnic and linguistic terms, is anything but natural. Citizenship, valued and exploited at administrative level, is actually a product of historiography, the press and the practice of military conscription. The national consciousness present in heterogeneous societies where there is a large proportion of immigrants provides a demonstration of the fact that any population can, collectively, become a nation-state capable, against the backdrop of a shared political culture, of forming a common political will.

It is therefore mistaken to think that Europe's problem is the impossibility, in the absence of national homogeneity, of creating a political union able to express a united political will. Europe is a profoundly interdependent setting with an advanced level of economic and institutional integration (the primacy of European law being the most advanced aspect of this integration), but where the status of citizenship has still not been fully created. This can be achieved only through the creation of a democratic federal political union in which decisions are taken jointly, and on an equal footing, by the body representing the national governments and the body representing the European citizens, i.e., the European Parliament. This solution would allow compromises between national interests to be accompanied, through decisions taken by a majority of MEPs elected on the basis of party preferences, by a transverse sharing of interests, overcoming national boundaries. This, in turn, would require the parties to gather consensus across the whole EU territory, both in the advanced areas and in the more backward ones, and would therefore strengthen the general notion that European citizens may one day be able to refer to themselves collectively as "us", allowing it eventually to assume the power of an institutionalised concept. Such a shift in outlook is crucial if the common rules, currently used to coordinate the activity of states that have the only the appearance of being sovereign, are to be replaced with the shared formation of a united political will, in which national interests are bound up with and relativised to the European interest.

In his second argument, Habermas specifically takes issue with Streeck's concern that a supranational democracy would have unitarian-Jacobin traits since, moving in the direction of permanent marginalisation of minorities, it would inevitably result in a "levelling of the 'economic and identity communities' founded on geographical proximity'." On this point, Habermas's argument is valid only up to a point.

On the one hand, he recalls that federalism is born of a synthesis of unity and diversity and that it therefore constitutes a guarantee for

smaller states. In particular, he recalls the principle of the “double majority” of member states and voters and the weighted composition of the European Parliament which, precisely in the name of fair representation, compensates for marked differences in the size of the population in smaller compared with larger countries. On the other hand, however, he regards the idea that a deepening of the European Union would inevitably lead to a sort of European federal republic as a false assumption. For him, the federal state is the wrong model, given that conditions of democratic legitimacy can also be met by a supranational “but *transstate* democratic political community”, that, too, would allow shared governance. In such a community, he argues, political decisions would be legitimated by the citizens acting in their dual role as European citizens and citizens of the various member states. In a “political” union of this kind, which must clearly be distinguished from a true state, the member states would continue to be the ultimate guarantors of law and freedom, and would therefore continue to play a role far more important than that of the subnational entities comprising a federal state.

Habermas develops these affirmations more fully and in more detail in *The Crisis of the European Union*,⁶ to which he makes explicit reference in his review of Streeck’s book. Basically, when he argues that the nation-states in a non-state European federation would have a more prominent role than the subnational entities comprising a federal state, what he means, in concrete terms, is that a democratic European Union must not have competence for deciding on its own areas of jurisdiction (*kompetenz-kompetenz*), and must therefore decide unanimously on constitutional amendments, whereas the European Council, which should act in a co-decision procedure on an equal footing with the European Parliament, should, on essential issues, decide by unanimity. At this point it must be underlined that the federalists, while affirming that the European federal state will be different from the federal states that have existed up to now, given that it will be founded on historically consolidated nation-states (in other words, compared with existing federal states, it will be more decentralised and will allow the member states more room for intervention — in short a “light federation”, but a true federation nonetheless), categorically reject the maintenance of any form of right of national veto, which is the essence of the confederal

⁶ Jürgen Habermas, *The Crisis of the European Union. A Response*. This book, published by Polity Press, UK, 2012 is the English translation of *Zur Verfassung Europas. Ein Essay*, Berlin, Suhrkamp Verlag, 2011.

system. As regards the link between the decisive role that the nation-states should, according to Habermas, retain in a democratic European Union and the fact that they are the guarantors of the rights and freedoms of the citizens of the single states, he points out that the nation-states, being constitutional democracies are not merely actors playing a part in the long historical process of eliminating the violence at the heart of political power, but rather constitute permanent achievements and living figures of an existing justice (this is a reference to Hegel). Thus, they are something more than the mere embodiment of national cultures deserving to be maintained: they are the only guarantors of the level of justice and freedom that the citizens want to see preserved.

This position contains two contradictions. First, it is impossible to create a democratic supranational system (seen by Habermas as indispensable in order to guarantee uniform living conditions, i.e. to defeat neoliberalism) as long as there remains a national power that can veto and not simply weight the majority decisions taken by the European Parliament. After all, what kind of democracy allows one state to impose its will to avoid a decision on all other states and on the majority of the European Parliament? And isn't the right of national veto the structural ally of neoliberalism? Second, the immortalisation of the nation-states (and thus the retention of their right of veto in a democratic European Union) is not consistent with the argument, absolutely valid, that nation-states are unnatural, artificial constructs. In particular, it is not adequately appreciated that, unless the process of European unification is carried through to completion, the nation-states' capacity to maintain a viable democratic system will inevitably be undermined.

These limits in Habermas's argument in favour of a democratic European Union weaken his final appeal (made in his review of Streeck's book), in which he urges Europe's left-wing parties not to repeat the mistake they made in 1914, in other words, not to flinch from choosing European democracy out of fear of the populist currents rampant in European society as a result of the ongoing severe financial and economic-social crisis.

By way of a conclusion, it must be said that in the difficult struggle for European unification, the federalists must, as part of the decisively important task befalling them, strive to overcome not only the reticence of the Europeanists, but also the logical inconsistencies in their arguments.

