



European
Commission

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The political **implications** of European economic integration

towards a political Union

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The political implications of European economic integration — towards a political Union

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I. Opening Speech

José Manuel Barroso



José Manuel BARROSO

President of the European Commission.

Dear Jean Monnet Chairs,
Professor McCormick,
Dear friends,
Ladies and gentlemen,

It is always a great pleasure to address this annual meeting of Jean Monnet chairs because of some academic nostalgia I keep.

You have come from the four corners, not only of Europe but of the world, a tangible sign that there is indeed a great interest in the European Union. That is why Europe matters, as Professor McCormick says, taking it from the title of his book, Europe is needed.

Ever since the financial crisis struck in 2008 world leaders have stressed to me the importance of Europe's economic recovery and their vital interest in a strong vibrant Europe capable of remaining a global actor.

Indeed, the crisis has shown how interdependent we are, not only in Europe but in the world. A crisis that started in some of our Member States — apart of course from the Lehman Brothers collapse — but the crisis of sovereign debt in one or two of our Member States, raised concerns about the euro all over the world, and also had a profound impact on the global financial markets. And one point I'd like to share with you is that at international level, for instance in the G20 — where I've been since 2000, so many years now — and the G8, the messages were conveyed to us from our partners, from the United States to China, from Brazil to Japan, were that more European integration is needed. It's interesting sometimes to see how we are seen from the outside. Because at the end there was a clear perception of the need for a more political Europe, also because of the financial strengths originating in the so-called euro crisis.

I am heartened that in the recent G8, in Northern Ireland, and the G20 in Saint Petersburg, the European economy was no longer at the centre of the concerns. We have instead received praise and words of admiration for the very determined way in which the European Union was able to secure the euro. And now, as you say, there is no longer that perception that we are at the centre of all the world's problems. The last G20 was more comfortable for me than the other G20s, where we had to receive the advice of many leaders around the planet.

There is a recognition that our efforts are paying off. And these efforts are important, not just for Europe but for the world at large. The EU with its 507 million inhabitants accounts for 7.3 % of the world's population but over 23 % of global GDP. Our combined GDP is greater than that of the United States and twice that of China. Our combined weight is essential to understand Europe's future challenge. And it is not, however, just about size and scale. It is also about the model.

In a globalised world, the European Union is endowed with many assets from fantastic human capital, to world-class companies and to top-quality R & D and higher education institutions that attract almost half (45 %) of internationally mobile students. And, importantly, Europe has a model of governance that reconciles national sovereignty with cooperation, including within European institutions, some of them supranational institutions, and political integration. A model which, as in the past, and continues today, to inspire others.

The Nobel Peace Prize that we received last year highlights precisely the great example that Europe is setting in terms of reconciliation, peace and democracy. An example that I can tell you is very much inspiring other regions of the world. One of the points in many of my contacts with leaders from Asia or Africa or other parts of the world, when we discuss these matters, is a matter of admiration for them. How was it possible to achieve the reconciliation after the Second World War and to build this kind of project? Something that has not happened, I have to say, in some other parts of the world, where some deep problems are still present in terms of reconciliation and in terms of countries being able to share some of their common interests.

But if Europe is to maintain its leading role, we need to reinforce our institutions and improve the governance structures. We must realise that our Member States, even the biggest ones, on their own, are no longer capable of facing up to some of the challenges that a globalised economy puts them and act on this. But they can do it together in the European Union, if they are able to pool their national sovereignty.

This is not about losing sovereignty; it is about pooling it to be stronger, about sharing power to regain power and influence in the world. And it is not about giving up on politics, as sometimes some people suggest, it is about adapting our political toolbox to make a difference and help shape globalisation. Some people now say that because of the huge developments in the financial markets or in technologies or ICT, politics no longer matters. I believe that is a complete mistake. Politics matters, and we can see from the financial crisis, where political mistakes were made, to the other crises including in terms of war and peace, what happens when some leaders make mistakes. So if politics matters when making mistakes, politics should also matter when it's a matter of good judgement and good choices.

The problem is not that politics no longer matters, the problem is that the form of politics today is different. And today it's impossible to be a leader in any country in the world without having a global vision. It's impossible to take decisions that only look into the national interests, because national interests should be understood and promoted — when it's the case — also in the context of the regional or global challenges. So it's a change in the shape or the form — if you wish — of politics, but not the irrelevance of politics. It is not, as some people suggest, the supremacy of technocratic decisions, because even when there is a choice of technocratic decisions, this is a political choice. And it's important from that point of view — I would like to underline — to maintain the idea of the primacy of politics.

The structural weaknesses which the crisis exposed and exacerbated; excessive public borrowing, corporate and individual indebtedness and erosion of the global competitiveness of a number of our Member States had been building up over years. They cannot

be overcome from one day to the next. However, Europe's efforts to ensure stability, through fiscal consolidation combined with deep structural reform and targeted investment to lay the foundations for sustainable inclusive growth, are beginning to bear fruit.

Of course, and this is very difficult sometimes, with very, very hard sacrifices in many parts of our population. As I've been saying there is a situation of social emergency in several of our Member States.

But we are now seeing a modest, but encouraging return to growth, breaking with two years of recession. The rebalancing of our economy is underway, as I highlighted yesterday on the occasion of the adoption of the Annual Growth Survey (AGS), which set the priorities for 2014 for the EU and Member States.

All indicators are positive, I would say, except one: unemployment. Unemployment is the most dramatic challenge we are facing, namely youth unemployment. This is why I simply cannot say the crisis is over. How could we say the crisis is over when we have still these high levels of unemployment? But it is fair to recognise that very important challenges are now behind us. Some time ago, let's not forget, many people in the markets, and also our international partners, were questioning the very survival of the euro. This is no longer a scenario. I received, during the most acute moment of the crisis, very dramatic questions from the leaders of the United States, Russia, China and India, about the capacity of Europe to resist these strengths and pressures. Now everybody agrees that the euro is a strong, credible and stable currency. The problems remain but are of a different nature. It's no longer the existential threat to the euro but the possibility of ensuring a lasting recovery. The first signs of recovery are there, but can we make sure this recovery is sustained? This is the question now, a different question from the one that we were discussing one or two years ago.

Ladies and gentlemen,

Economic integration in Europe is a unique process. The creation of the Economic and Monetary Union (EMU) was, undoubtedly, one of the major milestones of European integration. The euro — the second largest reserve currency — is one of Europe's defining symbols

at home and across the globe. Some of the great aspirations of the Economic and Monetary Union have been realised, while others remain to be achieved.

Our fundamental response to the crisis was aimed at restoring confidence that the achievements of the single market and single currency will not be undone. But while focusing on the individual economic and institutional reforms we should not miss the bigger picture: not just of the changes required, but also of the political will, to move forwards on the road to complete the design of the Economic and Monetary Union, and ultimately the political union.

And here I want to highlight the word 'political', because indeed it's about politics that we are speaking. Once again I want to share with you my experiences during the most difficult periods of the crisis. When discussing this matter with the President of the United States, the Prime Minister of China, the President of Russia or the Prime Minister of Japan and other very important entities in the financial markets, the question they asked was not about the deficit of Greece or about the debt of Ireland. It was namely about the political determination of the euro area to sustain the currency. It was, very concretely, about Germany. 'Do you believe,' I was asked, 'that Germany will do whatever necessary to sustain the euro?' And the answer I gave was: 'Yes, I believe it will.' And I explained why.

So in the end, and this is very important to understand, the stability and the credibility of a currency like the euro lays in the credibility and sustainability of the political institution construct behind it. That is why in the end — of course it has to do with markets, of course it has to do with debt, of course it has to do with deficits — but it has to do with the political construct that is behind the common currency. In the end it is about the commitment to live together and share a future. To share not only a currency that is, by the way, a symbol of Europe but to share a future. So it is eminently a political issue. And it's very interesting that the main doubts about the euro dissipated when there was a clear sign from the Member States and the European institutions like the ECB that in fact Europeans would be ready to do whatever it takes to support the euro. Once again, it was not an economic intervention, it was not a technical decision, it was a political commitment that

changed the mood in the markets — once again an example that politics matter.

With our Blueprint for a deep and genuine economic and monetary union, presented in November 2012, the European Commission is precisely filling this gap, the gap between what is perceived as the current crisis, namely some of the problems that we have already mentioned, including in market perception, and the future. Our main purpose is to present the political vision that justifies the institutional change in the short term, builds political awareness and leverage in the medium term, and launches a public debate on Europe's longer term.

This comprehensive approach is based on key principles that need to be upheld in order to deepen the EMU while at the same time preserving the integrity of the European Union at large.

First, deepening the euro area should be done within the institutional and legal framework of the Treaties, according to the Community method. Moving outside of the Community framework risks legal fragmentation but also undermines democratic accountability.

Second, the deepening of the EMU should, first and foremost, make full use of the potential of EU-wide instruments. Certainly, for some purposes we need integration in the EMU, we need a reinforced model of governance, we need more discipline for the members of the EMU. But we should not forget that the present configuration of the euro area that will soon have 18 members — one more at the beginning of next year, not one less, contrary to predictions — is only temporary, since in principle all Member States except those that have one form of opt-out are destined to become full members of the EMU under the Treaties. Measures should, therefore, be open for others to participate. Any kind of deepening of the EMU should be done in an open way, so that we have not only the members of the euro today, but all those that are going to be members of the euro area, if they already wish to participate from now in many of the features of this reinforced governance.

And third, moves towards a genuine EMU should primarily be made through secondary legislation. Treaty changes should be

contemplated only where and when necessary. Most of the building blocks of the EMU in the medium term, however, go beyond what is possible under the current treaty, and we should acknowledge that.

The Blueprint presented by the Commission also sets out the major questions both of our destination and how we progress on all fronts at the same time. The crisis has made one thing clear, it is that economic governance, democratic legitimacy and social commitments need to move forwards, hand in hand, keeping pace with one another.

We have provided our vision and principles for the future, with concrete sequencing of short, medium and long term to support the deepening of the EMU. And we should now focus — while keeping that horizon, the political union — on what we can do in the short run. The banking union is at the forefront of our priorities. The single supervisory mechanism has been adopted and a single resolution mechanism is under discussion. We have also been working on some other measures such as a mechanism to better coordinate major economic reforms across Europe, the so-called contractual arrangements. Or, as the Commission has said, the convergence and competitiveness instruments, which could combine specific contractual arrangements for reforms with Member States with focused and targeted financial support.

The social dimension of the economic and monetary union is also being strengthened along lines recently proposed by the Commission.

Ladies and gentlemen,
The subtitle of our Blueprint is 'launching a European debate'.

We want to start and fuel a democratic debate with the European Parliament, members of national parliaments, governments, academics, people of culture and thinkers, and citizens on the future of Europe.

A truly European debate is necessary to underpin the intensified political union that is a key complement to fiscal and economic integration. Europe's democratic legitimacy and accountability must

keep pace with its increasing role and power, and I hope that the debate you are having at this Conference will help in this endeavour.

Ladies and gentlemen,

From the philosophers of ancient Greece, through to the great thinkers of the Renaissance and the Enlightenment to the present day, Europeans have questioned any and everything. And Jean Monnet, himself, wrote, *'Il suffit de poser les bonnes questions et de rencontrer la bonne volonté qui existe toujours quelque part.'* Yes, we need to put the right questions and I'm sure that if you put the right questions the goodwill and the political commitment will come. It is responding to this critical scrutiny which has driven our continent forwards.

You can fuel this democratic debate. A debate on where the future of Europe lies. In your quality of Jean Monnet Chairs, you are, indeed, in a privileged position.

And that's why I want to conclude with a challenge, since most of you are professors, with some homework. I'd like to make a challenge to you to contribute to a task I'm now fulfilling. As I promised in my State of the Union addresses to the European Parliament, before the end of the mandate of this Commission, hopefully before the European elections, I will put forward some ideas for the future of Europe. I think it's a duty now, building on almost 10 years of experience leading the European Commission. And I would very much like to have your input, but I really mean an input, not just a conference or just some talk.

That is why I'd like to ask you — if you want — to send your contributions to my own cabinet, together with the Bureau of Economic Policy Analysis (BEPA), and they can organise these contributions. I know that some of you have been also thinking about constituting a more limited group. I'm afraid I cannot read 100 contributions, but at least if some of you gather in a group — I know for instance Professor Fausto Quadros, from the University of Lisbon, is developing some contacts for that, Professor Sidjanski, Professor of the University of Geneva and my special advisor, is also working on it.

So if some of you could organise a think tank group with some of your proposals — or, better said, options, because I know there are many different views among yourselves — I think it could be a contribution for that exercise that I would like to present on behalf of the Commission, in my capacity as President of the Commission, to fuel this debate, even before the European elections. Not only about institutional aspects but more about the future of Europe, where Europe is needed, how Europe can do more, what are the tasks, what are the principles? I've already been working, there have already been some important contributions, but I believe it will be a very concrete way of giving this contribution, apart from what you are doing daily, in your teaching or research activities, to shape the European Union of the future.

On behalf of the European Commission and myself, on my own behalf, I would like to thank you for everything that you have been doing, all over the world, to have this critical debate on Europe. We are not asking for propaganda. We are asking for the best of your critical capacities, to the best of your knowledge, on reinforcing the study and debate on European affairs. From all fields, from economy to law, to institutions, to political science and to sociology. I really want to thank you because I know — I've been in contact with many of you — that you are doing a great job keeping these studies alive.

And that's precisely why I am happy to see that we have obtained a substantial increase in the budget dedicated to the Jean Monnet programme, under Erasmus +, we want to ensure the participation of a new generation of professors and researchers in Jean Monnet projects and to reinforce European integration studies in higher education institutions. The Jean Monnet network's role is very important in promoting policy debate and exchanges between the academic world and policy-makers on moving ahead towards a political Union.

I'm sure that this role — you can also give a concrete contribution to this debate, I've already mentioned, but also that you can continue in your research and teaching activities, in addition to give a very important contribution to this great project that is the European Union.

I thank you very much for your attention.

II.

Keynote Speech

John McCormick

THE ROLE OF ACADEMICS IN THE DEBATE OVER EUROPE



John McCORMICK

Jean Monnet Professor of EU Politics in the Department of Political Science at the Indianapolis campus of Indiana University in the United States. Fulbright-Schuman Chair in EU-US Relations at the College of Europe in 2013. Indiana programme director for the Erasmus Mundus Euroculture MA.

My thanks to President Barroso and to the organisers of this conference for their kind invitation. It is a pleasure to be here before such an august gathering, and I hope that my comments will provide some food for thought as we discuss European Union affairs over the next two days.

The theme of this conference is, 'The political implications of European economic integration: Towards a political union'. I am a political scientist rather than an economist, so I want to address this topic in a rather specific way: by talking about the difficulties of understanding and perception that the EU faces, about the harm that this is doing to the debate over Europe, and about the role that academics should be playing in addressing these difficulties.

For those of us active in the affairs of the EU, the last few years have not been happy ones. Not only have we seen the trials and tribulations of the euro zone, but we have also heard serious talk for the first time of

the possible demise of the EU itself. Meanwhile, the euroscepticism that began to emerge as a serious force at the time of Maastricht has grown in both depth and breadth: its arguments and reach differ by time and place, but it is now a political factor in nearly every EU Member State.

Clearly this is a time of crisis, but it is worth pointing out that this is hardly the first time that the process of European integration has charted stormy waters.

Even before the creation of the EEC in 1958, we saw the collapse of the European Defence Community. Then there was de Gaulle's

veto of British membership of the Community, the 1965–66 empty-chair crisis, the failure of early plans to launch a single currency, Margaret Thatcher's budget skirmishes, the 1992 Danish rejection of Maastricht and the end of the constitutional treaty in 2005.

I remember how even the Irish rejection of Nice in 1999 was briefly greeted in some quarters as a disaster, with questions asked about how the EU could function effectively without the institutional changes that Nice envisioned. The same questions were asked again after the French vote on the constitutional treaty.

I subscribe to *The Economist*, which can sometimes be a gloomy experience, providing weekly proof of the notion of economics as the 'dismal science'. Not long ago I was reading one of its editorials under the heading 'Alas, poor Europe'. I quote:

'[It] has survived other crises... but is in no state for another prolonged one — or for a period of total stagnation. Its institutions are flaking... The parliament has disappointed... The decisive council of ministers rarely decides... Public opinion in the Member States is increasingly apathetic.'

It went on to talk about the prospect of a British exit, demands by Greece to renegotiate the terms of membership, lukewarm views about Europe in Germany, an economic slump in western Europe, a row over the budget driven by the efforts of the Member States to cut public spending, the failure of Europe to better express itself on the global stage, and the need for Europe's leaders to find the vision to address its disagreements.

The date on the front cover? Not 2012 or 2013 as you might think, but 20 March 1982. More than 30 years later, *The Economist* is still making very similar arguments.

The point is that the EU has survived. It is true that the euro zone crisis is the worst in the history of European integration, but it is also worth remembering what Jean Monnet wrote in his memoirs in 1978: that 'Europe would be built through crises' and would be 'the sum of their solutions'.

A few years later, Monnet argued that ‘the building of Europe is a great transformation which will take a very long time... Nothing would be more dangerous than to regard difficulties as failures’ ⁽¹⁾.

Why has the EU faced so many problems? There are five major reasons:

1. The EU is a project without precedent — it has demanded new thinking and a new way of doing political and economic business, to which many people are not yet attuned.
2. The EU has been made up on the fly, with only a general idea about the end goal. There has been no broad agreement on what it is or how it might best evolve.
3. In this vacuum of uncertainty, it has been easy for the critics to encourage myths and misconceptions and to promote a climate of pessimism.
4. We have seen an ongoing struggle between the national interests of the Member States and European interests. But the latter have been hard to define.
5. Because people feel less sense of attachment to the EU than to the Member States of which they are citizens, it is easy and tempting to blame the EU when things go wrong at home.

There is no question that the EU has had difficulties, but we need to remember that it has not been alone.

Consider the findings of Eurobarometer polls: they have revealed that faith in the EU has been declining over the last few years, but they have also found declining faith in government more generally. The number of people who trust the EU has almost halved in the last six years — falling from 57 % in 2007 to 31 % today — but the number who trust their national governments has fallen over the same period from 41 % to 25 % ⁽²⁾. The decline for the EU may have been more precipitous, but Europeans have long trusted the EU more than they trusted their own governments. So this is not so much a crisis for the EU alone as it is for broadly defined government.

⁽¹⁾ Quoted in *The Economist*, 20 March 1982.

⁽²⁾ *Eurobarometer 80*, Spring 2013, First Results, p. 9.

And if we think things are bad over here, spare a thought for the poor citizens of the United States where I live. These are just a few of the problems they face:

1. a dysfunctional political system;
2. decaying infrastructure;
3. incivility in public discourse;
4. institutionalised racism;
5. an expanding gap between rich and poor;
6. a prodigious trade deficit;
7. an addiction to fossil fuels;
8. a permissive gun culture;
9. a byzantine tax code;
10. a snowballing national debt.

Little surprise, then, that while 55 % of Europeans believe that the EU is headed in the wrong direction, and 58 % believe that their country is headed in the wrong direction, the equivalent figure for the United States is 78 %.

Over the past few years I have witnessed the perfect storm: studying and writing about an entity buffeted by problems while living in a country buffeted by even bigger ones. At times like this I have been tempted to retrain as an art historian, or something else less stressful.

What role should we be playing as academics? I am dismayed by how little our work addresses the real and practical problems of Europe, or has entered the public debate about Europe. We academics work hard, and much of our research is fascinating and insightful and even occasionally revolutionary. But our professional rewards are defined by writing for each other, and by talking to each other and to our students; our work rarely enters the mainstream of political and public debate. This is a problem far from unique to the field of European studies, to be sure, and it is not the sole reason why the EU is misunderstood, but it is unfortunate that so little of the potentially illuminating research that we produce should be working its way into the public domain.

The mismatch between academics and practitioners was a dilemma spotted as long ago as 1975 by the American political scientist Donald J. Puchala, who wrote the following:

‘One comment constantly repeated by officials involved in the affairs of the European Communities is that political scientists, in their zeal to model “integrating systems”, are working at levels of theoretical abstraction too far removed from day-to-day political behaviour... as one Chef de Cabinet in Brussels phrased it, “when I read your American work you tell me that I am working to cause spillover, or that I am making a new nationality from old ones, or that I am challenging national sovereignty. This is nonsense. I and my colleagues are working to harmonise economic, social and legal practices in several countries so that a Common Market can function effectively for the benefit of all. If you really want to study European integration, try to learn more about the conditions under which such harmonisation succeeds or fails” (3).’

I was left with similar impressions while visiting Brussels last year for field research, and was struck — as I have been before — by the contrast between the academic world, with its own vernacular and a dynamic that stops just short of secret handshakes, and the world of the European institutions and think-tanks and interest groups who deal with the real and the practical rather than the theoretical and the abstract.

As the head of one think-tank said to me, academics are usually focused on narrow aspects of policy, which often have nothing to do with the short-term EU agenda. But the problems, she noted, are also partly self-inflicted because academics do not weigh in to contemporary debates through new research, making it difficult for them to have much of a voice in current debates.

Scholars need to be active in the debate over Europe, because at the moment it suffers from two critical handicaps.

First, it has become negative and one-sided, with far too much emphasis placed on what is wrong with the EU than what is right

(3) Donald J. Puchala (1975), ‘Domestic Politics and Regional Harmonisation in the European Communities’, in *World Politics* 27:4, July, pp. 496–520.

with it. President Barroso eloquently pointed this out in a February 2010 speech to the European Parliament in which he appealed for Europeans to deny the 'intellectual glamour of pessimism and constant denigration of the European Union that is doing so much damage to Europe's image' ⁽⁴⁾.

At the heart of this problem is the prominence of eurosceptic thinking, which has both compounded and been compounded by all the bad news coming out of the EU over the last few years. The media love bad news and so does the reading, viewing and listening public. There is a famous journalistic dictum: If it bleeds, it leads.

The bad news from the EU has had all the terrible fascination of a train wreck, but somewhere along the way we have forgotten the remarkable achievements of integration. Even the news of the award of the Nobel Peace Prize to the EU in 2012 was met with cynicism, critics suggesting that NATO was more deserving, and pointing to the squabbling then going on within the euro zone. My response was yes, they may be squabbling, but at least they are doing it peacefully.

The second critical handicap suffered by the debate over Europe is what I call the knowledge deficit. Simply put, most Europeans by their own admission do not understand the European Union. Eurobarometer polls dating back to the 1990s have consistently found that about 60–70 % of those surveyed admitted to having little or no understanding of how the EU works. Recent polls have also found that only about 30 % of Europeans consider themselves very or fairly well informed about European political affairs, while 20 % consider themselves not at all informed. How can we have a meaningful public debate when so many people know so little about what they are discussing, and when so much of the debate is dominated by a single camp?

The implications of the knowledge deficit are illustrated by the story of the French referendum on the constitutional treaty.

⁽⁴⁾ José Manuel Durão Barroso, 'Speaking with one voice: Defining and defending the European interest', EP Plenary: Vote on new College, Strasbourg, 9 February 2010.

As we know, the treaty was stopped in its tracks when it was rejected by French voters in May 2005. But consider the data: a Eurobarometer poll carried out at the time of the referendum found that three out of four French citizens had either (1) heard of the treaty but knew 'very little' about its contents, or (2) had not heard of it at all. And yet 69 % of voters turned out, of whom just under 55 % rejected the treaty, resulting not just in its failure in France but throughout the European Union. When asked what had most influenced their vote, only 18 % of voters said it was their opinion of the treaty itself; about half voted No because they were unhappy with the domestic political, economic and social situation in France.

In short: the constitutional treaty died because it was rejected by 26 million French voters, who made up less than 6 % of the population of the EU at the time, living in a country where nearly 75 % of people admitted to knowing little or nothing about the content of the treaty, and half of whom voted No because they didn't like Jacques Chirac.

If we see a referendum on UK membership in the next few years, a similar dynamic will be at work, and more so: In a 2012 Eurobarometer survey, only one third of Britons felt that there were benefits to EU membership or felt optimistic about the future of the EU, but only 40 % felt that they knew how the EU worked.

A report by the UK Electoral Commission published two weeks ago looked at the proposed question on the referendum on EU membership, which reads as follows: 'Do you think that the United Kingdom should be a member of the European Union?' The commission recommended that the wording should be changed because there were enough people in Britain who did not know that their country was currently a member of the EU as to create confusion.

If there is a referendum in the UK (which is by no means certain, given the current problems of the governing coalition), I guarantee that many people will be voting No not because they understand the EU and have well-thought out objections to its work but because they do not understand the EU, and eurosceptic British media will exploit the knowledge deficit and tell them to vote No based mainly on the kinds of myths they like to perpetuate about the EU. The standing of whichever government is in power at that time will also be critical.

There is a school of thought in political science that we need not worry about the knowledge deficit, because voters can use information shortcuts such as party labels, elite endorsements or cues from trusted sources to help them decide, even where they lack much knowledge about the issues at stake. This supposedly gives them the capacity for reasoned choice.

I reject this argument. Relying on such sources exacerbates the elitism of which the EU is often accused. And how can we rely on political parties for cues when so many of them are internally divided on the question of Europe? Furthermore, political activists often differ from the general population in socioeconomic terms, tend to be more partisan in their views and will often have interests and agendas that are different from those of voters.

And there is plenty of evidence to suggest that even the experts are confused or fail to grasp the big picture; for example, how many political scientists or journalists were able to predict the end of the cold war, the rise of the BRICs, the global financial crisis, the euro zone crisis or the Arab spring?

As long ago as 1995, my colleague Jeff Isaac in the department of political science at Indiana University was reflecting on how political theorists had remained entirely silent about the end of the cold war, the collapse of the USSR and the revolutions in Eastern Europe. In reflecting on the reasons for this, he drew the following conclusions about his sub-discipline:

'It seems almost beneath us to examine mundane, practical political problems located in space and time, in particular places with particular histories... How much more edifying, rigorous, hip, virtuous, it is to discuss the constitution of the self, the nature of community, the proper way to read an old book or the epistemological foundations, or lack thereof, that are involved in examining mundane political problems ⁽⁵⁾.'

⁽⁵⁾ Jeffrey C. Isaac (1995), 'The Strange Silence of Political Theory' in *Political Theory* 23:4, November, pp. 636-652.

Academics may not necessarily be in the business of predicting, but we are in the business of enlightening, and I would argue that those of us active in EU studies are doing a disservice to ourselves and to our fellow citizens by being so inward-looking at a time of such obvious need.

Confused citizens also face the related problem of information overload. In the face of the enormous variety of sources of information available to them, many voters are turning to those outlets that fit most closely with their interests and predispositions, thereby denying themselves access to alternative points of view. Democracy demands not just freedom of information but exposure to competing analyses, and yet many overwhelmed citizens are either turning off or retreating into what the American legal scholar Cass Sunstein calls information ‘gated communities’ or ‘echo chambers’ ⁽⁶⁾.

We can see this dynamic at work in the debate over Europe: euro-scepticism is a legitimate and important part of the debate, but far too much of it is based on myth, and we have not been hearing nearly enough about the objective pros and cons of European integration.

It was my concerns over this problem that encouraged me to write my book *Why Europe Matters*, published earlier this year in order to help make the case for the European Union. I found that there was much to celebrate in the European project, and far more — certainly — than we are led to believe. To give you just five examples:

1. The EU has helped bring a lasting and sustainable peace to the continent.
2. It has encouraged innovation, opportunity and choice; helping to raise standards and expectations.
3. It has replaced exclusion with inclusion, helping Europeans to better understand their shared values, and stimulating a European identity.

⁽⁶⁾ Cass Sunstein (2001) *Echo Chambers: Bush v. Gore, Impeachment, and Beyond* (Princeton: Princeton University Press).

4. It has helped to strengthen democracy, human rights and free markets, at home and abroad.
5. It has allowed Europe to speak with a louder voice on the global stage, and offered a benchmark model of civilian influence in a world where power is still commonly defined in military terms.

To summarise.

