

# HEADING TOWARDS A EUROPEAN FEDERATION EUROPE'S LAST CHANCE

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## SUMMARY

Europe has reached a crossroads. Europe is not in good health. Opinion polls show that grass-roots opinion is increasingly unfavourable to Europe. The recession, or excessively low growth, is gaining an increasingly strong foothold in all of its member countries, especially in those in the euro area. And the euro crisis is not yet over. In view of all this, Europe is facing a dual emergency. On the one hand, it needs to find a way to match the euro with a political structure endowed with strong governance; and on the other, it needs to impart a substantive new boost to European growth through productive investment coordinated on a Europe-wide scale. These two goals can be achieved only in the context of a European political Federation. Europe is the future of our nation states. Without solid European construction there can be no salvation. We have to wake up and to make the necessary quantum leap to impart a dynamic new thrust to Europe. And that Europe can only be federal.

“EUROPE IS THE  
FUTURE OF OUR NATION  
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BE FEDERAL”

The aim of this Policy Paper is to make observations, to define prospects and to propose a method for building the Europe of the future, the Europe of which we are dreaming, the Europe to which we aspire, the Europe that its founding fathers wished to see take shape on a continent in ruins as it emerged from the dark days of World War II.

We need to take up the European fight with greater conviction than ever before. Faced with continent-sized countries (China, India, Brazil, Indonesia and so forth), Europe has no choice but to head towards strong integration. Thus our argument here is in favour of the establishment of a European Federation. An international treaty would establish the Federation, defining its institutional organisation with a president, a prime minister and a parliament based on two houses. We define the content of that Federation in a blueprint for a constituent treaty comprising ten articles, thus making this European project both operational and concrete. The Federation's content would be defined in a deeply democratic institutional framework, but economic and financial issues are of necessity shared areas of jurisdiction, as are energy policy, European infrastructures and defence policy.

The Federation could comprise six or seven countries, on the basis of each country's wishes. Germany, France, Belgium, The Netherlands, Italy, Spain and possibly also Poland could subscribe to this resolutely federal move. These six countries alone account for almost two-thirds of the 28-strong European Union's GDP and population. Established within Europe by a cooperation deliberately restricted to six or seven countries at first, the Federation would enjoy both effective governance and real democratic oversight. This is the only way to launch a major initiative for growth capable of fostering a new industrial dynamic in Europe by massively investing in productive industrial investment. It will also give the euro the political consolidation that so sorely lacks today.

We have missed the federal train on more than one occasion in the past. We need to make sure that we catch it this time around, in order to save Europe and to restore to it the verve and the élan that it lacks. It is only on these terms that we can build our common European future, consigning the limited national approach to the history books for good.

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## INTRODUCTION

Herodotus: *“As for Europe, no one can say [...] whence the name was derived, nor who gave it name.”*

Husserl: *“The crisis of European existence can end in only one of two ways: in the ruin of a Europe alienated from its rational sense of life, fallen into a barbarian hatred of spirit; or in the rebirth of Europe from the spirit of philosophy, through a heroism of reason that will definitively overcome naturalism. Europe’s greatest danger is weariness.”*

Europe is not in good health. Opinion polls show that grass-roots opinion is increasingly unfavourable to Europe. The recession, or excessively low growth, is gaining an increasingly strong foothold in all of its member countries, especially in those in the euro area. And the euro crisis is not yet over. Grass-roots dismay is growing both in France and in the rest of Europe. For the first time we are hearing arguments being put forward that we have no choice but to call anti-European. The economic crisis that has rocked Europe can provide a partial explanation for this, but we also need to take into account all of the sovereigntist circles both on the left and on the right that no longer show any hesitation in predicting the end of Europe, or in preaching voluntary departure from the euro area at the very least.

We are facing a crucial choice and any mistake could be fatal. Some people argue that the euro has shown that it can lead only to recession, or in any case to a reduction in the growth that member countries might otherwise enjoy. They add that it is advisable to quit the euro so that each member country can recover its monetary independence. That would give us the time needed to devote our energies to completing the European Union’s political organisation. At a later stage, if political and economic integration really have made progress, then that would be the time to reintroduce a single, common currency. In their view, the euro would then be seen as a crowning achievement. Others argue that it is in member states’ interest simply to quit the euro area, or even the European Union itself, for good.

We, on the other hand, believe that leaving the euro area would be catastrophic. Returning to national currencies would certainly mean a return to the practice of competitive devaluation, which could bring back inflation and the chaos that goes with it. But in any event, the economic cost of leaving the euro would be considerable. We have but to think, for instance, of the nightmare involved in simply repaying the current debt denominated in euro. That is why, on the contrary, the euro marks a real step forward towards integration whatever the particular circumstances attending its birth. Naturally, we recognise that the present situation lacks clear consistency: what we lack is a political organisation to match the euro, because any currency, if it is to last, needs to be backed up by a strong, high-profile political authority.

This, because Europe currently suffers from a structure that is far from optimal and its governance is inappropriate. National politicians use Europe as a scapegoat, and the man in the street can no longer perceive what Europe brings him apart from unkept promises (one or two additional percentage points in economic growth); and in any case, he considers that the construction of Europe is more of a bureaucratic than a democratic affair. The European Parliament, the sole democratic element in the whole fabric, is seen as a hotbed of

lobbying rather than as a shrine of democracy, and its members are elected on lists organised by political parties and consisting primarily of those politicians who fail to win the support of their own countries' electorates.

“A QUANTUM LEAP COULD TAKE US TO WHAT WE CALL THE EUROPEAN FEDERATION”

A quantum leap could take us to what we call the European Federation. Thus, our response to the sovereignists and the euro-defeatists is this: let us cling to the euro very carefully, and let us develop the Federation of nation states because it will allow us to achieve the two objectives that Europe needs. First and foremost, the Federation would give Europe a governance truly built on the principle of parliamentary democracy, thus giving all the peoples of Europe a guarantee of genuine democratic oversight. Secondly, while austerity may be necessary to allow the consolidation of countries' account books, it can under no circumstances be considered a sufficient economic goal in its own right.

The whole of Europe needs strong growth in order to slash unemployment. It is an illusion to believe that the growth we need will return of its own accord, as though by magic, thanks to austerity and to austerity alone<sup>1</sup>. In our view, a European investment plan is the only thing that can meet that need, with a European Federation providing the appropriate framework to make that plan feasible.

Fully thirteen years ago Joschka Fischer, Germany's federal minister for foreign affairs at the time, delivered a speech to mark the fiftieth anniversary of Robert Schuman's appeal, yet the suggestions that he made went unanswered until François Hollande's recent proposal to set up an economic governance of the euro area, a step in the direction of political union. This French proposal does not fully meet the expectations of our German partners because it amounts to the creation of an additional collective decision-making body binding member countries without any hint of the democratic oversight that the Germans systematically demand.