Sergio Pistone

Discussions

A PRE-CONSTITUTIONAL PACT FOR FEDERAL POLITICAL UNION OF THE EUROZONE

In the current global framework, characterised by acute tensions and rapid changes, Europe continues to be blocked not only by the economic and financial crisis (still far from over, despite the hesitant signs of a recovery), but also, and even more, by a deep political and cultural crisis that is exposing the impotence of the single states and the inadequacy of the level of integration thus far reached. As the Syrian crisis has shown, although the Europeans need to be able to act as a single, leading player on the international stage, this is not possible as the nation-states retain their sovereignty in the field of foreign policy; furthermore, Europe's monetary union has not been followed by either economic or political union.

Therefore, even though there has *also* been the problem of the sovereign debt crisis in some eurozone countries, this cannot be considered the only cause of Europe's present difficulties. Their root lies, rather, in Europe's continued division. It is this that is preventing the development of true European policies. The monetary union is merely the litmus test of this situation: the countries of the euro area, by relinquishing their national currencies to create a single currency, gave rise to a profoundly interdependent system; but by leaving responsibility for economic policy in the hands of the national governments they have prevented the launch of a European economic policy and, in so doing, created the conditions for a widening of the gap between the more stable and virtuous countries and the ones with a weaker sociopolitical system, a gap that undermines the soundness of the euro.

What the crisis has shown, therefore, is that Europe has no hope of salvation unless it completes the process of its integration by creating a political union. Indeed, it has become clear that it is now necessary to

start the process of bringing this union into being, as this is the condition that will allow completion of the monetary union and creation of the banking, fiscal and economic unions. In other words, the time has come to render the solidarity between the member states structural (institutionalised) and, equally, for each state to relinquish a further slice of sovereignty and agree to transfer part of its powers to a supranational government.

Today, more than sixty years since the Schuman Declaration, marking the start of the unification process, proposed the creation of the ECSC as the first step towards the creation of a European federation, the time has come to accomplish this objective.

The Problems of the Transition from Monetary Union to Federal Political Union.

There are no historical precedents: the European endeavour is the first-ever attempt to create a supranational government through democratic means, a circumstance that helps to explain not only the difficulties and slowness of the process, but also why the framework of power outside Europe has been instrumental in compelling the European countries, powerless in the face of the new challenges, to advance towards integration.

Europe is now in a situation that highlights, more clearly than in the past, the stark choice it faces: to “unite or perish”. But, today, the transition to political union appears particularly complex on account of the fact that the framework of the European Union does not coincide with the framework in which it is feasible to make the federal leap forwards. Some European states, in rejecting the possibility to adopt the euro, have made it clear that they are absolutely opposed to any further transfer of sovereignty. For this reason, the problem of creating a political union cannot be solved merely by increasing the powers and resources held by the existing Community institutions. Basically, since these institutions represent, and answer to, *all* the states, they cannot be responsible for governing the eurozone. Thus, either we differentiate between the European institutions according to the fields in which they operate (which would therefore amount to a differentiation of their powers, functions and composition), or we duplicate them, creating new ad hoc institutions for the eurozone. Another possibility is to have all the countries that decided not to adopt the euro withdraw from the EU framework; this, however, does not seem a feasible option at the

present time, both because the countries in question would need to opt to do this (and the UK, in particular, has no immediate reason for wanting to make such a choice), and also because too many of the EU countries, fearing that this solution would weaken the single market, have no intention of supporting it. Therefore, it all comes down to finding a way of reconciling political unity of the eurozone with the safeguarding and continued proper functioning of the Community framework.

In this difficult setting, the impetus for change has to come primarily from the euro area countries themselves. After all, the European institutions, while clearly aware of the problem (examined, by them, in several clear-sighted and important analyses), lack the power to impose institutional changes; moreover, for the structural reasons already highlighted, they are not in a position to put forward independent and decisive proposals. The European Commission, in particular, struggles to clarify its role vis-à-vis, respectively, the European Union and the eurozone.

Only the governments of France and Germany seem to be seriously addressing these problems, but their positions are traditionally very distant. France has always been in favour of strengthening the eurozone with ad hoc institutions, which, however, it conceptualises in intergovernmental terms: a strengthened eurozone council endowed with functions of government (understood in terms of coordination between national governments) and a parliament representing the national parliaments, whose members would, therefore, not be directly elected, but appointed by the latter. Germany, on the other hand, always anxious to protect the integrity of the single market, has always envisaged the Union evolving as a whole, and has always declared itself in favour of political union (which, according to its interpretation of the concept, might be achieved by assigning greater powers to the European Parliament and by transforming the Commission into a true government, and the Council into a Chamber of the States).

Neither of these approaches has proved capable of adequately addressing the need to strengthen the framework of monetary union. However, the fact that these two countries both seem committed to finding a solution to the crisis — they have announced that they will advance specific proposals for the eurozone in the spring — suggests that they may well find some common ground. France, for its part, seems to have acknowledged the need to rapidly achieve political union and the necessary characteristics of this union, relinquishing its vision of a specific eurozone parliament, separate from the European Parliament. Germany, having already accepted (with the creation of new instruments of soli-

darity together with the clarification of new rules in this area) further differentiation between the eurozone and the rest of the EU, recently advocated, through Chancellor Angela Merkel, enhancement of the governance capacity of the eurozone council, thereby shifting the emphasis away from the idea of a strengthening of the Commission in this area. It thus seems that France and Germany may be moving towards a common position. In the framework of the proposals on the table, *the most significant points of possible convergence seem to concern the introduction of: i) enhanced coordination of the eurozone governments (through the eurozone council, or even starting with an enhancement of role of the board of governors of the European Stability Mechanism), ii) an additional budget for the eurozone, financed with own resources (to enable it both to intervene in the event of asymmetric shocks and to launch a common solidarity and growth policy), and iii) parliamentary control, exercised by the European Parliament acting in restricted composition, of the action of the eurozone government.*