The debate over Europe is neither as productive, nor as balanced, nor as informed as it needs to be. The EU has problems, to be sure, but why add to those problems with myths, misconceptions and apathy? We academics have a key responsibility. We need to help improve the quality of the debate over Europe by helping to close the knowledge deficit. I am not suggesting that we are responsible for offsetting the influence of eurosceptics, but rather that we are responsible for helping to educate not just our students but also the wider public so that their opinions of the EU are balanced and informed, as well as being based on fact rather than on myth.

The American biologist E. O. Wilson summarised the wider knowledge dilemma in 1998 when he wrote that we 'are drowning in information, while starving for wisdom'. He predicted that the world would 'be run by synthesisers, people able to put together the right information at the right time, think critically about it and make important choices wisely'.

As academics, we are synthesisers. If the wider public is going to better understand the political implications of European economic integration, and if we are going to have a sensible and productive debate about the possibilities and pitfalls of the move towards a political union, then we scholars need to step up and give people the tools and the knowledge to help make sure that happens.

III.

Session 1: Economic Aspects

Michel Servoz

Lucio Pench

Nikolaos Chountis

Nico Groenendijk

Panagiotis Liargovas



Michel SERVOZ

Deputy Director-General at the European Commission's Secretariat-General.

Good afternoon to all of you. It's a pleasure for me to be here for the first time. Our subject this afternoon is economic integration. This morning you heard from the President of the Commission, President Barroso. He spoke about economic integration, amongst other aspects. Now, I would like to put a few things in perspective.

This conference is very timely because as you know, for the Commission, for the EU, one of the very important responses to the crisis is a number of action-measures which have been taken to reinforce the economic governance framework, and we see that very much as part of reinforcing economic integration. This week the Commission adopted a number of decisions that are very relevant in this context.

First of all, the Commission has adopted the Annual Growth Survey which is launching the EU semester. This is a document in which the Commission sets economic policy orientations for 2014 and this is going to be discussed by the European Council in December and then in March.

Secondly, the Commission adopted the Alert Mechanism Report, which identifies some countries where there is a risk of imbalances. Again, this is something important in the context of the EU semester.

Finally, the Commission will adopt tomorrow, for the first time, its Opinion on the draft budgetary plans of Member States of the EU area, which is one of the elements of the 'two-pack' legislation, as we call it.

It is therefore needless to say that this week is important for the Commission in terms of economic governance. These are key milestones, and they reflect the fact that the Member States are working together towards an integration of their economic policy.

I am, however, the first to recognise that a lot remains to be done, as it is very clear that the EU economy today is not fully integrated. To highlight this, I just want to put two points in perspective for our panellists:

- The first point regards the crisis in itself. The impact of the crisis is huge. I am not going to mention all the main figures, but in terms of unemployment levels, or in terms of loss of industrial output, it is really striking what happened: we have lost 30 % of our industrial output, as compared to before the crisis. Faced with the huge impact of this crisis, I think the temptation could have been 'every man for himself', meaning every Member State for itself. This is not what happened. In fact, what happened, on the contrary, is that Member States pulled together. And you can see that in European Council after European Council decisions were made which showed really solidarity and unity. I know that the press says too often that there is a tension, a discussion. It is a point for debate, but in reality, if you look at the decisions taken, they really show a move towards more integration. I will mention some elements that you know already: the creation of the European Stability Mechanism, the adoption of the Fiscal Compact, the Banking Supervision Framework and the fact that today we are working with a good chance of realising the Banking Union and the 'six-pack' and the 'two-pack' legislation which I mentioned earlier.
- The second point regards the works under the European Semester. For the first time in decades, the Council is discussing issues relating to the individual economic policies of Member States, including extremely sensitive issues, like pension reforms, wage levels and bank secrets etc. It is a change of attitude. And even when I hear that Germany is issuing a Diktat to other Member States, I see it as a positive development, because in a way, Member States are speaking to each other about their individual economic policies and the impact that they have on the overall economic performance of the EU.

It is clear that, faced with the crisis, the EU has acted proactively, but at the same time there are some landmarks of economic integration which have existed for a long time and which are not used to their full potential. The single market in my view is a case in point, and I would mention some examples. If you take the four

freedoms of the single market which were created in 1992, two remain frankly fairly underdeveloped: the mobility of workers and services. Let me make an example of the mobility of workers: today only 9 million workers work in another state, that is, 3 % of the total EU work force. At the same time, please note that the EU has today 2 million vacant jobs and 27 million people unemployed.

Let me make another example: the telecoms market. The first telecoms liberalisation package was adopted 15 years ago (15 years ago!); today you still have 28 fragmented national markets for telecommunications and this is why, by the way, the Commission has proposed to create a single passport in order to allow telecoms operators to operate abroad.

If you take energy, there is an agreement that the internal energy market needs to be completed next year, in 2014, but if you look at the situation today, very often in Member States energy prices are distorted by a number of support schemes and in 10 Member States 80 % of the electricity production is still controlled by a national incumbent.

We can conclude that there is still a long way to go. It seems to me important to mention, for the discussion, that we have these and other bottlenecks, and that they are very significant because they exist at a critical moment: when we need to launch a lasting recovery. My questions to our panellists are therefore the following:

1. Where are we in the process of economic integration? Is it working?
2. What are the bottlenecks to this integration?

First of all, I would give the floor to Lucio Pench, who is Director for Fiscal Policies at DG ECFIN, and who is very well placed to explain to us all the new economic governance works; then I will give the floor to Nikolaos Chountis, Member of the European Parliament, and then to Professor Nico Groenendijk, who is professor of European Economic Governance and co-director of the Centre for European Studies. Finally, I will give the floor to Panagiotis Liargovas who is professor in European Integration Policies at the Peloponnese University, in Greece.

As you have heard, we have been dealing, throughout the crisis, with the issues that get to the heart of economic governance, particularly on the fiscal side.

I would like to begin my presentation by recalling our starting point, the Maastricht architecture. Why so? Because I think in discussing future developments we have to bear in mind where we started, specifically the '*sui generis*' character of the European construction and, linked to that, what economists would call 'path dependency', namely, that future developments are probably conditioned by the way we set up both economic and monetary union. So, what are these elements? Well, first of all we have a unified monetary policy — there is no alternative to that if one wants to have a monetary union — anchored in an independent central bank with the mandate based on price stability. At the same time, and this is at the core of the so-called Maastricht Treaty, fiscal policies remain in national hands subject to common rules; but these common rules, it has to be stressed, are of rather a negative character. The treaty contains a number of bans: on excessive deficit, on monetary financing and bailing out. The negative character of the rules underlines the point that, short of these constraints, Member States still remain sovereign, which is an important difference relative to the situation that we find in other economic and monetary unions. This set-up is complemented by an array of policy instruments that however, by and large, belong to what economists and political scientists tend to call 'soft' economic policy coordination.

Clearly, the crisis exposed weaknesses in the architecture of EMU: in the run up to the crisis we had, largely undetected, an excessive concentration of risk related to an excessive accumulation of debt, which happened in both the public and private sector but possibly, which is important to define the nature of the crisis, more in the



Lucio PENCH

Director of Fiscal Policy at the European Commission's Directorate-General for Economic and Social Affairs.

private than in the public sector. In turn, this exposed the insufficient discipline exercised by the market in good times as well as an insufficiency in our monitoring and enforcement tools. This points to the need to improve risk prevention (and I will briefly elaborate on that). Once the crises erupted, the danger of financial instability through contagion became evident. The contagion originated from a relatively small country with a relatively small weight in the Union as a whole, but was, at times, extremely powerful, in turn exposing the so-called perverse fiscal loop between the banking sector and the sovereign. So, even countries that had a relatively good fiscal situation were suddenly at risk because of the implicit liabilities accumulated in their financial sector and the fact that what, in a national monetary setting, is the function of lender of last resort was left somehow undefined in the architecture of the monetary union.

So, the lessons of the crisis point to the need, when the next crisis comes, and we know that a crisis will come, not only of having done our best to prevent it, but to have some crisis resolution tools at hand. These priorities are behind the recent changes in governance.

First of all, when the house is on fire, you have to do something immediately, and this is what comes under the name of a crisis resolution mechanism. We had a number of first ad hoc and then, with creation of the European Stability Mechanism, permanent solutions to provide financial assistance coupled with strong conditionality to countries finding themselves in a situation of acute financial stress. Basically, these countries found themselves cut off from the market. Then we had the very important announcement of the Outright Monetary Transaction (OMT) programme on the part of the European Central Bank: although it cannot be strictly described as fulfilling a lender of last resort function for sovereigns, in a sense, it fills a gap that was exposed by the crisis in terms of lacking a lender of last resort function.

At the same time a lot of work has been done to put in place the mechanisms that should prevent the occurrence of future crises, including a fiscal leg and a growth leg. In turn, when it comes to growth (in part this has already been highlighted in the introduction by Michel Servoz), this includes the overall European structural

reform strategy that goes under the name of Europe 2020, and is a particular process to look into and prevent the emergence of macroeconomic imbalances. I am referring to the macroeconomic imbalances procedure, the first step of which has just been launched for the coming period with the alert mechanism report. A lot of work has been done to overhaul our system of fiscal rules (this is the theme with which I am most familiar, since I have been negotiating the key pieces of legislation), the aim being, again, to take stock of the lesson of the crisis, in terms of better enforcement, better prevention and a greater focus on the level of public debt. So, all in all, we think that this represents a good basis for making the monetary union work.

Clearly, the questions which I think are at the heart of the debate we are having here are: 'Is this enough?', 'Should we go further and if so, in which direction?' I think that the broad answer should be positive: further integration is probably needed to address in a definitive manner the weaknesses highlighted by the crisis. At the same time for both political and conceptual reasons I would argue for a gradualist approach.

We should be focusing on the minimum requirements. This does not necessarily mean a minimalistic approach to the EMU, governance, and its evolution. Rather, we should be pursuing a robust reform approach, by which I mean prioritising reforms that are needed in their own right now to make the EMU work better, but that in turn, if the political support is there, can evolve into something more ambitious. But I think that this robustness condition should be there if we want to proceed in a realistic fashion.

The Commission, almost one year ago, published a Blueprint for deepening the EMU, which outlines a stage-based approach to further EMU, which can also be described as a robust approach. The first stage is certainly also about the first priority of making EMU work: the banking union. Concerning fiscal union, the Blueprint speaks of the gradual development of a fiscal capacity, which is purposefully a term that may refer to different instruments: it may take the form of financial incentives to promote structural reforms, and that would be the first step. It may eventually evolve into a common budget supporting further common functions.

Allow me to share an insight about promoting structural reform. It has been said before, I think also by Michel Servoz, that the fact of Germany allegedly dictating reforms to Member States, is not necessarily a bad thing. It shows that EU countries look at their partners' policies as a matter of common concern, which after all is one of the principles already set out by the Maastricht Treaty. Some of you, of course, may argue that the process is asymmetric in the sense that we hear of Germany dictating economic reform to the other countries but we don't hear, say, of my native country, Italy, dictating any reforms to others. I think that points at a weakness in the current configuration of European power, for which not Germany but other countries should be blamed. I would call it the imperative of sustainability. Each country must strengthen itself in order to be able to play a constructive role in the European debate. Otherwise, we would have a European debate, but it would be an asymmetric one. But this strengthening must come first and foremost from each country, without denying the need for European-level coordination.

Developments in fiscal integration should be balanced by a commensurate development in political accountability and throughout the process there is a need to keep equilibrium between, on the one hand, stronger intrusiveness into national policies, and the development of common instruments, on the other hand. This principle of balance is very much something that permeates — and rightly so, I believe — the logic of the Blueprint.

Banking union is commonly recognised, including by economists of very different persuasions from those working in the European Commission, as the first priority. A lot has been done already with the creation of the single-supervision mechanism. Single resolution is being discussed. This involves bailing-in rules and contributions of industry precisely to avoid one of the worst consequences, including in terms of political perception, of the current crisis, namely that profits were private in good times and losses were put on the back of the tax payers once the crisis erupted. It should also include a fiscal backstop to cover the residual risk, especially over the bridge period in which contributions by the industry may not be necessary. These are the broad principles, we know that very detailed and difficult negotiations are under way, but again I would

stress that the very fact that these things give rise to a hot debate confirms just how important they are for the future of economic and monetary union and how important they are considered by governments.

What next, beyond banking union? Banking union is in my view one of these robust economic reforms that I explained before. It is certainly necessary to make the EMU work, but once in place it could be the basis for further developments. And of course a lot has been said about the necessity of fiscal union.

Let me go back to the previous point that I made. The EU construction is, and I believe will remain a *sui generis* construction, so the lessons from other federations which have been elaborated by large amount of literature, in both economic and political science, are of some help, but only partially. At a general level we may argue for the need for combining mechanisms for fiscal discipline with risk-sharing mechanisms. And let me make a remark there. Some may think that so far we have been working a lot on the fiscal discipline mechanism and not enough on risk sharing. Again, I believe this is not true. I recalled at the beginning the set up of mechanisms such as the ESM, giving assistance to Member States being cut off from the markets, which would have been unthinkable before the crisis. Let's remember the role that the ECB plays in the support of weak economies especially with the simple announcement of the OMT and its dramatic consequences on the yield of government bonds by Member State under stress. Of course there are other possibilities. Here, I will quote two of them: it has been often argued, although admittedly it is a hot debate, that the EU needs to set up a stabilisation capacity going beyond the stabilisation policy carried out at the level of Member States. The Blueprint mentions a common stabilisation tool as something not for now, but rather for tomorrow, or the day after tomorrow. I will just limit myself to highlighting some points. It should be something working consistently with our fiscal rules, not in contrast with them. In a sense it should help the fiscal rules function better because it would build more fiscal space in booms, while providing more leeway in downturns. A very important point is that in all existing federations a stabilisation mechanism basically cannot be distinguished from income distribution mechanisms. So, you have: unemployment insurance,

as well as a lot of other transfers going on in economies such as the United States, which fulfil a function of both redistribution and stabilisation during the crisis. The *sui generis* nature of the EMU, I think, makes it imperative that any such mechanism should not entail any permanent transfer, which requires some hard thinking.

Finally, we should acknowledge the limits of stabilisation policies. We economists simply do not know that much about the current state of the economy. When history is rewritten or, to be more technical, when you know the exact size of the output gap, which typically is after 5 or 10 years, you realise then when you thought that your economy was close full capacity, in fact it was in a boom, so we should be very humble about that.

Another avenue, on which work is under way, at least in the form of a group of independent experts set up by President Barroso, is the possibility of setting up a common safe asset. This often goes down in the debate as Eurobonds, but there are many possible instruments, and the most promising avenue refers to the possibility of some limited risk sharing in the form of common short-term bills. Last but not least, and I would like to stress this point because it is less present in the debate, which is focused on public solutions, there is the role of the private sector. We know that in functioning federations risk sharing also works largely through private-sector mechanisms, which are badly underdeveloped in the EU. This risk-sharing channel can work, for example, by removing barriers to direct investment in the EU and even, though this may seem counterintuitive, encouraging the redirecting of the surpluses outside the EU. Let me make a point here. A lot has been spoken of the situation of Germany and its current account surplus. My reading of this is that the problem with the German surplus is not that Germany is 'too competitive' (which would clearly be the wrong approach) or even that Germany is 'saving too much' (although Germans may have been saving too much for their own good and perhaps investing too little in their own country). The real problem is how the surpluses were recycled. The German surpluses were earned *vis-à-vis* the rest of the EU and, increasingly, the rest of the world, but they were overwhelmingly invested within the EU in the form of banking loans. Had they taken the form of direct investment, a natural mechanism of risk sharing would have been at work, which would

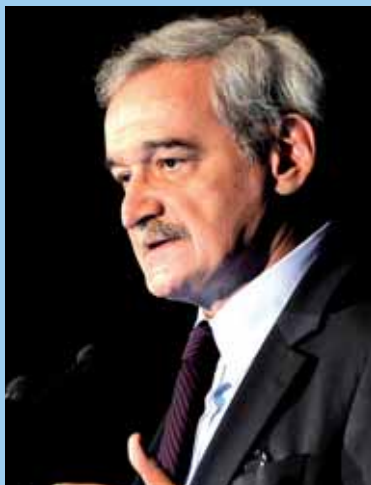
have spared us many of the problems of the crisis. So, I think, it is very important to stress this point in re-orientating the debate on the future of governance.

We do not have much time, so allow me to conclude. I hope that I have shown that significant steps have been taken in the EU to deal with the crisis and its legacy (by now, I think of myself as a veteran of EU policies). Many of such steps would have been unthinkable before the crisis, in terms of common decision-making and new instruments. We need to continue with a balanced approach: the balance between intrusiveness and common instrument or risk sharing, both for political reasons (which I think are obvious) but also, more importantly, for substantive reasons, because it is the only way to make the system work.

Although further reforms are needed to make the EMU function better I would say that none of them lies beyond the bridge. Especially if we manage to settle the banking union file (which I think is main priority). Last but not least, we should remember that the reforms (and a banking union is already one of them) that we are discussing go to the very heart of sovereignty and therefore, we should not be surprised if time, patience and a good degree of political maturation are needed to make it along this bumpy road.

Introduction

I would like to thank you very much for giving me the opportunity and honour to attend your conference, for the second time, as a Greek MEP from the Left.



Nikolaos CHOUNTIS

MEP, member of the Economic Affairs Committee of the European Parliament, Confederal Group of the European United Left-Nordic Green Left, Greece.

I believe that our current discussion on the political implications of European economic integration takes place in a period of very intense economic, social and political upheaval and conflict, which could be considered as an actual milestone of the historical continuum of the European Union.

The last time I spoke at this conference was in 2011.

The dialogue that was developed at that conference concerned Economic Governance, that is to say changes in the institutional structure of the EMU and the euro, with which, the current governments of the Member States and political forces embrace neoliberalism. According to the opinion of the European Commission, these changes would make the EU stronger politically and institutionally against future crises.

Today, this new economic governance framework is being reformed again, this time, however, specifying the relationship of governments and the banking sector.

Nevertheless, these institutional changes, like any institutional change, cannot be planned, agreed and implemented without the involvement of political, social and economic forces.

So I would be erroneous to assume that the process of European economic integration is politically neutral, only technical and unrelated to the austerity policies in the countries of southern Europe,

the strategic goals of the German capital and the German government for full economic and political sovereignty or social conflicts and political processes within each Member State.

The basic principle of analysis of the Left is to examine every social and political shift in the historical context in which it takes place.

Therefore, I will try to describe the situation which has emerged during the last three to four years and which has led the most powerful EU Member States to decide to strengthen the structures of the EMU and the euro, acting in this authoritarian, reactionary and absolutely class-orientated way. Then I will refer to the political impact of these processes on the European people, who show strong signs of everyday resistance and subversion of this neoliberal policy.

Finally, I will outline the basic value-principles on which the European Left attempts to reconstruct its vision for Europe, for the people and democracy.

How European economic integration is being pursued today.

The European Union is experiencing a global economic crisis which has lasted longer and is more intense than in any other region of the world. A crisis that began in the US as a bank-sector crisis affected the 'real economy' and travelled to the other side of the Atlantic as a debt crisis, both private and public.

Like every economic crisis, this one could only leave scars in both social and political situations.

This crisis has affected even the social structures of modern capitalism, as shaped in the context of the European specificity, and even the political institutions, both national and European, even the standards of development and consumption that were imposed on us by neoliberalism from the late seventies.

So we can talk about an overall crisis in the European Union.

The dominant neoliberal political forces of Europe appeared to be startled by the crisis and its dimensions, mostly due to their belief that neoliberalism was 'crisis-proof' or due to the assumption that if a crisis appears, it would be small and easily treatable.

Nevertheless, the interpretations that they give to the current economic crisis, at least at the European level, are based on the non-implementation of the requirements of the Maastricht Treaty and the Stability Pact, on the tolerance to some 'indisciplined' Member States, on the barriers to market economy and insufficient control of the financial sector.

Therefore, they explain the crisis, not as the logical result of a system that generates huge inequalities in our societies, which restricts democracy, which catalyses the national and popular sovereignty, but as a problem of 'political technique', i.e. as a problem to which the solution lies in the right mix of political, economic and institutional reforms.

Based on this interpretation, the elites of Europe saw the current crisis as the best opportunity for the reestablishment of the neoliberal economic model and policy in Europe, under new, more stringent and authoritarian foundations, with the key element of the strengthening of the economic and political position of surplus countries, namely Germany.

It is a reestablishment of neoliberalism in Europe formed with policies that are a mixture of 'orthodox' economic thought.

Emphasis is given to austerity, privatisation and abuse of labour rights and on the disciplining of the so-called 'indisciplined states'.

The policies' characteristics are the lack of democracy and the loss of national sovereignty: policies which have already greatly influenced European societies and economies.

The European Union's response to the new demands of the economy after the outbreak of this multi-level crisis was the strengthening of neoliberal economic management.

This was performed at three levels:

- At the first level we see the imposition, by undemocratic means, of the austerity policies in countries considered indisciplined, such as Greece, Portugal, Ireland and Spain, as well as the establishment of these policies and their integration into Community law, much like the Economic Governance.
- The second level concerns the creation of a 'punitive' European mechanism 'of last resort' for the Member States, a mechanism that will lend any country that fails to find the necessary funds on the financial markets, but in harsh, violent, undemocratic and anti-social terms. This is the European Stability Mechanism, the famous ESM. Next to this mechanism, which we've seen to operate in countries with the Economic Adjustment Programme, we have the Banking Union, punitively acting against all sorts of national banking systems.
- Finally, we have the limitation of democratic institutions and processes, both at a national and at a European level.

The answer, therefore, that the European Union gives to the global crisis and the debt crisis is a stimulation of the political union in a wrong way, a European Integration in a wrong way, that takes us back nearly a decade, to the time when we were having the discussions on the 'European Constitution' and the real meaning of European integrative process.

Is the European Union a union of states that coordinate specific aspects of their policies?

And if so, how are people and communities involved in this process?

How could they legitimise or reject such choices?

Is the EU a union of states and peoples, and does this double process of consolidation (of states and peoples) have democratic and social legitimacy?

How are the peoples of Europe and European social classes represented in decision-making?

The dominant political forces refuse to reply to all these important questions.

Economic Integration. What are the implications?

Let me now analyse, what, in your opinion, is the impact of this economic integration; who will benefit from it and what is happening with the roles of the social classes.

For the Left, the dipole between supporters of 'more union' and eurosceptics is an incorrect separation line that has been promoted by the advocates of neoliberalism. For us, European integration, even federalism as a vision for Europe, could not be generally 'good' or 'bad', as it is not a neutral civil process.

I believe that no one can disagree with the conclusion that so far the integrative processes were strongly ideologically and politically charged with the theories of market economy and neoliberalism.

Also, no one needs to read the latest book by the Irish journalist David Cronin, 'Enterprise Europe', to understand how the interests of big businesses such as drug companies, car manufacturers, banks and financial institutions etc., determine the legislative process of the EU, almost at every level, from the European Commission and the so-called High-Experts Groups, to all sorts of amendments that some of my colleagues table.

Therefore, let's make it clear once and for all that the European unification process is not a neutral process with *a priori* good intentions.

It has so far created a federal structure, which has as a basis a large open market of products and services, pre-established rules for the exercise of economic and fiscal policy, which no Member State can alter.

It is a highly political process, and therefore with its class-orientated context, it serves specific social groups and the most powerful countries.

Conclusion

For the Left, the other pole of our political systems, an integrative process of European states would be meaningful if it leads to the reduction of social inequalities and simultaneously to the strengthening of the role and power (political and economic) of workers, empowerment of the social State, the rule of law and of democratic institutions and the effective defence of the environment, outside the hegemony of the market economy.

In light of the political nature of the European integration process, the economic integration taking place in the euro zone has a clear focus and a clear political context.

The economic and social experiments in Greece, Ireland, Portugal and Spain, but also the intensely contradictory economic situations in the powerful European states shows exactly what the future for the working class and the youth will be.

- In the poorest countries, the implementation of harsh austerity programmes will lead to social destruction of large sections of society, while at the same time, significant portions of capital will acquire new bargaining power and competitive advantages in their attempt to challenge the new, more dynamic and intense competition.
- On the other hand, powerful states will continue to replicate the Chinese model of development, with stable wages and almost no labour rights, where thousands of workers, mostly immigrants, live in 'residential centres' in squalid living conditions, working for wages that do not exceed the lowest minimum wage in the EU.



Nico GROENENDIJK

University of Twente, the Netherlands. Jean Monnet Professor of European Economic Governance. Co-Director of the Centre for European Studies and Programme director for the BSc programmes in Public Administration and European Studies and the MSc programme in European studies.

I would first like to thank the European Commission for organising this event and for inviting me.

Today we look at the relationship between fiscal union and political union, within the larger context of economic integration.

Standard text-book wisdom tells us that political union is the final stage of economic integration, right after monetary union. Here we see the well-known Balassa-model of stages of economic integration, with which generations of economists grew up, and that was echoed this morning in the opening speech by President Barosso. Economic integration starts with a free-trade area, where you get rid of internal tariffs, then you move over to a customs union by setting common external tariffs. In the case of the European Economic Community we skipped the free-trade area stage and went for a customs union right away. The next stage is a single market, a single

market is followed by monetary union, and the final milestone is political union.

There is another (and I think a more preferred) way of looking at economic integration. Any level of economic integration always, to some end, requires some level of political integration; we needed some sort of political cooperation (or political 'union') to bring about the customs union and the single market. In this representation, the stages of economic integration run parallel to a deepening of political integration. Monetary union is followed by banking union and fiscal union, as the last stages of economic integration.

But even this representation of the relationship between political integration and economic integration is arguable. Fiscal union is about integration of fiscal and budgetary policies and both the

creation of the customs union and the single market have already brought about significant fiscal integration, in terms of supranationalisation of external trade tariffs, abolishment of internal trade tariffs and harmonisation of indirect taxes.

So the question is not whether we want a fiscal union (as we already have a fiscal union of sorts), but the question is: what kind of fiscal union do we want at this point of time?

My main argument in this presentation is that over the last two decades two types of fiscal union have developed, a fiscal union 'lite' (which has developed parallel to the monetary union and to a large extent in reaction to the sovereign debt crisis) and a 'fiscal union 'luxe' (which has developed parallel to the growth of Cohesion Policy, the Lisbon Strategy and its successor the Europe 2002 strategy). The EU has characteristics of both fiscal unions, but both are functioning with considerable deficiencies.

Let us have a closer look at both types of fiscal union.

The fiscal union 'lite' is about fiscal discipline. It deals with the surveillance and coordination of domestic public deficits and public debt. Member States are still fully sovereign in the fiscal sense; however stability mechanisms have developed to be used as a safety net for countries that run into severe debt-financing problems.

The fiscal union 'lite' is the fiscal union of the 'six-pack', the 'two-pack', the Fiscal Compact (with self-imposed fiscal rules and correction mechanisms at the domestic level) and of the stability mechanisms. Its main aim is to ensure fiscal discipline at the Member State level, which is necessary for the monetary union to function. It can be considered to be a minimum policy parallel to centralised monetary policy, which is why I have labelled it a fiscal union 'lite'.

The fiscal union 'luxe' is much more comprehensive and ambitious than the fiscal union 'lite'. This fiscal union is not just about domestic deficits and debts; it is about the size and composition of public expenditure and public revenues. It is about public budgeting rather than fiscal policy in the narrow sense. This fiscal union is not about fiscal rules but about budgetary integration, that is integration of

the supranational (EU) budget and domestic budgets, in such a way that they become hierarchically nested. Integration here takes the form of fiscal relations between the several layers of government and coordination of budgetary policies between these layers.

The fiscal union 'luxe' is about upward and downward funding of and by the EU, it is about Cohesion Policy and about the budgetary coordination by means of the European semester. The main logic of this fiscal union follows from the fact that the EU has set EU-wide goals, and set objectives at the systemic level, such as the goals of the Europe 2020 Strategy.

As I stated earlier, the EU has characteristics of both fiscal unions and both fiscal unions have some serious deficiencies. They have loose ends which are still debated, among both politicians and academics, just as we do today.

