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# FEDERALISM OR CENTRALISM

## BUILDING THE EUROPEAN POLICY ON VALUES

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**FEDERALISM OR  
CENTRALISM**  
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ON VALUES**

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# Foreword

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The year 2020 saw the start of an innovative process, the Recovery Plan, destined, as far as it will take root and develop, to affect the process of European unification.

The implicit outcome of this effort is the European Economic Union, called to complete the European Economic Monetary Union, which until now has been partially realized with the European Monetary Union.

The Recovery Plan requires a full understanding of the outcomes of the process. The crucial aspects on which the attention must be focused from now on, in order to orient the process according to the final objective, limiting the risk of taking short term decisions, are essentially three: what characteristics will the European Economic Union assume; what relations will be established between the European Economic Union and the European Monetary Union; what rules will govern the European Economic Monetary Union and how the governance of the European Economic Monetary Union itself will be organized.

These aspects depend on the overall vision that the European Union will pursue. There are three crucial aspects to be considered: the alternative between federalism and centralism; the role of values as the compass of European policy; the evolution of the international order within which Europe is situated and which may be influenced by European initiative.

The debate on the first three aspects has already begun; albeit in an episodic manner, several parties have argued that the process must address and resolve specific needs, but the overall design of the process has not yet been discussed. In fact, the overall design needs to be deepened, so that the process is supported by consensus and so that the intermediate solutions that will be necessary are directed in a coherent manner.

It is necessary to distinguish the process of European unification as a whole from the processes of realization of the individual stages that composed it. The European unification process as a whole has been shaped by the fundamental value choices, ultimately federalism and the social market economy, that have shaped the European model. The implementation processes of the single stages had to deal with punctual aspects, mainly of a socio-economic nature, while respecting the fundamental principles of the unification process.

Throughout the unification process to date, the importance of seeking coherence between the European model and the characteristics of the stages that have made it up has always been confirmed. Continuity and innovation are at the basis of the success and novelty of European construction.

The general characteristics of the European model constitute the framework within which the analysis of the process of construction of the Economic Union initiated by the Recovery Plan takes place; the evolution of the international order now under way poses new challenges and creates new opportunities. On this aspect, the reflection must abandon the certainties of the past.

The analysis developed in this volume is shared by the two authors, Dario Velo and Francesco Velo. Francesco Velo has written Chapter II, paragraphs 2.1, 2.2, 2.3; Chapter III, paragraphs 3.3, 3.4, 3.5, 3.6, 3.7. The Authors have taken up the innovative theses developed by General Pasquale Preziosa, former Air Force Chief of Staff, regarding hypersonics and its impact on defense. See for a broader exposition of General Preziosa's analysis: Preziosa, P., "The International Order in the XXI Century", *The European Union Review*, 1/2021.

# 1. The roots of the European model

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## 1.1. The beginnings of the European unification process

European unification has been interpreted for a long period of time using the ideal types defined in the course of the U.S. experience; the two alternative models of Federation and Confederation are of essential relevance.

In the United States, the federal model has been supported mainly by the Northern States, the confederal model by the Southern States. This contrast is still alive<sup>1</sup>.

The federal option prevailed in a process that gradually moved both the formal and material Constitution away from the solutions defined by the Founding Fathers in the late eighteenth Century<sup>2</sup>. The confederal spirit can be found in various aspects of the current system.

In the European experience, this opposition has been managed by affirming the principle of subsidiarity, which has reconciled the desire to protect the sovereignty of Member States and the need to centralize a series of competencies with a coherent transfer of powers<sup>3</sup>.

The European model differentiated itself from the U.S. model; the social market economy shaped the evolution of European

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<sup>1</sup> In 2020, the occupation of the Capitol in Washington D.C. saw numerous protesters waving the flag of the Southern Confederation.

<sup>2</sup> Hamilton, A., Madison, J., Jay, J. *The Federalist*, Mc Lean, New York, 1788.

<sup>3</sup> Quadrio Curzio, A. *Sussidiarietà e sviluppo. Paradigmi per l'Europa e per l'Italia*, Vita e Pensiero, Milano, 2003.

unification, affirming the values of freedom, solidarity and subsidiarity. The U.S. experience influenced the European experience especially at the beginning of European unification; the European experience influenced the U.S. experience increasingly in parallel with the progress of European unification, especially with the affirmation of the principle of solidarity.