These are proposals that have the huge advantage of being achievable in the short term; indeed their initial steps can be taken through recourse to *ad hoc* treaties and simplified revisions of the Treaties (along the lines of what happened with the ESM Treaty), thereby circumventing the risk of embarking immediately, in what is still a very uncertain stage, on radical Treaty reforms whose repercussions would be impossible to predict. What is more, these initial steps would certainly not be minor advances, given their potential to end the current deadlock and trigger a rapid and decisive transition towards a true political union. The key points of this possible platform are, on the one hand, the attribution of fiscal power to the institutions of the eurozone (i.e. both the power of taxation — which may be exercised through the creation of new *ad hoc* taxes, such as a *carbon tax*, and/or a redistribution of taxes already in force — and the power to raise revenue by issuing debt bonds), together with the power to use the resulting resources to implement common policies; and, on the other, the identification of ways of guaranteeing democratic control (clearly indispensable) of these powers. All this can come about only by resolving the complex issue of differentiation within the European Parliament in order to allow the single currency's government to be controlled by representatives of the citizens directly involved (i.e. the euro area citizens whose taxes would be funding the eurozone budget, and whose lives would be affected by the economic policy decisions taken in this area).

The reaching of convergence, primarily between France and Ger-

many, on how to solve these two crucial issues would effectively seal the birth of an embryonic *European power*, supported by a real, albeit provisional, government. In this new framework it would be easier to discuss the definitive institutional architecture of the federal union, the evolution and role of the European Commission, and the transfer, to the new political union, of sovereignty over foreign and security policy and of the relative powers.

Why a pre-Constitutional Pact is Necessary.

A convergence on positions of this type within the eurozone can only really be reached through the intervention of a third interlocutor, capable of introducing the federalist vision into the debate between France and Germany and, when it is time to decide, of giving substance to the federalist point of view. Indeed, the risk is that both these countries, finding it difficult to converge towards a compromise that is always going to be difficult, will choose, once again, to delay the decision. As the current Italian government evidently well understands, Italy is the only country that can play this role, acting as both mediator and stimulus. An Italian initiative would therefore be decisive, and the first opportunity to mount one could be the preparation of the inter-parliamentary Assizes that the Italian government and two chambers were recently (in a motion passed by the Italian parliament last June) called upon to convene ahead of the European elections. This assembly, which should see the participation, primarily, of national and European representatives of the eurozone countries, could already propose and broadly outline the terms of a pre-constitutional pact — between the eurozone countries and the countries about to join the single currency, or, should these fail to agree unanimously, even only between those that are willing to start the process — that would frame in a federal sense the decisions currently being taken to strengthen the eurozone, thereby giving them force and credibility. This initiative would serve not only to pave the way for the creation of the provisional eurozone government (with the characteristics outlined earlier), but also to bring out its true political significance and indicate the path to its completion. A debate of this kind would turn the European elections of May 2014 into a great democratic opportunity, while Italy's six-month presidency of the EU, repeatedly invoked by Italy's prime minister as an opportunity to move the political union project forward, would provide ideal setting for the signing of this pre-constitutional agreement.

Efforts to convene the inter-parliamentary Assizes in Rome with the precise objective of debating this issue would be important in another sense. Making the transition to political union without holding a public debate and without involving citizens, also through the media, is simply inconceivable; from this perspective, the Rome assembly would provide the perfect opportunity for showing public opinion Europe's true face — that of a great project of civilisation, which, being a model of peace and solidarity, prefigures the possibility of enlarging the orbit of democracy to a point at which the idea of a global community assumes real substance. At the same time, it could well represent the Europeans' last chance to count, and play a role, on a world stage now dominated by the great continental powers.

The Nature of the pre-Constitutional Pact.

The pre-constitutional pact to be discussed and signed by the eurozone countries clearly could not provide a detailed outline of the institutional architecture of the final federal union. That would be possible only if the parties involved had already reached an agreement, in principle, on the definitive model to be adopted. It must, however, state that the countries signing the agreement undertake to accomplish the construction of the federal political union, thereby underlining the profound significance of the reforms that they intend to implement in the eurozone; and it must contain references to the key steps, at institutional level, necessary to start this construction, and the procedures that might be adopted.

The pact must open with a premise in which it is made clear that the aim of the subscribing countries is to carry through to completion the process of European unification begun on 9 May 1950 with the Schuman Declaration, which proposed to create the ECSC as the first step towards the creation of a European federation. Strengthening the monetary union through the progressive realisation of a federal political union is, in fact, the only way of safeguarding the European unification project. Indeed, if the single currency were to collapse, the whole Community edifice would crumble and Europe would once again find itself prey to different forms of nationalism and competition between the member states. European unity, which must now take the concrete form of political union of the eurozone, is the only real antidote to the tragedy of division and conflict in Europe and the only way to make war between Europeans impossible. The introductory premise must al-

so highlight the shared values and common choices, both in the sphere of international politics and at social and economic level, that underlie European integration. Particular emphasis must be placed on the vocation of peace building with which the united Europe first came into being and, as a result of this, its propensity to help build the foundations of robust international cooperation. As regards the political union's internal choices, there are several important aspects that should be underlined: in particular, the need to promote models of sustainable development (from both the environmental and the intergenerational perspective) and its determination to defend and improve the welfare state and the citizens' living and working conditions, but in strict compliance with balanced budget principle, so as not to jeopardise the future of the younger generations.

All this should in fact serve to spark the realisation that there exists a European people in the making, which has a shared history and shared values, models and interests — a people that, if the right opportunity and setting are created, could develop an awareness of its own identity and present itself to the world as a community of destiny.