It seems to me that the core of fiscal union 'lite', which is the use as such of strict fiscal rules at the domestic level, is still widely contested. These rules do away with possibilities to conduct functional finance, and have created a system where the policy recipe for mild recessions that result in relatively small deficits is counter-cyclical fiscal policy (using automatic stabilisers with some room for discretionary measures) and the recipe for larger recessions is pro-cyclical: austerity measures. So, if the problem is small we try to solve it with fiscal expansion, if the problem is large we go for fiscal contraction. The latter is understandable from the overall logic of fiscal discipline and the fear of financial repercussions, but in my view it has led to a rather weird fiscal policy mix.

In addition, to me it is still not clear whether in the European Union/euro zone we have a bail-out system or a non-bail-out system. A formal no-bail-out with *de facto* bail-outs sends out a mixed signal to both Member States and investors. This is another loose end that has to be tied.

Furthermore, the fiscal union 'lite' is about stability and the prevention of the recurrence of the sovereign debt crisis, but it is not about stabilisation. It does not provide a fiscal transfer system that can deal with asymmetric shocks, but — by means of the stability

mechanisms — provides a safety net for countries that have lost market credibility. Even though the Member States of the European Union are highly integrated, adjustment mechanisms like labour mobility and wage and price flexibility do not adequately work to absorb such asymmetric shocks.

The fiscal union 'luxe' also has serious shortcomings. Basically the EU is lacking sufficient budgetary instruments to bring about the objectives of structural reform and the EU-wide goals it has set for itself within the Europe 2020 strategy.

The EU budget, though considerable in absolute terms and comparable to central government budgets of small to medium-sized Member States, is very small in relation to EU GDP. The EU has no power to tax; it depends on upward funding by Member States.

The implementation of the Europe 2020 strategy relies on soft coordination through monitoring by the Commission (this week for the first time under the new system of scrutiny of national budgets of euro zone members) and peer review by Member States (later this month).

Downward funding by the EU, especially the Cohesion Policy does potentially contain some budgetary incentives to make the Europe 2020 Strategy work, and for some Member States funding from the Cohesion policy resembles a specific grant system that is similar to the ones we find in federal states. But in terms of 'value for money' Cohesion policy is still *terra incognita*. We do know a lot about the impact of Cohesion policy on regional disparities, but as a vehicle for EU-wide goals (innovation, sustainability and social inclusion) we know very little about the impacts of programmes and projects funded under the Cohesion policy. What we know is from compliance auditing rather than performance auditing. In monitoring the Cohesion Policy too much emphasis is put on legality and economy, too little emphasis is put on efficiency and effectiveness of the use of EU resources.

So, overall, fiscal union 'luxe' is about an ambitious set of objectives, with increased nesting and Russian-doll-like integration of supranational and domestic budgetary priorities (which is why I have labelled it fiscal union 'luxe'), but there is still a huge

gap between ambitions on the one hand and budgetary policy instruments on the other hand.

If we look at both fiscal unions and how they have developed over the last decades, it is fair to say that they have developed as parallel policies, as add-ons, to other policies.

Fiscal union 'lite' has developed parallel to centralised monetary policy, fiscal union 'luxe' has largely developed parallel to the strategies (Lisbon Strategy, Europe 2020 Strategy) to increase the Union's competitiveness globally.

Earlier I stated that in my view fiscal or budgetary integration is for all times, and fiscal union should not be regarded as something that is just the icing on the cake of other 'unions' like the monetary union. How about fiscal integration and the internal market? If we, for instance, think of integration of taxation, why did we ever stop at harmonisation of the VAT-base? What are the possibilities of fiscal integration in the sense of making the internal market work better? Sometimes people say that the internal market was 'completed' in 1993, but we know it is far from perfect, and there are still huge welfare gains to reap. So there is another fiscal union out there, which I have labelled the fiscal union 'smart'. This fiscal union is about the internal market.

There is much we can do in the sense of convergence of tax and expenditure systems (but especially tax systems, I would say), by which we can tackle externalities and reduce transaction costs for citizens and businesses (the standard arguments from fiscal federalism theory to centralise fiscal competencies). Increasingly, I have the feeling that when we think about fiscal union, we have been side-lined by the fiscal discipline issue and by the global competitiveness ambitions of the Europe 2020 strategy, and we somehow lost track of the internal market. That is not to say that I am underestimating the importance of fiscal discipline or global competitiveness. I am just saying that there is more out there, namely what I think is still the core of, and major milestone in, economic integration in Europe: the internal market.

I am also not saying that nothing is done in that respect (just think about the Commission proposal and the Working Group on a Common Consolidated Corporate Tax Base) but the emphasis when it comes to fiscal integration seems have shifted towards these other things (fiscal discipline and competitiveness) and away from the internal market. And I can think of many examples where the internal market provides opportunities for further fiscal integration, through convergence of tax and expenditure systems. Corporate income taxation, financial transactions tax, tax sharing by the EU and nation states in general, higher education, research and development and cross-border infrastructure, to name just a few.

Some of you will say that especially in the field of taxation, we have reached the end of what can be expected, integration wise, simply because in a European Union of 28 Member States preferences have become so heterogeneous that (even with qualified majority voting) common positions cannot be found. We do however have the formal tools to accommodate that. The use of differentiated integration in the European Union has already grown significantly over the last 15 years, both informally, and through the use of the formal enhanced cooperation mechanism, as in divorce law and as in the case of the unitary patent.

To conclude: we have witnessed the emergence of a fiscal union 'lite', out of necessity, and a fiscal union 'luxe', out of response to global competitiveness. Both fiscal unions need to be developed further as they have serious shortcomings. In addition to that I am advocating a fiscal union that returns to the core milestone of economic integration, that develops out of possibilities, and which is smart in the sense that it is flexible and is aimed at opportunities rather than problems.

1. INTRODUCTION: EMU and the EURO



Panagiotis LIARGOVAS

Jean Monnet Professor. Full professor in Macroeconomics in the Department of Economics at the University of Peloponnese (Greece).

The euro — Europe's new single currency — represents the consolidation and culmination of European economic integration. Its introduction, on 1 January 1999, marked the final phase of Economic and Monetary Union (EMU), a three-stage process that was launched in 1990 as EU Member States prepared for the 1992 single market. The euro has been a political integration project. It was also an attempt to engineer a European identity and citizenship by creating a monetary symbol because money has historically been a driver of identity and statehood creation. To a degree it was identity-giving as it brought the EU into the daily lives of citizens.

The French Finance Minister Laurent Fabius said in the *Financial Times* in 2000:

'Thanks to the euro, our pockets will soon hold solid evidence of a European identity.

We need to build on this, and make the euro more than a currency and Europe more than a territory... In the next six months, we will talk a lot about political union, and rightly so. Political union is inseparable from economic union. Stronger growth and European integration are related issues. In both areas we will take concrete steps forward.'

Many economists have highlighted the positive aspects of the introduction of the euro as a single currency: trade and foreign investment would increase because exchange-rate variability would cease to exist; for Mediterranean countries, the euro was a firm nominal anchor to end inflation. Finally, the euro would improve cohesion among Member States. But there were also some negative aspects as well: for example the loss of ability by each country to respond to local conditions by adjusting money supply, interest rate or exchange rate. And these could lead to conflict.

Professor Milton Friedman, 1912–2006, was rather pessimistic to say that ‘The euro will not survive the first major European recession.’

Paul Volcker, former Federal Reserve Chairman was more optimistic to say ‘If they didn’t have that common currency in Europe, they would have bigger problems than they have now.’

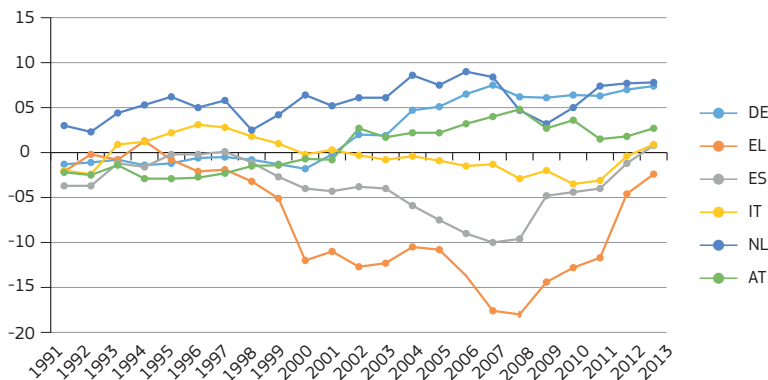
The major grounds for *ex ante* skepticism among economists were that:

- The euro countries did not meet the criteria of an Optimum Currency Area.
OCA: Robert Mundell, 1961 (Nobel Prize).
- Individual members would be hit by individual (‘asymmetric’) shocks.
- Lacking the high labour mobility of the US, where workers adjust to unemployment by moving across states, euro members would find it very difficult to abide by a common monetary policy, e.g. when a periphery country suffered a loss in demand, the interest rates set in Frankfurt would be too high for it.

So was the EMU a bad idea from the start?

No, it was not a bad idea, but it had a faulty design. Since the launch of the euro the divergence between the north and the south increased (Figure 1). For example, northern European countries that had a trade balance surplus before 2000, managed to increase their surpluses after 2000. These surpluses were, on average, the deficits created in the southern countries. This reminds us the ‘beggar thy neighbour policies’.

Figure 1. Trade balance as a percentage of GDP
(current market prices -national accounts)



Source: Statistical Annex of European Economy, Spring 2014

The Euro Zone's Design Flaws can be summarised in the following way:

1. A supranationalised monetary policy combined with a centralised fiscal authority does not seem to work. The roots of the crisis lie in the difficulty of operating a currency union without centralised fiscal authority. Fiscal centralisation doesn't just mean better monitoring Greece's austerity plans. It means a European organisation with the power to set taxes and harmonise labour, product and credit market institutions. But this is not possible without some centralisation of political and military power. It was crucial that with the USA Constitution, political and military power shifted to the federal government.
2. If the levels of competitiveness go out of line (costs and prices), then the only available tool to fix the imbalances is internal devaluation, which is a long and painful process.
3. There exist no automatic stabilisers that would soften the blows of asymmetric economic shocks.
4. The Stability and Growth Pact turned out to be an insufficient fiscal straightjacket.
5. Moreover, there was no emergency or crisis mechanism (EMF). No mechanisms for macroeconomic coordination to avoid drift (wages, prices, capital) existed either.

So, in retrospect, economists were correct to worry about 'asymmetric shocks'. But in the initial phase of EMU, the shocks were excessive credit-fuelled booms in the periphery countries (2003–07), rather than recessions, with Ireland & Spain unable to raise interest rates or appreciate; and the booms showed up in asset prices (housing) more than in goods market inflation. Only after the Global Financial Crisis began in 2008 was the need to fight recession with depreciation, e.g. Poland had the best performance, the Baltics had the worst. And only after the Greek crisis began in October 2009 did the need to devalue become so acute as to prompt thoughts of leaving the euro.

2. EU/IMF BAILOUT POLITICS

The crisis found Europe unprepared: without a satisfactory immunity — there was only the Stability and Growth Pact. The euro was a significant institutional innovation, but like any other innovation it was not complete from the very beginning. It was like the first car that was invented many years ago. The first cars didn't have high safety standards (e.g. belts, airbags) to protect the driver. Accidents were rare because few cars were on the streets. When they started to become common, (a) manufacturers developed security systems and (b) the State regulated the issuance of driving licences. 13 years ago the euro was created without airbags or other safety standards to protect countries from debt crises. Analysts believed that existing mechanisms were sufficient. But they were not. Accidents could happen due to inappropriate behaviour or external factors. And accidents did happen. And Europe responded with the so called EU/IMF bailout politics. They consisted of joint credit lines by the IMF and the new European Financial Stability Facility and policy conditionality of massive austerity. Austerity was also implemented in other European countries. But countries that imposed the strongest austerity measures also experienced the strongest declines in their GDP and the more intense the austerity, the larger was the subsequent increase in the debt-to-GDP ratios.

As a result, we saw massive protests in Greece and other countries with massive unemployment and new poverty threatening political and economic stability. The circumstances are very fragile; youth unemployment of 50 % in Spain and 60 % in Greece; no buy-in from the population; thoughts about either a messy exit from the euro zone or lost decade(s) with mass unemployment and deflation which can also lead into an even bigger crisis of democracy.

3. WHAT IS THE REAL PROBLEM?

The problem is primarily political and not economic. Politics has made the problem much worse instead of giving a solution to the problem. Initially there was no political honesty due to fear of domestic electorate. EU leaders buried their heads in the sand when the crisis hit in late 2009: in early 2010, no one could believe that Greece (a euro zone member) would be sent to the IMF some months later. And in early 2011, no one could believe that a debt restructuring would be decided for Greece only a few months later. The EMU elites had to know that someday a member country would face a debt crisis, but they were not prepared and they did nothing to prevent it. SGP targets were 'met' by overly optimistic forecasts. In fact, all members violated the rules at some time, large and small. SGP threats of penalty had zero credibility.

The breakup of the euro zone is the most expensive option, though. This catastrophic option would lead to bank runs and certain full default on sovereign debt. It is clear that the problem is not just economic but will determine Europe's future.

4. THE WAY FORWARD

1. Reforming euro zone governance: 'Six-pack' and 'two-pack' are in the right direction: Fiscal rules are the current fashion. The forecast bias was worse among the EU countries supposedly subject to the budget rules of the SGP, presumably because government forecasters felt pressure to announce that they are on track to meet budget targets even if they are not. When euro country deficits strayed above the 3 % GDP limit, governments would adjust their forecasts, but not their policies. Let me give you an example: The Greek government projected

in 2000 that its budget deficit would shrink below 2 % of GDP one year in the future and below 1 % of GDP two years into the future, and that it would swing to surplus three years into the future. The actual deficit was 4–5 % of GDP, well above the 3 %-of-GDP ceiling.

2. The European Central Bank (ECB) must become some sort of Lender of Last Resort (LOLR). The European Financial Stability Facility (EFSF) was wrongly designed (solvent countries helping insolvent countries). Only the ECB can put a stop to the immediate crisis. The decision by the ECB in 2012 to commit itself to unlimited support of the government bond markets was a game changer in the euro zone. It had dramatic effects. By taking away the intense existential fears that the collapse of the euro zone was imminent the ECB's lender-of-last-resort commitment pacified government bond markets and led to a strong decline in the spread of unease in euro zone countries.
3. Structural reforms in crisis countries. Structural reforms (public sector, competitiveness, etc.) in countries such as Greece. Once debt is stabilised, the EU help should focus on social and economic change.
4. The euro zone should work faster towards a fiscal federation, despite the fears of the Eurosceptics. Economists consider a fiscal federation a way to share risks through a common (large) budget. Risk sharing allows for smoothing of business cycles at the regional or national level. The euro zone leaders ought not to postpone it anymore.
5. In the absence of fiscal federation, European countries should rely more on standard countercyclical policy (via their stronger automatic stabilisers). Credit in bad times is another form of achieving some smoothing of business cycles. Unfortunately European leaders did the opposite: we saw a combination of austerity-by-faith policy combined with governments being cut access from financial markets. Under these circumstances, fiscal policy became procyclical, exactly the opposite to what many countries need. (Antonio Fatas, June 2012).
6. Finally, an urgent need for political leadership in Europe so as to avoid a toxic mix in European and national politics, which would make things much more complex.

5. CONCLUSIONS

Currently, the whole project of European integration is at a watershed. There has already been a lot of damage with a whole generation of young southern Europeans disillusioned and, if the situation is not improved soon, they face the danger of social marginalisation and this, in turn, may cause several problems for the fragile political stability. Urgent political leadership is needed — so far always too little too late. It is obvious that the next months are either **make** or **break**. It's high time the European elites took action. The circumstances are too crucial to postpone or hesitate taking the necessary decisions.

IV.

Session 2: Political Aspects

Stefano Manservigi

Maximiliano Bernad y Álvarez de Eulate

Wolfgang Wessels

Dusan Sidjanski

Amelia Hadfield



Stefano MANSERVIGI

Director-General at the European Commission's Directorate-General for Home Affairs.

Welcome to this session on 'The political implications of the European Economic Integration — towards a political union', a small subject!

So, let's share this with all the distinguished members of this panel. I am very glad to be here with Professor Maximiliano Bernad — Professor of Public International Law at the University of Zaragoza, Professor Wolfgang Wessels — Professor at the University of Cologne, Professor Dusan Sidjanski — President of the European Cultural Centre and Professor Amelia Hadfield — Professor in European International Relations at Canterbury Christ Church University.

I will be very brief because I think that the basic idea is to have our panellists introduce the debate and then try and wrap up following some questions and answers and interventions.

I was very glad to take up this opportunity because we are now in a very important moment of our life at European Union level, which is experiencing a sort of paradox. On one side probably the highest level of integration ever reached: single currency and economy — by the way also the whole governance system which has been put in place — but also probably the most difficult moment in terms of recognition of the instrument to govern this high level of integration. And there is a big dichotomy which could affect, for example, the next European elections — elections which are extremely crucial precisely to bring forward solutions for what is hardly one of the smallest of problems, which is to clearly go for building elements for political union.

We can look at that from a federalist point of view or a non-federalist point of view — this is not the point. The point is that now the unprecedented level of integration that we are experiencing and the governance instruments that you put in motion to address the

economic crisis already contain strong elements of political action. Look at the implementation of the so-called 'two-pack' where the national budget will be scrutinised by the European Commission *before* adoption by national democratic elected parliaments. Therefore we are already in a situation where through this, we are clearly entering into a sovereign domain, of taking decisions on the budget and through the budget affecting decisions on the whole of macroeconomic compatibility including welfare conditions. This is what our citizens are seeing every day.

Therefore we are experiencing this paradox — unprecedented but at the same time something missing, and something missing which in my opinion should very quickly be filled and found and agreed upon — at least as a process — because otherwise there will be a gap between how citizens see aspects of their ordinary life increasingly decided by the European Union and how they can contribute to this decision-making process. So I don't believe that we can arrive with a blueprint for political union tomorrow, but certainly we need to go for a clear idea of a path in that direction. A path towards political union; that is what we are talking about.

Now, we are looking at that from the economic perspective, but allow me to say that from the perspective of the position that I occupy now in Home Affairs there is a clear parallel — symmetry between the economic situation and the internal affairs situation. If you take the Schengen area: this is similar to what happened in the euro area. As long as Schengen delivers goods and freedom of movement — no problem, everybody is happy. It is a big collective good. But at the moment when in this Schengen area, external borders are put at risk because of external factors, huge pressure of all kinds or from internal terrorist threats — then suddenly we discover, as we have been discovering in the euro area, that we don't have any political central gravity to take decisions.

And therefore, suddenly with all that list of freedoms achieved through an intergovernmental process — now fully 'communitarised' through the Lisbon Treaty and the reforms — we suggested that there had to be a critical point of the whole system of fundamental freedoms. And to start with, we didn't see the Union addressing these risks, so therefore we were in the same

dilemma as the euro area. And exactly as in the euro area: there is no step back possible unless you want to dismantle the whole Union. Because if you start dismantling the European Union and the freedom of movement within it, just as if you start dismantling the euro, in fact you are not just cutting out some problems at the margins, you are simply dismantling the level of integration that we have reached.

So I see every day what is being done in trying to forge some elements of governance into the economic crisis and I am inspired every day with what we have to do in managing the Schengen area.

And currently when there was the big crisis in 2011 and when many governments, many heads of state, were in fact calling to renationalise the decisions on setting up the internal borders internally and nobody was taking care of internal freedom of movement, we decided as a Commission to take responsibility and to show that in order to start addressing this more action at the European Union level is needed — more and not less.

And therefore we made a proposal: One to turn the famous Schengen Evaluation Mechanism from a peer review — where everybody was more or less covering their neighbours with the weighty reports but which was totally inefficient because they didn't have an institution responsible for the process and its follow up — to turn that into a Commission mechanism. There will now be an evaluation report by the Commission to show whether the implementation of the whole Schengen area is being done properly, which is much more than the legislation — it's about the credibility of the democratic governance. And therefore we will make proposals to address shortcomings in order to anticipate problems and in order to have a centre of gravity; an institution which is responsible. If you want, you can take political shots at what it does, but at least there is someone there to take responsibility.

And secondly, we proposed not to consider that the fears citizens have must be simply dismissed because there are fears; fears of insecurity, uncertainty about the future etc. If there are threats to the whole area, we need to take decisions at the whole-area level and therefore we made a proposal for the re-introduction of border

control in case of persistent and serious failures in managing the external borders. This decision would be taken upon initiative of the Commission and taken according to the normal rules.

Therefore we are trying to set up some governance instruments for this freedom of movement area similarly to what we are doing in the economy.

When I was invited (and I accepted very happily), to be here today to introduce this debate, I did so not only as an official in the Commission and as a passionate European — but because of what I see every day in the euro area. This is something which not everyone perceives, because we are always talking about an economic crisis but economic governance should inspire something which is part, and must be even more part, of the path towards more political integration.

This is what I can suggest as an introduction but I stop here in explaining why this is much wider than just economic governance, which probably is the first element but cannot remain alone.

So, I would like to invite our panellists to take the floor starting with Professor Bernad.



Maximiliano BERNAD Y ÁLVAREZ DE EULATE

Professor of Public International Law at the University of Zaragoza (Spain). One of the first Jean Monnet Chairs (1990). President of the Real Instituto de Estudios Europeos. Director of the Master on European Union.

Comenzar con un recuerdo a Emile Noël y Jacqueline Lastenouse me parece una obligación elemental: sin ellos esta Conferencia difícilmente se celebraría.

1. La Unión Europea es, al menos, tan necesaria hoy, para los Veintiocho, como lo fue en 1951 para los Seis. Dadas las actuales circunstancias, y las que pueden producirse si se vuelven a cometer ciertos errores, me parece que es bueno comenzar con esta posición de principio.

Las razones de la necesidad imperiosa de una Unión Europea hoy ya no son, evidentemente, la amenaza comunista soviética ni evitar guerras europeas, sino otras, también de gran calado, **los retos nuevos** que, al menos, serían estos seis:

- a) el brutal envejecimiento demográfico, que es causa indefectible de declive (y que no se da en Estados Unidos, en Asia ni en Iberoamérica), junto al hecho de que los 502 millones de habitantes de los Estados miembros de la Unión Europea cabemos prácticamente tres veces en China y otras tantas en India. Un dato para pensar.
- b) la globalización, instalada para siempre en la sociedad del siglo XXI y plena de consecuencias en casi todos los planos de la vida. Daré un dato muy reciente y revelador de nuestra situación en un parámetro bastante significativo para la competitividad: según el Informe del Banco Mundial, en el índice de países más atractivos para crear PYMES, sólo dos de los 28 Estados miembros (Dinamarca, 5º y Reino Unido, 10º) figuran en el *top ten* mundial. Alemania está en el puesto 21º, Francia en el 38º, España en el 52º, habiendo bajado todos ellos en relación con el año anterior. Es cierto que Italia ha subido, pero desde la plaza 73ª a la 65ª.
- c) la necesidad de salvaguardar un acervo europeo que no es exactamente el «*acquis communautaire*» sino ese poder

blando, pero real, concretable en un poder civil respetado más que temido, primera potencia mundial en ayuda al desarrollo, etc.

- d) la necesidad, conectada con la anterior, de salvaguardar una Unión Europea creíble en el mundo, como eficaz factor de una paz justa.
- e) poder contar, en el nuevo escenario, con un peso mayor que el que los Estados miembros tienen separadamente, cuando el eje mundial se sitúa ya en el Pacífico, y
- f) el derecho —así lo creo— de los ciudadanos al acervo sentimental europeo, compatible por supuesto con su sentimiento nacional.

Por algunas de estas realidades algunos pueden llegar a plantear propuestas gravemente erróneas e incluso perjudiciales para el magno proyecto europeo, como por ejemplo las siguientes:

- a) Pretender hacer de la Unión Europea una Superpotencia, cosa que sencillamente no va suceder, por aquella elemental regla de que «lo que no puede ser no puede ser y, además, es imposible». La Unión Europea tiene muchas bazas para jugar en el escenario mundial y muchas carencias, algunas ciertamente irrecuperables.
- b) Tratar de imponer unos evanescentes, indefinibles y fuera de tiempo «Estados Unidos de Europa» (enérgicos, llegará a decir Verhofstadt...) sin apoyo popular alguno. Creo que, en este sentido, es una buena noticia la desaparición de la escena política del Sr. Westerwelle, adalid del difícilmente calificable «Grupo de Berlin». O tratar de imponer un «Gobierno europeo» a los europeos, cuando sencillamente no lo piden.
- c) O fomentar una división (¿Norte-Sur?), tan maniquea como suicida e injusta, entre Estados miembros de la Unión Europea, y entre sus ciudadanos (resulta obvio, pero conviene recordarlo, que no existe un pueblo europeo) a quienes gratuitamente se etiqueta como puros e impuros o, si se quiere, como «perfectos» frente a los «PIGS».

He ahí tres vías seguras para hacer descarrilar el proyecto común. Lo que la gigantesca crisis de 2007 no ha logrado.

2. La Unión Europea es la Historia de un formidable éxito; una magnífica idea alumbrada en momentos críticos por los padres fundadores (¿qué diría Adenauer de ciertos comportamientos de la política alemana de estos años en relación con Europa?), padres fundadores que supieron asumir costosas cesiones de poder en beneficio común. *Avanzando paso a paso, creando solidaridades de hecho*, nos dirá Jean Monnet. Y no a saltos, nunca más a saltos: esa no es una vía conveniente para un proceso tan importante como el que vive Europa desde 1952.

Lo cierto es que el juego y la interacción entre las Instituciones de la Unión Europea (específicamente, para nuestro interés ahora, el Consejo Europeo y el Consejo, el Parlamento Europeo y la Comisión Europea) han logrado afianzar, por encima de serias dificultades y de desencuentros, un proyecto histórico que debemos proteger. No es nada conveniente hacer experimentos con el equilibrio institucional.

Un escritor español dijo que el cuerpo humano, si se le cuida bien, puede durar toda la vida. La Unión Europea también.

Me declaro por tanto, y sin reservas, parte de la escuela pragmática/realista y asumo plenamente la relevancia extraordinaria de este ejercicio europeo, sin parangón en el mundo. Por eso mismo, siento la imperiosa obligación, como ciudadano y como profesor universitario con 46 años de experiencia, 25 de ellos como Catedrático «Jean Monnet», de decir lo que pienso.

3. Es cierto que la UE ha tenido desde 1952 algunos retrocesos, algunos fracasos (el de la Comunidad Europea de Defensa era perfectamente previsible), algunos noes individuales... hasta que llegó el llamado «Tratado constitucional», que ha supuesto objetivamente el período más oscuro v arriesgado (así lo calificué en mi *Manual de Instituciones y Derecho de la Unión Europea*, de 2003, siendo ello subrayado por cierto en su comentario por la Agencia Europa), del proceso de integración europea al sumarse, por vez primera desde 1952, varios noes simultáneos, de la relevancia de Francia y Holanda, a los que por supuesto hubieran seguido varios más si no se hubiera detenido en seco el proceso de ratificaciones nacionales.

Por cierto, un comentario que no pretende ser inocente: ¿no resulta sumamente significativo que, para el Tratado de Lisboa, para éste precisamente, no haya habido Convención previa? En la Unión Europea nadie regala nada y hay que estar siempre muy atento a la evolución de los acontecimientos. A sus promotores ultrafederalistas no les hacía falta, esta vez, la «magna» Convención multitudinaria y dirigida por un denominado «Presidium», de infausto recuerdo para quienes saben algo de Historia.

Así las cosas, la salvaguarda del euro, una de las realizaciones clave de la Unión Europea (tras el Mercado Interior Europeo que es, sin duda, la mayor de todas ellas por su magnífico y sólido encaje social y empresarial) ha pasado en estos últimos años la muy dura prueba del contraste entre un lanzamiento demasiado rápido (pocos lo denunciamos) y la necesidad de que la eurozona tenga ciertas reglas comunes (al menos, el MUS y el MUR, es decir, el mecanismo único de supervisión bancaria y el mecanismo único de resolución bancaria).

Un notable avance que algunos, desde una reveladora miopía política, han estado (y aún siguen, con el MUR) torpedeando con un egoísmo nacional exacerbado, olvidando por cierto quiénes eran los incumplidores de las reglas en 2003. Y, de hecho, como bien sabemos, no todos los bancos se van a supervisar en la eurozona....

