

## **Antonio Padoa-Schioppa**

### ***The crisis is not behind us***

After seven year the economic crisis of the EU is not yet overcome. The stabilisation and austerity policies (Fiscal Compact, ESM, Six Pack, Two Pack, Banking supranational Supervision by ECB) are all *necessary* and *effective*. But they have proved not sufficient.

A comparison between the EU and US fiscal, investment and monetary policies shows a far better effectiveness of the latter on employment and growth.

*The Juncker Project* must be considered an outcome of the EP elections of 2014, that in a sense were the first true “European” elections (as the elected EP representatives have chosen the Commission’s President and strongly influenced the Commission policies). A major shift in the “constitution” of the EU has been achieved toward a parliamentary federal framework, based on a double legitimation, of the citizens (through the election of a EP decisive for choosing the Commission’s president) and of the States (via the two Councils).

*What is lacking*: the Juncker Project does not provide sufficient resources for an effective set of policies directed at promoting investments in European public goods not attractive enough for private investors: as on environment, cultural heritage, alternative energy sources, new advanced technologies, basic research. Growth, life quality, and employment (especially for the younger generation) all urgently need huge public European investments in those policies.

*The risks of war in Europe have grown heavily, after sixty years of peace*. Wars menace the eastern and southern frontiers of the UE. A common defence is now a priority, as the Commission President Juncker himself has recently acknowledged.

*How to find such additional resources?* Not by national budgets but by several alternative channels:

- UE own resources and budget revision in 2015/2016 (see Monti Group proposals);
- Financial Transaction Tax revenue to be employed on European investments, creating a specific Fund as a first step toward an Eurozone Fund or budget;
- the creation of a new Carbon tax at European level – preferably with corresponding decrease of labour taxation at national level;
- the transformation of the European Stability Mechanism into a European Monetary Fund and as a basis for a future European Treasury;
- Investment project-bonds, guaranteed by the new own resources.

***First urgent steps: it is necessary to exploit the Lisbon Treaty to the full***: significant progress is still possible within the Lisbon Treaty:

\* *Enhanced Cooperation* can be used not just on single pieces of legislation – like it happened so far – but to strengthen integration on crucial competences, from economic and fiscal policy to migrations. This can be done through the Community method, by exploiting the specific bridge clause to move to the ordinary legislative procedure, ensuring the democratic control by the EP (art. 333 TFEU). The new art. 136 TFEU also gives opportunities inside the Eurozone, that can also be exploited in combination with art. 333;

\* the *Permanent Structured Cooperation on defence* may play a major role towards a common European defence that would cost less and protect Europe better, particularly in the dramatic present condition of the Mediterranean and Eastern Europe. *Security and common defence* will allow both accrue effectiveness and lower costs to the citizens.

*What is needed in these two directions is a strong initiative and political will. The European institutions – mainly the European Parliament and the European Commission - can provide the first, thus helping triggering the political will by the Eurozone Governments.*

### ***Nevertheless an effective Treaty revision is altogether necessary***

The Four Presidents Report of December 2012 was vague in the definition of the “Political union”. But ECB President Mario Draghi has recently declared the need of a new “institutional asset” of the EU, moving from “common rules” to “common institutions”.

The first part of this European legislature should be used to exploit all the instruments available within the Lisbon Treaty. At the end of the legislature – after the British referendum and the elections in France and Germany – there will be a window of opportunity for a Treaty Reform, also linked to the need to reinsert the Fiscal Compact into the EU legal framework. The Treaty reform should aim at fully reaching the banking, fiscal, economic and political unions. This may be done through a comprehensive Treaty reform and simplification, or through a few decisive amendments, according to the political conditions.

### ***Four basic points toward a EU Political union***

**1. Effectiveness in the decision process of the UE.** This requires: **a)** to make the Commission the true government of both the Eurozone and the EU, while maintaining the high political role of the European Council; **b)** to cancel without exceptions, even if step by step, the veto power in both the European Council and the Council of Ministers. Where the treaties give the EU an exclusive or shared competence, only the qualified majority principle (as ruled by the Lisbon Treaty) permits to decide in case of dissent, in compliance with the subsidiarity principle.

**2. Democratic legitimacy and accountability of the EU decisions.** This requires to give the European Parliament full co-decision *in all the legislative domain and in the main political choices of the EU*, overcoming the consultation procedure. A uniform electoral procedure (art. 223 TFEU) should be established.