Having laid these premises, the agreement must go on to focus on the reforms that are needed to make the union between the countries of the euro (a union open to all countries wishing to adopt the single currency and accepting its political implications) irreversible. It must therefore specify, at the very least, the following aspects:

a) it must specify the institutional reforms needed to rapidly strengthen the monetary union, pointing it in the direction of the objective of federal political union. In particular, it must specify the instruments of government that are crucial in order to overcome the current configuration of the EMU, which, leaving decision-making processes and mechanisms of legitimisation at national level, is based on the creation of mutual constraints. Indeed, the new framework will inevitably imply the transfer to European level of the decision-making power and democratic control necessary to allow the implementation of a common economic policy, thus going beyond the mere coordination of national policies. The first pillar will therefore be the additional budget, created ad hoc for the eurozone and *financed by own resources* that will initially be minimal but nevertheless sufficient to make the necessary interventions (currently impossible) in the fields of eurozone stabilisation and economic policy. As regards the revenue feeding this budget, the eurozone governing body will have to be guaranteed the power to decide how much is to come from taxes, and which ones (in

this regard it must be given the possibility to establish new *ad hoc* taxes and/or to agree, within the framework of the European Semester, under the coordination of the European Commission, the division of certain tax receipts between the eurozone and the broader EU), and how much is to be raised through the issuance of debt (for the execution of specific investment policies). At the same time, the procedures for ensuring democratic control of this new eurozone prerogative will also have to be indicated, first of all establishing, by common accord, the mechanism allowing the European Parliament to operate in restricted composition (in other words, the mechanism allowing the creation, within the Parliament, an *ad hoc* commission of eurozone MEPs empowered to vote on this matter, or the institutionalisation of an offshoot of the European Parliament, again made up of eurozone MEPs). It will also be necessary to establish the prerogatives of this eurozone governing body in relation to the new budget, giving it greater powers than those currently held by the European Parliament in relation to the Community budget. There will, in fact, also be a need for parliamentary legitimisation of decisions concerning revenue (and no longer just of those on spending); the national parliaments, too, should be involved in this process, thereby rendering more democratic the coordination of the national budgets with the eurozone one.

The creation of this embryonic power of taxation and the development of the necessary democratic parliamentary control constitute, in the current phase, the essential first steps in strengthening the monetary union and starting the creation of a federal political union of the eurozone;

b) it must specify the procedures through which the institutional reforms set out in point a) should be implemented. The method used to pursue the political integration project is a key issue, and the choice of method is closely linked to the depth of the necessary political will in the different countries intending to start the process. Some of the desired modifications could (as in the case of the ESM Treaty) be introduced through the signing of an international treaty between the countries concerned, alongside simplified Treaty revisions. And some of the first steps in establishing an additional budget for the eurozone could also be taken in this way. This first phase, potentially rapid to accomplish and based entirely on the political will of the countries in favour, could be framed as a preliminary one, serving to create a situation more conducive to the subsequent advances. However, because of the political value of the reforms identified, in a subsequent phase it will cer-

tainly be necessary to draw the national parliaments, the European Parliament and the Commission itself into a process designed to integrate the eurozone reforms into the framework of the EU Treaties, and to define the relations between the eurozone countries and the countries remaining outside the euro area. The first possibility, in this respect, is to convene a convention in the manner envisaged by the Lisbon Treaty. Such a convention should, first of all, be given a specific mandate to draft a reform of eurozone governance that makes provision for the creation of a fiscal power and for control of the same by the European Parliament acting in restricted composition and equipped with enhanced powers. It should also be called upon to address the central issue that, still unresolved, is currently holding back the process of differentiated integration, i.e. the need to allow subsequent eurozone reforms to be decided within this narrow framework. In this regard, to consolidate the existing international treaties (the ESM Treaty and the fiscal compact), some scholars have suggested making provision for a protocol on EMU to be annexed to the TFEU, and setting up a specific procedure for revision of this protocol that allows the eurozone member states to modify the TFEU provisions specifically relating to EMU without the need for ratification by the non-eurozone EU member states.¹ Finally, it will have to address the problem of the overall restructuring of the EU in the light of the reform of the eurozone. A Treaty revision procedure of this kind would, of course, require the agreement of the countries outside the euro area, Great Britain first and foremost, if only at the inevitable inter-governmental conference that would follow this type of convention. Should it prove impossible to obtain the agreement of all the EU countries, the countries intending to proceed with the reforms in question could convene a constitutional assembly, to be made up only of MPs and MEPs from these countries, but also involving the European Commission in order to identify the political and institutional formulas that might render the framework of the politically integrated eurozone compatible with the Community framework of the current European Union. It is clear that the Treaties in force do not make provision for reforms, or an assembly, of this kind, just as it is clear that the new eurozone structure that emerges cannot be subject to the unanimous approval (first at an intergovernmental conference and then in the various

¹ See Thierry Chopin, Jean-François Jamet, François Xavier Priollaud, *Reforming the European decision making process: legitimacy, effectiveness and clarity*, The Federalist, 55 (2013), p. 81.

national settings) of all twenty-eight EU members. For this reason, the convention must also work out the clauses that will allow proposals relating to reforms within the euro area to come into force following their ratification by a majority of the eurozone countries, and the system for allowing the non-eurozone EU members to approve the parts that relate to the restructured European Union. It must be understood, however, that the chances of this process working are dependent *entirely* on the political will of the countries involved.

In conclusion, should it prove possible, with the support of the European institutions, to introduce, in the eurozone countries, the kind of pre-constitutional pact herein discussed, which may also serve to remind the citizens of the deeper values and true meaning of European integration, the political climate will change radically and the growing disenchantment with Europe might be turned back into support for an extraordinary project fostering social, political and cultural growth.

Luisa Trumellini

SOLIDARITY WITH STABILITY: AN ADDITIONAL BUDGET FOR THE EUROZONE

The American Federal Budget Before the Great Depression and the EU Budget Before the Great Recession.