Pero, de la misma forma que un gran apasionado del *mundo Jean Monnet*, el Presidente Barroso (que no acostumbra a faltar en esta cita anual pese a su complicada agenda) ha sabido estar a la altura de la crisis y gobernar con acierto una desigual Comisión de veintisiete a veintiocho miembros, tenemos la fortuna de que el tercer Presidente del Banco Central Europeo, el Dr. Mario Draghi, ha tenido el coraje y la inteligencia para imponer la prioridad de las prioridades: salvar el euro, para lo cual recordarán que, en el verano de 2012, anunció que haría «todo lo necesario» para ello. Y lo hace, con decisión y con altura de miras.

¿Por qué es tan importante salvar al euro y que progresivamente otros Estados miembros se adhieran al mismo? No es una cuestión de imagen, que también («EURO»), **es una cuestión de credibilidad interior y exterior**: es una *prueba de vida*, de que los europeos de

la Unión Europea somos capaces de efectuar grandes sacrificios en pro del bien común: abandonar la moneda nacional no es, en efecto, un tema baladí.

El euro tendrá que ser el pasaporte para garantizar un bienestar social adecuado a nuestras sociedades en el nuevo mundo ultra-competitivo. Un mundo que puede no gustarnos, pero que está ahí, y cuyo clima de desarrollo podría incluso enrarecerse. ¿No son preocupantes las consecuencias sociales que pueden acarrear las impresoras en 3D o, en otro plano, los drones civiles?

Hoy, el euro, estrictamente hablando, ya no está en crisis. Se han tomado duras medidas que han afectado a varios países, que han debido ser «rescatados» y han tenido que aceptar una supervisión de la *troika* internacional que, en realidad, ha hecho muchísimo más que «supervisar». El euro no tiene hoy problemas de supervivencia; la eurozona se sigue ampliando; el euro es de hecho la segunda moneda mundial; e incluso está sobreevaluado con relación al dólar.

4. No obstante, **el momento actual se caracteriza por una serie de elementos que justifican una honda preocupación por el futuro.** Uno de los motivos es que hay temerarios que están propugnando de nuevo ideas extremas, absolutamente de espalda a los ciudadanos, de tal forma que temo que podría estar incubándose otra macrocrisis en la Unión Europea si sus ideas prosperasen. Para mantener el rumbo de la Unión Europea, que nos resulta tan vital, convendría no caer en desviaciones como las siguientes:

- a) condicionar a la Comisión Europea con un forzado enlace automático entre las elecciones al Parlamento Europeo y el nombramiento del Presidente de aquella. Es muy importante recordar que politizar de forma partidista a la Comisión implica poner en cuestión su crucial papel de garante de los Tratados. Y, una vez más, saltarse las reglas.
- b) tratar de degradar y aun de ridiculizar a los Estados miembros y a sus Gobiernos (que sí son masivamente votados por los ciudadanos), confinándolos al papel subordinado de una segunda Cámara del Parlamento Europeo, haciendo desaparecer el Consejo. Confío en

que no habrá que recordar que los Gobiernos nacionales no pueden abdicar de sus responsabilidades políticas nacionales ni tampoco europeas, en una Organización internacional de Estados y de ciudadanos.

- c) o, finalmente, actuar con una rigidez «ad hoc» al aplicar ciertas normas, sin tener en cuenta el espíritu de las mismas: por ejemplo, pretender que el objetivo del BCE, del eurosistema, sea, solamente, la estabilidad de precios. Me parece que una competencia implícita evidente en el Tratado, que Mario Draghi captó con inteligencia y rapidez, es que si el euro estaba amenazado, resultaba prioritario salvarlo..., precisamente para que pueda cumplir sus funciones.

¿De qué hablo, en el fondo? Habría que evitar, conviene evitar que, una vez más, los fundamentalistas distancien el magno proyecto de integración europea de los ciudadanos y de los Estados miembros. El interrogante clave; ¿más Europa o más Unión? sólo tiene una respuesta. Y es que necesitamos, queremos, «más Europa», es decir, la Europa necesaria, la Europa que aspiramos atener los ciudadanos y los Estados miembros, y no la que quiera erigir un conjunto de sedicentes *sabios*.

Alguien que, al parecer, se incluía entre éstos, llegó a decir lo siguiente: «es hora de que los Gobiernos den un paso atrás y lo den adelante los sabios». Una afirmación tan sorprendente como antidemocrática. De ahí, claro, directos al eurodespotismo ilustrado y a una previsible quiebra de un proyecto histórico, excepcional, lo que nos perjudicaría muy gravemente a todos. Otro hablará, por cierto desde un cargo institucional de un Gobierno de un Estado miembro, de la presunta «patria europea», como antes propuso que los Estados miembros se convirtieran en una especie de Comunidades autónomas de la Unión Europea. Un tercero, escribió también que había que «abandonar los intereses nacionales y abrazar los europeos». A los ciudadanos, esto no les gusta.

5. Avanzaré algo más. **En la Unión Europea, hoy, se han diversificado más las opciones.** Interesa destacarlo y me parece obligado hacerlo. Antes, teníamos la corriente euroescéptica, la corriente realista o pragmática y la corriente federalista y ultrafederalista. Desgraciadamente, sobre todo por culpa de los excesos

de esta última, ha aparecido en los últimos tiempos otra francamente peligrosa: la corriente eurófoba, con singular fuerza y con poderosos apoyos.

Naturalmente, no desconozco que la crisis y la inmigración están siendo bases para la eurofobia. Pero afirmo que los fundamentalistas federalistas están contribuyendo directamente a su crecimiento. Y que se está instalando no sólo en la extrema derecha sino también en la extrema izquierda de no pocos países.

Pues bien, aceptando que, en una democracia, todas las opciones son legítimas, la eurofobia, en el caso de que logre progresivamente más y más implantación, podría hacer desaparecer este invento genial que es la Unión Europea. Como decía Cioran: «morir por haber querido existir demasiado».

Se dice que, en el próximo Parlamento Europeo (por cierto, está pendiente de escribirse el balance real de su acción desde que tiene su actual y enorme poder efectivo) el número de los elegidos euroescépticos o eurófobos será, previsiblemente, muy alto. Pensemos, por ejemplo, en los posibles resultados electorales en ese gran país que es Francia. ¿Tenemos derecho a preguntarnos por qué va a ocurrir lo que parece que va a pasar? Yo me atrevo a decir que tenemos también la necesidad de hacerlo y también la de extraer consecuencias; sin eurodespotismo más o menos ilustrado; demostrando afecto hacia la **comunidad europea**, una denominación que acaso no se debió abandonar.

La Unión Europea es *conditio sine qua non* para que nuestra Europa detenga su decadencia histórica. Por consiguiente, entiendo que esta debe ser la hora de la prudencia, de la reflexión serena, de no repetir ocurrencias o falsas buenas ideas, de valorar lo mucho que hemos logrado juntos, de advertir «el frío que hace fuera», de recordar que ninguno de los Estados miembros de la Unión Europea tendrá en 2050 la capacidad de figurar *per se* en el G8, siendo entonces el Reino Unido el primero de los nuestros en el ranking mundial, pero en el puesto noveno.

Pero me parece que también es la hora de reconocer que el tiempo de los Estados no ha concluido, y que son basamento, esencial, de

esta ambiciosa y admirable idea de integración y, por otra parte, que los ciudadanos aspiran legítimamente a poder contar con su Estado y con su Unión Europea.

6. El euro, la eurozona, el Banco Central Europeo y el eurosistema, están confrontados a una operación de *aggiornamento*, ya en curso, para poder dar respuestas comunes a problemas que las exigen, como los choques asimétricos o las muy agudas tensiones en el empleo. Me parece que convendría abordar todo ello con inteligencia y generosidad.

Estoy convencido de que la Unión Europea a veintiocho es más fuerte que sin varios de sus integrantes más potentes; estoy convencido de que el propio Reino Unido es más fuerte en la Unión Europea que fuera de ella (así lo entendió el pueblo británico cuando votó que no quería salir de las Comunidades Europeas en el olvidado referéndum del 5 de junio de 1975); estoy convencido de que las nuevas normas que, en su momento, habrá que acordar, con el beneplácito de nuestros veintiocho Gobiernos y nuestros veintiocho Parlamentos nacionales, serán factibles, y serán mejores, con la contribución de todos, y teniendo en cuenta las distintas sensibilidades en este continente de la diversidad que es Europa. Claro que, para mí, diversidad es riqueza. Y excesiva uniformidad, empobrecimiento antieuropeo. Recuerdo que intento hubo de homogeneizar las aceras de la Unión Europea, naturalmente hecho desde un despacho muy alejado —no hablo de distancia kilométrica— de Coimbra, Toledo, Carcassonne o Roma.

Europa es pluralismo o no es. Y, desde luego, la complejidad es nota consustancial en un proceso tan trascendente como el de la Unión Europea. No debemos olvidar que el simplismo arrogante, demasiado extendido, es potencialmente muy dañino. La complejidad es dura, pero es signo de desarrollo; la tabla rasa suena a *diktat*.

El progreso que marca la Unión monetaria parcial que hoy tenemos (dieciocho Estados miembros de veintiocho) exige, qué duda cabe, perfeccionamientos, de los cuales dos fundamentales ya se han acordado y se pondrán en práctica pronto, con un Banco Central Europeo conveniente y acertadamente reforzado.

Estimo que es del interés de la Unión Europea, de toda la Unión Europea, que los cambios a introducir, en su caso, en el futuro, se hagan desde el consenso, la buena fe, la leal cooperación, con el fin de alcanzar acuerdos razonables entre las distintas sensibilidades nacionales, todas ellas legítimas. Y entre tanto es buena política aprovechar el Tratado vigente antes de lanzarse a aventuras. Como pedir un «Gobierno europeo», la fusión de las figuras de Presidente de la Comisión y Presidente del Consejo Europeo, etc.

Permítaseme una especie de recordatorio europeo, complementario: sostener que «el convoy no puede avanzar al ritmo de los más lentos» equivale, exactamente, a deshacer el convoy. No sin consecuencias negativas. Creo sinceramente que la aproximación a estos delicados temas debería ser otra, más meditada, más respetuosa con la realidad y, por tanto, más europea.

7. Absolutamente consciente, desde hace muchos años, del irreparable coste de la no-Europa, y hasta de que la Unión Europea es una especie de exigencia existencial para los Estados miembros, sólo pido realismo, prudencia e inteligencia; dirigentes sensatos, en el plano nacional y en el plano europeo; que la Unión Europea sea lo que, en cada momento histórico, deba ser. Y no lo que algunos quieran imponernos, como sucedió hace una década.

Lo que necesitamos es una Unión Europea firme, que legisle con justicia y equilibrio y en la que prime lo razonable, una Unión Europea que abarque lo que tenga que abarcar en cada momento histórico y no se pierda en contraproducentes excesos o errores de perspectiva. Nos jugamos nuestro futuro, más de lo que suele admitirse, en un mundo sometido a frenéticos cambios.

Jean Monnet Chairs face considerable challenges for their research and their lectures on European integration after 2014. After the constitutional decade, 1999 to 2009, and the crisis years from 2008 onwards they have had to analyse and assess an ongoing and intensive debate about the future of the EU in the years to come, especially with a newly elected European Parliament (EP) and new persons in key positions (see for example the New Pact for Europe 2013; Glienicker Gruppe 2013; The Spinelli Group/Bertelsmann Stiftung 2013; Future of Europe Group 2012). This contribution draws together several considerations in a set of four different scenarios with a special focus on the role of the European Council as ‘constitutional architect’ of the EU’s system-making. Though different in their argumentation, their core revolves around the question, which lessons can be drawn from the last two decades? — in particular if the recent crisis marks the beginning of the EU’s decay or the beginning of the next step on an integration ladder and thus a new chapter in the history of European integration.

The Disintegration Scenario: gloom and doom

A first scenario is based on an apparent paradox: the very success of national leaders in the European Council has led to a fundamental crisis of the existing EU multi-level polity. The system- and policy-making decisions taken by several generations of members in the European Council over its whole history and especially later in the Euro Summit have overstretched the acceptability and legitimacy of the EU in the Member States. In particular, the measures taken by the chief national executives in response to recent financial shocks will turn out to be one decisive step too far, and will deal a damaging blow



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to the conventional process of integration. From this perspective, the economic stability in 2013 was nothing else than an illusion and the calm before the storm: as trust in the euro evaporates, the failure of the project of a common currency will ultimately lead to a breakdown of the whole Union. This scenario is based on a spill-over assumption: central states will not be able to comply with requirements set at European level. One example would be austerity measures which are being considered as central to tackle the crisis of the euro zone. While a collapse of the euro as a whole might be prevented through the exit of individual states, such a development will certainly have repercussions in other spheres as well. At the very least, the Union will face a loss of trust as its capacity for solving problems in general will be called into question. This inability will not only be felt within European People, but also within Member States themselves, forcing governments to reassess their commitment to the European project and setting into motion a spill-over process. In other words, the assumption would be that political support is simply insufficient to sustain neither monetary union nor the EU in its present form. In particular, political veto players in Member States such as the eurosceptic left- or right-wing parties, as well as rulings from constitutional courts are expected to oppose and veto further transfers of sovereignty that go beyond an acceptable level of competences along an integration spiral. The supposed overextension of powers of supranational institutions then is taken as a powerful pretext to re-nationalise traditional core areas of national sovereignty. In this scenario the legitimacy of the European Council or the European Parliament would not be strong enough to reverse trends in public opinion which have moved from a 'permissive consensus' (Inglehart 1970: 773) to a 'constraining dissensus' (see for the term Down/Wilson 2008; Hooghe/Marks 2008). The decisions taken especially by the European Council in the framework of crisis management would lead to dramatic refusal of EU policies as they deeply affect the national identities and fundamental political and constitutional structures of the Member States (see Article 4 TEU).

In the rather unlikely event of an imminent collapse of the whole EU, one major task of the European Council is to take up the functions of a guardian of the sovereign nation states. The institutionalised summit is then supposed to move the EU back along the integration spiral, that is, to organise an orderly spill-back towards a lower level of integration. Forced by political reactions towards

crisis management, the European Council's activities would lead to the dismantling of some Union policies including also the possible withdrawal of Member States from the Union. The crisis years could thus herald the end of the experimental 'adventure' of European integration. Amongst doom and gloom, the EU would turn out to be a temporary phenomenon in the history of Europe.

A crisis-driven constitutional revolution: towards a federal *finalité*

A second scenario shares the pessimistic analysis and gloomy outlook of the previous set. In a similar assessment, the European Council's agreements have not solved the problems, but, in contrast to the first view, the institution's poor performance leads to demands for 'more Europe' (see The Spinelli Group/Bertelsmann 2013; Godino/Verdier 2014). The crisis is thus seen as the chance for a federal union: stepping back from national sovereignty is a must. The creation and implementation of a fiscal and transfer union and a 'Political Union' are now necessary steps towards a truly European Republic.

Following the dynamics of the integration process, the EU's decision makers will be put under pressure to take additional steps in further areas of public policies leading more and more to a federal *finalité* of the EU polity. In this scenario, by taking up these spill-over pressures, the European Council and the EP will gain political relevance instead of losing it. Time will push the heads of state or government to act together with the EP as 'constitutional federator'.

An actual test for such a scenario is constituted in the way that national leaders will react to pressures to extend the Union's competences and to strengthen the legitimacy and efficiency of its architecture. In particular the heads of state or government will be confronted with the question of whether they will use their institution to promote the Union's constitutionalisation by convening a new convention according to Article 48 TEU, which would be mandated to revise the Lisbon Treaties (see for a draft Spinelli Group/Bertelsmann Stiftung 2013). It is by no means clear whether the Union's political leaders will be able or willing to adopt such a comprehensive and fundamental reform strategy. The conventional

view would argue that the highest representatives as the 'masters of the Treaty' (BVerfG 2009, para. 150) were not even capable of achieving the ratification of the Constitutional Treaty. The latter would have implied only a limited upgrading of EU competences and was to be ratified in the relatively fair-weather period of the constitutional decade. As a consequence of this failure, so the argument goes, it would be even more difficult for the European Council to agree on a qualitative jump in times of crisis. Furthermore, the negative mood in public opinion, the constraining dissensus, vis-à-vis the EU, would block national ratification.

In the alternative reading to these sceptic voices it is argued that it is precisely the dramatic circumstances of an existential crisis that might force national leaders — be it in their entirety or a core group of some countries — to agree on fundamental changes and pressure the national veto players to accept the upgrading of the EU, along the infamous TINA principle: 'There Is No Alternative'.

Muddling through on a new level: Towards an ever more complex fusion

A third scenario recognises that the decisions taken by the European Council since 1975 and especially after 2010 will leave clear traces on the EU polity without leading to either a collapse of the EU, or to a federal upgrading. In this understanding, life in the EU will indeed be different from the pre-crisis years. The situation of the EU is characterised by a growing asymmetry between the integrated and non-integrated policy areas. In incremental steps, following the Monnet Method (see Wessels 2014, Talbott 2014) EU institutions with the European Council in the lead will push towards an ever more complex fusion of national and EU competences and instruments.

One consequence of this process might be the persistent trend towards more differentiation in the members participating in EU policy-making. In this scenario a core group would be tempted to use the Euro Summit to pursue more ambitious goals than some of the other EU Member States who would not be able or willing to be involved in further steps towards more integration. However, given the desire of non-euro zone members to preserve some degree of

influence in the core group as well, EU institutions would have to manage demands to be given a voice from interested and ambitious members. That means that a core Europe does not necessarily lead to purely centrifugal pressures, but might also create centripetal pressures on outsiders to participate in decision-making.

Business as usual: back to normalcy

A fourth scenario challenges what is seen to be an overly-dramatic prediction of the consequences of the past years. In this understanding the crisis years would be overcome by a successful application of the measures agreed upon and by the return to normal economic growth in the Member States. As the euro zone is stabilized, the same holds true for the EU system as a whole. The EU would be able to return to the pre-crisis situation, and with its political system stabilized, voices for fundamental changes as in both the first and second scenario would wane.

Such a return to business as usual would, however, not imply a standstill or a decline of the EU. Given the ongoing challenges, its members will continue to address problems which they perceive as challenges. The limited success in the constitutional decade with the Lisbon TEU and TFEU and the controversial decision-making in the crisis years are seen as episodes which will leave only few lasting traces. The EU institutions would return to a state of normality without pursuing a far-reaching strategy of system-making.

Desiderata for further work

To study the scenario remains a fascinating subject for political debate and academic research, but also a certain amount of frustrations remains. Our educated guesses have to be discussed with many different assumptions and expectations.

Obviously, there is the need to develop valid theories explaining political, economic and social mechanisms and interdependencies. The developments in the constitutional decade and the unexpected impact of the crisis could then serve for testing the differentiated set of theoretical assumptions.

Theoretical approaches trying to explain the crisis are certainly as diverse as the themes covered. As manifold as these may be, central to all discussions is the question of the future path that the European Union might take amidst these developments. Since the fate of the EU polity seems to be tied to the developments of the Economic and Monetary Union as such, it is of particular importance if the EU will be able to overcome the crisis. Where is the EU polity heading in the aftermath — if there is to be an EU after the crisis?

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Il me paraît y avoir une convergence concernant les éléments politiques qui sont présents dans nos interventions. Qu'il s'agisse de l'euro, qu'il s'agisse de la zone euro et au-delà, de l'environnement, de l'énergie, il y a partout un élément politique. Comme le constatait le général de Gaulle, on fait de la politique lorsqu'on prend des décisions concernant ces domaines vitaux. Mais il me semble que ce sont des politiques sectorielles sans politique globale, sans Union politique. Il y a aussi une convergence d'opinions quant à la nécessité d'aller au-delà des politiques sectorielles, ou du moins la nécessité d'avoir une certaine vision. Les hypothèses, c'est excellent pour nous sur le plan universitaire. Mais si on arrive avec nos hypothèses devant le public, je pense que ce n'est pas la meilleure façon de procéder: il faut des choix, il faut une vision d'avenir.

Ce que je propose personnellement, c'est *de renverser la perspective*. Nous avons tous l'idée qu'il faut procéder ainsi. En réponse à la crise, on procède pas à pas. On crée des mécanismes d'aide et de stabilisation, on va créer une union bancaire, etc. Mais où est passée la vision globale! Or, le pouvoir politique, à la différence des politiques qui sont inhérentes à chaque matière, à chaque domaine, exige une vision globale, où l'on tient compte de l'ensemble. Aussi bien de la politique intérieure que de la politique extérieure. C'est pourquoi je pense qu'on doit au public européen, à nos citoyens, une certaine vision pour leur redonner de l'espoir au-delà de la dépression en esquissant une nouvelle voie.

Or, ce que je constate, c'est que la méthode de Jean Monnet est excellente quand il s'agit du processus de décision: c'est évident en ce qui concerne *la méthode communautaire* qui en fait est une méthode fédérale sui generis. Mais, en revanche, la stratégie qu'il a développée, consistant à intégrer secteur après secteur, pour arriver un jour, par miracle, à tomber dans l'union politique. C'est



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évidemment un peu caricatural, mais c'était l'idée que, peu à peu, nous arriverons à bâtir une Fédération européenne. Telle est aussi la démarche de Robert Schuman.

Cette façon de procéder est arrivée à sa limite. Et on le voit avec les urgences qui pèsent aujourd'hui sur l'euro, sur la zone euro qui ne se limitent pas seulement à la monnaie, tout en oubliant que la monnaie est *un des pouvoirs régaliens*. Nous verrons que ce pouvoir pose des questions graves. Deuxième réflexion d'introduction: le côté social est lamentable, il y a des effets dévastateurs dans certains pays, non seulement dans les pays du Sud, car, à l'exception de l'Allemagne et de l'Autriche, la plupart des pays commencent à souffrir de problèmes graves au niveau social. On a rompu les liens de solidarité comme en Grèce, la solidarité qui existait et garantissait un degré de cohésion sociale. On a fait ainsi le lit du mouvement néo-nazi. L'inimaginable se produit sous nos regards: la Grèce qui a combattu contre le nazisme, dont le troisième plus important parti aujourd'hui est néo-nazi!

C'est pourquoi je pense que le moment est venu de réfléchir *sérieusement* et de proposer une vision. On n'a pas besoin de dire: c'est pour demain ou après-demain. Il s'agit de savoir: *où voulons-nous aller?* Est-ce que nous voulons faire quelque chose ou bien est-ce que nous allons patiner dans la zone euro tout en proclamant notre émerveillement devant ces merveilles, succès extraordinaire. Il m'en souvient qu'en discutant récemment avec Jean-Claude Trichet, qui était invité par la Fondation Latsis et l'Université de Genève, qu'il a exprimé sa conviction: premièrement, il faut du fédéralisme fiscal, il faut du fédéralisme budgétaire, il faut un budget pour la zone euro... bref, il a estimé qu'il faut une armature politique. Et la question que je me pose, en ayant observé l'histoire des unions monétaires, est la suivante: *une monnaie unique peut-elle survivre sans une souveraineté partagée, sans une union politique? Voilà la question*. Et c'est là que je vois l'urgence de penser d'offrir une perspective et de changer de façon de procéder pas à pas, souvent de façon incohérente, parfois trop cohérente, mais avec des résultats sociaux et politiques déstabilisateurs et dévastateurs. Car l'austérité, ne l'oublions pas, est une menace directe contre la démocratie: on le constate avec les résurgences des partis extrêmes dans la plupart des pays. Voilà ma première considération.

En second lieu, mon collègue vient d'expliquer que nous sommes confrontés au clivage entre l'intergouvernemental et le communautaire. Clairement, l'action intergouvernementale n'implique pas de *responsabilité* devant le Parlement. Le seul moyen de retrouver une certaine responsabilité est de passer par la Commission. Si ce n'est pas le cas, le Parlement ne peut absolument rien faire à l'égard du Conseil européen et des décisions intergouvernementales. Dans cette nouvelle configuration, la Commission et le Parlement européen se sont trouvés marginalisés.

Dès le début de la crise, on a créé une *task force* auprès du président du Conseil européen. C'était une sorte de glissement du pouvoir vers le Conseil européen, contournant le pouvoir de la Commission et sa capacité de proposition. Cela avait l'air tout à fait innocent, mais en réalité, c'était une fissure dans le système communautaire. De manière surprenante, personne n'a mentionné le fait que la zone euro, qui est pourtant une sorte d'avant-garde, fonctionne paradoxalement à l'intergouvernemental. Elle n'est pas dans le système communautaire que le traité de Lisbonne a cherché à étendre, à généraliser. Elle est dans une frange obscure: l'Eurogroupe, on ne sait jamais comment il fonctionne. On sait qu'en principe, c'est l'unanimité qui est de rigueur. C'est une contradiction très profonde qui exige la «communautarisation», premier lieu de la zone euro dans laquelle la Commission joue les seconds rôles et dont le Parlement européen est absent en dépit de ses travaux sur la crise. Il n'y a pas de responsabilité démocratique. Et Jean-Claude Trichet, qui a été pendant huit ans président de la BCE, de répéter qu'il faut absolument un contrôle et une légitimité démocratiques même pour la Banque centrale européenne. On ne peut pas laisser décider les 17 et demain les 18 sans que l'on sache où l'on va. Je suis pour ma part persuadé que nous avons besoin d'urgence d'un cadre politique: plus de transparence, plus d'efficacité, plus de démocratie sont indispensables.

Récemment, la Commission a formulé une recommandation, concernant la dimension sociale de la zone euro. Mais après cinq ans de crise alors que nous savions que les effets des mesures d'austérité étaient désastreux: la faim, la paupérisation dans plusieurs pays notamment du Sud! À Rome, allez-y aujourd'hui pour voir la pauvreté qui y sévit. Eh bien, on se demande: pourquoi n'a-t-on pas

prévu dès le début de la crise des moyens globaux comprenant la dimension sociale? C'est caractéristique d'une approche pas à pas, secteur après secteur, et d'un manque de vision politique d'ensemble.

Question que j'ai posée tout à l'heure: *l'euro peut-il survivre sans une union politique fédérale?* Fédérale, car la notion d'«union politique» est ambiguë, car elle peut se référer aussi bien à une union politique centralisée qu'à une union politique fédérale. Il s'agit d'un point crucial qui peut être à l'origine d'un grand malentendu! Il y a des valeurs qu'il faut défendre: «l'union dans la diversité dans l'unité que nous sommes en train d'essayer de bâtir». Et cette Fédération européenne, c'est une sorte de quête. Il faut bien se fixer un certain nombre d'objectifs. Il y a un but que nous devons poursuivre, on ne peut pas l'abandonner. Cet objectif doit être fondé notamment sur ce que Denis de Rougemont disait très souvent, c'est-à-dire la culture européenne qui a un socle fondamental qui est commun, tout en se caractérisant en même temps par une très grande diversité. Ce sont les deux éléments qui constituent le propre de l'Europe et de la richesse. C'est le fondement du fédéralisme. À la fois des éléments communs dans une immense et créative diversité, dans le respect de ces diversités: diversité des langues, des cultures régionales et locales ou des autonomies tant des États membres que des régions. D'où la nécessité d'une quête d'un fédéralisme inédit. Faut-il rappeler à cette assemblée de titulaires de chaires Jean Monnet que tant Jean Monnet que Robert Schuman ont pensé la finalité de l'Union sous la forme d'une *Fédération européenne*.

Je ne voudrais pas entrer dans le détail d'un projet européen que nous espérons pouvoir présenter après avoir récolté des avis de nos collègues comme nous y a invités le président Barroso, un débat là-dessus pour que les gens sachent ce que sont aujourd'hui les défis qu'affronte l'Europe.