**3. Fiscal capacity at the European (at least at the Eurozone) level.** The EP must acquire its own fiscal power in co-decision with the Council and (if and when a transfer of resources from the national to the European level is at stake, as in VAT or for common defense) in cooperation with the national Parliaments. A European Treasury Minister must be created, to be a member of the European Commission and chair of the Eurogroup.

*Points 1 and 2 are consistent with the basic “constitutional” principles established in the Treaties (Single market four liberties; Subsidiarity; Solidarity/cohesion), and as such should in the future be established for every competence ruled by the Treaties, that were accepted by all Member States. They respond to the need of a full popular accountability and to the need of effectiveness in the decisions to be taken at the European level. Both are actually applied where Qualified Majority and PE Co-decision are already established, in a truly federal asset. Every treaty has accrued these rules, but many crucially important matters are still excluded. Point 3 is characteristic of all monetary unions worldwide .*

*Nevertheless, as some Member States are, for the foreseeable future, not available to make such steps, it is essential that at least inside the Eurozone - in the short term by Enhanced Cooperation, later with a few but consistent institutional reforms on the points expressed above - those willing (and needing) to go further be made able to proceed.*

If so, one further point is to be established.

**4. Double institutional architecture.** A double institutional geometry should be adopted, as the Lisbon Treaty already provides for the Commission and for the Councils in the Enhanced Cooperation; accordingly, when a group of Member States decides to start an enhanced cooperation, the EP could discuss every topic in its plenary composition but give voting power only to the MEPs of the States involved. The idea of creating a third Chamber composed by national MPs (as proposed by Th. Piketty and others) is to be rejected, being at the same time contradictory and ineffective. This EP is and must be in the future the only legitimate popular representative body at the European level, besides the equally fundamental representation of the member States by the two Councils. National MPs represent citizens at national level, not at European level. They must of course control the European choices of their Governments.

Art. 48 TUE needs also to be modified, in order to cancel unanimity among the Governments and unanimity of the ratifications (it is to recollect that USA Constitution of 1787 required to be approved only nine positive votes among the 13 Colonies, a rule that proved decisive). A super-qualified majority should suffice for the future reforms.

***How to get there, notwithstanding the rule of art. 48 TUE?***

Several options are available. Extended Opting-out clauses or new forms of Associated membership can be imagined. A New treaty to be ratified by majority by the Member States like the Fiscal Compact. A transitory clause providing for the ratification via a European referendum, providing that the new or reformed Treaty would be considered ratify if a majority of European voters approved it, and will enter into forces for those member states where a majority of voters approved it. The member states where a majority did not approve it could held a new referendum within one year and/or negotiate a different status or specific opting outs, before the new referendum.

The European Union, an outstanding but unfinished cathedral, has never been so close to succeed and never so close to fall.

*“To fail to attain the European Political Union means renouncing to build the future history of mankind.”* (Jürgen Habermas).

**A few aphorisms deserving discussion**

***Subsidiarity***

*Subsidiarity is a double way rule: not only up-bottom, but also bottom-up, whenever necessary*

***European defence***

*Peoples not able to defend themselves from war and from outside perils soon or later lose their liberty.*

***Coordination and Government***

*A nine years old intergovernmental handling of the crisis shows that to govern is something different from coordinating.*

***UE and the Holy Spirit***

*If the Church decided as early as in 1179 that the two-thirds majority of cardinals is the right rule for the papal election, the Holy Spirit blowing through them, why the European politicians are so strongly in favour of the veto power? In two thousand years, human experience has not found another way to decide in common affairs submitted to a college than either sorting or counting the votes.*

***Plural identities***

*National identities are not incompatible with a European identity; the latter is in full compliance with the local, regional and world identities that are (or should be) alive in any individual.*

***European demos***

*A European demos already exists, as shown in several basic tendencies, partially different from those strong or prevailing in other democracies, USA included: importance of the model of the social state, reject of wars even as instruments leading to democracy, advanced policies for climate change, environment, alternative energies, sustainable growth, cosmopolitan ideals.*

***European (Eurozone) Political union***

*Not to be left to the next generation: is will be too late. The right moment (the kairòs, as the ancient Greeks said) to decide is now. And the EP can be the driving force.*

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