The financial crisis that exploded in 2008 triggered a phenomenon that, in an allusion to the Great Depression of the 1930s, has been dubbed the Great Recession. It is useful, for a number of reasons, to examine the similarities and differences between the present situation and the American one of the last century. In 1929, the budget of the American federal government amounted to 2.5 per cent of the country's GDP,¹ whereas in 2008 the EU budget stood at 1.05 per cent of GDP.

¹ The public spending of the single states and local governments instead amounted to 7.5 per cent of GDP. Federal expenditure therefore accounted for 23 per cent of the to-

Seemingly, then, the US federal budget, being more than twice the size of the European one, was the one better equipped to cope with the economic crisis it faced. This, however, is only partially true and, above all, it is a simplification that fails to take into account the economic policy differences between the USA of the 1930s and today's EU. Indeed, the presence of major differences between the two budgets in question makes it difficult to compare them. First of all, whereas defence policy was covered by the American federal budget, defence is still a competence that is entirely excluded from the EU budget. Furthermore, the EU budget does not have to cover interest payments given that it is required to break even and the EU may not borrow to finance a budget deficit. Therefore, if we exclude defence spending, which in 1929 accounted for 49.8 per cent of the US federal budget (66.6 per cent if we leave out interest on government debt), the American budget amounted to 1.25 per cent of GDP (or 0.84 per cent after excluding the debt interest) and was therefore smaller than the present European one.² This comparison, however, fails to bring out an important difference between the two cases, namely the fact that, under the terms of Roosevelt's *New Deal*, the US federal budget was subsequently increased in order to bear the costs of a policy of promoting high levels of economic activity and employment. Indeed, the *New Deal* was a major turning point: by creating solidarity between the citizens of the different member states, the USA passed the second of the three important tests that marked the process of consolidation of the American federation.³ The EU, on the other hand, despite being more integrated economically than the USA of the 1930s, is unable to make the leap towards *European* solidarity. Indeed, as shown by the negotiations on the 2014-20 financial cycle, the policy of Europe is not only to reduce the European budget, but also to have the already financially weakened states bear the entire burden of recovery as well as economic growth.

tal and that of local governments 77 per cent. Today the pattern is reversed: of total public expenditure amounting to 37 per cent of GDP, the federal government accounts for 78 per cent and state and local governments 22 per cent.

² If, to the latter, we add the European policies funded by the EIB (0.6 per cent of EU GDP) and the payments linked to aid policies pursued under the EFSF and the ESM, today's European policies amount to a far greater share of GDP than did US federal government spending prior to the Great Depression.

³ The first test was the Civil War and the third America's assumption of global leadership in the aftermath of the Second World War (C. Kupchan, *The End of the American Era*, 2003).

Combining Solidarity with Stability: the EU Budget and the Need to Give the Eurozone a Separate, Additional Budget.

The Stability and Growth Pact and the economic policy suggested by the European Commission are more suited to countries that are part of a fixed exchange rate system than to countries belonging to a “true economic and monetary union”. As a result, countries that find themselves hit by a negative economic shock while already struggling with high levels of public deficit and debt are required to bear alone the costs of adjustment. The current EU budget is viewed not as an economic policy instrument, but rather as a redistributive mechanism. Indeed, what the negotiations on the 2014-20 financial cycle have shown is that the EU member states regard the EU budget more along the lines of the requisition system in force in the United States before the Philadelphia Convention than as an instrument capable of guaranteeing Europe income and employment stability. Moreover, in an intergovernmental framework, all the European institutions can do is promote measures designed to curb public spending and liberalise the product markets and production factors, particularly labour. Consequently, decisions on European economic governance, from the ideological standpoint, are rightly criticised as neo-liberal, but it must be remembered that the European institutions are not equipped with the power and resources necessary to choose between different economic policy alternatives, supporting, for example, a growth policy. Unfortunately, those who criticise the policies promoted by the EU, rather than supporting a strengthening of EU powers, tend merely to call for removal of the public debt and deficit constraints, or for withdrawal from the single currency *tout court*. Faced with this situation, the President of the French Republic and the Italian prime minister have resurrected the objectives of European political union and a eurozone budget, albeit without clearly outlining a timetable or the necessary steps. It is therefore necessary, taking advantage of the favourable climate that is currently being created, to try and identify what might be the stages and the time-frame of this process. It is here argued that the objective capable of bringing about an advance in the process of European unification is that of equipping the countries of the euro area, and those that will subsequently join it, with an additional, separate budget, thereby completing monetary union with economic union. Although this objective will require an amendment of the Treaties, it is possible to envisage an intermediate phase that, without modifying the Treaties, will nevertheless

be decisive with regard to the objective to be reached. However, in order to specify the steps that need to be taken in the short and medium term, a number of preliminary issues should first be clarified.

A “Budget” or a “Fund”? The Steps Leading to the Establishment of the Fund (and of the Budget).

The first question to ask is whether we should be talking of a “budget” or a “fund”. The answer depends on the time needed for the initiative and thus the institutional framework of reference. If the aim is to find a short-term answer to the economic crisis, then it is necessary to identify an initiative implementable in the framework of the existing Treaties, possibly preceded by an amendment, through recourse to a simplified revision procedure, of art. 136 TFEU. Initially, it might be possible to set up a specific *fund* exclusively for the eurozone countries, given that the Treaties make no provision for the formal creation of a *budget* for a limited number of EU member states.⁴ In a second phase — between 2016, when there will be a compulsory review of the EU budget and the national parliaments are due to take part in an inter-institutional conference to assess the report of the working group on own resources, and 2017, the year in which the fiscal compact and the European Stability Mechanism are due to be integrated into the Treaties — it will be necessary to modify the Treaties in order to give the European institutions increased budgetary powers.

