

Merkel urges ceding power 'step by step' within E.U.

PARIS

Call for political unity is tempered by caveat that changes come slowly

BY STEVEN ERLANGER

Chancellor Angela Merkel of Germany, with the euro under renewed pressure because of Spanish banks and the coming Greek election, said Thursday that the answer was "more Europe," with moves "step by step" toward a fiscal and political union of countries using the euro.

"We need not just a currency union;

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we also need a so-called fiscal union, which is more joint budgetary policy," she told the German public television network ARD. "And most of all we need a political union," she said.

"That means that we must, step by step through the process, give up more powers to Europe as well and allow Europe oversight possibilities," she said.

Ms. Merkel is largely repeating the German mantra throughout the crisis for the euro zone: more unity, more convergence, more budget discipline and more collective oversight from Brussels, but step by step, with no magic wand, no big bang, no sudden lurch toward a United States of Europe.

While she is sometimes criticized as moving "too little, too late," her mention of a fiscal union on Thursday seemed to go a little further, implying, down the road — once the hard work of fiscal discipline and structural reform was well under way — a willingness to collectivize some debt and even to provide more German money to the poorer countries of Europe's periphery.

But as much as fiscal and political union may be the ultimate answer for the structural flaws in the euro zone, it is not a given. Further union implies more sacrifice of national sovereignty than many countries want, let alone the desires of their voters, who have an increasingly low opinion in general of "Brussels" and the European Union's largely faceless and unelected technocrats.

The concern over sovereignty is not just in countries outside the euro zone, like Prime Minister David Cameron's euro-phobic Britain.

It is also unclear that France, a presidential republic with strong central authority, is willing to allow the sort of intrusion from Brussels that a real fiscal or political union would require.

France's new Socialist president, François Hollande, is considered very much a "European," a spiritual son of his mentor, Jacques Delors, a strong European federalist who is considered the best president the European Commission has had. But Mr. Hollande has a group of powerful euroskeptics in his party and government, and his own stance will depend to some degree, analysts say, on the results of France's legislative elections set for this Sunday and the next.

If the Socialists do well and get a working majority in the National Assembly in alliance with federalist