**Extracts of the speech of Joschka Fisher, Foreign Minister of the Federal Republic of Germany on 12 May 2000**

(...) the existing concept of a federal European state replacing the old nation states and their democracies as the new sovereign power shows itself to be an artificial construct which ignores the established realities in Europe. The completion of European integration can only be successfully conceived if it is done on the basis of a division of sovereignty between Europe and the nation state. (...)

(...) A European Parliament must therefore always represent two things: a Europe of the nation states and a Europe of the citizens. (...)

(...) In my opinion, this can be done if the European parliament has two chambers. One will be for elected members who are also members of their national parliaments. Thus there will be no clash between national parliaments and the European parliament, between the nation state and Europe. For the second chamber a decision will have to be made between the Senate model, with directly elected senators from the member states, and a chamber of states along the lines of Germany's Bundesrat. In the United States, every state elects two senators; in our Bundesrat, in contrast, there are different numbers of votes. (...)

(...) This would be a lean European Federation, but one capable of action, fully sovereign yet based on self-confident nation states, and it would also be a Union which the citizens could understand, because it would have made good its shortfall on democracy. (...)

(...) Jacques Delors' idea is that a "federation of nation states", comprising the six founding states of the European Community, should conclude a "treaty within the treaty" with a view to making far reaching reforms in the European institutions. Schmidt and Giscard's ideas are in a similar vein, though they place the Euro 11 states at the centre, rather than just the six founding states.

(...) A smaller group of member states [will] take this route as an avant garde, i.e. will a centre of gravity emerge comprising a few member states which are staunchly committed to the European ideal and are in a position to push ahead with political integration. (...)

This (...) is my personal vision for the future: from closer cooperation towards a European constituent treaty and the completion of Robert Schuman's great idea of a European Federation. This could be the way ahead!

1. Jacques Delors, António Vitorino and the members of the Board of directors, "EU and growth: three pacts rather than one", *Tribune - Viewpoint, Notre Europe - Jacques Delors Institute*, April 2013.

## 1. Europe, Germany and France

A small cohort of Free French salvaged France's honour back in 1940 and responded to General De Gaulle's visionary appeal, and by 1942 a substantial resistance movement had developed, spawning on the one hand, a programme for France's economic and social development, and on the other, a deep desire for reconciliation with the Germans through the construction of Europe so as to make it impossible for the prospect of an intra-European war ever to take shape again.

Jean Monnet and Robert Schuman, but also Henri Frenay, proved capable of adopting welcome initiatives affecting Europe's future. Later, despite his mistrust of any institution likely to seek even the smallest surrender of sovereignty, General de Gaulle nevertheless agreed to sign the Treaty of Rome and worked with Konrad Adenauer on the pursuit of a fully-fledged Franco-German policy. Today Franco-German reconciliation is a given, but the construction of Europe remains incomplete. Great Britain has shown itself to be opposed to the construction of Europe, and we may wonder today whether it would not rather leave the European Union altogether.

France's European policy has not always been a "long, quiet river". After the success of the European Coal and Steel Community (ECSC), the French parliament threw out the EDC treaty (for a European defence community) despite France itself having been the country making the original proposal. Subsequently, General de Gaulle openly stated that he preferred a Europe of nation states to the construction of a broad European Federation.

Until the fall of the Berlin Wall, the world was a fairly simple place to interpret: on one side of the divide there was capitalism, liberalism and democracy, on the other side there was communism, a planned economy and dictatorship. In that context, the creation of a Europe initially forged around Franco-German reconciliation was seen for a long time as a defence reflex against the communist threat.

The fall of the Wall changed all of that. It marked the victory of capitalism over communism. It also marked the victory of liberalism over the planned economy, and by and large it also marked democracies' victory over dictatorship. But at the same time, technological progress was promoting the globalisation of the economy, so that people began to dream of a liberal and democratic world in which US power no longer appeared to be really necessary to guarantee peace. That dream was to last only as long dreams usually last.

Taking advantage of the globalisation process, capitalism rapidly established its dominion over the world, increasingly taking on the semblance of deregulated financial capitalism having little in common with European values. US Neo-Conservative thought gained a foothold as the only mindset possible and the conservative revolution appeared to be on the point of achieving its goals. In the meantime, China began to enjoy two-figure growth, but it hung on to its communist political framework. And lastly, the Muslim world proved to be one of the contemporary world's major problems, with the simultaneous development of Islamist fundamentalism and of terrorism.

“EUROPE WAS THE  
REAL ANSWER TO  
GLOBALISATION”

The world was changing rapidly; it was becoming increasingly dangerous, and it was structuring into multiple poles of power among which conflicts rapidly broke out, even if they were not always of the military variety. The poles of economic and political power are large groups, by comparison with which each European country taken singly appeared to have clearly insufficient clout to make its voice heard. At this juncture, Europe was the real answer to globalisation.

The construction of Europe was rapidly changing both in its purpose and its nature. The people's republics of Eastern Europe sought to join the construction process. The creation of the euro was seen as a moment of glorious achievement. The 28-strong European Union could boast of being the largest market in the world,

with a GDP comparable to that of the United States. In this multipolar world, Europe had the appearance of a fairly powerful pole, in economic terms at least, but its member states gradually discovered that their individual voices were heeded only in their capacity as members of the group. Yet Europe continued not to exist in political terms.

Difficulties began to build up. France refused to ratify the blueprint for a European constitution and Europe became openly free-marketteering, under the influence of the US Neo-Conservatives and of the conservative revolution. Jacques Delors' legacy was entrusted to a liberal, José Manuel Barroso, rather than to a federalist such as Guy Verhofstadt. Great Britain rejected the euro and any kind of supranational power. France began to see Europe in some ways as a kind of oversized version of itself.

And compared to what we have no option but to call France's dithering, Germany's European policy showed great continuity until the unification of the two Germanies and the creation of the euro. Berlin became the capital of Germany again. Germany expected the European economy to be run along German lines with, in particular, a European Central Bank bearing an astonishing resemblance to the Bundesbank. And each country began to bellyache when the time came to hand over even a modicum of its national sovereignty.

The world slowly began to head towards a financial crisis, which began in the US, of course, but which rapidly spread to the rest of the world. Europe's response was as low-profile as it could be, with measures constantly proving insufficient and being adopted too late. Each member country's debt rocketed through the ceiling and became an obsession. Europe was in danger of being torn apart (the north versus the so-called "Club Med" countries). And as, in addition, Europe decided to follow Germany's insistent advice and to impose an austerity programme on itself using the excuse of its member states' excessive indebtedment, the recession spread throughout Europe and the European man in the street began to ask himself questions. The German economy acquired a dominant position in Europe and the euro began to be run rather like the Deutsche mark, which had been West Germany's banner.