The Objectives of the Fund and of the Budget. Constraints and the Timetable for Implementation.

The second question needing to be answered is that of what the objectives of the *fund* should be. The answer we put forward here is based on the indications provided in the European Commission’s *Blueprint* and in the document presented by the President of the European Coun-

⁴ This is not to say that the first phase is irrelevant. On the contrary, it is the decisive one, because it is the one that makes provision for the intervention of the European Parliament in the decision on the financing of the *fund*. Indeed, contrary to what is provided for by the European Commission’s *Blueprint* (2012), the *fund* is not to be financed with national contributions, but only with its own resources. This suggests that what is needed is a solution similar to that adopted for the European Development Fund — currently funded and managed directly by the nation-states — which, following a resolution by the European Parliament in 1993, it was decided to include in an ad hoc section of the EU budget.

cil, Van Rompuy.⁵ Basically, the *fund* should serve to ensure stability of income and employment in the event of asymmetric shocks affecting one or more member states. During the initial phase, it will co-finance, primarily, investment policies and policies of income support for the unemployed, in partnership with the states that find themselves hit by an economic crisis; it will do this for a *limited period of time* and according to a programme agreed with the Commission. This programme may also include “contractual arrangements” for the implementation of structural reforms.

The objective, however, must be that of accelerating the pace with respect to the schedule envisaged by the Commission for the creation of the *fund*. In the second phase, the *fund* will be transformed into a true *budget*, which, as such, will have the capacity to be funded by borrowing and to intervene in the event of economic crises affecting the *entire eurozone*, supplying European public goods. However, we feel that, in order to avoid giving rise to moral hazards, constitutional restrictions will have to be placed on this borrowing capacity. It is therefore proposed that the provisions of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (the so-called fiscal compact) relating to national budget deficit ceilings be extended to the “eurozone plus”, whose additional budget must not result in its incurring a structural deficit greater than 0.5 per cent of GDP. The establishment of a specific budget for the “eurozone plus” is also a necessary condition for the realisation of, in addition to economic union, a true European banking union: as shown by, among other things, the American Savings and Loans crisis of the 1980s, only a federal budget would be able to confer the necessary credibility on a future European bank deposit insurance fund. We also feel that, at the same time, the Treaty establishing the European Stability Mechanism, which is a prerequisite for the establishment of a European treasury, should be integrated into the existing Treaties, along with the fiscal compact. This decision could result in conferral, on the Commission, of the formal power to impose revision of national budgets, and thus pave the way for the establishment of the European Redemption Fund (ERF) proposed by the German Council of Economic Experts and supported by the European Parlia-

⁵ Presidency of the European Council, *Final Report. Towards a Genuine Economic and Monetary Union*, Brussels, 5 December 2012; Commission Européenne, *Projet détaillé pour une Union économique et monétaire véritable et approfondie - Lancer un débat européen*, COM(2012) 777 final/2, Brussels, 30 November 2012.

ment in its resolution of 20 November 2012 and by the European Commission *Blueprint* of November 28, 2012. The ERF would guarantee the servicing of the debt in accordance with what is laid down by the German economists. These steps will require the convening, by 2017, of a European Convention with a mandate to modify the existing Treaties.

How Should it be Financed?

The third question that must be answered is that of how to finance the *fund*. There are two alternatives that can be considered: the first is to introduce a specific European tax, such as a carbon tax or a tax on financial transactions, to be levied only in the participating countries; the second is to overturn the *purely_institutional principle* according to which the European Parliament is the only parliament in Europe that has a say in regard to spending, but not revenue.⁶ Opting for this second alternative, the necessary step — a minimal one — would be to give the European Parliament the power to decide, together with the national parliaments, the allocation of the own resources used to finance the additional eurozone *fund*. This would, essentially, constitute a return to Albertini's idea that the sharing of tax revenues between the national and the European levels should be subject to a vote by both the European Parliament and the national parliaments. Since the proposal for the first phase envisages the taking of action within the framework of the existing Treaties, should the European Parliament be unable to vote in restricted composition (i.e. only the MEPs of the states taking part in the initiative), a possible solution might be to create, within the European Parliament, an *ad hoc* committee made up exclusively of eurozone MEPs, along the lines of the Grand Committees in the UK. In the second phase, the Treaties would, instead, need to specify explicitly that the vote on the budget will involve the European Parliament in restricted composition, i.e. in the configuration of the participating states.

What is the Tax whose Revenue Must be Allocated?

The proposal for co-decision between the European Parliament and the national parliaments on the allocation of tax revenue between European and national levels is based on the system of "common taxes" used in Germany. In this member state, the allocation of the proceeds of certain

⁶ European Parliament Budgets Committee, *Working paper n. 1 on the system of own resources of the European Union*, 1 December 2011.

major taxes, such as VAT, is decided jointly by the *Bundestag* and by the *Bundesrat*. In our case, there are two possible alternatives to consider. The first is to use the revenue from a tax on financial transactions, and the second to use revenue from VAT. The first option has a series of advantages: it concerns a proposed tax that enjoys broad public consensus, it identifies a new tax base, and the process of its introduction is already well advanced. On the other hand, it is associated with the following difficulties: a) the tax would be introduced by only 11 of the eurozone countries; b) some states have already introduced a national tax on financial transactions, irrespective of the EU Directive, and have already stipulated that all the revenue generated must feed the national budgets; c) it has been proposed, in several quarters, that part of the revenue should be destined for the EU budget in place of, not in addition to, the existing national contributions. The second option, on the other hand, has the advantage of concerning a tax that already finances the EU budget and whose reform is already under discussion. In any case, were the problems relating to the proposed tax on financial transactions to be resolved, the revenue from it could be added to (or, at least, replace) the revenue from VAT.

A Fixed Share of the Revenue, or a Share to Be Determined on a Case by Case Basis?