It is appropriate to keep in mind the two federal and confederal models in order to understand the European experience, even in cases where the two alternatives have confronted each other without clear evidence<sup>4</sup>.

The European model begins to take clear shape with the birth of the ECSC, which is universally recognized as the first European institution with a defined constitutional nature. The foundation of the ECSC constitutes a fundamental turning point in the history of European unification, as it marks the beginning of a constituent process managed autonomously by Europe, even under the influence of developments in the international order.

The impact of transformations in the international order on the choices made by Europe to develop the unification process will in time prove to be particularly important when the world picture undergoes radical changes.

The ECSC brings out this interdependence between the internal European order and the international order. The ECSC takes shape thanks to the recognition by France of an equal partnership with federal Germany, which in turn is part of the recognition of the role of Germany in the Western front, to stem the expansionism of Stalinism<sup>5</sup>.

<sup>4</sup> An example is worth noting: tracing sovereignty back to the confederal model is in part arbitrary but certainly allows us to grasp some basic implications. See: Majocchi, L.V. *La difficile costruzione dell'Unità Europea*, Jaca Book, Milano, 2006.

<sup>5</sup> Velo, D. *Quale Europa. Il modello europeo nella storia contemporanea*, Cacucci Editore, Bari, 2018.

## 1.2. The federalist strategy, the sovereignist reaction, Monnet's constitutional gradualism

The ECSC introduced Monnet's constitutional gradualism into the unification process, which differed from Spinelli's federalist strategy. Constitutional gradualism will establish itself as the solution that can guarantee the development of the unification process. Monnet's winning strategy determined the beginning of a phase of eclipse of sovereignism.

Spinelli was a radical federalist, a convinced supporter of the need to repeat in Europe the constitutional experience lived in the United States at the end of the eighteenth century. This conviction is formed during the confinement in Ventotene, where he studied *The Federalist*<sup>6</sup>. The book was given to him by Luigi Einaudi. Reading *The Federalist* radically changed his political vision. Converted to federalism and expelled from the communist party, Spinelli will support throughout his life the need for Europe to establish a constituent assembly as the first act for its unification, thus adopting the thought of the founding fathers of the American Federation. His fundamental contribution was the Ventotene Manifesto, written during his last period of confinement in Ventotene<sup>7</sup>.

Monnet's experiences are completely different and this has a direct impact on the strategic role he plays in European unification.

During the First World War, Monnet played an important role in the military coordination of the Allies; between the two World Wars, he served at the top of the League of Nations. At the beginning of the Second World War, he developed for Roosevelt the strategy that would allow the United States to win the war. Throughout his life, Monnet found himself in an apparently

<sup>6</sup> Hamilton, A. Madison, J., Jay, J. *The Federalist*, cit.

<sup>7</sup> Spinelli, A. Rossi, E., *Per un'Europa libera e unita. Progetto di un manifesto*, Ventotene, 1941. A young philosopher, Eugenio Colorni, who died during the Resistance after being liberated from Ventotene, contributes with his ideas to the Manifesto.



natural way at the center of the history of the twentieth Century, with the ability to identify the necessary and possible choices. Monnet has solid secular values; his vocation is to contribute to the great plans by solving problems.

Symmetrical life experiences lead Monnet and Spinelli to develop equally symmetrical strategies. Monnet conceived the European Constitution as the culmination of a constituent process made up of a series of stages, in which the chapters of the final Constitution would be written one by one; these chapters would be nothing more than the treaties that would mark the development of the unification process. The stages of this process can be carried out successfully if they are able to solve the problem that has reached maturity<sup>8</sup>.

Spinelli's strategy is the opposite. For Spinelli, it was necessary to draw up a complete Constitution as the starting point for unification; it would be up to the constitutional charter to subsequently orient the unification process. Spinelli, consistent with his own radical position, would not support the foundation of the ECSC, the EEC and the Monetary Union. These are all realizations that Monnet's approach will accomplish.