So we have to ask ourselves: are we heading towards a German Europe or a European Germany<sup>2</sup>? Ask a German that question and he will feel insulted. The Germans have learnt a great deal from the 20<sup>th</sup> century's two world wars; they sincerely hope to play a role in the running of a broad Europe and are not at all interested in dominating it or in running it single-handed. Hence their ceaseless call for a political Europe, a call to which the French either do not answer, or else they say: "we shall have to see about that further down the road". In actual fact, France is the country that fears surrendering a part of its sovereignty. Germany's federal tradition and political systems mean that the Germans harbour that fear far less. What the Germans do fear, on the other hand, is a European governance leaving too little room for democracy.

“THE MAN IN THE STREET, LESS PRO-EUROPEAN THAN BEFORE, BEGIN TO FALL BACK ON NATIONALISM”

We have no choice but to acknowledge that our politicians have been neglecting Europe for the past ten years.

In Germany, power is now in the hands of a new generation of men and women who have never known war, and German unification after the fall of communism makes it perfectly plausible that these new leaders may truly have less need of Europe.

In France, people simply omit to respond to German proposals such as those made by Joschka Fischer, and they are still opposed to relinquishing any kind of sovereignty. President Chirac pretended to believe, or to have us believe, that, in neglecting Europe, he was keeping faith with the ideas of General de Gaulle. But as Jacques Delors happily put it back in his days: "Europe is like a bicycle. It has to move forward. If it stops, it will fall over". When the crisis took hold with its surprise impact, the heads of state and government invented a new Europe by making all the decisions in the European Council. The European Council works in an opaque

2. Mathilde Durand, "German Europe", *Synthesis of the book written by Ulrich Beck, Notre Europe - Jacques Delors Institute*, April 2013.

and undemocratic fashion and undermines the credibility of the other European institutions (the Commission, including its president, and Parliament).

The man in the street, who was already less pro-European<sup>3</sup> than in the “good old days”, begin to fall back on nationalism, and extremist parties from all over the political spectrum take advantage of this to perfect their platforms for quitting the euro, or even Europe. That is the current state of play.

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**Opening speech by the President of the French Republic at his press conference at the Élysée Palace on Thursday 16 May 2013**

“(…) There you have it: the first year of my five-year term – Year One, as it were – has been entirely devoted to defending our sovereignty, to setting our economy straight, to safeguarding our social model and to righting wrongs. But I am well aware that there is a recession on, that there is rising unemployment, that results are a long time in coming. And what matters to the French people – if I may put it this way – is the here and now. Thus Year Two, the year beginning today, must be the year of the offensive. And I mean the offensive.

The offensive means first of all launching a European initiative. Europe – and this is paradoxical – is the world’s leading economic power, yet it is regarded as a sick continent, a continent in decline and beset by doubt. My responsibility, because I am the leader of a country that is a founder member of Europe, the leader of a country that has made this choice, of a country that is deeply European – even if today it is tending to turn its back on its initial inclination – and my duty is to get Europe out of the lethargy gripping it and to allay people’s disenchantment, which can only jeopardise the European Union’s very future.

The initiative that I am proposing consists of four points, and I submit it to our partners. The first point is to work with the euro-area’s member countries to set up an economic government which would meet every month under the chairmanship of a real president, who would be appointed for a lengthy term and perform that task alone. This economic government would debate the main economic policy decisions to be adopted by the member states, it would harmonise taxation, begin to forge convergence at the social level top-down, and to embark on a plan designed to combat tax fraud.

The second stage in the initiative that I am proposing focuses on the future generations, with a plan to integrate young people into the job market. The European Financial Framework, the European budget, has already earmarked 6 billion euro for youth employment. Let us release a part of those funds right now, even before the 2014 Financial Framework is in place, so that we can support all of Europe’s young people who are having trouble finding training or employment today. Also as part of this initiative, in order to prepare for the future, Europe would define an investment strategy, particularly for new industries and for the new communications systems.

The third stage in the initiative is a European energy community designed to coordinate all renewable [energy] efforts and to succeed together – despite the fact that Europe has countries which do not pursue the same energy policies – in making the energy transition.

The fourth stage is a new phase in integration with a budgetary capacity for the euro area and the possibility for it gradually to raise a loan.

The European idea demands movement. Unless Europe moves forward, it will fall, or perhaps I should say it will be erased; it will be erased from the map of the world, and it will even be erased from people’s memories. So there is no time to lose in promoting this new aspiration. Germany has said on more than one occasion that it is ready for political union, for a new phase in integration. France is also ready to impart substance to this political union. Two years are needed to achieve it: two years, whatever governments are in office. This is no longer a matter of political leanings, it is a matter of urgency for Europe as a whole. (…)

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## 2. The European idea: from a 28-strong Europe to a European Federation

“THE FRENCH WANT FIRST AND FOREMOST A EUROPE OF SOLIDARITY AND THE GERMANS A POLITICAL EUROPE”

The French and the Germans do not share the same vision of the European Union. The French want, first and foremost, a Europe of solidarity, in other words a Europe that can achieve economic convergence between Germany, France and southern Europe, and then and only then would they be happy to accept a political Europe. The Germans voice different needs, in other words they want a political Europe first in order to then forge a Europe of solidarity.

3. Daniel Debomy, “EU no, euro yes? European public opinions facing the crisis (2007-2012)”, Policy Paper No. 90, Notre Europe - Jacques Delors Institute, March 2013.

How can these two points of view be reconciled<sup>4</sup>? Well, we need to make a few observations.

It is well nigh impossible to make any decisions in a European Union 28-strong (and soon to be even larger). There are too many differences in too many areas among the 28 for it to be possible to make much more progress. Thus one gets the impression that the European Union has achieved all that it could achieve, which is far from negligible, and that it will not be able to achieve anything further. In fact, that was the predominant feeling among many observers back in the days of the very enlargement that is the root cause of this situation.

The idea of having the president of the Commission elected by the European Parliament, or of choosing for president the person heading up the list of the party that garners the highest number of votes, are two proposals worth exploring. They would give the Commission greater power and Europe greater clout. On the other hand, the member states' heads of state and government would rapidly find themselves in a position of conflicting legitimacy, with one having been elected by the electorate of a single country and the other by the deputies of Europe as a whole. A clash would be inevitable.

As for the splendid idea of electing a president for the Union by direct universal suffrage, everything argues against such a proposal because there is no such thing as a European people; there are many European peoples. Europe is not ready to resemble the French Fifth Republic. The weight of history, and of individual countries' histories, is too strong. The proposal may become topical again some time in the distant future, when Europe bears a greater resemblance to the United States than to what it is today. But that is not going to happen any time soon.