Should it be decided that the best way of funding the additional budget is through the use of part of the proceeds of a given tax, the next question would be whether the proportion to be allocated to the eurozone budget and the proportion to be allocated to the member states should be fixed from the outset. Put this way, the question seems somehow to contradict the suggestion that the European Parliament should be involved, on an equal footing with the other European institutions, in the decision on the allocation of the proceeds of a tax still to be identified. For this reason, the proposal regarding the creation and financing of the *fund* must be framed in such a way as to leave the parliamentary bodies free to decide jointly, case by case, how to distribute tax revenues. This approach is, in fact, consistent with the functions that should be assigned to the planned *fund*. It should also be noted that this choice has important political implications, considerably increasing the political value of European elections, a trend destined to become more apparent as from 2014 when, for the first time, the President of the European Commission should be chosen on the basis of the outcome of the European elections.

The Procedure for Establishing the Fund and the Problem of the Initiative.

The last question to be broached concerns the procedure that should be followed for establishing an additional *fund* for the “eurozone plus”. The suggestion is to start the launch of an enhanced cooperation that, in theory, should immediately involve the countries of the eurozone, but would remain open to any other countries subsequently wishing to participate. The latter countries, not yet being part of the eurozone, would be required to renounce their status, provided for under the terms of the Lisbon Treaty, as “member states with a derogation”. With regard to the voting procedures of the Council and the European Parliament, the enhanced cooperation must be established implementing the provisions of Declaration no. 40, annexed to the Treaty of Lisbon.⁷ If necessary, this solution could be preceded by amendment, through a simplified revision procedure, of art. 136 TFEU, in order to take into account the fact that the eurozone countries must be enabled to introduce a *fund* designed to finance a policy of income and employment stability. The problem, rather, is that of the *initiative*, given that for all this to come about there needs to be a government, in Europe, that is willing to promote the proposal among the other eurozone member states.

The Connection Between the Policy of the Fund (and, Subsequently, the Budget) and the National Budgetary Policies.

It remains to be clarified what procedure might be envisaged in order to establish a connection between the policy of the *fund* and the national budgetary policies. Indeed, given the need to share tax revenues collected at national level between the national and the European level, the governments of the countries participating in the initiative would need to know, before drafting their budgets, the extent of the resources at their disposal for the funding of national policies. In this regard, it might be envisaged that the proposal relating to the quantity of resources destined to finance the *fund* be formulated by the President of

⁷ Declaration 40 on article 329 of the TFEU: “The Conference declares that Member States may indicate, when they make a request to establish enhanced cooperation, if they intend already at that stage to make use of Article 333 providing for the extension of qualified majority voting or to have recourse to the ordinary legislative procedure.”

the European Commission during the European Semester. The amount of resources to be allocated to the *fund* of the “eurozone plus” would thus be defined at this stage. The Commission would then send its proposal to the European Parliament and the President of the “Eurogroup plus”. This latter body, comprising the finance ministers of the participating countries, would then make its decision. Once the European institutions had reached their decision, it would be the turn of the national parliaments. The European Commission proposal would be considered approved if a majority of the national parliaments approved it in time for the governments of the participating states to approve the budget for the following year, which they must do by 15 October each year.⁸

Domenico Moro

⁸ An alternative to the procedure of approval by the European Parliament and national parliaments could be that of submitting the European Commission’s proposal to the conference of parliamentary representatives pursuant to art. 13 of the fiscal compact. This solution could be considered following the incorporation of the fiscal compact into the Treaties.

Federalist Action

TOWARDS FEDERAL UNION*

Europe is passing through a period of turbulence and uncertainty. The European Union itself is in deep trouble. The long financial crisis, which has led to economic stagnation, unemployment and political fragmentation, has exposed not only the flaws in the design of the Economic and Monetary Union and the weakness of EU institutions, but also a lack of commitment to European integration by EU states. As a result, the European Union has lost the trust of many citizens.

If the European Union is to survive for years to come, it must pursue the paths of social peace, prosperity and political unity through the business of democratic government. A federal Europe with strong democratic institutions is the only way to meet this challenge. Europe will not be united if it is not democratic. And it will not be democratic if it is not a federation.

The process of building a genuine European federal union can start today with the eurozone and those states genuinely committed to joining the euro. It is the responsibility of our decision makers to take all the necessary steps to solve the problems, put our affairs in order and rebuild confidence.

We therefore urge the political parties and candidates in the European Parliamentary elections of 2014 to make the accomplishment of a federal union a central theme of their campaign. An election with a genuine European dimension will be attractive for citizens and lead to a

* This is the Manifesto for the 2014 European electoral campaign, unanimously approved by the XXIV Congress of the Union of European Federalists, held in Berlin, 15-17 November 2013.

higher turnout. We therefore welcome the fact that the European political parties are to nominate candidates for the Commission presidency and other posts.

And we urge the European Parliament to develop its proposals on the structure of federal union alongside representatives of national parliaments in an inter-parliamentary Assizes.

Dealing with the Crisis.

Federalists believe that only deeper fiscal integration will lead Europe out of the crisis and fulfil Europe's economic and democratic potential. This new polity has to be formed around the states whose currency is or will soon be the euro.

In the first instance, the eurozone needs a real banking union, including a European resolution mechanism and a federal deposit insurance scheme. Decisive action is still needed to disentangle sovereign from banking debt. Regulation must be tough, clear and fair. At national level, fiscal discipline must be accompanied by economic reforms. At both European and national levels a better balance must be struck between fiscal consolidation and investment in growth and jobs: fiscal union is not viable without social justice. Tackling youth unemployment must be the priority.

It has become clear that purely national recovery plans have been largely ineffective. Only by creating the tools and resources for common European economic, industrial and energy policies can we boost trade and competitiveness, stimulate research and education, build trans-European networks and complete the single market in services.