Les défis et les menaces sont nombreux. Ce n'est pas seulement la crise intérieure, ce n'est pas seulement la sécurité intérieure, c'est le Monde qui est en train de changer: les grandes puissances émergentes s'assemblent dans le G20. Nous savons parfaitement que d'ici quelques années — dix, vingt ans — la France,

l'Allemagne, etc., auront des strapontins dans cette nouvelle redistribution des pouvoirs et dans la plupart des organisations. À moins que les membres de l'Union européenne s'intègrent davantage et se présentent unis. C'est pour cela et pour d'autres multiples raisons qu'il nous faut un nouveau projet pour l'Europe qui puisse insuffler un nouvel élan d'espoir pour sortir de la dépression et des démarches partielles et hésitantes. Engageons-nous pour construire notre avenir européen ensemble. Le moment est venu pour que ceux d'entre nous qui enseignent depuis des années et vivent l'expérience de l'Union européenne proposent un projet et une grande ambition pour les Européens.

Cette réflexion sur le futur doit être basée aussi sur les régions, pas seulement les États. C'est pourquoi le fait de parler de Fédération des États-nations est une contradiction en soi qui perpétue un statu quo: à mon avis, en déterrants l'État-nation nous risquons de polluer le débat européen. Quel est l'État-nation en Belgique? Et en Espagne? Et au Royaume-Uni? Nous avons dépassé les États-nations. Nous sommes face aux États membres en tant qu'organisations des sociétés bien sûr, mais la Nation ne coïncide pas avec la structure des États. Il faut donc faire attention à ces concepts que parfois les grands hommes politiques improvisent sans avoir eu le temps de réfléchir aux conséquences de la manipulation de ces concepts.

Les défis extérieurs sont fort puissants aujourd'hui. Il faut donc y répondre. Si nous prenons l'exemple de Copenhague qui est encore dans nos mémoires. L'Europe est arrivée avec un projet extraordinaire sur l'environnement. Qui a parlé au nom de l'Union européenne? Chacun pour soi et au nom de l'Union: le président du Conseil européen, le président de la Commission, M^{me} Merkel, le président Sarkozy, etc. Chacun voulait faire entendre sa voix parmi les grands! En fin de compte, ils ont été tous marginalisés et la discussion a eu lieu entre la Russie, les États-Unis et la Chine. C'est la démonstration de la nécessité de faire un pas décisif, dans les relations extérieures. Récemment, la Commission a fait des propositions dans le domaine des industries de la défense. On ne peut que s'en féliciter. Mais la défense, sans une stratégie de politique extérieure, n'a pas de sens. Or, en démocratie, les militaires ne commandent pas, n'imposent pas leurs stratégies, ce sont les

gouvernements, les politiques qui le font. Et demain, je l'espère, l'Union européenne qui aura une vision et qui aura des stratégies de politique extérieure globale comprenant la défense et la sécurité européennes.

Quid du recours aux citoyens? Très peu de médias, très peu de télévisions ou d'organes de presse abordent de manière objective les problèmes européens. Faisons, nous aussi, en tant qu'enseignants et chercheurs, un effort pour nous engager et nous faire entendre dans les médias. Ne professons pas uniquement dans nos universités. Mon souci est de voir que nous nous concentrons sur nos milieux universitaires, sur des étudiants, en négligeant les tout jeunes au profit de ceux qui ont déjà reçu pour la plupart leur formation politique. Or, il y a déjà des années, Jean Piaget disait que les concepts de base, les idées et les attitudes qui nous guident plus tard dans la vie, se forment à partir de quatre, cinq ou six ans. Préoccupons-nous pas seulement de nos étudiants, préoccupons-nous des générations futures et préoccupons-nous de l'éducation. Vous savez parfaitement que l'Histoire qui est enseignée dans la plupart de nos écoles demeure une Histoire nationale. C'est encore davantage le cas dans les pays des Balkans ou de l'Europe de l'Est qui cherchent à affirmer leurs identités. Il nous faut veiller à ce que l'on ait une vision européenne de l'histoire afin que les enfants puissent prendre connaissance de ce qu'est l'Europe, de ce qu'est la culture au-delà de leur vision limitée à leur pays.

À propos de l'éducation des générations futures, un deuxième aspect qui me préoccupe concerne l'introduction à la science et à la technologie. La Commission a soutenu le projet de Georges Charpak «La Main à la Pâte», qui est une introduction expérimentale dès l'enseignement primaire. Aujourd'hui, pour des raisons administratives, le projet «Pollen» suivi du projet Fibonacci n'ont pas eu de suite. Or, il y avait de plus en plus d'Académies des sciences et de Hautes écoles qui se sont engagées. Il faut reprendre l'éducation simultanément, par les nouveaux programmes d'histoire dans la perspective européenne complétée par l'enseignement du civisme européen en parallèle avec l'initiation à la science. Il y va de l'avenir de notre Europe. Il ne faut pas seulement que l'on se préoccupe du quotidien. L'homme vit de projets comme nous rappelait Sartre à l'issue de la guerre mondiale. Notre mission est de transmettre

nos projets, nos efforts et nos réalisations en vue de leur léguer une Europe en marche vers la Fédération européenne qui représente notre culture dans la diversité. Ainsi s'édifiera une identité européenne dans le respect des identités nationales, régionales et locales. Ainsi, les citoyens pourront cultiver leurs multiples identités à divers niveaux de leurs appartenances et de leurs loyautés. Ainsi seront-ils en mesure de partager leur destin commun.

Mon dernier mot: une vision du rôle de l'Union dans le monde. La culture, formée de l'ensemble d'activités et créations de l'homme qui se reflètent dans les valeurs de base et les principes tels que les droits de l'Homme, le respect de la personne, dans les principes démocratiques et la participation des citoyens. Ce sont nos valeurs à défendre et à répandre. Dès lors il faut aussi se poser la question: que voulons-nous faire avec les États-Unis? Quel type de traité? Est-ce simplement un échange commercial sans le risque de la domination des États-Unis à l'ONU et dans l'OTAN notamment? Toute une série de questions exigent une réponse. À l'Est, faut-il définir nos relations avec la Russie. Sans la Russie, pas de solution dans le cas de la Syrie, de l'Iran et avant tout dans les régions de l'ex-Union soviétique. Nous avons besoin de la Russie et il est contre-productif de vouloir la contourner par le partenariat oriental. L'association de ces pays passe par la participation de la Russie. Le cas de l'Ukraine en fournit la preuve. La Russie et les pays de la région partagent la même culture. Il faut réussir à la comprendre et à s'ouvrir à elle. Il ne faut pas se contenter de donner seulement des leçons de démocratie car chez nous, au sein de l'Union, nous avons aussi des problèmes. La Hongrie par exemple, qui vit sous un régime autoritaire et un déficit de valeurs de l'Union européenne. À l'évidence, tout projet politique devrait prévoir une Cour constitutionnelle qui puisse se prononcer sur l'application des principes de base. La Commission a essayé d'agir mais ses pouvoirs en la matière sont limités. C'est pourquoi je pense qu'à l'avenir il faut songer à élargir notre vision. Quant à la Russie, ce que je propose, que l'on établisse une sorte de «Communauté sur deux piliers entre l'Union européenne et la Russie et les pays environnants». Cette démarche permettrait d'éviter de ressusciter des conflits au sein de l'Ukraine déchirée entre l'attrait de l'Union européenne et la réalité de son interdépendance avec la Russie. On évite ainsi le choix à de nombreux pays du Partenariat oriental. De

surcroît, il faut que la Russie reste accrochée à l'Europe au lieu de dériver vers la Chine. Elle fait partie de l'Europe, mais elle est trop grosse pour l'Union. Dans ma vision qui tient compte d'une forte solidarité de fait et de culture tant avec les États-Unis qu'avec la Russie, l'Union européenne assumerait le rôle de pivot entre l'Ouest atlantique et l'Europe de l'Est.

Tous ces traits que je viens d'expliquer visent à reconstruire d'abord la solidarité intérieure, la confiance des citoyens en l'Union européenne, condition nécessaire pour consolider la position de l'Europe porteuse de paix et de démocratie dans le Monde. Voilà mon souhait le plus cher.

Introduction

It's *déjà vu* all over again. Pre-Maastricht, pre-accession, pre-Constitutional Treaty. The major episodes in EU history, forcing equally substantial changes. The pressures are similar: expansion vs contraction; regulation vs efficiency. The need remains the same: reform. In a sense, the EU goes through some reassuringly familiar phases:

- preparing reforms in the wake of a crisis;
- the difficult days of implementing them;
- getting a sense of the efficiency of their impact, and figuring out how, if necessary, to recalibrate them.

An EU absent from the need for reform is impossible. It will always, by virtue of its economic, political and social nature, face ongoing pressure for institutional reform. I'd like to suggest that much of the types of

economic governance and fiscal reform discussed today, all in some way, confirm a split personality at the heart of the EU:

- a firm commitment not to dismantle the European model;
- group-based, euro-zone driven reforms, which if applied unevenly, will do just that.

Let's remember the opening words of this conference. Asking us to think about the EU, and its current and future trajectory, Chair Jan Trzuszczński asked whether we need 'more Europe, less Europe, or different Europe?' Fruitless discussions about whether to remain in, or cut away from the EU need to be refined into dialogue that considers the nature of reform and measures to improve the EU, rather than modes by which to slowly disengage from it. Commission President Barroso suggested a duality exists between focusing on the viability of the *substance* of reforms, and exploring



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the strategic nature of their overall form. 'It's about the model,' he said, 'the EU is a model of governance, reconciling supranational with sovereign structures.' The EU now faces the task of identifying for itself a model *flexible* enough to bring together political and economic oppositions (or at least tensions) and *viable* enough to remain a secure, stable 'political union' capable of strategically operationalising the strengths that ultimately won it the Nobel Peace Prize in 2012. Overhauling the EU such that it can *resist* future crises, *reform* itself structurally and substantively, and ensure a sustainable *recovery* is a tall order. It goes beyond rhetorical calls for enhanced political will, to look carefully, critically, at the objective and sequencing of building from economic, monetary and fiscal structures towards a deep-seated political union. The choice of the EU's future form is therefore all-important.

The current crop of reforms aimed at restoring economic and fiscal governance (beginning with the 'six-pack' that entered into force on 13 December 2011) are an uneasy combination of intergovernmental agreements and secondary EU law, of generic, top-down convergence entirely dependent upon on the country-specific factors that proved varied enough to have prevented a unified response to the global crisis, and particularistic enough to resist reform, even now. Responsibility for many structural policies still rest at the national level, yet the reforms are either set in secondary EU law for all 28 states (six-pack), or are 'constitutionally' binding only upon euro zone members (Treaty on Stability, Coordination and Governance), having been both signed by, and formally rejected by key Member States. Provisions written into EU law appear irrefutable, binding, ensuring compliance. But this is no guarantee of current reform; nor of future progress. The euro zone reforms — like the Union itself — are only as good as the *political* ability, willingness and drive of the Member States, to actually see them through. The design of these reforms, driven forward by a variety of EU institutions as a series of top-down blueprints resting on bottom-up compromises, combined with worryingly numerous opt-outs, poses a real risk to the overall Union itself; a risk that comes at a time when the EU can ill afford experiments, particularly those that could go seriously wrong.

Mindful of President Barroso's suggestion that 'the *form* of politics is different today', I suggest that the best method of critically

reviewing both the entrenched political, fiscal, economic, monetary variations ranging across the European Union, and an appropriate form by which to iron them out, is the concept of **flexible integration**.

1. Economic Overview

As we saw in this morning's panel on 'Economic Aspects', reforms need to take place on three fronts:

- the 'real' economy;
- the private sector/financial industry (banks);
- the public sector.

Accordingly, the EU economy is reliant upon *stabilising* the financial market in the short term; *implementing* medium-term economic reforms at the national level; and the long-term task of *overhauling* of the entire EMU. Make no mistake, every one of these three objectives has implicit political consequences for the modes by which each Member State calibrates its membership in the Union, and the political integrity of the Union as a whole. The *form* by which these goals permit short-, medium- and long-term recovery is thus of fundamental importance. A quick review is thus in order.

(a) Six-Pack Europe: Towards Fiscal Governance

A six-pack Europe is designed to kick start genuine **economic governance**, entailing both the long-sought after 'economic union' in the original EMU, and the equally absent but 'fiscal union' in the EU, a vital counterpart to any set of macroeconomic objectives. Thanks to this morning's various overviews, we are nicely familiar with the Six-pack Europe **shopping list** designed to tighten up and regulate both the euro zone, and the wider Union itself. This includes everything from enhanced surveillance and possibly the management of errant national fiscal policies, structural reforms in the financial services sector, euro zone enforcement mechanisms to ensure ongoing austerity measures and the continuance of strict applications, post-crisis. Specifically, it forces Member States to attend in rather more exacting terms, to the notorious **Stability and Governance Pact** (SGP). For political scientists struggling with

the niceties of macroeconomics and finance, the SGP is one area where we can be clear upon the *political* implications of fracturing this keystone of the EMU. The 2011 six-pack (so called because it comprises five regulations and one directive) operates on the basis of EU secondary law in that it applies to all 28 Member States with some specific rules for euro-area Member States, especially regarding financial sanctions. First, in the fiscal field, the six-pack strengthens the SGP. Secondly, it further provides for fiscal surveillance and macroeconomic surveillance (under the new Macroeconomic Imbalance Procedure).

The corrective arm of the Pact, the Excessive Deficit Procedure (EDP), applies to Member States that have breached either the *deficit* or the *debt* criterion. Oversight powers here will be given to the ECJ, endowed with authority to impose financial sanctions for euro-area Member States. One wonders whether — however gradual — financial sanctions placed on Member States who can probably least afford this manner of correction are in some sense self-defeating, particularly if they can eventually reach 0.5 % of GDP. To the laypersons among us, the reforms appear, to lack a degree of focus. Further national disquiet may arise as a result of the implicitly automatic/technocratic manner of the reforms themselves, particularly as the six-pack rests upon **reverse qualified majority voting** (RQMV) to effectuate its sanctions.

The question here is the appropriate choice of *form* by which to ensure the ‘three Rs’ (*resist, reform, sustainable recovery*). Does the six-pack endow us with — as suggested by our colleague Nico Groenendijk — the power to create a ‘Fiscal Union luxe’, where the overall goal is to gradually integrate national budgets hierarchically within a ‘nested’ supranational budget in a firm and predictable manner? If so, what precisely does the TSCG provide that shores up the split between those within, and those without the euro zone, considering that all are largely as vulnerable and sensitive (qua Keohane and Nye) to external shocks and internal dips?

(b) Treaty on Stability, Coordination and Governance

The TSCG enters into force following ratification by at least twelve euro zone Member States, and is thus an intergovernmental

agreement, rather than an instrument of EU law. Rejected outright by the UK and the Czech Republic, the TSCG is only binding upon all euro zone Member States. Other contracting parties will be bound either once they adopt the euro, or upon the basis of choosing the provisions with which they wish to comply. Those with an eye for spotting the variance inherent in any mode of flexible integration should be able to spot a variety of potential problems here.

The fiscal component of the TSCG — the ‘Fiscal Compact’ — requires contracting parties to respect, and indeed ensure convergence towards the above-mentioned, country-specific, medium-term objective (MTO), as defined in the SGP, but to do so rather more stringently than the six-pack thresholds ⁽¹⁾. The inbuilt correction mechanisms of the Compact are designed to ensure automatic responses for those states which deviate from their own, individually designed and delivered MTO, or indeed the particularist adjustment path towards these objectives. In exceptional circumstances (themselves unclear), states unable to correct their trajectory are provided with escape clauses. Overall compliance however is designed to be monitored by independent institutions (not yet clearly identified or endowed). As an intergovernmental agreement, the budget rules of the Compact are to be implemented in national law via provisions that are binding in force and permanent in character, preferably rendered constitutional. Is this a strong enough foundation? Possibly not. Again, the ECJ has the power to impose financial sanctions of 0.1 % of GDP for states failing to properly implement the new budget rules in national law, quite apart from failing to adhere to the fiscal criteria themselves. Again, in a bid to concentrate the requirements of the six-pack, the TSCG reinforces the surveillance and coordination of economic policies, and extends the role of inter-governmental summits in shoring up economic governance in the euro area by insisting on twice-yearly Euro Summits.

There is a degree of bifurcation at work here. Is the Protocol a robust protocol of the six-pack, or a weak compact on its own?

⁽¹⁾ Within the Fiscal Compact, states must adhere to the lower limit of a structural deficit of 0.5 % of GDP; 1.0 % of GDP for Member States with a debt ratio significantly below 60 % of GDP.

Does it unintentionally deepen the differences between euro zone and non-euro zone members? Creating a structure of nested demands, zones within zones? Or does it satisfactorily reinforce economic governance by running in parallel with the six-pack? Some TSCG provisions mirror those in the SGP according to the reforms of the six-pack, including medium-term objectives (MTOs), significant deviation and exceptional circumstances. Equally, some TSCG provisions are more stringent, including the Excessive Deficit Procedure (EDP). Equally unclear is where these reforms are supposed to end up. The Commission clearly supports the objective of incorporating the key provisions of the TSCG into secondary EU law as soon as possible, yet its original design is on a rather different, more variable national basis.

The other three tools of economic and fiscal include the Two-Pack Progress model (applying to euro zone members but explicitly building on EU-28 overhauls of the SGP), the European Semester (designed to provide clear guidelines by which to propose and, if necessary, redraft national budgets and country-specific recommendations), and the Supervisory System Mechanism of the ECB (allowing the ECB to supervise enhanced financial supervision of both national authorities of participating EU states, within the euro zone and those deciding to participate in the SSM regime).

2. Political Implications of Economic Convergence: Reforming the Form

Since 2010, when the crisis truly broke upon the euro zone, until the six-pack and subsequent Treaty Amendments, and the most recent furor over the financial transaction tax, the PARTS of the EU affected by the crisis, and those responding, were clearly classified into two groups. Not merely those inside and outside the euro zone, but those responsible for scandalously imprudent and unregulated fiscal policies resulting in impecunious public finances and eye-watering government debt, and those necessarily (and possibly self-elected) in charge of cleaning up, and paying for the mess. This is a national-institutional split, a Member State/EU-level split, as well as a fairly sharp north-south split, and a rather messy public-private sectors blame game. Prosperous vs impecunious. Regulated vs unregulated. North vs South. Active vs reactive. *Laissez faire* vs

interventionist, regulated consolidation. Bankrupt vs bankroll. Publicly outraged vs predictably re-elected. A lovely European drama. Are actors responsible? Or were the rules not strong enough? Were policies at the heart of the EMU at fault? Or was the overall form of EMU unclear from the start; too permissive to ensure discipline, too stringent to permit variation? The unevenness in the *initial EMU form* and in *subsequent 'reforms of the EMU form'* is the prime culprit, and can only be grasped, with that rather unvirtuous verity explaining European momentum: the concept of flexible integration.

Flexible integration is both tradition and taboo (Balzacq and Hadfield, *Cooperation and Conflict*, 47 (4), 2012). On one side, it appears to be a formula guaranteed to damage the commitment required to integrate the polity of the EU. On the other, having provided solutions to a number of past policy culs-de-sac, it now appears, for some, as the only way to simultaneously permit the EU's expanding governance and the intensifying institutionalisation needed to maintain a 28-Member Union. As an overarching term, 'flexible integration' refers to 'the process whereby European states, or sub-state units, opt to move at different speeds and/or towards different objectives with regard to common policies' (Dyson and Sepos, 2010: 4). Exquisitely bipolar, its tools are variously seen as implements of self-harm for a beleaguered union or innovative methods to keep the EU rolling forward.

Operating on the *principle of groups*, rather than the membership of the whole Union, fully operable strategies of flexible integration should theoretically grant all Member States a degree of latitude regarding the scope, pace and goal of European integration. Implicit therefore is the understanding that deepening and widening integration — whether political or economic — cannot always be achieved across different sectors, among all Member States, at the same pace.

For scholars in this room today, it should be noted that EU studies address differentiated integration primarily in terms of **effectiveness**. Van Eekelen and Kurpas (2008: 2) argue that the point of flexibility is 'to square the circle between solidarity and effectiveness within the Union framework'. The tool is thus — conceptually, and at the level of policy-making — something of a third way

between homogeneity and heterogeneity, between the well-known centrifugal and centripetal dynamics that occur between states in their willingness and refusal to coordinate policies (Dehousse et al., 2004; Er, 2004; Stubb, 1996; Wallace and Wallace, 1995; Warleigh, 2002). There are three fundamental types, some of which have occurred prior to major EU treaties, others that have taken place more recently.

(i) **Conservative/Temporal Flexible Integration.** Here, 'the pursuit of common objectives is driven by a core group of Member States which are both able and willing to pursue some policy areas further, the underlying assumption being that the others will follow later. In designing macroeconomic rules and fiscal regulations for instance, "the synchronisation of rates of change' can only be achieved by 'forming classes of fast and slow countries' on the assumption 'that all will arrive at the same goal, but some will simply arrive later and be excluded from some of the advantages of those who are faster' (Eder 2004: 101). To do so presents us with a variety of European 'looks', including **multi-speed Europe**, **Core Europe** or **avant-garde Europe**, the latter being led by states who share a high level of strategic and tactical interest, allowing coherence of purposes and unity of vision, founded in pursuance of deeper integration in a given policy area(s).

This group may force through policies (whether high or low) on the more stringent basis of members, who generally adopt a rigid adherence to the preservation of a given *acquis*, and will not permit themselves to be constrained by the hesitations of others. This core does not necessarily assume a group of states who share a common vision on the *finalité* of Europe, but rather only a profound commitment to the underlying goal of European political and economic integration. Agreement on the details of policy substance, however laudable, can still easily come unstuck in the face of a *form* that remains at the mercy of variable implementation.

As suggested above, much in the six-pack hints at the reality of a multi-speed Europe. The differential timing involved in achieving convergence towards budgetary balance, on the basis of **country-specific medium-term objectives** (MTO). There appear to be a *variety of variability* at work here. First, what precisely is meant

by an MTO? What is permitted in getting to, and through, these medium term objectives in terms of debt and deficit? Why these generically-set levels in particular, when a bottom-up philosophy so clearly drives this fiscal rationale? Second, what defines and determines — country by country — *nationally-permitted criteria* in this respect? Third, the MTO clearly operates as the preventative arm of the six-pack in getting states to assume greater responsibility over their deficit and/or debt levels, but this itself appears a very ill-defined spectrum, which Member States can travel up and down with a degree of fiscal impunity, and ironically, in the name of purposive reform ⁽²⁾. Fourth, aside from a helpful quantitative definition of debt, its implementation, and indeed the rationale behind the financial sanctions imposed by then ECJ still appear largely variable.

There is nothing radical in the adjustments needed to upload inter-governmental agreements to secondary law, or even secondary law to primary law. The interpretation, the lag-time, the methods of differential application inherent in EMU Directives are all examples of legally grounded, fiscally orientated, Core Europe flexible integration, and have been for years. It is the nature of large parts of secondary law to be intrinsically flexible in some key modes of their application (even in interpretation). The danger lies in the inherent variance in such permissive modes, if they begin to create core/periphery, or leader/laggard differences between Member States. When the differences that occur across implementation then become concretised, socialised and institutionalised, then the approach becomes the structure. The flexible becomes fossilised. And the form of a project like the EMU comes to sit at odds with the content of its reformist policies.

The outcome of multi-speed Europe (or any of its variants) is thus consummately temporal. Outer groups, the second-set of states, are understood to ultimately join the path prepared by the vanguard, to become subject to parts of a new *acquis*, becoming 'full'

⁽²⁾ Again, the numbers appear rather loosely-defined (even if the logic itself is sound): i.e. general government deficit must not exceed 3 % of GDP while public debt must not exceed 60 % of GDP (or at least diminish sufficiently towards the 60 % threshold).

members that eventually making full use of an overhauled EMU framework. The question is how much (if any) flexibility to build into the system, starting with the *form* of Europe, and the *mode* of flexible integration permitted to achieve it.

(ii) Spatial /Middle Ground Flexible Integration

Better known as **variable geometry**, this form of Europe represents the middle ground between orthodox and radical integration. Less ambitious than multi-speed Europe, variable geometry 'admits to unattainable differences within the main integrative structure by allowing a permanent or irreversible separation between a core of countries and lesser developed integrative units' (Missiroli, 1999: 4). If, for example, the current TSCG is ultimately regarded as 'an ambitious set of common objectives [deemed to be] unrealistic and unattainable' by all (Stubb, 1996: 287), then, a spatially differentiated EU continues to retain all the **original objectives** adhered to by all members, but will ultimately be recalibrated on the basis that the current process of *economic integration comes with varying degrees of political commitment*.

The *avant-garde* iterations of both states and institutions, both national and EU (and mixed) are not just a 'stolen season', destined to come into line with the overall Union after a testing generation. Rather, they will emerge, and remain along the lines of their difference. At best, variable geometry implies that the EU, because of its diversity, can feasibly 'organise itself around a multitude of integrative units' capable of tackling individual aspects of internal and external relations (Stubb, 1996: 287). At worst, it is the *directoire* approach run amok.

The outcome of this form of flexible integration is a degree of permanent impermanence. Mixed messages about the form and content of integration are sent to states, which can accordingly elect to opt into, or out of, given policy projects based on their relevance to national interests. The philosophy is thus not a rigorous pursuit of integration by which to achieve a range of overall ends. And as such, the danger here, today, is that Member States — ironically — **confuse economic goals with political objectives**, and opt out of one series of macroeconomic regulations in order to

prove a political point about sovereignty. Worse, states may row back on political commitment in order to preserve a degree of supposed 'economic independence' long rendered interdependent in real terms. Some of the reactions to ongoing deflation in Greece, Italy, Spain and Portugal, have I think taken these lines.

The number of measures in the Fiscal Treaty that create a growing rift between the soon to be 18 euro zone members, and the 28 Union members is unhelpful, and pushes the EU further towards this form of flexible integration. How sound, how ultimately viable is the *form of reform* that rests on the content of an inter-governmental agreement only between euro zone members (despite the obvious dynamics shared across all Members as explicitly linked to the Internal Market by virtue of their intra-EU trade)? Where agreements are harmonised into national law simply as being 'constitutional' rather than explicitly ratified as a form of secondary EU law? Is the legal basis here not surprisingly feeble (and possibly unenforceable), and at odds with the *sturm und drang* of its own convergence rules, the budgetary surveillance, and indeed the threat of ECJ sanctions? Studies on the benefits of flexible integration to promote free-rider benefits for those with a habit of opting out of key EU structures, including the euro zone, are minimal at best; principally because of the overwhelming economic and fiscal impact that employment, investment and trade has upon *all* EU Member States (Naurin and Lindahl, 2010). A variable approach to managing the *future form* of all states, regardless of their placement within the euro zone and fiscal behaviour within the wider Union, seems imperfect at best and dangerously insufficient at worst.

If, however, the Fiscal Treaty, rather like Schengen, or the Treaty of Prüm, is simply a test piece that will be quietly absorbed into EU legislation itself, and ultimately applicable to all within the union, because of the enormous political implications for further integration, then it is simply an example of the most conservative form of flexible integration: core/periphery Europe playing catch-up with each other.

States can and will abstain from the euro zone. But they cannot escape the economic realities or the fiscal risk of trading and investing in it, nor the political consequences of doing so.

Commissioner Olli Rehn recently quoted the German economist, Joseph Schumpeter who argued that 'the condition of the monetary system of a nation is a symptom of all its conditions' (O. Rehn, 'Conditions for new growth in Europe' Speech/13/662, 29 August 2013). This is even more the case for the EU, the condition of its monetary system and its reform, if currently along unevenly applied lines. And this is symptomatic of its current political malaise (which have an unhappy knack of racing like wildfire across every sector, from competition to foreign policy), and external perceptions of very real political fragmentation. The Treaty is therefore better off with a clearer, more collective timetable, in this respect, moving it from middle-ground to conservative FI. If not, the temporary variability inherent in applying new reforms will become ever more varied, and harden into opposition differences.

(iii) Radical/ Functional Flexible Integration

Referred to as *à la carte Europe*, this is the most radical of all forms of flexible integration, making collective integration an optional *means*, rather than a purposive *end*, and sanctifying rather than merely institutionalising diversity. Here, allowing states to pick and choose the degree of integration in any number of policy areas, the EU is not temporally inevitable or spatially separable, but rather separable in terms of policy substance (Balzacq and Hadfield 2012). States may do so because they feel obliged to prioritise their national economic interest, fail to key into the latest EU vision on offer; or (as suggested this afternoon) because they feel that the European Council has gone too far in its blueprint, and the European Commission has acted too robustly in the manner of its enforcement.