Basically, it is possible to formulate an interpretative hypothesis that has been underestimated by the traditional views of scholars and actors who played a part in the unification process. Spinelli underestimated the impact of the international order on the unification process and this led him to take abstract positions. His role would be to affirm the ultimate goal, not to contribute to achieving it. Monnet has a profound awareness of the implications of the international order and contributes to modifying it in a realistic way so as to support the process of European unification. This different awareness of the impact of the international order on the

<sup>8</sup> Monnet, J. *Mémoires*, Fayard, Paris, 1976.

process of European unification begins to manifest itself at the moment of the birth of the ECSC, and will be confirmed in the following stages of the unification process<sup>9</sup>.

These events of the past help predict aspects of the near future of the European Union, which must take a step forward while the international order is being profoundly modified.

The contrasting strategies developed by Monnet and Spinelli respectively have traditionally been interpreted on the basis of the alternative of gradualism versus a radical solution. This interpretation captures one aspect of the contrast between the two strategies. This interpretation fails to recognize that Monnet and Spinelli based their positions on a different vision of the interrelationship between the European order and the international order.

In the aftermath of World War II, the Allies were uncertain about the role Germany could play. Historically, Britain had always fought to contain the hegemonic pressures represented, from time to time, by Spain, France and Germany, re-establishing a balance on the continent of vital importance to Britain itself<sup>10</sup>. Churchill radicalizes this traditional English position, seeing in the defeat of the Nazi and Fascist sovereigns the opportunity to eliminate from history the risk of a new hegemonic push by a European country or Europe. As a result, he made an opposition between German revival and European unification. For Churchill, this means a Germany without heavy industry and an army, a Europe consisting of a market without a State, according to a liberistic order. The United States are divided between those who support the development of a democratic Germany and European integration and those who advocate the political annihilation of Europe as advocated by Great Britain. The debate at the time is made less transparent by the widespread lack of awareness of the very meaning

<sup>9</sup> Preziosa, P., Velo, D. *La difesa dell'Europa*, Cacucci Editore, Bari, 2019.

<sup>10</sup> Dehio, L. *Gleichgewicht oder Hegemonie*, Scherpe-Verlag, Krefeld, 1948.

of a liberistic order, which is different from a liberal order. The classical English vocabulary does not include a difference between liberism and liberalism<sup>11</sup>.

Recognition of the importance of Europe comes out on top at the Algiers conference. Monnet attends the conference as Roosevelt's personal representative. The conference takes place in 1943. Spinelli is still confined to Ventotene, where little news arrives after being controlled by the fascist sovereign censorship<sup>12</sup>.

Stalinist expansionism, which will lead to the Cold War, strengthens in the United States those who support a policy in favor of European unification and the rebirth of Germany, whose democratic breakthrough is guaranteed by a new Constitution drafted consistently with the U.S. Constitution. Germany cannot remain a vacuum of power while governments loyal to the Soviet Union are imposed in the countries of Eastern Europe. Germany is the border between the West and the Soviet bloc, a bastion that the United States cannot give up.

The same applies to Europe, in political terms: a divided Europe could not have been an ally within the Atlantic Alliance. Consequently, the process of European unification initially developed with the support of the United States; a symbol of this historical phase is the Marshall Plan. The ECSC is set in this context. The reconstruction of German heavy industry is essential for the country's development. The fear that this would lead to a resurgence of German power was countered by turning European the government of the coal and steel industries with the foundation of the ECSC. This design was realistic because it corresponded to the international order guaranteed by the leadership of the United States. Monnet understood this framework that he helped to build. He defines the institutional solution capable of resolving all aspects of the problem.

<sup>11</sup> Croce. B. Einaudi, L. *Liberismo e Liberalismo*, Ricciardi, Milano, 1957.

<sup>12</sup> Cordier, D. *Jean Moulin*, Vol. I, II, III, Lattes, Paris, various years.

Spinelli's approach is different. His initiative focuses on one aspect of the ECSC, the organization of a Parliamentary Assembly. For Spinelli, the Assembly could assume the role of a constituent assembly. The fact that Monnet designed the ECSC as a project capable of developing in order to gradually become a model for the organization of the European Union, facing with realism the necessary and possible constitutional steps that could solve, from time to time, problems that had reached maturity, is of no importance to Spinelli.