“EUROPE NEEDS  
TO GO FURTHER  
AND TO GO DEEPER”

The euro area itself (18 members) is not particularly homogeneous, even if each country has agreed (in principle) to be bound by the same monetary discipline. Democracy can be improved in the euro area by a parliament comprising MEPs (members of the European Parliament) from euro-area member countries. And the president of the Eurogroup, for instance, might be appointed for four years and be chosen by the presidents of the member countries with their parliaments' approval. But the differences among the euro area's member countries, and their number, tell us that it is not going to be easy to make progress. Yet Europe needs to go further and to go deeper, to use the terminology that it has adopted.

Numerous problems for which there are few solutions at either the 28- or 18-strong levels, or for that matter at the individual country level, could probably be solved by an association of six or seven relatively homogeneous countries. The founder members could take the initiative and launch the idea of a European Federation, which could then be joined by those countries that wish to progress further down the road of political integration. Thus one might envisage the creation of a Europe six- or seven-strong comprising Germany, France, Italy, Spain, Belgium, The Netherlands and, on certain conditions which would need to be verified, also Poland and Luxembourg. This group of countries accounts for over two-thirds of Europe's overall GDP and for over half of its overall population. Thus it is a group of some significance in terms of economic clout at the global level.

It would first be necessary to define the broad spheres in which these countries would be happy to act together. Those areas should include, for instance:

- the economic and financial sphere (currency, banks, budget, taxation, growth, inflation and employment): the aim, for the Federation, is to achieve a common regulation of capitalism in order to make it compatible with European values, starting with the harmonisation of taxation and including control over tax havens and fiscal optimisation.
- energy: an energy policy is designed to achieve the energy transition in an economical manner in order, in so doing, to facilitate Europe's reindustrialisation.

4. Yves Bertoncini, Jacques Delors and António Vitorino, "Germany and the EU: a new cycle?", *Tribune - Viewpoint, Notre Europe - Jacques Delors Institute*, September 2013.



- intra-European infrastructures (transport and networks of every kind).
- scientific research, the aim of which must be to ensure that Europe recovers its place in the front rank on the global level.
- defence.

The first four spheres hardly need explaining. They basically comprise what would become the governance of the economy. The last sphere, on the other hand, may be worth developing in greater depth. We need to take on board the fact that US military forces have left the European continent (the last American tank left Europe a few weeks ago). Europe is now virtually defenceless, because there is nothing to suggest that NATO is effective in defending Europe without the United States' physical presence. To the east, meanwhile, Russia is rearming without anyone being clear as to whether it is casting its gaze to the east, to the west, or even to the south (the Muslim world). And finally, the whole of the southern Mediterranean is in the grip of a period of instability and no one can honestly predict how that is going to end. Given this overall situation, the insufficient military strength of a geopolitically divided Europe is a serious display of imprudence.

That is why a common defence effort should consist, in chronological order, of:

- the construction of a European defence system overtly linked to NATO;
- management of the defence industry at the European level (we have but to consider that for now Europe has been incapable of manufacturing a drone).

And lastly, with rediscovered growth, the defence budgets are going to have to weigh in at roughly 2% of GDP.

A European Federation only makes sense if it makes it possible to deal efficiently with certain problems that cannot be efficiently dealt with at the individual member-state level. Thus there appears to be a need for all of the Federation's member states to invest in certain sectors that are crucial for the development of their countries' economy. The major intra-European transport or energy infrastructures are as much a part of this as research and as higher education. Yet individual countries no longer have the financial resources to fund these major projects themselves...

“ WE MAY HOPE THAT EUROPE'S SIX FOUNDER MEMBERS PLUS SPAIN CAN BECOME THE FOUNDER MEMBERS OF THE EUROPEAN FEDERATION ”

A genuine austerity policy is being pursued that is bent on slashing public spending at any cost, sometimes even to below reasonable levels, and it is pushing the continent towards very low growth, or even into recession. The priority aim is to rediscover the path leading to growth, or in any case to growth sufficient to allow us to hope for a drop in the unemployment rate. And where investments are concerned, they need to be financed by direct borrowing on the Federation's part. It is the only solution possible...

But politicians and experts agree that placing the euro area crisis behind us for good can be achieved only by the creation of a political Europe, whence the idea of imparting a fresh boost to the concept of the Federation of nation states, among only a few European Union member countries. A few simple principles would need to be met:

- Earlier treaties would continue to be in force;
- The Federation would have to be driven by a powerful spirit of democracy in order to ensure that the citizens feel involved in the first person;
- The principle of subsidiarity would be strictly applied. The Federation would be responsible solely for things that can be handled only at its level.

The spheres of application must be the object of a common framework agreement, which would give each signatory the safeguards it wishes to have.

We may hope that, as long as national sensitivities are properly handled, Europe's six founder members plus Spain can become the founder members of the European Federation. This European Federation would be an economic and political power of the first order at the global level and it would maintain its leadership and its inspirational role in a European Union 28-strong or even larger.

The weakening of the European idea in a majority of European countries is a dramatic development for Europe. Either we see a strong initiative for a political and strongly democratic construction in the next two years, which would be in the interests both of the French and of the Germans, or else Europe is going to start backtracking towards an unravelling of the European construction, an unravelling towards which the British are already prepared to take the first steps.

The rational management of a currency, for instance, needs to rest on a strong, clearly visible political power. The current situation of the euro, which is managing to stay afloat without a strong Europe, is too fragile and clearly not permanent. The euro could collapse with the first crisis.

That is the sense in which we can say that Europe is facing its last chance. Europe is basically nothing more than a broad free-trade area. European nationalisms will be able to regain a foothold as though they were running a dress rehearsal for a repeat performance of history. The French must stop fearing Germany and they must make proposals capable of meeting the Germans' expectations. Too much time has been wasted. Let us hope that it is not too late!

### 3. The institutional organisation of a European Federation

Our choice of a European Federation makes it incumbent upon us to define those words. The European institutions' current form is considered by some to be federal, to the extent that the countries really do appear to have surrendered a part of their sovereignty to a common, central body.

“AN INTERNATIONAL  
TREATY WOULD ESTABLISH  
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NATION-STATES”

But this organisation has one huge shortcoming: it leaves too little room for democratic oversight. Of course, there is a parliament which is gradually building up its power on a piece-by-piece basis, but unfortunately the real decisions are made by the heads of state and government in the European Council. One might object that they are all elected by their respective countries' electorates, because all member countries are in fact democracies. But that is not enough. The European Central Bank, for instance, is not under democratic control and it is as though the right-wing policies inspired by German

Ordoliberalism were carved in stone. Europe has almost always been governed on the basis of a rightist philosophy. Competition appears to be its generally accepted supreme value.