UEF welcomes the legislation already in place which will ensure budgetary responsibility at the national and European level. Now we urge the eurozone to make rapid progress to address the burden of debt which is destroying opportunity for too many European citizens. We need adequate forms of European taxation and new forms of European debt instruments for a proactive European social and economic policy. We need to replace ad hoc policy conditionality with democratically legitimised policies and measures, including automatic stabilisers, which enhance solidarity and growth for a European social market economy if the conditions and rules of fiscal stability and structural changes are met.

These steps require the transformation of the eurozone into a true political union. And those states which have yet to join the euro, and

are intent on doing so, must be connected as closely as possible to this process of deeper integration.

Treaty Change.

The Treaty of Lisbon is being stretched to breaking point under the pressure of crisis management. Its revision is unavoidable if the Union is to overcome its present difficulties.

We therefore call for a constitutional Convention to begin as soon as possible after the May 2014 elections, and no later than spring 2015. The Convention will be composed of MEPs, national MPs, the Commission and the state governments. But it must reach out to the media, political parties, civil society and public opinion in direct and effective ways. Its mandate must include the task of explaining and justifying the decisions it takes.

The agenda of the Convention must be open, but shaped by a coherent political strategy based on the re-foundation and renewal of the European Union around a federal vanguard. Its task will be to draft a new fundamental law which provides a durable settlement of the system of governance of the Union, along with a clearer sense of things to come.

The new treaty must further enhance the capacity of the Union to act at home and abroad. It must be a strong constitutional framework in which its governors and law makers are empowered to make coherent and efficient choices about the direction of policy. Member states must respect the values and principles of their Union, and the EU needs to be alert and to react effectively when changes to national constitutions depart from them.

A genuine common immigration and asylum policy is needed to make a reality of the EU area of freedom, security and justice. Responsibilities for the control of the external frontiers of the Union must be decently shared, and the human rights of migrants fully respected. Consular rights of EU citizenship should be strengthened, and EU consular posts promoted. EU citizens living in other EU states should be allowed to vote in all elections at their place of residence. The scope of the European Citizens' Initiative should be widened and its application made more accessible.

The European Union will not be the global actor it aspires to be unless its states makes a more serious political commitment to developing common foreign, security and defence policies. At the moment, Eu-

rope is not only failing to defend its own values and interests but also to fulfil its potential to be a source of good in world affairs. EU citizens have a strong commitment for peace.

In order to achieve these objectives the treaty revision must not fail to adjust competences and increase the powers of the European institutions where necessary.

Federal Government.

The main new feature of the fundamental law will be the installation of a federal government, with a powerful Treasury Secretary, for the fiscal and economic union. The eurozone must have its own fiscal capacity, capable of contributing to macro-economic stabilisation. The EU budget should be financed by genuinely autonomous own resources — such as taxes on carbon emissions or financial transactions — which, by moving away from the current system of direct national contributions, will allow the federal core to escape from the paralysis of *juste retour*.

The new treaty must permit the progressive mutualisation at least of a portion of sovereign debt within the eurozone, subject to strict conditionality. It should lift the prohibition on deficit financing while ensuring that the federal debt is subject to limits comparable to those imposed on the states. In addition, the current unanimity rules for the decisions on own resources and the multi-annual financial framework must be modified.

A Better Democracy.

UEF believes that the EU will only survive and prosper by enhancing European democracy: we act to strengthen the European public space, with citizens fully engaged at every stage of the constitutional process.

We should transfer to the European Commission most of the residual executive powers now held by the Council, at least in the economic and fiscal field, turning the Commission into a recognisable and accountable government. The size of the Commission should be reduced, with its members nominated by the President-elect and elected by the European Parliament.

The two legislative chambers of the European Parliament and the Council should be put on an equal footing. The composition of the Par-

liament should be determined by logical, transparent and understandable rules on the basis of the population of the states, respecting the principle of degressive proportionality. In order to build up real European political parties and to heighten the EU dimension of politics, a certain number of MEPs should be elected in a pan-European constituency from transnational lists. Parliament must gain the right of consent to treaty changes and to the accession of new states.

Restrictions on the scope of the jurisdiction of the Court of Justice should be lifted, and access to the Court eased for individuals.

A Deeper Legitimacy.

Flexible and democratic procedures are needed for future treaty amendments, which should enter into force either once ratified by a qualified majority of the states and of Members of the European Parliament, or if carried in a pan-EU referendum by a majority of the states and citizens. Such changes will bring the EU into line with all other federal or international organisations.

EU states cannot be forced against their will to take the federal steps we here propose. At the same time, such states cannot be allowed an open-ended possibility to pick and choose what they want from the EU and discard the rest. Yet more *à la carte* opt-outs and derogations risk fracturing the cohesion of the *acquis communautaire*. Free-riding means disintegration.

We therefore propose to create a new category of membership available to states which choose not to join the federal union. Institutional participation would necessarily be limited. Continued allegiance to the Union's values should be required, but political engagement in the Union's objectives and policies would be reduced. This new form of associate membership would also be an improvement on the present European Economic Area, and would be open to all other European countries.

Should it prove impossible for all current member states to agree to revise the European Union along these lines, we urge the creation of a constituent assembly, gathering members of the national parliaments and the European Parliament to establish a constitution along these lines. Every parliament would be invited to participate in a fresh start for Europe but the assembly should be able to start its work even if not all have resolved to join such a project.

To the achievement of these objectives, UEF welcomes a broad public debate on “A Fundamental Law of the European Union” as elaborated by the Spinelli Group of MEPs.

We commit ourselves to advancing the cause of European federal union in the interests of a more peaceful and prosperous world.

The Union of European Federalists commends this manifesto to the political parties and candidates campaigning for election to the European Parliament in May 2014.

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