Oddly, it is at the moment of greatest potential for European integration, that the likelihood of the most radical form of integration becomes most likely. Talk of a sharpened *acquis* and new regulations raises spectres of Member States actually exiting the building. In other words, confronted with the very real need to put in some serious economic governance foundations (which probably should have gone in around the mid-1980s), and the thickening of integration, historical inter-governmental tendencies sharpen from skittish tailwinds to actually turning tail; mutterings of 'bailing out' start

drowning calls to 'bail out'; with visions of key states abandoning ship, not merely attempting to plug the holes below the water line.

Europe à la carte thus explains everything from the threatened United Kingdom 'Brixit' to Greek tragedies, from deep-set truculence in the Spanish and Portuguese banking sector, to an interesting range of cross-national socialist and conservative opposition to key aspects of the euro zone enforcement mechanism. All, in some sense, are adhering to a wholly 'intergovernmental view of integration in which common objectives are sacrificed on the altar of national interest' (Stubbs, 1996: 289). The obvious threat of course is that, in pursuit of the *à la carte* goal of robust cooperation that remains congruent with the national interests of all participants, the EU's decision-making structures, policies and legal framework risk distortion, fragmentation and ultimately erosion. The 'pick and choose' approach to the EU may (in theory) operate in the most basic of frameworks, opting in and out of key market and institutional practices. In a fully fledged economic union, with fully fledged political union in sight, *à la carte* Europe masquerades as a solution tailor-made for some, but is ultimately conducive to none. The greatest threat of this radical approach is the 'disintegrative' element that actually characterises *all* forms of flexible integration: making a risky virtue of heterogeneity when too many differences caused the initial cracks in the initial attempt at programmed homogeneity.

3. Ways Forward

We as scholars should attempt a few rudimentary extrapolations to discern the consequences of further political convergence along any three of these forms of flexible integration. Arguably, large chunks of the EU has for years abided and even developed according to the conservative spirit of **temporal integration**. Specific examples of enhanced cooperation could see the EU move forward in reforming and rebuilding the EMU, allowing it to retain its trade dominance, reconstructing its market stability, shore up the euro and the euro zone, and restore much-needed international confidence in trading with, and investing in, key Member States most afflicted by the euro zone crisis. Following the good news of the EU-Canada FTA signed last month, the continued unrolling of FTAs with the US, and Asian states could continue unchecked.

There is much global capital for the EU to reap in terms of normalising its economic relations, enhancing its economic governance in economic, fiscal and monetary realms. This is necessary firstly to keep the EU's predominance as a trade actor, as a generous and reliable development donor, and as a predictable source of, and location for, FDI. And secondly, and more importantly, to ensure the EU's dominance as a source of regional — now international — codes, norms and governing standards, all of which have grown out of its own internal centripetal market growth. The EU can afford only to vary this trend slightly; not to slow it, and above all, not to make the splits between those on the inside and the outside so slow that the fissures become fixtures.

Use of **variable geometry** in future reforms means operating on the basis of permanent, or at least well-entrenched in/out, or leader/laggard groups of states, possibly subdivided into reformists/non-conformists over key provisions, depending on where they are located in EU law. This in turn would be likely to deepen the current uncertainty across the regional trading blocs that engage with EU markets, as they get the measure of precisely who is 'in' and 'out', and the overall impact of such a variable timetable on doing business. It would undoubtedly continue to inject instability into the banking realm, and ultimately do serious (possibly permanent) damage to the labour market, which is currently the most versatile and competitive economic sphere across the continent. Other suggestions today hint that variable-based uncertainties could scupper the extant ambitions of the Lisbon Agenda, threaten the Four Freedoms, and — from the perspective of the educators in this room — pose serious harm to the opportunities for research and teaching mobility for which the EU is rightly famous.

A *Europe à la Carte* prompts the spectre of unmanageable divisions, resulting in the EU as an actor divided, both economically and politically. The risks of unpicking established, institutionalised (not to mention entirely legalised) foundations of economic cooperation, and generations of political integration are the greatest with this form of integration. From an external perspective, it would do nothing to prevent the rise of trans-national disputes between EU and non-EU actors on countless macroeconomic, fiscal, trade, investment and legal issues, as well as endless inter-EU disputes

amongst Member States themselves arising from the conduct of economic relations upon increasingly separate, and possibly incommensurate, systems.

Conspiratorial whispers from the Council and reactive attempts by the Commission suggesting that opt-out states will suffer a high reputational cost, or a loss of influence, or — worse — are violating the sacrosanct principle of Union unity merely adds fuel to the fire (Naurin and Lindahl, 2010). What *is* guaranteed is that any form of flexible integration, if left unattended, will ultimately have an eroding, and possibly corroding effect upon both the decision-making processes of the EU, and its ability to exist as a project of grand governance. Equally, some initial form of the most conservative form of flexible integration may be needed to galvanise the leaders, and ultimately capture the laggards.

Cautious Benefits

The general benefits of flexible integration have been enumerated by various scholars and analysts. In the dark days following the failed Constitutional Treaty, Kurpas et al (CEPS, 2006) for example largely hit the nail on the head by suggesting that a restrained use of flexible integration would work only if explicitly based on a 'mandate that gives an overarching idea and a sense of direction'. A sharp form, in other words. And a sharper sense of the types of reforms needed to ensure the form. Flexible integration should at a minimum:

- operate as a complement, rather than an alternative to moving through crisis-driven reforms;
- be seen as a constructive method of progress, not a threat to stymie or regress a given policy area;
- remain firmly within the framework of EU law, i.e. along the explicit provisions of enhanced cooperation, and even then, utilised 'only with a view to later integration into the EU's legal framework' (Kurpas et al. 2006, 1);
- the core point of the EU in a given policy area, rather than core groups, should be the emphasis; along with the precise political goals achievable through a flexible integration timetable that is pragmatic, limited and clearly aimed at the rule of *effet-utile*.

Examples of successful, albeit limited flexible integration are worth noting. The Schengen area for example, may appear passé now, but was, at its inception, a real milestone in the first use of flexible integration in one of the trickier policy areas: Justice and Home Affairs (JHA) ⁽³⁾. Schengen is clear case of how flexible integration can, ultimately, strengthen the integration of the EU on a temporary, and temporally-differentiated, basis.

Today, the border-free Schengen zone is widely considered as one of the major achievements of EU integration, first for the fact that it worked on its own, and second, because it was successfully and wholly uploaded into a pre-existing EU framework. The current crop of euro-legislators could learn a lot from the Schengen architects, who were clearly animated by the desire to contribute to 'a closer Union' (Schengen Acquis, 2000: 13), but were prudent enough to manage it in terms of a specific sector (functional), using only five states (geographic, border-based) and with a pragmatic timeframe (temporal). Two other examples include:

- transitional periods or temporary derogations (as found in accession agreements and VAT harmonization);
- the quiet revolutions of the Amsterdam Treaty: pre-defined (or pre-determined) flexibility, constructive abstention (or case by-case flexibility) and enhanced cooperation (or enabling clauses).

4. Causation, Payment Schemes and Consolidation

Let us be cautious about the **causation** at work in the euro zone crisis. Is the economic crisis a cause of the current parlous state of affairs in the EU, kick-starting myriad economic reforms with their political implications? Or, are the political implications, and the economic realities of an already variable integration Europe the cause of much of the slow reactions, the fractured responses, the incommensurate attitudes to regulation across Europe? Many would suggest the latter. The EU needs *either* to halt flexible integration in

⁽³⁾ To overcome the opposition of some Member States, a group of **five** decided to establish an agreement in a sector that they deemed essential for the advancement of the EU project, namely the freedom of movement for people, goods, services and capitals (Kaunert, 2010; Monar, 2010).

its tracks and make a bid for a robust, top-down series of reforms that can guarantee responsible and robust recovery, *or* cautiously explore the benefits of the most conservative form that could assist in promoting that same recovery. All talk today of reform is generally in the vein that ultimately leads to consolidation, and further unification, rather than the construction of alternatives, or a bifurcated set of policies that wastes time, energy and resources. The choice is therefore between a single policy uniformly and simultaneously applied by all (surprisingly possible despite the incommensurate overlap of euro zone states and EU political members borders), or a single policy with a flexible mode of application to capture the manifold differences that have arisen as a result of crisis, but consciously chosen largely to prevent another one.

Paying for Economic and Fiscal Governance

Speakers today were asked to consider the tricky question of paying for the reforms. As with everything in Europe, a compromising cocktail of a flat tax, a progressive tax, and better mix of publically serviced debt and private-sector raised revenue is likely to be best placed to finance what in 10 years will be political deepening on the basis of institutionalising more stringently regulated and convergent fiscal and economic governance ⁽⁴⁾. Economists, rather than political scientists, are rather better placed to answer this question, and should be sought out in this respect.

A new financing cocktail has to be accompanied by a clear sense of which form of flexible integration is best to chart the EU's economic and political future. National politicians, whatever their stripe, must themselves understand the reasons behind these measures. Many will make use of the rationale of flexible integration itself, seizing on its various delays, opt-outs or stay-out options to argue

⁽⁴⁾ A 'flat tax' whereby each Member State contributes particular sum of money. Alternatively a 'progressive tax' whereby each Member State contributes as a percentage of their GDP. PPP-mixed funds: more equally derived from corporations and enterprises that trade from within the EU, on the basis import/export tariffs on trade and small tariffs (like the unpopular and possibly unconstitutional financial transaction tax) could be placed upon the trading of financial goods and services within the EU, also generating significant revenue.

against any aspect of the six-pack, the Treaty, the Fiscal Compact and upcoming measures. In practical terms, this means explaining these reforms to their national constituents, *not* in zero-sum terms, i.e. as a reduced amount of power for their own national economies, monetary supply, inflation controls, etc., but as Commissioner Olli Rehn did in August (O. Rehn 'conditions for new growth in Europe' Speech/13/662, 29 August 2013), namely to clarify the absolute minimum conditions for economic growth and political stability:

- the necessity of structural reforms;
- ensuring and raising **private sector finance** (possible banking union), making them more self-sufficient and less prone to bail out responses from the public sector;
- sound public finances: pull back and monitor public debt and government deficits, and unflinchingly support job creation, education, innovation and infrastructure.

When it comes to education and innovation, to growing the European knowledge environment, to securing a fractured geography of European youth, via a significant increase in Erasmus funding, we all as educators are immediately taken up in the broader reforms of these critical days.

Consolidation

Henry Kissinger warned that within a year of the Maastricht Treaty, that, 'The success of [European] effort **to consolidate themselves** into the European Union will determine their future influence. United, Europe will continue as a Great Power; divided into national states, it will slide into secondary status.' (*Diplomacy*, 1994, p. 807)

Kissinger was right. Despite the suggestion from the European Commission (Rehn, 8 August 2013) that as of this summer, the European economy is at last turning a corner, having at last emerged 'from a painfully protracted double-dip recession' UK and US observers suggest (*Economist*, 9 November 2013) that the euro area is still at risk of deflation, with overall GDP rising only by 1.1 next year (after a fall of 0.4 %). This is region-wide weak growth, despite the surpluses registered in (and only in) Germany. This weak growth is 'unlikely to overcome' deflation, and 'output will remain well below its full potential'.

The collective euro zone problem is simply idle capacity, meaning underperforming employment, low wages and a weak euro, and ongoing public and private debt. To 'escape the blight of falling prices', Europe needs a period of inflation-driven recovery, but more likely, a better, more *collective* implementation of these cutting-edge fiscal and macroeconomic governance policies. If they simply sit there, as an undigested legislative mass, applicable only to some, or applicable to all but poorly implemented, stagnation, deflation will continue. Worse, from the outside, the EU will be perceived to be disintegrating politically, as well as wavering economically. This is the double edge-sword of the six-pack, the Treaty, the Protocol and a possible two-pack. Until they are seen collectively, to be working collectively, then all this is simply seen (inside and out) as 'excessive regulation', which profoundly worries both investors and politicians, because they simply don't know 'where the next tax will be levied, or regulatory boot descend'. To put it simply, 'when rules are proposed', it can take too long to see the results, 'making it [difficult] for companies [and indeed governments] to plan ahead'. And this entails the most dangerous risk of all — *political risk*. Because the whole project is suddenly at issue, at stake.

5. Conclusion: The Role of Education

What role can we, as educators play? We, denizens of the repository of Jean Monnet? Clearly the onus is on us to teach these complex reforms and the circumstances that necessitated them accurately to the next generation of young Europeans! In this, the 125th year of the birth of Jean Monnet, with the launch of a reassuringly funded, newly reconstructed programme, courtesy of DG Education, it is meet and right that we should turn to the quiet values of Monnet as a champion of European integration, and the splendid legacy that it has wrought in the field of education, and which we here in this room, are very much a part of. (UACES *Ideas on Europe* Blog, Jean Monnet).

Monnet, 'incorrigible optimist' that he was, would not I think have been downcast about Europe's present economic woes. European integration was inherently cyclical, as he suggested, and the key lynchpin was not national interest, but common interest; not the *grandeur* of vaunting sovereignty, but the quiet necessity of

integrationist mechanisms. His 'faith in the logic of events and the essential rational of people' suggests that only the most conservative form of flexible integration would have been acceptable to him, and only on the basis of EU legislation consciously geared to drive Europe from monetary to economic to full-blown political union. It could not be otherwise. Equally, from a man who considered 'set-backs as useful', the temporal or even functional delays built into flexible integration may have been positively seen, and he would have urged legislators alike during these times, 'to build on them as an asset rather than an obstacle'.

As educators, our job is doubly tough. First, to learn it all well enough ourselves; and second, to be able to teach it back to our young European students. We have a duty of care not only to fully understand the broad thrust of the economic reforms proposed and implemented, but to explain them to students in terms of the **political possibilities**, threats, and if possible, opportunities to the EU that they present. In this way, we ensure that the *zeitgeist* of post-crisis Europe, whether pragmatic or irrepressibly optimistic, is at least well-educated! Our Commission President has charged us with precisely this goal, this day. And Monnet would have expected no less.

V.

Session 3: Societal and Cultural Aspects

Jean-Claude Thebault

Morten Løkkegaard

Alberta Sbragia

Miguel Martínez Cuadrado



Jean-Claude THEBAULT

General-Director of the European Commission's Bureau of European Policy Advisers (BEPA).

1. Today a new generation is taking on the posts of responsibility. For this generation, Europe is the starting point. It is the first generation that has known neither the war nor totalitarian regimes. It is the first generation that grew up in the framework of the European Union, which has counted in euros, that has used 'Erasmus', that has always moved around in full freedom in a Europe without borders. This is the best-ever prepared generation. However, for an important proportion of this population, it is also a generation that knows unemployment and that fears having a living standard lower than that of their parents.
2. The rise of populism and euro-scepticism which was strengthened by the crisis shows that nothing should be taken for granted: there is an urgent need to be more convincing and to show that Europe is part of the solution rather than part of the problem.
3. Despite the size of challenges ahead of us, we should not be paralysed by the difficulty. Instead, we should remain faithful to the spirit of Jean Monnet, whose strategy was always acting to transform the present and to create the conditions for a more integrated Europe.
4. Bridging the gap between citizens and the European Union is clearly one of the key priorities that we should pursue to change the current context.
5. I am therefore grateful to those who have organised this conference for deciding to include a panel to address precisely this issue.
6. This morning, we will discuss three key questions:
 - i. How do we promote 'ownership' of the European project among European people?
 - ii. What are the best ways to engage with the younger generation to develop democracy with a European component?
 - iii. European and national identities: competition or complementarity?

To introduce this discussion, we are extremely fortunate to have an excellent line up of speakers, each of whom has 15 minutes to present their remarks.

As we are in Brussels, I do not have to spend long introducing Morten Løkkegaard, who is, as you know, a Member of the European Parliament who represents the Group of the Alliance of Liberals and Democrats for Europe and is Vice-Chair of the Committee on Culture and Education, and initiator of the New Narrative for Europe project.

We will then have [Alberta Sbragia](#), Jean Monnet Chair at the University of Pittsburgh, in the USA. Professor Sbragia specialises in comparative politics with a particular focus on Western Europe and European Union politics and comparative federalism.

We will hear from [Henrik Plaschke](#), Associate Professor and Jean Monnet Professor of European Studies and Political Economy at the Aalborg University.

Last but not least, [Miguel Martinez Cuadrado](#) will close this first part of our discussion. Miguel is a jurist and historian and a Jean Monnet Professor.

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Conclusions

- It is now time to conclude after this very rich and fascinating debate.
- I do not pretend to produce a comprehensive summary of the discussion — this would be impossible to do — but I would like to underline **three points** that seem key to me as we move forward:
 1. [There is a need to strengthen our action on 'our common European culture'](#). Culture is, and always has been, the cement that binds Europe together. It is an essential part of the very foundations of our European project and

must remain firmly entrenched in our ideals if we are to succeed in achieving a more united, stronger and open Europe. We need also to remind ourselves where we are coming from in order to define more clearly where we want to go together. In 2014 we will commemorate 100 years since the outbreak of the First World War; 70 years since D-Day; but also, 30 years since European leaders agreed to create a real citizens' space, at the European Council of Fontainebleau in June 1984. As for the future, the **New Narrative for Europe initiative** now being implemented by the European Commission contributes greatly to putting culture back at the centre of our project. This reflection on the European story by artists, intellectuals and scientists can ensure that the new challenges impacting on societal values can be addressed not solely from an economic perspective but also from our common values in a globalised world. More concretely, the initiative will lead to the presentation of a **charter** about the new narrative, before the European election.

2. Second, we need to look ahead and anticipate long term changes. We are living in a rapidly and deeply changing world. European society will be profoundly influenced by these changes: tomorrow's world will be older, richer — with a doubling of the world's middle class. People will be much more educated and far more connected, notably thanks to the rise of new technologies — look at Twitter, yesterday just a start up and now a firm that earns billions and may become a giant. Our societies are being transformed by these shifts, sometimes positively — people will be empowered and have a greater ability to express their choices. But also with new challenges emerging — as we all see, innovation has still *not yet* transformed our political lives and there is a clear risk of disconnection between the people and the political elite. In particular, we need to reconnect young people with a greater 'desire' for Europe. There is no silver bullet to address these challenges linked to a changing society, but there is a necessity to anticipate and to focus on what matters, i.e. to focus on young people with initiatives that can strengthen their engagement towards Europe, to reinforce the vitality of our democratic systems,

institutions and political life. To address these challenges, we ought to look at the long term, to focus on what matters. This is the objective of the European Strategy and Policy Analysis System (ESPAS) project that aims at defining the global trends with a timeframe of 2030, and to identify the possible policy choices for the three EU institutions: the EP, the Council and the Commission.

3. Thirdly, the 2014 European Parliament elections offer an *important opportunity to promote 'ownership' of the European project among European people*. With this election, we can make a significant leap forwards to better connect the people with the European project.

- a. First, it should be the occasion of an intense debate on the future of the EU across Europe, as called by President Barroso in his last State of the Union speech. The new narrative is part of this. We should clearly use all occasions to involve stakeholders and citizens for debating in Brussels, in the Member states and in European regions.

- b. Second, we should take the opportunity of this election to increase the democratic legitimacy of the Commission. This will be the first time that the Lisbon Treaty will be fully implemented. This means that the European Parliament, representing the European people, will elect the President of the European Commission. This will be a test for Europe and our discussions show that a wide mobilisation to support this choice will be critical to give EU institutions a powerful start for this new period 2014–2019.

- c. Third, once in office, the future President of the Commission will, of course, present a political programme to the European Parliament. This political programme will be key as it will set out the priorities for the next five years, from now to almost 2020. This will be an important moment to connect EU priorities with the aspirations of European citizens with specific attention on young people.

- Let me conclude by thanking you all for your contributions during this debate. Your genuine European commitment will be

a source of inspiration to many all over Europe and throughout the world.

- I will give the final word to Jean Monnet, who keeps on inspiring many of us both with his ideas and how these can be translated into concrete actions. In a speech delivered in Washington in 1952 at the National Press Club, he underlined the fundamental objective of the European integration '*Notre époque exige que nous unissions les Européens et que nous ne les maintenions pas séparés. Nous ne coalisons pas les États, nous unissons des hommes.*'
- This is precisely what we still aim at, and our discussion today was extremely useful in charting the way ahead for this challenging, but essential, endeavour.

Thank you very much for inviting me to share a few thoughts about an issue which is dear to my heart. Actually, it is the very reason why I stepped into politics. I worked for 25 years as a journalist in the Danish political press and learned a little about the European projects by doing that. Of course, like anyone else, I sort of drifted into a kind of depression when thinking of the perspectives and looking at euroscepticism growing everywhere. So, at one point I said to myself: well, you can't just complain, you have to get into the fight and do whatever you can. And that is why I joined a political party in 2009 and ran for elections. So this subject we are discussing today is a very key subject for me as a politician, so far, and of course I am also involved in many other things; you tend to do that when you get to Brussels, but anyway this is really an issue dear to my heart.

One of the first questions that I asked myself when starting this political journey five years ago was: 'What does the European project need in order to be a success?' And the answer was quite clear actually. Europe needs Europeans. It doesn't seem that we have this at the moment, so we need Europeans in order to succeed. We have Europe but we don't have any Europeans. Since we are 28 nationalities participating in this club, the natural follow up question to this was for me: 'What does it take not only to call yourself European, but actually feel like a European? For me this is a key question, 'What does it take to feel European in your heart?' Because if you don't bring your heart into this, you can forget it. And this is indeed the problem all over Europe at the moment.

Well, among other things, because this is of course not the only answer to this, but among other things, I think you need a narrative, a sense of purpose, a sense of European identity. This is much about identity I think, and I hope we can discuss it further today. Although I know it is a kind of fluffy 'identity', but anyway, I hope that we can discuss this.



Morten LØKKEGAARD

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Someone might say: 'Ok, but the EU already has a narrative' — a pretty good one — I would say. The old narrative, 'Peace through trade.' Actually it's so good that it was awarded the Nobel Prize last December. So, I guess, it at last got what it deserved. So, we still have this narrative and it's still pretty good. What we need of course is to rise up, to renew this great narrative, to create the 21st century version of this history. Why do that? I think because (the Chairman has already mentioned this in his introduction) now we are dealing with a lot of new generations, one could say from 18 to 40–45–50 years old who actually are not emotionally involved in this old narrative, this 'peace through trade' narrative. So we need to give these people, these generations, a version 2.0, a 21st century version of this narrative to build on the old one. And I think the economic crisis has accelerated this need, not only to create jobs and prosperity by working more closely together. Of course, we can all agree on that at this meeting, but also to legitimise the solution, a more integrated Europe, a Europe that takes care of its citizens and makes sense to its citizens. And I think we can't talk about creating jobs and prosperity without talking about a more founding, a more fundamental, sense to its citizens. This calls for a new narrative or a version 2.0. At some point along the road I found out, being a Member of Parliament I found out, that this also calls for another kind of people, other than politicians and bureaucrats, (sorry to say, and a bit unfortunate for me to reach that conclusion), but anyway we need another kind of people to introduce and to bring this narrative to the people. So, all of us from academia, from bureaucracy, from politics, we need to get some allies in this work.

My four years in European Parliament have taught me that very few politicians have the time or indeed the will to go into this, but I am truly an optimist, so better late than never. Fortunately, a solid majority in the Culture Committee, and later on in the Budget Committee backed the idea that I am going to talk a little bit about now, which came up as I ran for elections in 2009, namely to create a group of people from culture, from the cultural environment to sit together for 6, 8, 10, 12 months to work on a narrative. The idea is very simple. I think that cultural people have to speak up. I think that they missed great opportunities along the way to speak up and to give their point of view, to give their version of Europe, there has been silence all over the place, for many years now, I think.

Fortunately, it seems that Mr Barroso has had the same great idea for many years and few weeks after we got a small budget line on this, I was called by Mr Barroso's office and asked if we could work together on this and of course, I said yes immediately, since it was a very good idea. I think there is another point to this: in order to make this project a success, you need two things. You need what we call a bottom-up approach. A lot of projects like this have failed because we had maybe four or five pages of texts and then what? How to actually develop this into movement? These projects have failed so far, so how to get this bottom-up approach? And a bottom-up effect is of course the key.

On top of that, we also need to have, what I suggest we call a top-down approach. And what is that? That is to realise that this will not work without the attention of the very top level in politics. We can see that almost every time we have a political summit here in Brussels, we have the heads of state together and they do not talk about this. They have not been talking about this for years. Of course, they have been concerned about saving the euro and a lot of other important things, so either they did not have the time or the will to talk about this, because they did not feel that it was important enough. I think this has changed now. And in order to be able to develop this project you need the attention of the top level. And this is where Mr Barroso has already contributed very, very much to this. Because we have not only had this group working together for a few months, we also had what we call assemblies, plans. We have already been in Warsaw in July, it will also be to the attention of Mr Tusk and we will be in Milan in December and of course Mr Letta will be there also and we, will hopefully be, and this is already planned, in Berlin in March, maybe also in Davos, I do not know, well this has actually been planned so far.

But anyway, there are a lot of good opportunities for the leaders of this Union to come together and discuss this. How far is this group, by now? They have been working for three or four months. I think they are about 18 or 20 people from all over the Union, from very different areas of culture. Of course, you can imagine bringing so many distinguished people together, that is a lot of discussion, and that is exactly what it is all about.

One of the things I have concluded so far as an observer (I am not participating as a member, but out of curiosity, I am always there at the meetings) is that we are not talking about one narrative. One of the conclusions that we have to make on this, is that there are a lot of narratives for Europe, because that is exactly what is the trademark, so to speak, of Europe, that we have a lot of narratives, and that is maybe one of the conclusions which I would like to discuss with you today, that we need a lot of narratives. One other conclusion I would give to you already, on my own behalf of course, is that maybe, the end result, the charter or the manifesto, or whatever you would like to call it, is not as important as I thought from the start. The important thing, as I realised after these meetings is the process. We are actually dealing with the process, which is very fruitful and hopefully will be the start of a European movement. A lot of good forces are working together, which is also new: a lot of cultural organisations, a lot of academia, a lot of people from the educational sector, the Parliament and the Commission (this is also historical) working together on this. We actually have a commitment from a lot of people to work together and to actually bring this to be much more than just a piece of paper.

I guess, Chairman, that is all I would like to say as an introduction, and hopefully we are going to discuss this later on.

The question of how to bridge the gap between the European Union institutions and the ordinary citizen has been a leading question ever since I became interested in the European Union two decades ago. How to create a European identity? How to make the European Union relevant and attractive to the younger generation? How to think about democracy in a very diverse union in which the democratic traditions range from extremely new to comparatively old? Such questions have been asked in times of prosperity as well of economic challenge. Clearly, however, they are far more acute in times of economic crisis.

Both the malaise and the achievements of the European Union have taken place within a framework in which national identities are still very prominent. They have not significantly eroded. Both challenges and accomplishments exist within a political and cultural context in which national institutions continue to have a very significant claim on the loyalty of national citizens. The Europeans who visit me in Pittsburgh never introduce themselves as an EU citizen even though they are typically EU scholars; rather they say I am a Dane, or French, or Estonian, or Bulgarian.

Yet, the European Union now has influence over many policy areas which even twenty years ago would have been unimaginable. It is remarkable to have institutions as powerful as the European Parliament, European Council, the European Commission, the European Court of Justice and the European Central Bank in an entity which is not a nation-state. Further, the EU does not contain the bonds of a truly common cultural heritage, common language, common religion or a common geopolitical experience — and that too is quite remarkable.

Thus, much has been accomplished within a framework in which national identities have not significantly eroded. In a similar vein,



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much has been accomplished within a political and cultural context in which national institutions and symbols still have a very significant claim on the loyalty of national citizens.

From my point of view, it is logical for citizens to blame the EU for the misfortunes which have struck many European countries. After all, in the US, many blame the federal government for the severe recession which we have experienced. It is natural. Blame after a severe economic crisis is normal — it is to be expected.

It is especially logical for younger citizens to blame the EU. To experience austerity if you have a job is quite different from experiencing austerity when one is seeking a job. To put it bluntly and simply: Young people desperately trying to find a stable job reasonably blame the EU's austerity for their unemployment.