The “économistes attérés”, the so-called “appalled economists” – yet whose analyses should not be systematically ignored – are all agreed on calling the current system “federalism under tutelage” in an effort to highlight the fact that Europe's policies are under the tutelage of bodies which either are not elected or are not under democratic control. Now it just so happens that one of Germany's constant requirements is always to demand that if a political Europe were one day to be forged, it should function democratically.

That being the case, we must move with determination towards a political Europe that is truly democratic. And that means that it must pursue right-wing policies when its political majority is right-wing and left-wing policies when its political majority, too, is left-wing. In addition to which, any major official act must be performed

under democratic oversight, in other words the oversight guaranteed by a Parliament. In a political Europe, power must lie with the government of Europe itself, under parliamentary control.

So what we need is a European democratic Federation, and that is what we shall now set out to describe.

In legal terms, we might be inspired by the concept of enhanced cooperation provided for under the Treaty of Lisbon. An international treaty involving six or seven countries would establish the constitution of a fully-fledged Federation of nation states promoted by Jacques Delors<sup>5</sup>. The now seasoned concept of a Federation of nation states is perfectly suitable because it allows the exercise of supranationality while maintaining the identity of the nation states involved; and the whole, crucially, under democratic oversight.

The treaty would establish the list of spheres demanding a transfer of sovereignty, and the Federation would function along parliamentary lines, the sole way of ensuring democratic oversight.

Two houses and a council would be set up: a lower house whose members would be delegated by the national parliaments to a total of 300 MPs, each country returning MPs in proportion to its population as a percentage of the Federation's overall population; and an upper house comprising delegates from the national upper houses, to a total of 80 senators, each country returning senators in proportion to its share of the Federation's overall GDP. A Council of the Federation of nation states would be instituted, comprising three representatives from each country appointed by the member states' governments with their individual parliaments' approval. The Federation's upper and lower houses would meet in Congress to elect a president of the Federation with executive power and with the task of monitoring the proper functioning of the institutions.

The president would choose a prime minister, who would have to win both houses' approval after presenting his or her government. The two houses would be able to censure the government. The president would be able to dissolve the two houses on certain conditions. The Federation's budget would require the approval of both houses.

The Council of nation states would be empowered to demand a review of any laws approved, and it would be able to oppose the enactment of any law. In the event of a clash between the Council of nation states and the two houses, the president of the Federation could call a referendum to resolve the dispute.

The international treaty signed by the six founder members would enjoy the status of a Constitution. The option chosen would be to devise a very short document, unlike what has tended to be case during the construction of Europe so far, where the effort has been to conceal constitutional weakness beneath an avalanche of detail, and ultimately also of political guidelines which have no place in a constitutional charter. The document might consist of roughly ten paragraphs<sup>6</sup>.

This would create a Federation of nation states in the heart of Europe reflecting the wishes of Europe's founding fathers, namely the creation of a profoundly democratic European power. The democratic principle would thus be assured by the make-up of the two houses and of the Council of nation states in a system in which the member states' own democratic bodies play a very strong role.

It is worth pointing out that such a government structure would allow the Federation of nation states to operate in a far more democratic fashion than either the European Union or the euro area. This, because the president of the Federation (elected by both houses) would choose a prime minister and a government on the basis of an elected majority. Thus a far more flexible opportunity for alternation in power really could materialise in Europe.

5. Yves Bertoncini, "For a European Federation of nation states: Jacques Delors' vision revisited", *Synthesis of the book written by Gaëtane Richard-Nihoul, Notre Europe - Jacques Delors Institute*, April 2012.

6. See Part 6 with our proposal for an international treaty.

**“ BY ITS ECONOMIC AND POLITICAL CLOUT, THE FEDERATION WOULD HAVE A RIPPLE EFFECT BOTH IN THE EURO AREA AND IN THE EU”**

Moreover, a balance would of necessity be found between the houses of parliament and the Council of nation states because the weapon of a referendum would act as a deterrent or as a timer by forcing the partners to come up with an accord in order to avert a procedure, which by its very nature should remain an exception rather than the rule.

This Federation of nation states would sit side by side in harmony with the member countries, the euro area and the European Union because the regulations adopted by the European Union are compulsory for all of its members, thus also for those in the Federation. And the same applies to regulations adopted by the euro area. Thus in theory there is no possibility of a clash. The Federation has the legitimacy only to move further ahead in those spheres where neither the euro area nor the European Union wish to go or are able to go. But by its economic and political clout, the Federation (which has a natural inclination to expand) would have a ripple effect both in the euro area and in the European Union.

The members of the euro area could gradually apply to join the Federation by ratifying its founding treaty. Great Britain would refuse to join the Federation and would remain a member of the European Union - nothing more, nothing less. Poland could join the euro, and subsequently also the Federation. Luxembourg could also join the Federation if it agrees to first settle its tax haven and taxation issues, which are unacceptable within the Federation. In a group of this nature, it would be less of a problem to allow Turkey into the European Union, but on condition that it first settle its democratic issues. The Federation would be a hard core inside the greater Europe.

Where the Federation’s organisation is concerned, it is important to ensure that as an institution its costs the man in the street as little as possible.

On the one hand, the Federation would be inclined to address those issues that the European Union and the euro area either cannot or do not wish to address. Moreover, the whole system would have to be brought up to speed gradually. The method selected to choose deputies and senators makes it possible to avoid the creation of new salaried posts, because both categories would come from their respective national parliaments. The only form of compensation that can be envisaged would be the reimbursement of expenses strictly incurred in the exercise of office.

The office of president would obviously need to be created and would require a small staff. Our draft treaty suggests that the president would choose a prime minister who would then require parliament’s approval.

**“ THE TWO PRIORITY FIELDS TO EXPLORE MIGHT BE A FRESH BOOST TO GROWTH AND THE HARMONISATION OF TAXATION”**

Initial negotiations among the member states would make it possible to determine the few priority spheres needing to be explored. The two priority fields to explore might be:

- an initiative designed to impart a fresh boost to growth in Europe;
- the harmonisation of taxation among the member states.

The government of the Federation would flesh out on an as-needed basis. The Federation would be installed in Brussels and could share or hire certain administrative or study functions with the other European bodies headquartered in Brussels.

One day in the future, who can say but that the European Federation may have absorbed all the members of the euro area, and possibly even the members of the European Union. While admittedly only theoretical, and in any case only in the very distant future, such a prospect is nevertheless worth evoking. The Federation is unquestionably Europe’s future.

