

Federal Leap or Political Unions?

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The on-going evolution of the eurozone crisis has elicited healthy calls for a boost to European integration which often crystallise around the concept of a "federal leap". It is necessary to clarify the terms of this debate on the basis of four complementary elements for analysis.

1 – A "European Federation of Nation States"¹ based on a specific social and political contract

The call for a "federal leap" has the disadvantage of eliciting the anxiety-provoking notion of a "leap into the unknown", while concealing the fact that the EU is already a federation. To mention only one example, the monetary union set up by the 17 countries in the eurozone is a federal reality, and by the same token, the European Central Bank is a federal institution.

The EU is a special kind of federation: a "federation of nation states"², to use the expression coined by Jacques Delors. That means that its purpose is neither to abolish the nation states of which it is comprised nor to set up a central super-State. Using the expression "the United States of Europe" is also misleading and anxiety-provoking: it *de facto* prompts to call for the adoption of measures implemented on the other side of the Atlantic, such as a central bank as a lender of last-resort. And it then generates irritations when the European institutions "fail" to adopt these "ready-made" tools, which don't correspond to the nature of the social and political contract entered into at this stage by the governments and citizens of the EU.

The Europeans are facing existential questions of a federal character which call for political jolts. Are we really united and bent on remaining so? Are we measuring the weight of our interdependence and do we have the will to draw all of the consequences from it? What meaning should we assign to our union in a globalised world in which Europe is shrinking? It is in resorting to "federalism as a method" rather than as an ideology that member states and citizens will be able to formulate concrete answers to those questions, by talking about three such central issues as the share out of competences, the European government and democracy within the EU.

2 – Adjusting the share out of competences between the EU and its member states

The crisis in the eurozone has led to a change in the share out of competences between the European and national levels. It has prompted unprecedented acts of European solidarity towards member states in difficulty, consisting of initially bilateral and subsequently European bail-out plans (through the EFSF and, soon, through the ESM), and a pro-active role for the ECB in buying up countries' debt and in providing banks with massive liquidity. As an offset, the EU has seen a boost to its responsibilities and powers in the field of tracking national budget policies (through the reform of the Stability Pact and the current adoption of the "Fiscal compact") – the case of the three "countries benefiting from aid programmes", and which *de facto* lost a part of their sovereignty, having taken those powers to exceptional levels.

The on-going nature of the crisis prompts to move even further ahead, not in order to correct the imbalances already detected but to prevent them from recurring, while establishing European guarantees. It is the whole point of the debate on a "fiscal union" which should rest simultaneously on the mutualisation of a part of the national debts and on *ex ante* European supervision of national budgets. The creation of a "banking union" which would rest on a similar rationale thanks to European mechanisms for bank bail-outs and for deposit guarantees, accompanied by an European bank supervision.

¹ For an in-depth analysis of this concept, see Gaëtane Ricard-Nihoul, *Pour une Fédération européenne d'Etats-nations. La vision de Jacques Delors revisitée*, Essais, Collection « Europe », Editions Larcier, Avril 2012, 203 pages.

² The underlined words refer to documents available on the website of Notre Europe (www.notre-europe.eu).

In addition to these steps forward in a federal direction, the EU also has to set its founding social and political contract on a more positive basis. It first concerns the pledges for social and economic convergence which lie at the very heart of the Community project, and which absolutely must be honoured to correct the structural imbalances in the eurozone. It is also crucial to promote better coordination among national economic, fiscal and social policies in order to make the best of the internal market in terms of growth and employment – on the basis of reinforced cooperation if needed. It's finally necessary to move towards a more united Europe in other symbolic fields, such as Foreign and Security Policy.

3 – The issue of European government and of recourse to differentiation

The crisis in the eurozone has strengthened the European Council, which is recognised as being a fully-fledged institution by the Lisbon Treaty. This "crisis government" was quite rightly criticised when it turned into a duopoly ("Merkozy"), thus we may welcome the fact that the debate has now been expanded, as shown for instance by the four-way summit due to be held in Rome on 22 June, and by the four-way report put together by the presidents of the Commission, the European Council, the Eurogroup and the ECB.

Moreover, the crisis has highlighted the fact that European "government" also rested on regulatory authorities such as the ECB, which have a major role to play in an EU based in part on rules devised in common and whose implementation is entrusted to unelected but trusted third parties: that is the kind of path that we should follow in establishing the European "banking union".

Lastly, the crisis has led to the adoption of a "Fiscal Compact" signed by 25 member states, and under ratification. It has imparted a fresh boost to the debate on "differentiation", a concept often evoked by Jacques Delors and which is preferable to the more negative notion of a "multi-speed Europe". Recourse to differentiation is sometimes inevitable within the EU – it is how the euro was launched: it should be promoted as often as necessary, while preserving the Community method and the internal market.

4 – The need to rise to the democratic challenges at the national and Community levels

The crisis in the eurozone also demands a dual strengthening of the democratic aspect of the "European federation of nation states".

This democratic aspect is already substantive at the national level: the functioning of both the EMU and the EU has been extensively tied to recent electoral results in Greece, in France, in Ireland and in Germany. But it also depends to a large extent on the way, very diverse, in which national parliaments are able to effectively monitor their governments' European policies.

Further steps forward in a democratic direction should accompany the strengthening of the EU's competences and government also at the European level – echoing German appeals for a "political union". The European Parliament, which is already extremely pro-active as a co-legislator and in supervising the Commission's work, needs to strengthen its ties with the national parliaments, particularly in connection with the implementation of the "Fiscal compact". The national parliaments, for their part, need to play in full the role that the treaty assigns to them especially in tracking national budgets. The president of the Commission should be directly appointed by the European Parliament on the basis of the results of the next European elections, while being a leading candidate – that would be the best way of ensuring its election by universal suffrage, however indirect, thus reflecting the model used in national parliamentary democracies.

Competences, government, democracy: those are the three main issues in a European "roadmap" which must not be purely economic and social, but must also be political and institutional – and they are also the ingredients of the political jolts, as daring as it is reasonable, which the EU so sorely needs.