The EU has not progressed in the way which many expected; the financial crisis of 2007–08 upended a whole series of expectations and unarticulated dreams of a prosperous future. For many young people in particular, the employment situation is threatening to a basic sense of order and predictability.

The crisis also illuminated a divide within the EU which until then had been camouflaged or at least not starkly exposed. The old North–South differences within Europe with which my generation was so familiar have returned. At a more general level, the crisis also exposed the difficulties that many advanced industrial economies now face in a very different global economy from that of even ten years ago.

Let's first deal with the sense of order and predictability. The financial crisis was so deep and so unexpected by key actors in the world of finance that it is difficult to reconstruct that frame of mind at this point in time. But it was so unexpected that Alan Greenspan, the Chairman of the US Federal Reserve during the financial crisis, in a recent long interview in the Financial Times admits that September 2008 was a turning point; in his words, 'the whole period upset my view of how the world worked — the models failed at a time when we needed them most... and the failure was uniform. There is something about human nature which is not rational.'

That sense of a lack of order and rationality has affected youth primarily in Southern Europe. Rather than the tale of two cities, we are seeing the tale of two Europes. The youth who are most affected are not in Sweden or in Germany or in the Netherlands.

Those who have been most affected by the financial crisis are those in Southern Europe. Those who are most affected include my Italian cousin's children. The euro zone crisis has seriously affected their chances of making a decent living for they had just entered university when the crisis hit Italy. The fact that Spain has finally returned to growth after a recession that lasted more than two years does not mitigate its very high youth unemployment.

Countries in and out of the euro zone which were not heavily indebted in relation to their Gross Domestic Product and their underlying economic structure managed the worldwide financial crisis relatively well. Those which were indebted did not. It was not the bubble itself that was the crucial catalyst for the severe recession. It was the debt underlying the bubble. As Alan Greenspan has admitted he has learned, bubbles funded by debt are quite different from bubbles which are not funded by debt.

In the spring 2013 Eurbarometer surveys, we see that the free movement of people, goods and services within the EU and peace amongst the EU Member States are the characteristics that are seen as the most positive aspects of the EU. However, in 24 EU Member States absolute majorities think that their opinion does not count — the percentages are particularly high in the countries experiencing fiscal crisis.

On the economic front, three quarters or more of Swedes, Germans and Luxembourgers in the spring of 2013 felt that their country was doing well. By contrast, however, less than 10 % of respondents in Greece, Spain, Slovenia, Portugal, Bulgaria, Cyprus, Romania, Ireland, Italy and France thought that their country was doing well.

The gap between Sweden and Spain is 79 % when it comes to views of the national economic situation. Interestingly only in Germany is government debt the major worry for Eurobarometer respondents.

Whereas 50 % of respondents outside the euro area feel that the 'EU is going in the right direction', only 37 % of euro-area respondents agree. 55 % of respondents in Germany and Denmark, 54 % in Sweden, and 53 % in Finland felt that they can make long-term plans. By contrast, 68 % of Greeks, 61 % of Portuguese and 54 % of Spaniards feel they are personally suffering from the crisis; they are living 'day to day'.

The Eurobarometer data confirm what one reads in the newspapers. What to do in those countries hardest hit by the Euro-crisis? How to begin restoring confidence in the European project?

The European project must be sold to Europeans not by 'Europeans' but by each country's politicians and political institutions. In particular, national political parties can be crucial in this effort. Political parties are the key *political link* between Brussels and national constituencies.

Here I am not thinking of political parties as vote-gathering organisations. I am thinking of them as organisations which have information about the EU that is not widely known in their own country. In a sense they have the potential to be the rough equivalent of educational institutions addressing national audiences.

In that sense, political parties can educate their voters about the EU, what it is trying to do, and the opportunities which a specific country enjoys because of its membership. I am *not* referring primarily to meetings between national parliamentarians and their European Parliament counterparts

I am referring to European parliamentarians talking to their own party members and their own constituents in their home countries. European parliamentarians must explain and defend the European project to the ordinary voter rather than simply focusing on their own partisan interests.

Many constituencies in countries undergoing very difficult times are more likely to listen to their own leaders — no matter how much they may dislike them — than to foreigners. National parties must make the argument about why Europe matters; they must sell

Europe to the population. They are the organisations which have roots in national political systems and simultaneously belong to the European Parliament.

European Parliamentarians must strategically collaborate with their national and local counterparts to make the case for Europe. The tussle for power among the institutions in Brussels has very little resonance in national political contexts. This is especially true for youth, but it is also true more generally.

If European parliamentarians care about the European project, they must make the case for Europe in their home country. They must pay attention to their national and local constituency, to their electorate at home. They are the crucial messengers. In this effort, they must address as many types of constituents as they possibly can.

Political parties are essential for democratic life; they are the conduits by which information can be transmitted. Of course, they are imperfect, very imperfect in fact. But I do think they are the most important *available* institution.

In this context, we must view parties not as vote-gathering organisations but as organisations which can inform. They can teach the citizens with whom they interact. Parties must see themselves as educators about Europe.

I repeat — political parties must see themselves as educators about Europe. The young must be identified as one of their key audiences.

A European identity is much easier to accept when Europe is doing well. It is much more ephemeral when Europe is viewed as either drowning in debt or as the task-master imposing austerity.

The policy accomplishments which I have spent my career studying are at risk because of this crisis. The evolving European identities which I personally have witnessed in my Italian cousins' children are at risk. The case must be made for Europe to each national population by co-nationals — it is for that reason I emphasise the role of political parties.

Political parties speak the national language and understand national metaphors and national historical references — whatever their faults, political parties as institutions know the language of Brussels and the language of their citizens. In a sense, political parties are multilingual.

It is that kind of multilingualism that is needed. It is that multilingualism that hopefully can strengthen European identity. It is that multilingualism which perhaps can encourage Europeans not to abandon that which their forefathers and foremothers constructed with so much effort and angst. Political parties, able to speak the language of Brussels and of the nation-state, may be the best educators we can find.

I. Increasing Awareness of the Imperative of a Unified Europe

Phases in the construction of the Community in the period 1945–2014

The devastated Europe of the end of the Second World War, with thinkers belonging to several movements of defence of the human condition and human rights — trampled more or less everywhere since the outbreak of World War I — tries to go back and return to the national traditions with in-depth reforms of the Constitutions of the liberal and democratic past, with the participation of political parties and leaders forged or issued from the totalitarian regimes of the past or the menace of others that were still well present among the winners of the war.

The UK, the Nordic countries, France and Italy returned to the regimes of parliamentary democracy, with new parties and leaders. Until 1948 there were three years of long-winded debates during which, under the ashes of the war, they were forced to recognise that the reconstruction of ‘fragments of State’ in each national society required not only the help of the powerful American ally but also an inter-state solidarity radically different from the failed attempts in inter-war Europe.

The prospects of supranational unions only appeared on the horizon through the speeches of non-conformists like Churchill and Madariaga, the federalists of progressive thought who preached a new Europe of federated States, ready to stop the Soviet threat and internal totalitarian parties.

The tension between the American and Soviet victors prevailed in the years 1947–48, when more than a thousand Europeans from



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all corners of Europe, and from all walks of non-totalitarian democratic forces, laid the foundations for a new vision of the future of Europe.

The Council of Europe, whose birth was accomplished through the Treaty of London of 1949, and the foundations for the construction of a Europe united by economic ties and institutions apparently from the field of international law, but already in the orbit of a new system of semi-constitutional structure, the Treaties, was followed by the ECSC in 1951. In 1949 an enhanced transnational cooperation in university education, the College of Europe was also launched, proposed by Salvador de Madariaga, as well as networks of institutes of European studies under the first model of Geneva, under the leadership of Denis de Rougemont. The protection of Human Rights was reached between 1948 with UN declaration, and 1951, with the European Convention of Rights of 1950 and the launch of the European Court of Justice in Strasbourg since 1951, chaired by René Cassin Salomon.

With the Marshall Plan and the Atlantic Alliance Treaty of Defence a new Europe was shaped for a long period between 1949 and 1973–75. (The ‘Thirty Glorious’ years of sustained economic growth.) The first six Signatory states of the Treaty of Paris of 1952, the European Coal and Steel, constituted an *avant garde* of reconciliation among Europeans, capable at the same time of putting in place a system of highly original government: ‘The common market.’ It was a system that combined the rules of International Law and Constitutional Law, with a mission, ‘We are a Union of States and more than that, we create a Union of Citizens’ according to the celebrated formula of Jean Monnet’.

Between 1951 and 1973 the European Communities, with the signature of the Treaties of Rome in 1956, as well as continuous economic growth and a level of development previously unknown, gave Europeans, through a series of common policies, a high level of welfare. These factors gave birth to a sentiment of recognition and legitimation, that expanded through the citizens, to the point where a sense of identity and defence of the system developed. This defence of the idea of community and its fruits will hold even against other adversaries that also came from popular suffrage.

For example, General De Gaulle, in spite of his initial hostility, finally accepted the popular will that was favourable to the Common Market. The British would finally vote for staying in the Community in the referendum held in 1975, in spite of the reservations of their Prime Minister Wilson.

During the oil crisis of the seventies, a part of the public opinion, critical of governments and the Commission, started the controversies. The first declarations of 'euroscepticism' and of a 'democratic deficit' were then made, given the fact that the composition of Commission was not the result of an election and common policies were incapable of preventing and giving an effective response to the oil crisis.

The response of the Community was to create successively the European Council of Heads of State and Government in 1975 and the adoption of the Act of 1976 introducing the election through universal suffrage of Members of the European Parliament.

Again, after the fall of Soviet regimes, the 1990s and the adoption of the euro, some minorities within the Union held permanent guerrilla warfare against the legal *acquis* of the Community and the common Institutions and policies. At the same time, the Federal Reserve of the United States under Greenspan, relaunched, in 2001, the monetary 'bubble', the ultimate basis of the later economic crisis.

The last crisis, from 2007 to 2013, combined several layers of accusations: The Union is increasingly badly governed, the old attraction of intergovernmental government has become pervasive, the pre-eminence of a State or a small group of States in the action of the Community, with a parallelism of 'de-institutionalisation' and the weakening of the defence of the common interest, formerly defended by the Commission, its President and the Court of Justice and its refounding jurisprudence.

In consequence, the Union was not capable of keeping its pacts any more — especially France and Germany — and fix the goals of the majority of people and States. The governance became a more particular matter of the domination of several overpowering States

deviating from the common interest. The public opinion took note of this evolution and became more or less complicit in this type of discourse.

From the outside, the Union has received the usual criticism since the birth of the euro and of the Economic and Monetary Union: From the city and the British media. The Union, its Parliament, and its European Council are frequently accused of being 'sleepwalkers', 'A euro disaster waiting to happen', 'non-stop inaction', 'in the euro zone, desperately in need of a boost, no news is bad news' (Cf. *The Economist*, May 2013). More recently, a commentator of the *Financial Times* (Martin Wolf), accused a 'heavy' Federal Republic of mostly all the ills of the euro zone: 'A surplus country equates a protectionist policy: It exacerbates the world economic weakness. The countries stricken by the crisis are forced to accept a pure and simple deflation, which inevitably leads to a very high level of unemployment, and increases the real burden of their debt.' During the crisis, especially in the hard days between May 2010 and 2012, the prevailing opinion in financial markets, and even in some governmental circles, expected a cracking of the Union, of the euro and of several Member States, held in a merciless cure of austerity and a very long period of controls by the 'Troika' of the Commission, the ECB and the IMF.

Some authors, knowledgeable of the Union, like Georges Corm, in its book *Europe and the myth of the West* (Brussels, 2012) see Europe as a purely 'dogmatic and mythological' universe, 'that still bears an impoverished and narcissistic view of the role of Europe and the West'.

It is true that since 2010, with the Greek, Irish, Portuguese, Italian and Spanish crises, leaders of the Union have become aware of the imperative of strengthening the Union, even this has been accomplished with several steps back before taking a step forward. We can enumerate a succession of events: At Deauville, the duo Sarkozy-Merkel was a negative meeting for integration. The reaction of Trichet, president of the ECB, was to demand the creation of a common Treasury for the Union. The foundations for a Banking Union were agreed in the European Council of June 2012. The statements of Draghi in August 2012 of 'whatever it takes' reduced

the tensions in the sovereign debt markets. The waltzes of confidence-mistrust between the Union and the Markets have had the result of a significant retreat of citizens and growth and the growth of a critical sentiment, sometimes extremely critical, of the way of directing the affairs of the Community. This period between March 2010 and December 2012 is among the least successful periods of the long history of European integration.

II. Birth and the Progressive Confirmations of the European Demos

The permanent dialogues of democracy in Europe:

Electors — Elected; Government — Opposition;

Majorities — Minorities

Under the chairmanship of Giscard d'Estaing in France and Chancellor Schmidt in the Federal Republic of Germany, two reforms were agreed to reaffirm the democratic will, representative and direction in the institutions: in 1974–75 the creation of the European Council of Heads of State and Government on one hand, and the launch of a process of transformation of the Assembly of Parliamentarians, issued from parliamentary delegations. The Act of 1976, stating the Election by direct universal suffrage of the voters of Member States, led to the first direct elections in 1979.

The Assembly of Parliamentarians became, in the Maastricht Treaty, the European Parliament, with real competences and traits characteristic of a Parliamentary Democracy: The Election of the President of the Commission, motions of censure, the power of legislative co-decision with the Council, were a means to hold and deepen the dialogue with the elected.

The Council represented the capitals, the Parliament initially the 'peoples of the States', and thereafter the citizens of the States. It is a substantial leap forward, the 'big bang' of the birth of a European people, above the peoples of Europe.

The European elections held between 1979 and 1999, with a voter turnout above 51 %, followed a descending path. The community fire gained big momentum at the time of the presence in the EC of

leaders Kohl, Mitterrand, Felipe González, and the Presidency of the Commission of Jacques Delors, in 1981–96. From 1999 on, with the IV Parliament the decline in popular interest was reflected in the voter turnout, below 50 %.

Politologists proclaim a progressive abandonment of the European elections due to the primacy of national interests. In appearance, the European elections are considered second-rate elections, relative to national legislative elections and even to the elections of local powers.

However, the comparison of participation rates (voter turnouts) of European Elections with the most followed North American presidential elections shows that Europe holds on its own, given the fact that half of American voters don't go to the polls, as do the average of voters in European Elections. This phenomenon shows in fact the confirmation of two cores in the European electoral body. The first core, the most numerous, around two thirds, constant in its support to the big pro-European parties, is the very foundation of the 'European demos'. The remaining third feeds the vote of anti-establishment parties, variable currents of small or medium-sized parties and critical voters contrary to the common market, European Communities, EU, or the euro, variable according to national modalities and the precise conjunctures of community institutions.

Since the crisis another phenomenon, observed by politologists, shows a substantial change in the behaviour of voters. The classic 'class' vote is progressively substituted by other more immediate motivations. The 'privative vote' is manifested by an increasing number of voters that consider the immediate reality for the vote: Salary conditions, demographic generation, religion and neighbourhood.

In the European Elections of 2014 we will have to follow this new type of behaviour to better understand the rise in the sentiment of identity of refusal of the Demos of the European People. In the poll surveys of young Spaniards of 16–35 years old, undertaken by Metroscopia in June 2013, a majority of those young people identify themselves with, and defend as an achievement, the fact of belonging to the Union.

III. The Federative Momentum in the Relations Between the Union and the Member States. The Royal Way of European Identity

In the construction of the community the founders of the 1950s have created a formidable mixture between the evolutionary elements of International Law and the transformations of Public Law and Constitutional Law since the revolutions of the 18th and 19th centuries. International Law, regulated through Treaties, demanded from the States-parties a mandate of mandatory implementation of their content signed and ratified by the states. European History is marked by the great Treaties of Westphalia-Pyrenees 1648–59; Utrecht 1713; Vienna 1815; Versailles 1918–19, until the Conference of San Francisco in 1945 and the Treaty of the United Nations. As long as the Treaties remain in force, the principle of primacy of International Law and *pacta sunt servanda* has to be applied by the States-parties.

The evolution of Public Law and Constitutional Law, characteristic of Nation States, is increasingly regulated by normative Constitutions and applied following the principle of Supremacy of Constitutional Law and the rule of normative hierarchy, applied by public powers, judges and citizens.

The Community Law that emerged from the ECSC Treaty of Paris in 1952 combines the two sources of the law and creates the original mixed system regulating the relations between the four powers, true pillars of the legal architecture of the Union: Member States, local powers and regional communities or Regions, Federal States, organs and power of the European Union.

The division of competences, regulated by the Treaties, and by the jurisprudence of the Court of Justice, is at the same time admired by other more classical legal systems and a source of permanent conflict because the principle of subsidiarity intervenes every time the judges of Luxembourg must rule over the demands of the parties in conflicts of competences.

However, the community's legal system is at the same time a system in permanent evolution and a result of the indetermination of

norms in force because the system is insufficiently defined in all its contours and susceptible to interpretation in the last stage by the Court of Justice.

Locke, at the beginning of the 18th century, in a book on government and the division of powers in England, counted two, legislative and executive, and invoked a rather nebulous third, the 'Commonwealth', a federative power capable of extending and arbitrating the natural conflicts of the political way between Parliament, ministers and other instances of the organisation of local powers.

The community system does not fit within the traditional typology of States. Rather, the true originality of the system stems from the federalist ideology of the European movements active between 1945–48 that push the parties and their leaders towards a true Federation of United States of Europe. The functionalist version of the Union of small steps, initiated by Schuman-Monnet-Adenauer-Hallstein in 1950, was a transitional solution to end up in a true Political Union. Therein lies the concept that we still consider valid for that period of Federative Union, as long as Member States or a leading group take the decision to end up in a Federation of United States of Europe, the finalist formula of Jean Monnet, adopted by Jacques Delors when he abandoned the presidency of the Commission.

The relative paralysis of the Council to reach agreements among the 28, or among the 17–18 of the euro zone, has been severely shaken by the 'earthquake' of the great crisis of the seven-year term 2007–14. Europe has to find a true royal way to achieve the construction of the community through a federal architecture that keeps the four pillars in a system of balanced government with, furthermore, the definitive abolition of unanimity of Member States to decide the substantial affairs of legislative power. The responsibility of reaching that goal lies in any case in the programmes of national and European political parties, legalised as such in the Treaty of Maastricht of 1992.

Nevertheless, citizens, through associations, keep a right of non-negligible right of mobilisation. In spite of the complexity of European government, an effort of synthesis would be both an institutional task to improve the knowledge and simplify the jargon of

Brussels, and a mission and goal of the associations of intermediation and or training. (A demand reiterated by the Italian president Letta in his State of the Union speech in October 2013.)

After several decades of hesitations to arrive at this finalist goal, the Union finds itself in existential doubt. 'To be', by becoming a real power among the powers of the 21st century. Or 'not to be', in the path of small nations that fill the world, always threatened by external dangers and internal conflicts.

IV. The *Septennat* of the Crisis (2007–14) and the Specificity of the Great Recession. the Popular Consciousness of Crisis: Euroscepticism and Europessimism

1. Recall of the origins and the way out of the crises of the seventies and the nineties
2. Impact on the transformations of the Community system
3. The divides of the EU-28 euro zone, North-South, intervened countries and non-intervened. Rich regions-poor regions
4. The expansion of europessimism and the revision of the functioning of the institutional architecture. The May 2010 dividing line.

From the times of the Common Market until the existential crisis of 2007–14, the Union has continually confronted challenges and enemies of exceptional dimension. She has managed to survive both. And the new roads open a constant rise of new fields of work for an integration ever more advanced. 'More Europe', the motto of the nineties, has allowed European parties to achieve better results in each electoral consultation. This motto is less complex than the one that guided the European fora since the beginning: 'Complete, Deepen, Enlarge' was the compass of leaders until the Treaty of Nice was signed in 2000. Completing the Internal Market, enlarging the common policies with a common foreign policy. Enlarging to other countries the membership of the Community System, particularly since the fall of the Soviet system.

The crisis of 2007–14 has become the wall to rebuild the foundations of the European construction. Firstly because the crisis has

been systemic, a crisis of Europe and a world crisis. The immediate causes and the deep origins of the crisis are at the same time financial, economic, political and finally an unexpected social crisis of a dimension sometimes close to the tensions of the immediate aftermath of the Second World War. (Cf. The bibliographical selection and the decryption of the publications of the Madrid University.)

The convulsions created have touched the institutions of the community and forced Member States to act in an exceptional and durable way on their budgets, their legislative commitments, and the action of the community. The *de facto* revision of the functioning of the governance of the community has aggravated the national internal crises and the hypercritical positions between states, governments and accountable politicians at all levels. Europe, at several speeds, has almost consolidated. The British hold a battle threatening to exit the Union, by separating themselves from the popular group at the European Parliament and promising to hold a referendum to leave the EU. Other divides appear: the euro zone and the Union. 17–18 States have chosen the common monetary system as their currency, as well as a project of banking, fiscal and, if necessary, political Union.

Within the euro zone the positions are increasingly tense between the Nordics, a hard core of austerity for the others, and Southerners, deeply trapped in the crisis and other serfdoms like the crisis of States and the threat of exiting the euro zone. Profiting from a critical situation, some territories and regions integrated within States, push for a disintegration that would finally end in two hundred States and the explosion of the Euro, the EMU and the Union. The eurosceptical camp is expanding and develops a minority menace to explode the whole Community edifice in the elections for the European Parliament in 2014. This strange menace manages to ally the Northern eurosceptics to the Southern populists. Here lies a scenario unthinkable before the crisis: the hyperactive minorities unite for the demolition of the great European construction and return to the infernal illnesses of the Europe of nations that destroyed Europe one hundred years ago: Since the 1914 War, whose centenary the historians remind us was the beginning of European destruction between that year and 1945. A new 'Thirty Years War'. Above all a war among nations of Europe.

Confronted with this new 'rise of dangers', the May 2014 date, calling the Eighth European Parliament, will be a moment of truth for Europeans.

V. From 'Unfinished Europe' to 'Vertebrated Europe'

1. The transformation of the role of European political parties
2. The development of a stronger intermediary associative system

A vertebration of Europe might mean the true birth of a proper Federal State with all the elements of this system of government, well studied by jurists, historians and politologists.

Are Europeans for it?

The question is regularly asked by sociologists in the private surveys of public opinion. The Eurobarometer poll surveys, indirectly, allow us to envisage this internal field of thought of European citizens.

The electoral body is almost four hundred million people, for the elections of the European Parliament, of which a little less than half contemplate to participate with a voting ballot according to the procedures of Member States.

The number of registered political parties varies according to the national traditions and the type of scrutiny, national or territorial. Several thousands of political parties are registered in the bureaus of each electoral administration. Nonetheless, the number of European parties and the families that compete, with the dominant ideologies on the European scene since 1945–48 is rather restricted. Liberals, socialists, populars are the three classical parties that have gathered, since 1979, more than two thirds of the seats, control the issuance of rules and the co-legislative process with the European Council.

Greens, European Left, Extreme Right and Extreme Left, practically excluded by voters from effective power as minorities with more or less presence in the media, complete the lists of seven Parliaments until 2014.

The novelties for the Eighth European Parliament: The EP has to vote for the next President of the Commission. A head of list or a former prime minister or head of state. The German Chancellor maintains that the choice for the European Parliament must be made on the basis of a candidate to be presented by the Council.

The forecasts of the polling institutes and the mobilisation of anti-establishment parties allow us to foresee a rise in voter turnout, that could entail a parallel mobilisation of government parties. More absolute participation and relative participation of political parties.

The electoral results would give a jolt and a moment of truth: Either relative continuity with the past, or a push towards uncharted territory, without discarding an ungovernable fragmentation of the 'old parties'.

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VI.

Closing Session

Fausto de Quadros

Xavier Prats Monné

Guillaume Klossa

Othmar Karas

Xavier Prats Monné



Fausto de QUADROS

Professor of European Law and the Faculty of Law of the University of Lisbon, Director of the Jean Monnet Centre of Excellence of the University of Lisbon and Jean Monnet Chair in Constitutional and Administrative Law at the same centre.

First of all, I would like to extend my compliments to Mr Prats Monné and to my distinguish colleagues of this panel. And I would like also to congratulate the DG Education and Culture, and Harald Hartung and Leonor Wiesner of the Unit C4, for the excellent organisation of this Conference.

I would like to associate myself with the gratitude expressed by Professor Papisca to Mrs Lastenouse. Jacqueline Lastenouse is here with us. She was the founding-mother of the Jean Monnet Action. As a Jean Monnet Professor I want to address to Mrs Lastenouse my warm respect and my deep gratitude for all she did for us. Also to Mr Luciano Di Fonzo I express my gratitude for its remarkable contribution to the progress of the Jean Monnet Action.

The economic and financial crisis that the European Union is facing is, as it has correctly come to be understood, the most serious crisis in the history of

European integration. This time it is not only that one or two States do not wish or are unable to ratify a Treaty, as happened for example after the French and Dutch referenda on the Constitutional Treaty. No, this time the Member States and the European citizens have seen the entire Monetary Union at risk of collapse, they have reached the conclusion that Economic Union is far from being achieved and that Political Union is still a distant dream. Given this situation, our first reaction should be one of humility in recognising that, despite all the progress that European integration has made over these sixty years, there is still a lot to do to satisfy the wishes of the Founding Fathers of the integration, and of all of us, in order to have a united Europe which is shaped around the values that have always been part of the civilisational heritage of the European Union and which are today set out in the Treaties. We must, therefore, change our behaviour and change it quickly.

Europe needs to awaken quickly from this crisis. The crisis has exposed the vulnerabilities within many States but it has also revealed Europe's inadequacy, bashfulness and, sometimes, lack of accuracy in adopting appropriate measures to come out of this crisis. It has been shown that the Union was not ready to share a common currency, although, in all truthfulness, it must be said that the crisis is not only a crisis of the euro but also, and perhaps even more so, an internal crisis of the States which has repercussions in the euro zone. And it has been shown that, in the face of such a deep crisis, Europe is not capable of acting in a concerted manner. Economic and monetary integration is not compatible with intergovernmental economic and fiscal policies or with unilateral attitudes of certain Member States as to how to come out of the crisis. When they agreed to be bound by the European Budgetary Treaty, the States committed themselves to putting their public finances in order and achieving a balanced budget, which requires the greater supervisory powers of the Commission and the European Central Bank. For their part, the European institutions, before reforming themselves, need to help the States to make the necessary reforms within them, above all in their economic and financial sectors. As was decided in the European Council of October 2012 and later developed in the 'speech of the four Presidents' (van Rompuy, Barroso, Juncker and Draghi), there is an urgent need to conclude the Union's integrated financial network, by delivering the Banking union, the Single Supervisory Mechanism and the Single Resolution Mechanism. But we cannot forget that democratic legitimacy and accountability are essential to a genuine Economic and Monetary Union. In order to create that integrated financial network it is essential to advance with political integration, it is necessary to deepen the Political Union. There is an urgent need for a strong political commitment from the institutions of the Union, from the Member States and from the economic and social partners towards deepening the Political Union. It has been proven that without more Political Union, the European Union, including Economic and Monetary Union, is at risk of regressing.