## 4. A European growth initiative for a European Federation

The financial crisis that has struck Europe is currently being experienced primarily as a sovereign debt crisis. Most governments are going to have to pursue a restrictive budget policy both by cutting back on expenditure and by increasing statutory taxation.

We may expect to see two kinds of political proposals to tackle such a situation.

A somewhat conservative response reflecting economic orthodoxy, primarily inspired by Hayek and Friedman, consists in returning to the Maastricht criteria and sticking to them strictly, with the annual budget deficit remaining below a 3% of GDP ceiling and the overall debt remaining below the threshold of 60% of GDP. Given those conditions, the Federation's member states will be unable to borrow afresh until their debt sinks to below the 60% of GDP mark. This is austerity raised to the rank of a principle. Growth can only return if businesses recover their global competitiveness, and for that to happen there is only one thing that can be done: both the welfare state and salary levels must be slashed. While this might sound like a deflationary approach, we should not forget that it has in fact been accepted by a large swathe of Europe's elites and broader public opinion.

For a somewhat more progressive policy, on the other hand, austerity is in danger of making it difficult to achieve budget goals and is thus in danger of carrying on for longer. Of course it is necessary to bring deficits down, and to do so gradually, but the most important thing is to impart a fresh boost to growth, the only thing that will make it possible to achieve budget goals and to reduce unemployment<sup>7</sup>. Now, growth can in fact be boosted by investment funded by indebtedness as long as that investment meets certain cost-effectiveness criteria.

“THE ONLY POSSIBLE  
WAY TO REDISCOVER THE  
PATH OF THE GROWTH IS  
THROUGH INVESTMENT”

This policy stands a good chance of gradually becoming the policy of the Federation on condition that it wins the support of parliament. That is the basic premise of democracy. The fact that it may appear to be inspired by neo-Keynesian ideas does not mean that it should be rejected. Thus it is possible to rediscover the path of growth, and the only possible way to do so is through investment.

As Joseph Stiglitz<sup>8</sup> writes, “the real answer, at least where countries that borrow at a low rate are concerned, is simple: the money must be used to make high-yield investments<sup>9</sup>. That would both impart a fresh boost to growth and generate tax revenue, thus bringing the debt-to-GDP ratio down in the medium term and improving the sustainability of the debt. (...) In Europe, the debt-to-GDP ratio is lower than it is in the United States; if Europe also had an appropriate common budget framework, it would be in a better overall position than the United States”.

The whole of Europe would need an investment plan of that kind, in the same spirit as the plan proposed by Jacques Delors many years ago. Unfortunately, neither the European Union nor the euro area, nor yet the member countries taken individually, would have the capability to sufficiently underwrite loans taken out on the money markets. This, because the member states are already excessively in debt and neither the European Union nor the euro area are political structures that can offer the same kind of guarantees as a state.

Only a very close association comprising several European countries operating in a context of mutual solidarity, and sufficiently homogeneous in economic terms, would have that borrowing capability. This could be achieved in the spirit of the enhanced cooperation process provided for under the Treaty of Lisbon. A

7. Maria João Rodrigues, “Youth unemployment, socio-economic divergences and fiscal capacity in the euro area”, Policy Paper No; 102, Notre Europe – Jacques Delors Institute, November 2013.

8. Op-ed published in the Wednesday 17 August 2011 edition of Paris daily *Le Monde* entitled “Comment éviter une longue léthargie de l'économie ?” (How Can We Prevent the Economy from Going into a Long Hibernation?).

9. When monetary policy has achieved as much as it can achieve. The refinancing rate in the euro area stands at 1.25%; it has stood at all-time low rates for several years now.

solidarity-based association of that kind perfectly fits the description of a European Federation founded by the six most industrially advanced countries in Western Europe which intend to move further down the path of European construction together.

Thus the Federation, by simply existing, would have the merit of making it far easier to fund such a programme. These investments for the future would be sufficiently large to have a ripple effect on the European economy and to make up for Europe's hi-tech lag with the United States and with certain emerging countries. What we need, when all is said and done, is to release the funds required for "Strategy 2000", designed to promote investment in the sectors of the future.

A programme of 600 billion euro would be the right size for the Federation's six founder members. That represents 100 billion euro per country on average (for France, 140 billion, in other words four times the size of the major loan). As you can see in the following table, GDP for the six countries making up the European Federation is worth 8.23 trillion euro. The indebtedness level of the Federation per se for funding the 600 billion euro programme would amount to almost 7% of GDP. If we apply the same ratio to France alone, it comes to 7% of 2 trillion euro, in other words 140 billion euro.

#### Macroeconomic data of the European Federation

State	Population (million inhabitants)	GDP (billion euros)	Part of the population (%)	Part of the GDP (%)
Germany	82	2,640	16	20.5
France	62	2,000	12	15.5
Italy	60	1,565	12	12
Spain	45	1,050	9	8
Belgium	11	376	2	3
The Netherlands	17	600	3	4.5
<b>Total of the Federation</b>	<b>277</b>	<b>8,231</b>	<b>54%</b>	<b>63.5%</b>
Poland	38	380	7.5	3
<b>EU</b>	<b>504</b>	<b>12,900</b>	<b>100%</b>	<b>100%</b>

Source GDP: OECDE (data 2012)

The Federation, comprising 6 states (7 with Poland), accounts for a bit more than 54% of the EU population. It accounts also for more than 63.5% of the European GDP. The size of the Federation with 6 (or 7) members is therefore significant.

The plan is not going to be implemented in the space of a single year; it must be seen as the first phase in a long-term multi-annual plan. Also, it is worth pointing out that the fact of investing 600 billion euro in six countries with extremely interconnected economies is going to have a multiplier effect on growth. It would be obvious that a boost to economic growth in a single country would be doomed to failure.

“ THE PROFIT  
GENERATED BY A PROJECT  
WILL SYSTEMATICALLY  
ALLOW THE LOAN  
TO BE REPAYED ”

This aspiration entails the issue of Eurobonds. Such bonds would be issued by the European Investment Bank, which could borrow in its own name on the Eurobond market, with guarantees being put up by the Federation and/or by the member states. The issue of Eurobonds being the task of the European Investment Bank, an investment agency will be set up to select the projects to be funded, basing its decisions on the scientific and technical expertise crucial to its mission. The agency's primary role will be to select cost-effective projects, given that the return occasioned by a project must always be higher than the cost of reimbursing the Eurobond. In other words, the profit generated by a project will systematically allow the loan to be repaid. Under no circumstances can access to Eurobonds be used to federate the member countries' debts as they stand today. Thus loans will pay for themselves, and they will not increase the member states' collective debt-servicing costs.