Monnet's ability to frame the process of European unification within the international order emerges even more clearly in the project for a European Defense Community<sup>13</sup>. Equally clear is Spinelli's interest in promoting a constituent process, with less attention to the realization of a European defense<sup>14</sup>.

### 1.3. An interpretative hypothesis of the causes of the failure of the EDC

Monnet is aware that within the framework of the Cold War Europe is unable to develop an autonomous defense. The EDC must be placed within the framework of the alliance with the United States in order to realistically guarantee the defense of European citizens. These observations illustrate the reasons why NATO is organized. If they had had to choose between an autonomous European army or an alliance with the United States, European governments would have opted for the latter, since Stalinist expansionism could only be blocked by the United States, not by a Europe destroyed by war and with an army in the process of being formed.

<sup>13</sup> The original draft of the EDC was drawn up by Monnet; it is known as the Pleven Plan, just as the draft of the ECSC was also drawn up by Monnet and is included in the Schuman Declaration.

<sup>14</sup> Preda, D. *Storia di una speranza. La battaglia per la CED e la federazione europea*, Jaca Book, Milano, 1990; Preda, D. "First Attempts to Found ad European Federal State: a Retrospective Glance", *The European Union Review*, 1/1999.

Monnet convinces U.S. President Eisenhower and John Foster Dulles to support the EDC within the framework of the Europe-USA alliance.<sup>15</sup>

Spinelli convinced Paul Henri Spaak and the militant federalists to plan the European Political Community in order to create a European Government capable of organizing an autonomous European defense, on the basis of a constituent process.

The realism of Monnet's strategy and the noble flight forward of Spinelli's strategy could not find a synthesis in that historical phase. The risks to which Europe was exposed in those years were confirmed by the repression by the Stalinist army of the democratic uprisings in Hungary in 1956.

Monnet's plan for the realization of the EDC within the framework of the alliance with the United States was concrete and realistic and guaranteed a European solution to the problem of German rearmament. The ambitious changes in the background approach introduced by the radical federalists with the desire to guarantee full autonomy from the United States made its approval difficult. The French Parliament will formally drop the EDC project which in reality had already fallen. On one side stood a culture based on traditions; in Spinelli's case, the study of The Federalist. On the other hand, there was a strategic culture, influenced by the teachings of Machiavelli, which seeks the implementation of objectives and values on the basis of the understanding of the phenomena and the context within which these phenomena arise. Monnet does not have a traditional academic culture. At the basis of his action lies a profound conviction that history has meaning and that it is an oriented process. This vision is shared by the eternal masters of secular thought and by men of faith enlightened by providence.

<sup>15</sup> Monnet, J. *Mémoires*, Fayard, Paris, 1976. Monnet had no military training, but his political ability allowed him to play an important role in the control room of the Second World War alongside President Roosevelt, to whom he was bound by friendship and esteem based on the shared values of the great secular tradition.

Monnet's project, identified by current literature as the Pleven Plan, aims to strengthen European defense and lay the foundations for a future autonomous defense. It sought to secure Germany's contribution within the existing international order by assigning Europe the task of controlling German rearmament. The alliance with the United States would have constituted a guarantee for the latter and assured Europeans of an effective defense in the immediate future, when the European army would still be in the process of formation. Spinelli did not realize that his radicalism would, in the long run, have fossilized Europe's military dependence on the United States within the framework of NATO.

It is not possible to say that the EDC project elaborated by Monnet could have been realized if it had not been challenged by the friendly fire of those who wanted to strengthen it in a federal sense. Certainly, Spinelli's and Spaak's interest was focused on the project of a European Political Community to the detriment of the project of a European Defense Community; their action constituted a proof of what would be necessary and at the same time an underestimation of the limits of action deriving from the existing international order<sup>16</sup>.

<sup>16</sup> This historical reconstruction is indebted to long conversations of Dario Velo with Gérard Lieberherr, Monnet's son-in-law and at the time his young collaborator. Even shortly before his death, Lieberherr recalled with justifiable pride the photograph that portrays Eisenhower, Foster Dulles, Monnet and Lieberherr himself in the talks that would obtain the approval of the EDC by the United States Government, in the version written by Monnet himself without requesting any modification.