Yet, contrary to what is sometimes thought, the deepening of Political Union should not begin by giving greater power to the institutions and by strengthening their supranational power. Before this, we need to create a new political environment within the Union. That

political environment is based on the following requirements. First requirement, realism: all of us need to be realistic in recognising that Economic Union and Political Integration are a long way behind Monetary Union and that if they do not advance, Monetary Union is at risk of definitive failure. In order for the current economic and financial crisis to be definitively eradicated and for it to cease endangering the European social model, as it is currently endangering it, it is urgent that we advance in the Economic Union and progress in the Political Union. Second requirement, confidence: all of us must be firmly determined to quickly solve the current crisis in order to quickly restore confidence to the economic and social operators and to the citizens in general. In order to achieve this climate of renewed confidence there needs to be a broad consensus among the European institutions, the political powers and the economic and social partners. Confidence is the key for the economy and for the entire policy of growth that the Union has to undertake to beat the crisis. Without confidence there is no investment, and without investment there is no growth. And, above all, without investment in education, in research and in innovation, as was demonstrated at the Jean Monnet Conference, just like this one, which was held here last year. Third requirement, *equality of the States*: the Union must respect the principle of equality of the States. All of the States involved in this European project are important and all of them are equally important; there are no States in the Union that are more important than others. This is how Article 4(2) of the Treaty of the European Union should be read, after Lisbon. Fourth requirement, *solidarity*: it should be remembered that European integration began in the 1950s as a project of solidarity and that solidarity between the States is the keyword for the European construction, all the more so when it has become a vast, heterogeneous Union of 28 States. This crisis has demonstrated that solidarity and interdependence among the States and the European peoples is more necessary than ever. No State, however big it might be, can spare that solidarity. It would be a serious set-back for the Union if we now returned to intergovernmental methods and formulas to solve disputes and disagreements among the Member States. Only if we act together within the Union will we be able to save our social model, ensure security and stability in Europe, defend democracy and the Rule of Law, protect our interests in the international community and help our companies to compete at the global level. And fifth requirement, *fundamental rights*: the Union may not waste the set

of fundamental rights which are the Community's best symbol of the values for which it has evolved, especially with the Lisbon Treaty and the Charter of Fundamental Rights. The assertion of European Integration as a political and cultural project is an advantage which distinguishes our project from all other similar projects on the political world stage. When we, rightly, say that the European project is, first and foremost, a political and cultural project, and not merely a trade project, we mean that, for the Union, at the heart of the Economy is the Human Being and not the markets or rating agencies, especially when we know that the markets and the rating agencies often act without rules and according to the law of the jungle. In its current state of integration, the European project cannot only be regarded as merely a trade project. We have to return to Churchill's formula, which I will remind you of: we unite people, not states. Therefore, requiring States, in order to solve the crisis, to adopt austerity measures which disproportionately harm basic social rights and, namely, which ignore the minimum ethics of survival for the Human Being, is an attack on the values which underpin the Union and, specifically, breaks with the European social model. The values which underpin the Union, and which are now set out in Article 2 of the Treaty of the European Union, are non-negotiable. The crisis cannot be overcome simply with austerity; it will be overcome with sustained growth. In other words, we need growth with social welfare, with social cohesion and with the creation of new jobs, above all for the younger generation.

Only after this political environment has been created should we move towards reforming the institutions, in order to strengthen the community method in the deepening of political integration and to construct a federal vision for Europe. With regard to the reform of the institutions, there is an urgent need to consolidate the supervisory powers of the Commission and of the European Central Bank in such a way that budgetary discipline is unreservedly guaranteed at State level. The European Budget Treaty must be complied with, but this will only happen if there is an assurance of heavy budget discipline by the States. But, here also it will be necessary to act with respect for social welfare.

Dear Colleagues, the Union must begin a profound debate on these issues, and quickly. The next elections for the European Parliament will be a good opportunity to do this. In fact, these elections are

a good pretext for reflecting on the future of the Union from the perspective that I have just proposed to you. And your contributions for that debate President Barroso asked you about yesterday are very important. We have to show in that debate that we are all in solidarity with the project for the growth and deepening of the Union in order to be able to overcome this difficult challenge with which the European continent is confronted in this advanced stage of globalisation. It would be very grave if nationalistic and populist talk on integration, which it is predicted will come to the fore in the preparatory stage of the elections for the European Parliament, were to eclipse the assertion of the need to strengthen our project of solidarity and progress for all European citizens, both the most privileged and the most disadvantaged. It would be very grave if that debate did not give us reasons to overcome the Euroscepticism which is growing at an alarming rate in Europe. It would be very grave if we lost out in that debate to those who will argue for a return to the isolationistic and nationalistic formulas that Europe knew in the past, with such disastrous consequences. It would be very grave if we give up on the way to building a strong and solid Europe of citizens. We have to explain to public opinion that of course we need *more Europe* but, above all, we need *better Europe*.

Thank you Fausto de Quadros. You mentioned elections and indeed we will have at the end of the session the views of the European Parliament. Maybe this is the way we should proceed. What are this assembly's views after a day and a half, and more importantly with all the experience about the European integration that there is in this room. What can we say to the European citizens about the road to political union? What can we say about how to get there and why and with what instruments?

This is really a challenge and what I can assure you is that at the Commission we will make its best to bring together what we have heard during this day and a half and to make sure that we give visibility to this discussion.



Xavier PRATS MONNÉ

*European Commission's Deputy
Director-General for Education, Culture,
Multilingualism and Youth.*



Guillaume KLOSSA

Founding president of the EuropaNova think tank. Writer (Une jeunesse Européenne, Grasset, 2014). Former advisor to the reflection group on the future of Europe 2030 (European Council).

First of all let me say how pleased I am to be here with you today. It is a great honour to be invited to conclude such an important conference at a key moment of the European history, some months before a critical year for the future of Europe with important European elections in a climate of increasing populism. In a period also of commemoration of European history, nearly 100 years after the beginning of WWI, 75 years after the start of WWII and 25 years after the fall of the Berlin Wall. Since yesterday I have been following with great interest this exceptional Jean Monnet Conference. I have really appreciated the commitment of speakers and the quality of all the presentations. More than academics, I have heard committed people aware of their responsibility with regard to society, who want to change the direction of Europe and share the analyses and ideas to do so.

I have been asked to draw some conclusions on these two days, which is always a difficult exercise. The first thing that I noticed is the shared conviction of most of you that there

is a need for urgent action at academic levels: Students are less and less interested in European topics and affairs whereas our societies increasingly need people capable of analysing, understanding and explaining European challenges.

In relation to the crisis I have noted six points. On each one I will take up the main point and then take it further:

1. The first one is a shared understanding of this crisis. I think it is quite extraordinary to say there is henceforth a common understanding of the crisis: this crisis is a systemic one and not just an economic, a financial or an institutional one. It is also a crisis of the European spirit and a social crisis. Do remember that two or three years ago, few really agreed on this common analysis of the features of the crisis. It is major progress.

The European project as constructed by Monnet and Schuman after the World War II has actually succeeded in its first stage of establishing peace, promoting prosperity and reuniting Europeans. It was built in a post-war and a cold war context and in a long-term period of economic catching up which lasted nearly 50 years. It was also built in a period of Western domination. Now we are in a second phase for which the European project was not really equipped. It was not thought about for a period of big economic, demographic and geopolitical shifts. It is not adapted to a period of major systemic crisis in Europe which requires a strong capacity for collective analysis, decision-making and quick implementation of actions. It was not foreseen that the citizens would be increasingly expecting from the EU much more than economic and financial regulation or single market building steps. Citizens are hoping that the EU will give them social protection but the EU was not designed as a process of social protection. As the EU looks like a political entity with administrative and democratic institutions, citizens have the same expectations in terms of protection as those they have at national level. There is a major hiatus which stands for a very significant challenge and subject to be addressed: despite the fact that Europe is not a state, citizens expect it to behave as a state, and more exactly as a welfare state. In the same respect, citizens have also high democratic expectations with regard to Europe and they project their national democratic practices at the European level, which is the source of a second hiatus.

Allow me to go one step ahead. What we name a crisis is for me the symptom of a deeper process: we are experiencing structural transformations throughout the world. To my mind, this transformation can be compared to the ones that happened more than five centuries ago, between 1490 and 1520 when there was a massive rebalancing and restructuring of powers. With the discovery and exploitation of the Americas allowed by a transportation revolution, with the Renaissance which was supported by the printing revolution and the development of the critical mindset, a new world order emerged, with Europe and the West at its centre. This world order which has been lasted for half a millennium is about to be replaced by another one. We are consequently in a period of transition, and our crisis is a symptom of this transition.

If we use this consideration as a starting point in our analysis and notably academic analysis, we can say that there is for the EU the

necessity to reinvent itself in a totally new environment; it is for us a major challenge to take up.

2. The second point that you agreed on is the structural weaknesses of the euro zone. The euro zone was solid as long as there was not deep external shock and growth prospects were robust for most members of the zone. As we know, the euro zone is not an optimal monetary area. To sustain it in the long term where growth prospects are structurally low (due to ageing and the end of the catching-up process), we need to complement the Monetary Union by the so called political, fiscal and economic Unions. We need also to reinforce its growth potential with adequate demographic and innovation policies. Such a change carries a major consequence: these transformations of the euro zone require an in-depth democratisation and a politicisation of its processes and institutions.

3. The third point which I noted was a very interesting one: there is consensus to say that Europe is something that belongs to everyone and that it stands for a major common good as it was described in some presentations. This common wealth should be cherished by European citizens. Europe as designed after WWII is the capacity to positively combine different levels of belonging, to inscribe each of us in both national and European histories: we are French and European, we are German and European... What gathers us is much stronger than what divides us. In other words, in the post-war era, national and European identities or belongings should be intimately linked in a positive dynamic. National and European belongings should not be thought of as being in opposition but in complement.

One key issue is that this awareness of Europe as a common good is not evident for citizens. Particularly in this period of crisis, they have difficulty to project themselves as Europeans. For Europe to be considered as a common good by citizens, we need intellectuals, writers, philosophers, politicians, academics, journalists, scientists and more widely opinion makers capable of inscribing citizens in a European narrative or more exactly in a variety of European narratives. We need new Stefan Zweig(s) or Bronisław Geremek(s): people capable of narrating Europe.

But we need also to build up with more commitment what we could name a European public sphere. In this respect, all of you as part of the Jean Monnet programme have a huge responsibility, you are key stakeholders of this public sphere to be built. As far as I am concerned, I try to contribute to such a project. Lastly, EuropaNova, a European think tank that we launched with Enrico Letta ten years ago, has developed the Conference Europa project — the first Conference Europa took place at Sorbonne University in October 2013 — a common format of interdisciplinary and inter-generational public debate that has vocation to be conducted all over Europe (www.conference-europa.eu). Its objectives: gathering people of all disciplines and generations to think about their future together at European level and try to initiate solutions to take up common challenges. Conference Europa must be considered as a European label that all of you can use to organise public debate.

4. A point of your discussion that I mentioned and I would like to deepen is the idea of narrative. Many of you have said that we need a narrative, a European vision inscribing Europeans in the long term. There are several dimensions to this, one is how each of us fits into the European history. For example, my generation was born when the crisis emerged in the 1970s. In the mid-seventies and early eighties we experienced a period of terrorism that we keep all in our memories. We are the children of public service television, of the fall of the Wall, of the arrival of liberalism in Europe, of the Internet boom, we were marked by the debate around the 2003 Iraqi war and then the project of European constitution in 2005... These events and elements are really structuring for the identity of my generation but we are largely unaware of it. A narrative needs narrators and each and every one of you are or should be narrators. When listening to you, it is obvious you have that narrative skill. The challenges of how to create a common public spirit is also the challenge of having narrators who narrate the turning points of our continental common history so that each of the citizens of this continent can be placed within an historical context which allows us to think ourselves together without denying our diversity.

5. Mention has been made of the tremendous fear of populism. There were already surveys and reflections in the 1970s and early nineties which announced or predicted the rise of populism since we knew that

there would be high pressure on the welfare state model with ageing and massive retirement of the baby boom generations. The 2000 Lisbon European Council decision to launch the Lisbon strategy was taken on the basis of the necessity to adapt our social model in order to keep our social cohesion in an era of quick ageing and increasing international competition, with prospects of lasting low economic growth. So our economic decline and the questioning of our model in this decade is not a surprise. Many decision-makers were aware of it.

I think the announced decline of the Welfare state model in which most Europeans have been brought up is a key reason of the rise of populism. It combines with another factor which is the end of European and Western supremacy in which we have also been bred. In other words, these movements question the world and the social, cultural and geopolitical references in which we have been educated, create anxiety and favour national and individual withdrawal all the more since Europe does not seem to be able to protect people from crises. Facing these changes, politicians seem, in many states, to be unable to anticipate and to provide convincing answers, which contribute to de-legitimising them. These different elements nurture the rise of populism in our time.

6. This brings me to the last point: vision and values. We do not need to forget the values which gave birth to the European project after WWII. They remain relevant. We need to cherish social cohesion which has to be combined with respect of human dignity, but also with political and media pluralism. We need to preserve the institutions which contribute to social cohesion. I think, as far as I am concerned, about public service media, which are indispensable for social cohesion and pluralist democracies but also for cultural diversity.

But we also need to invent a next step for European history in a profoundly changing world. We need also to invent the rights and liberties of tomorrow in a world of social, professional and geographical mobility. And for this we need vision.

Here are my reflections on what I heard you say and my conclusions for the future as well, what I have concluded is that you have a tremendous capacity to create this European public forum and you have to work together to implement it. Thank you.

It is a great pleasure and honour for me to be here to speak to you on behalf of the European Parliament and also to present my personal views to you at this very important conference, which already has addressed many vitally important issues. I would like to set out my vision for the future of the European political union. I have decided not to hold my prepared speech. I would like to take account of the discussion and the comments, which have been made by the speakers before me.

I think it has already emerged clearly from the debate that everybody has their own vision and their own ideas about the future of the European Union and of European democracy. And if one understands the motto of the European Union 'United in Diversity' correctly, we need to bring together the diversity of the visions which individual people have. This means the diversity of the creators of the European Union in recent years, their vision of a united Europe has been taken forward. We have made major steps forward in achieving that vision. Nonetheless we are still very far from achieving it. However I am absolutely sure that the glass is half full and that it has not become half empty in recent years. I would like to react to the debate which was held before and would like to begin with three quotes.

First I would like to quote Robert Schuman: 'Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a *de facto* solidarity.' These events, which call for European solidarity, must be addressed. Nowadays we have more of these events and not fewer: unemployment, financial crises, environmental crises, globalisation, competitiveness, research and disparities in the world. It is up to us. Instead of referring to coal and steel, we should talk about environment and energy, growth and employment, external development and defence policy and we need to create a framework so that we can have the necessary structure for us to respond in an appropriate way.



Othmar KARAS

Vice-President of the European Parliament.

Secondly, a few days ago, there was a very interesting article in *Die Welt am Sonntag* where it states that a political union would decrease the differences in Europe. Without a political union, I believe it would be virtually impossible to achieve our objectives. Unfortunately we are still very far removed from political union. The point I am trying to make is this: in order to do this we don't just need politicians, heads of states and governments.

I also looked at this speech given by Helmut Kohl on 13 December 1991 just after the Maastricht Treaty was agreed. The road to European Union is irreversible. The Member States of the European Community are now linked to each other in such a way for the future that breaking down or going back to national thinking, with all of the negative consequences this would entail, are impossible. Now is it really true that decision-makers consider that sort of return to national thinking impossible? Well, I think that this is the key question: re-nationalisation or political union? The decision that was taken did not make that impossible, if we look at the current financial, economic and social crisis.

He also said (and I quote): 'We have now completed a year of very difficult and intensive negotiations, in which all sides demonstrated that they are prepared together to move forward to a united Europe and thereby to make the necessary compromises.' Now, are we prepared to do that? The United Kingdom comes to mind, but also Hungary. Also public political debates, where opponents point the finger at each other. People are critical and they shout more loudly than the majority of the political elite and that includes us in this room. We have to distinguish between what is correct and what is the truth and populist protest.

The third point he mentioned is that the European Community now stands before difficult challenges in the future but it is better equipped to deal with them. Yes, it is better equipped, but not yet sufficiently equipped. And finally, with the results in the Maastricht Treaty the road to completion of the economic and monetary union has been clearly sketched out and has been laid down once and for all.

Well, we are a monetary union but not an economic union. Although 23 years have gone by since then and we can only become an

economic union if we want to become a social union as well and we can only become a political union if, after completion of the economic and social union, we also have a defence, security and political union. Everything that we are discussing here, represents building blocks on the road towards monetary union. Once we have completed the banking union and once we have created a fiscal union, then we will be on the road towards an economic union but we will still not have achieved an economic and social union. And if, in parallel to that, we do not deal with defence, security and external policy and creating union there, then we will still have a long way to go before we achieve a political union. Everything that remains to be done has been stated. Everything that is necessary has been written. So all you have to do is to look at the statements made by heads of state and governments. That's all been decided there and looking at the statements made by Helmut Kohl on 13 December 1991, he said it all.

Well, ladies and gentlemen, I can stop now. We need you, all of you, and we need politicians and the public sphere in order to create awareness in the public to ensure these things, which have been decided and which have been identified as necessary and which can become a reality. We need your expertise, your knowledge to make sure that what is said in Sunday speeches by politicians can then be shaped into specific projects and operational timetables. And we need you for public discourse on all of these issues. And that brings me to Jean Monnet once again, after whom this conference is named. Thank goodness!

He was a true statesman but he never held political office. He was a great politician but he never was a politician. He was a businessman and forward-thinker — together with Robert Schuman. He took the idea of European integration forward and he really changed Europe forever. What am I trying to say? As you can see, you don't have to be an elected office holder to become a great statesman. You don't have to be an elected politician to be a great politician. And I am saying this in the Europe of citizens and less than 200 days before the European Parliament elections. Every single citizen can take up their responsibilities and play their role in politics and in the community and in the European Union. Every single citizen can make a contribution. We should not just wait for the elected politicians to do everything. We should call upon them to really do what

they think is necessary. We should reach out to citizens and try to engage in discussions with them. We shouldn't leave them alone with their fears and concerns. And each of us can make a contribution here. None of us should just complain about the fact that their opponents speak louder and shout more loudly than we do and say that protesters shout more loudly than those who can work together to find a solution. Nobody should do that. It is up to us and nobody else and I am not even prepared to think about alternatives. The alternative to political union would be that this continent would be the loser in terms of global competition.

And now if we look at the question of the euro, somebody was saying we will have a Union of 17 or 28. Well that's wrong, for a start, in terms of information. The euro is the common currency of the European Union. One country does not have to contribute and all of these 17 are prepared to take part in it but the euro is not the currency of 17 Member States, it is the currency of the European Union and therefore all measures that stabilise the euro should internal market measures and not just euro-group measures. But the euro is the only currency in the world that does not have a sovereign territory. It is therefore the only currency in the world that does not have a common economic policy, a common taxation policy, a common social policy. And it does not have a common fiscal policy or budgetary policy. And therefore it is inherently logical that all of the instruments that belong to a common currency must be 'communitarised'. The lack of possibility for action at the moment is not because there is a lack of political will, but because there is a lack of instruments, which are part of the instruments, and which we need to stabilise the currency. That's why we need the banking union, a fiscal union, the European semester, the two-pack, the six-pack. What are all these things? These are constructions that have been put together because there is a lack of a common foundation for the political instruments that we need to stabilise the euro. These are essential measures but there is just one problem: some of these measures are inter-governmental at present. And because they are inter-governmental to a large extent, unanimity is required and because unanimity is required, we complain about the lack of transparency and the re-nationalisation of European decisions, the lack of democratic legitimacy and the lack of democratic control. That is why all of us must find a solution to respond to the crisis

but they must be based on a community law. Those which are not the case at the moment must be 'communitarised' and that is not possible without an amendment to the Treaty.

Let me add another point: we have made further progress than we would have done without a crisis. That is clear but nonetheless I have the impression that if we are going to go further down this road, then there will be a reduction in political will because we are not there yet. None of us are there yet. We have to catch up with what we admitted before. We need to correct what has gone wrong. We need to supplement what has not been dealt with yet at the European or global level. And we also have to take new measures because the world has moved on in the meantime. Things do not stand still. You have listed a number of examples, ladies and gentlemen. When we look at this crisis, it's not just an economic and financial crisis. It is also an information crisis, a political crisis, a crisis of confidence and a crisis of trust. So we should not just blame the financial crisis for everything.

What do I mean? Today we have frequently been discussing whether we should have Berlin or Brussels, Vienna or Brussels, Madrid or Brussels. Is that really the right question? Should it be a question of either/or? In the European Union, whose motto is 'United in Diversity', we should try to resolve common challenges in a spirit of solidarity. No. We seem to be leaving citizens out with this confrontation between 'me or you'. That is the problem. We need your help as academics. We need to have a share-out of the powers. We have this debate over Europe or the regions, regions or Member States; and we need to get away from this simplistic view because these discussions have weakened the intergovernmental process and have weakened European democracy and it always seems to be portrayed as a war between Europe and the Member States. We are talking about a step-by-step plan. What should the Community do and how should it do it and what should the national Member States and regions do. As a matter of subsidiarity, if we look at the single resolution mechanism, some people are saying, 'Why should the ECB carry out on-site checks of my bank?' People from my party say that as well. But that's not what we are talking about. We are talking about the 120 largest banks and then we are talking about a network of all of the different supervising authorities with their step-by-step plans. And if we decide to have a European resolution, then that it is usually adopted without any

sanctions. We need to have a mechanism of sanctions for each measure we adopt. We need to have a sanction mechanism, which does not apply the face of solution. For example: the European Semester budgetary coordination. In 2012 the Commission issued 400 country-specific recommendations to Member States. In the light of coordination of budgetary policies and you know what the heads of states and governments did? Well, in July 2012 they decided that they would implement all of the country-specific recommendations. Do you want to know how many were implemented? Out of the 415 in total, only 15. If we know that we have to coordinate a budgetary policy in the light of European objectives and if we make a commitment to implement these country-specific recommendations but only 15 out of 400 were implemented, then I think politicians have lost the credibility of voters and I think that if the European Union cannot act any further, then it loses the trust and credibility of the population as well.

Now, finally, let me say in 200 days we will have elections. I think that what many are saying — that the far right is going to succeed — is not correct. Yes, certainly we will have a strengthening of extremes on both wings but just because the extremes become stronger, we shouldn't be saying that they will celebrate an overwhelming win. If we were to do that we would be explaining to the pro-Europeans amongst our electorate who want to try to find solutions, they will be put into a minority. Yes, we will certainly have to have more cooperation between the two major groups in the European Parliament to legislate, but together with the Greens, the Liberals, the Conservatives, the Social Democrats, and the major parties will still have a majority. The margins will become stronger but therefore the centre will have to work more closely together. Those who want to engage in European politics will have to respect each other, they will have to reach out to each other, show understanding for each other and together work for the future of the European Union and shape it. And I really do believe that this is an attractive electoral programme. And another thing: no European decision should be taken without democratic legitimacy through the backing of the European Parliament. It is only by strengthening the European Parliament, which is the chamber of European citizens, that we can guarantee transparency and democratic control and overcome the move towards re-nationalisation of European decisions. That is not controversial, but we should not only talk about it, we must do it.

Yes, to the European convention, it is true that we in the Parliament failed. We have not yet made a proposal on a convention for the future of Europe and the involvement of civil society and submitting a key agenda on the table. Why do you think we have not done it? Well, I think it is because people are too scared of citizens and they are too scared of the results. But we should only be scared of the results and of the dialogue with citizens if we do not have arguments and if we do not have the force to reach out to citizens and engage in debate with them. And I am an optimist — therefore I and other colleagues have proposed to start a European Convention after the European elections in May, when the new parliament is in place. European democracy and dialogue with citizens: that is our programme, that is our task and duty.

That brings me back to Jean Monnet, who puts it very well, I think. Everybody is ambitious. The question is whether we should be 'ambitious to be' or be 'ambitious to do'. That is what I would like to put forward to you. If we are ambitious, why are we ambitious? What are we ambitious for? Is it an ambition on our own behalf and against others? Or is it on behalf of all of us? Is it for national States? Against the European Union? Or for our common European Union? Is it for protest or for solving problems?

And, Ladies and Gentlemen, Goethe taught us whatever you inherit from your fathers you have to learn how to own it. If we really want to unite Europe, if we really want to achieve other Community levels, what one Member State alone cannot do to solve problems and to face up to challenges, then we would really deserve the Europe, which we have inherited and I would then take this a step further. The European Union must be understood as our response to globalisation and if we do not do that, then we will lose power in the world and we will continue to be a politically divided continent and if we are the most fragmented continent in the world in political terms, in spite of European Union, then we would not have enabled the EU to become more competitive in the face of globalisation.

I think we have plenty of challenges to address. Everything, which has to be done is already on the table. So it is up to us now to speak to the electorate and make sure that we can have a majority on all of this.



Xavier PRATS MONNÉ

*European Commission's Deputy
Director-General for Education, Culture,
Multilingualism and Youth.*

Thank you Mr President, this was really a very comprehensive excursion.

You mentioned Helmut Kohl several times: he was a really great statesman. He was also a human being with a great sense of humour and he once said — I think actually borrowing from Bismarck — that 'European integration was like a hot dog: it is very good but you don't really want to know how it is done'. Indeed, I think that today we had a very good illustration of this. We have very good ideas and we see very clearly the advantages and the interests of stronger, closer politically Union. The question is 'how to get there?' and 'how to get there in time that citizens understand it and that citizens support it?' This is the challenge, and this is the challenge we have for this Conference. Since closing addressees are not a very good idea, I would like to limit mine to a very, very few short words. If I had to say just one word today, to conclude, it is 'thanks'.

Thank you to those of you who have been here today. You have heard President Barroso say how much he appreciates this audience and the Jean Monnet Chairs and professors. He attributed this to an 'academic melancholy' I think he said, this is a common affliction in many politicians, but he meant it. So what I am going to say is not again repeat what the President said, but speak for myself and for my colleagues, for us who live inside the 'hot dog', working every day with the procedures and — I would say maybe the nightmare sometimes — of the day-to-day machine and the kitchen of the European integration; it is really inspiring, it is really also sobering, it is certainly necessary to also have the input of people who really think about our future as common Europeans. So, on behalf of my colleagues in the Commission, as I said, those humble bees that are trying to increase the hive: thank you.

The way for us to show our gratitude to you is not by just saying 'thank you' but doing something more: we will really make sure

that we reflect not just of course the speeches but the comments that you have made, the input that you have produced in the three sessions. Faithfully and literally, we will do so as soon as possible on our website.

I would like to ensure you that we will continue this tradition of Jean Monnet Conferences.

We will do it next year and the year after we will have to really think clearly about the topic, because it will not be just any year; it will be a year where a new Commission, a new Parliament will start with a new mandate, hopefully with much more energy to tackle the future challenges and there too the input of intellectuals, the input of thinkers will be indispensable.

I will not close without trying to give you a little bit of eagerness to look at the last part of this Conference which is an information session about Erasmus+. Please, if you have the time, listen to what we have to say about the future Jean Monnet activities within Erasmus+, not because this is the way you may get some funds — actually you will have more funds than in the current seven-year period, you will get many more funds — but for a much more important reason: it is all very well to talk about challenges but we must make sure that we have an impact and we make a difference. We have designed Erasmus+, including the future Jean Monnet activities, to have more impact. We have focused the programme on outcomes to make sure that we do not just do abstract reflections, that we do not just produce aspirational statements and nice projects but that we actually make the difference to systems. But this, which is clearly the intention and the potential of Erasmus+ will never happen without your cooperation and I am not saying this for politeness, I am saying this because I know very well — as a pretty experienced civil servant — that everybody who knows the mechanics, the bureaucracy of our system can exploit it just for routine and business as usual. We cannot afford business as usual, we need projects, chairs, programmes that are really meaningful, interesting and produce something new and for this we depend entirely on you.

Let me give you one last word about one really new thing. Whilst we want to continue supporting European studies, European law and European studies as you always understood it, we want to make sure that we do something else much more forcefully by introducing a European dimension in other disciplines, that are not specifically European studies. This is critically important because it is not just the introspection about the European Institutions that will make us have a better future. It is by making sure that we have a European angle, a European perspective and a European contribution to academic thought much more generally.

So, this is what we try to convey, this is what we have tried to put as an instrument to your service for the next seven years: Erasmus+ as the single programme for education, training, youth and sport in Europe and Jean Monnet within it. We have preserved the essence, you will recognise Jean Monnet in the future just as you recognise it now because we think that is a great programme that works well but we have sown the seeds for a better and stronger programme with more money and more opportunities for you. Please grasp these opportunities; we will really do our job if we manage to convince you to produce more interesting projects for us.

With this, thank you very much. Allow me to thank Harald Hartung and his team because these conferences do not happen by miracle, they are also little 'hot dogs', they happen with a lot of effort, a lot of effort for the Harald's team and, of course, for our interpreters, without whom we could not understand each other.

Thank you very much, have a safe trip home. Thank you.

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