The areas for investments for the future to which priority attention should be paid might be:

1. Research and higher education.

Current and future new technologies would be given pride of place (biotech, nanoscience and so on). In our view, the endemic problem of the past few years has been that the best university students have gone to work in banks or investment banks rather than in the field of research and development. In other words, it is socially and economically preferable for a student from the École Normale Supérieure in Paris, Milan's Bocconi University or the Ludwig-Maximilians-Universität in Munich to work in a research laboratory rather than for Goldman Sachs. In terms of higher education, that would make it possible to forge a network of universities of the highest rank.

On a more general level, research and higher education are of crucial importance for Europe. This is a field in which Europe should aspire to be in the front rank on the global level. First of all, research produces industrial development and innovation; second, research and higher education could be seen as a fully-fledged sector of excellence in the export industry. The final outcome of the major battle for the future is going to depend primarily on the importance that Europe will have assigned to its research and higher education pole.

2. Major European infrastructures in the spheres of energy (trans-European networks), transport<sup>10</sup> (Paris-Berlin high-speed rail project, Lyon-Turin high-speed line and so forth), renewable energy and so on. A few examples of cost-effective areas or projects must be accurately identified: photo-voltaic energy, medicine, aerospace and so forth. These areas must be related to the technologies of the future (the technology frontier of the third decade of the 21<sup>st</sup> century).

The agency might initially focus on the energy sphere, which we may consider to be a priority.

“THE EUROPEAN INVESTMENT AGENCY'S ROLE WILL BE TO IDENTIFY THESE COST-EFFECTIVE PROJECTS”

The European investment agency's role will be to identify these cost-effective projects. Local communities, especially Europe's regions and metropolies, would be closely involved in the identification and implementation of these investments for the future.

The projects will have to systematically bring on board a major European corporation (Siemens, Saint-Gobain and so forth) or a major business in such a way as to secure these investments for the future and to encourage Europe's larger groups to invest in Europe for Europe's sale. In addition, it is crucial to associate large groups with Europe's mid-sized businesses and with its small and medium businesses. The project needs to be partnership-based, and European innovation needs to be shared by the largest possible number of businesses if it is to be as competitive as possible.

These investments are investments in intelligence in a knowledge-based society capable of triggering an economic, social and political dynamic. It is common knowledge that modern industry works very much on the network principle in order to maximise value right along the production chain. Thus an aeroplane may be designed by country A, the fuselage be built in country B, the engines in country C, and the whole assembled and the instrument panel fitted in country D. That is the future face of industry. Naturally, the transport and energy aspects in such a structure are very much of the essence. Europe must not miss the boat in this connection.

This European growth initiative would be a significant gesture for federal Europe. It would be the first federal action tool created by the European Federation. It slots very neatly into the historical furrow of the projects

10. We should remember that 1% growth in Europe triggers a 3% growth in transportation in Europe. In other words, economic development in Europe is based essentially on cross-border trade. So improving trans-European networks promotes a growth policy in Europe.

fostered by the ECSC, the forefather of the Treaty of Rome. In making a strong selection of financially viable and profitable projects, this initiative does not worsen the debt, because borrowing to invest in a profitable project does not increase indebtedness either on Europe's or on the individual member countries' part, unlike what are termed general interest investments, which actually require subsidising. Moreover, in helping to impart a fresh boost to growth, these investments would help to repay the debt thanks to the additional tax revenue generated by the increased business.

Thus while member countries are going to have a great deal of trouble borrowing on the markets in the first person, and while neither the European Union nor even the euro area can offer the necessary guarantees, the European Federation, by simply existing, will make that possible. The Federation makes it possible to impart a fresh boost to investment and growth.

## 5. The harmonisation of taxation for a European Federation

The harmonisation of taxation among member countries is probably the thing that Europe needs the most in order to complete the construction of the single European market. Unfortunately, member countries are often reluctant to address the issue because taxation is the primary prerogative of sovereignty. The creation of a European taxation system will most likely see the light of day one day, but the first goal that the Federation can set itself is to harmonise taxation among its member states.

**“THE FIRST GOAL THAT THE FEDERATION CAN SET ITSELF IS TO HARMONISE TAXATION AMONG MEMBER STATES”**

Such harmonisation is impossible in a Europe 28-strong (the European Union) on account of Great Britain's intractable intransigence, but in that sphere it would probably attract the support of other members of the Union. For the same reason, it is also difficult to think of achieving it in the euro area member countries. It is undoubtedly one of the main goals that the Federation can set itself, and in any case it is one of the reasons why the European Federation can only be formed by a small number of countries.

What might it look like? Well, member states would first have to work on eliminating all traces of tax havens, legal havens and regulatory havens. This must be a nonnegotiable premise for joining the Federation. And indeed it is why Luxembourg, for instance, could not join it until it has adopted all the necessary measures (relating in particular to its status as a tax haven and to special taxation).

The first phase of harmonisation would entail drafting a list of taxes in each country around a commonly accepted definition. These might include, for instance:

- the tax on consumption known as value-added tax (VAT);
- personal income tax (PIT);
- corporation tax (CT);
- social security contributions (SSC);
- wealth and capital gains tax;
- death duties;
- environmental tax.



All of the member countries must structure their tax system on those seven bases, endeavouring to reflect the same legal definition thrashed out by a consensus.

The second phase would be devoted to harmonising taxation rates. In order to maintain a certain flexibility in implementation, an average figure would be defined, then each member state could raise or lower that rate by a maximum agreed percentage (say, 5%). Thus for example, if it is agreed that the common average VAT rate should be 20%, each country could adopt a rate falling somewhere between 20% + 5%, in other words 21%, and 20% - 5%, in other words 19%. Like today another lower rate could be added for basic necessities.

Corporate tax would be strictly harmonised, with a tolerance of only plus or minus 5% on the average CT rate. It would probably be possible to reach an agreement on VAT and CT, or their equivalents, within a fairly reasonable time frame. A first hurdle, however, would be encountered over income tax. The French would probably demand a progressive bracket-based tax with a high upper-end bracket. The negative tax (or Active Solidarity Revenue) principle should be part of the same assessment. Bearing in mind the fairly different philosophies underlying taxation in the various member countries, the best that one can hope for is a compromise.

The harmonisation of social security contributions is going to be even trickier, as is the harmonisation of the wealth tax or capitals gains tax and of death duties. This may provide France with the opportunity to draw closer to the practices of other member states. Environmental taxation, for its part, could probably remain the province of the European Union, which seems to be in a position to manage it.

And finally, the creation of a European federal tax will also be addressed.

This is a tax designed to cover the running costs of the Federation and possibly also to fund certain common structures, such as the European investment agency, devoted to cost-effective investments for this Federation.

“ THE CREATION OF A  
EUROPEAN FEDERAL TAX

WILL ALSO BE ADDRESSED.”

This is admittedly a very ambitious project, and it is likely that it can succeed only with six or seven members, certainly not with 28. The aim of the harmonisation of taxation is to prevent fiscal competition and to establish the total cross-readability of systems from one country to another. But the fact remains that each country will maintain the power to choose the overall tax burden that it wishes to place on its economy. Be that as it may, it would still mark a major step forward for the improved functioning of the single market, and thus of Europe itself.

## 6. A draft constituent treaty for a European Federation

The European Federation we suggest to create could be established on the basis of the following treaty.

**Preamble.** The European Federation enshrines a system of values shared since the dawn of history. (...) The constituent treaty establishes the list of spheres for the transfer of sovereignty, and the Federation functions on a parliamentary basis, the only way to ensure democratic oversight.

**Article 1.** The Federation is a free union among countries choosing freely to engage in the construction of a political federation.

**Article 2.** Two houses of parliament will be established:

- A lower house, or Chamber of Deputies, whose members will be delegated by national parliaments to a total of 300 deputies, each country returning deputies in proportion to its population as a percentage of the Federation's overall population.
- An upper house, or Senate, whose members will be delegated by national upper houses to a total of 80 senators, each country returning senators in proportion to its share of the Federation's overall GDP. In the event of a disagreement between the two assemblies, decisions of the lower house will have the force of law.

**Article 3.** The Chamber of Deputies and Senate of the Federation meet in Congress to elect the President of the Federation, who holds executive power and who is tasked with monitoring the proper functioning of the institutions.

**Article 4.** The President of the Federation monitors compliance with the Constitution. He or she is elected for five years. No President can serve for more than two consecutive mandates.

**Article 5.** A Council of the Federation of nation states will be established, comprising three representatives from each country appointed by the member states' governments with their individual parliaments' approval.

**Article 6.** The president chooses a prime minister, who must have both houses' approval after presenting his or her government. The two houses are empowered to censure the government. The president can dissolve the two houses on certain conditions.

**Article 7.** The Federation's budget requires the approval of both houses in identical terms.

**Article 8.** The Council of nation states is empowered to demand a review of any laws approved, and it may oppose the enactment of any law. In the event of a clash between the Council of nation states and the two houses, the president of the Federation may call a referendum to resolve the dispute.

**Article 9.** The currency of the Federation is the euro.

**Article 10.** Two, three or more countries may initially establish this Federation. Countries join the Federation by ratifying this international treaty.

Thus a Federation of nation states is established in the heart of Europe reflecting the wishes of Europe's founding fathers, namely the creation of a profoundly democratic and federal European power.

## CONCLUSION

The 20<sup>th</sup> century ended on a positive note, even if unemployment was beginning to spread in Europe. The surprise of the peaceful collapse of communism led to the end of the Cold War. With Germany reunited, Europe grew rapidly by taking in the former communist republics of Eastern Europe, and the euro came under starter's orders. The start of the 21<sup>st</sup> century, on the other hand, was to bring us face to face with a far sadder reality.

An extremely serious financial crisis is hampering economic growth, thus making the indebtedness of member states appear boundless. Europe is falling behind the rest of the world, where the emerging countries are acquiring an awareness of their new-found strength.

In Europe, France is lagging behind Germany in the industrial sphere, thus the Franco-German couple has entered stormy waters and lost its traditional leadership role. Europe is caught up in a crisis that is both economic and institutional. Uncertainty has gained a foothold in every member state. The only certainty seems to be that things cannot go on this way for long. If governments remain dumbstruck and refuse to act, according priority to so-called pragmatism - in other words, addressing the situation on a day-to-day basis - the people will end up emerging from their slumber and that will lead to a new European adventure. The classic cycle has already begun: a financial crisis is followed by an economic crisis, and that in turn is followed by a social crisis, which can only lead to a political and institutional crisis. In the last century that would have led to a revolution, to the collapse of democracy in many countries, and ultimately to a major world war.

**“ THE SOLUTION TO THE ECONOMIC AND INSTITUTIONAL CRISIS IS EITHER EUROPEAN, OR THERE WILL BE NO SOLUTION AT ALL ”**

No country in Europe (not even Germany) can hope to emerge single-handed from this fully-fledged stalemate. The level of economic integration in Europe is so deep that either the solution is European, or there will be no solution at all.

The solution clearly is not going to appear in the context of the current European institutional framework, which is already the result of a long historical process and no longer reflects the needs of our time. Its governance functions poorly, especially since Europe has expanded to include 28 members. Its functioning resembles that of a large bureaucratic machine in which the man in street feels only marginally involved.

One day, a political system along federal lines inspired by parliamentary democracy will be created. We await the Federation of nation states, and indeed we know full well that it will only be possible to emerge from the euro crisis by forging such a Federation. But we shall rapidly discover that the creation of a federal authority of that kind will demand from its members both a very strong degree of economic, political and even ethical or historical cohesion and, above all, the (admittedly only partial but nonetheless very real) surrender of a part of their sovereignty. This suggests that a European Federation can only be set in motion by a handful of member states at most.

Europe is stagnating, and that is a situation that can lead to its death when the first crisis hits it. The unraveling of the euro and then of Europe itself could lead to unavoidable decay, which would be both a disaster for the peoples of Europe and a major loss for mankind because, in the violent maelstrom of globalisation, Europe with its values is the only player capable of offering the world the chance to civilise capitalism.

At a time when the United States is gradually pulling out of the European continent (through NATO, for instance), when the southern shore of the Mediterranean is in the grip of instability, when the Middle East is

in the grip of structural fermentation (with the “Shiite arc”, the Israeli-Palestinian question, Iran and so forth), and when Russia is seeking to recover its position as a world power, Europe cannot afford to deconstruct. On the contrary, it must reinvent itself in order to rediscover the path that its founding fathers indicated to us.

The French and the Germans need to change their outlook on Europe, even if the Europe that is possible does not perfectly resemble the Europe that they may have been dreaming of. A quantum leap is necessary and it involves the organisation of the federal Europe that Europe’s founding fathers had perceived in their mind’s eye. We must waste no more time. It is urgent that we act with all speed.

To conclude, let us remind us the words of Alberto Savini<sup>11</sup>, “No man, no power, no force will be able to unite the Europeans and to ‘make’ Europe. Only an idea will be able to unite them: only an idea will be able to ‘make’ Europe. An idea, that ‘human thing’ par excellence. (...) That idea is the idea of a social community. To achieve a natural and thus a valid union, Europe must discover on its own, invent on its own, the deep underlying reason for that union; it must not revive or imitate what others have done in the past, otherwise Europe too will be dreaming its ‘dream of Charlemagne’, its ‘dream of Napoleon’, or its ‘dream of Hitler’”.

11. In *Pompiérisme*, 1944.

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