## 2. The development of the integration process. From a stable international order to the crisis of 1968

### 2.1. A stable international order that reduces the need for centralization of power at the European level

The process of European unification was able to develop without the need for centralization of powers, since the governance of the process itself was facilitated by the stability of the international order. The latter, in turn, was the result of the tense confrontation between the U.S. and the USSR; in the Western area, U.S. leadership ensured policies corresponding to the interests of all the countries in the area.

In 1943, the Second World War was in full progress, but the victory of the Allies was now clear. It would take another two years for the conflict to end, at a terrible cost in human lives and destruction, but the fate of national socialist, fascist and Japanese sovereignty was sealed. It was then that a wide-ranging debate began on the economic and political order that would emerge after the war.

In the Algiers conference of 1943, the future of continental Europe was discussed; Jean Monnet and General de Gaulle, leader of France Libre, affirmed the role that a democratic Europe would play in the post-war period<sup>17</sup>. The bases for a new pacified and united world order, guaranteed by the U.S. leadership, were laid in 1944 in Bretton Woods. Economic superiority would have allowed the United States to offer the international community a stable monetary order based on the convertible dollar, the abolition of

<sup>17</sup> Cordier, D. *Jean Moulin*, cit.

economic borders with the affirmation of market integration, the availability of the necessary financing for reconstruction and development. This order will be affirmed only for western countries, when Cold War will oppose USA and USSR.

In this context the European unification could start and develop. The stability of the exchange rates between European currencies was guaranteed by the stability of the exchange rate of each single currency with the dollar; the elimination of duties between European countries was facilitated by the parallel elimination of duties between all Western countries; the international institutions promoted by the United States carried out a balanced directing of the liberalization process; NATO guaranteed the defense of Europe, even in the absence of a European army; the energy policy of European countries converged within the framework of U.S. energy policy. Only France was developing an autonomous initiative in the field of nuclear energy, thanks to the farsighted initiative of Monnet, supported by de Gaulle.

This context did not necessitate high defense spending and allowed Europe to develop advanced welfare. The social market economy consolidated as an essential component of the European model, ensuring increasing levels of solidarity in parallel with the economic development guaranteed by market integration<sup>18</sup>.

The ECSC designed by Monnet anticipates the fundamental aspects of social market economy. Mueller-Armack, Adenauer's Minister, drew up qualifying passages of the founding treaty of the EEC based on the principles of social market economy.

<sup>18</sup> Mueller-Armack, *Religion und Wirtschaft*, Kohlhammer, Stuttgart, 1959; Nicholls, A.J. *Freedom with Responsibility. Social Market Economy in Germany, 1918-1963*, Clarendon Press, Oxford, 1994.

The Treaty of Lisbon, at the end of a long process, will confirm social market economy as the European Union model<sup>19</sup>. These developments could not have been financed if Europe had to bear the burden of its own defense without U.S. help. Centralization at the European level was not necessary because policies at the continental level referred to U.S. policies, charging part of the relative burdens on the United States.

This situation begins to break down in 1968 with the beginning of the U.S. leadership crisis. The crisis manifests itself first of all in the monetary field<sup>20</sup>.

## 2.2. The international economic crisis of 1968

1968 saw the beginning of the dollar crisis that would lead shortly afterwards to the fall of the Gold Exchange Standard founded at Bretton Woods. The dollar crisis substantially repeats the experience of the sterling crisis and the Gold Standard crisis, which had governed the international monetary system before the affirmation of the dollar. In both cases, the monetary crisis generates a deep international economic crisis.

Robert Triffin's analysis of the international monetary order helps to understand the parallels between the British and American experience. Triffin compares the monetary order supported by the sterling with the monetary order supported by the dollar, identifying the strengths and weaknesses of the two experiences.

The strengths of the sterling and the dollar, which have allowed in subsequent times the two currencies to hold up the world monetary order, are essentially identical. At the time of maximum diffusion of the sterling as a means of payment and reserve at world level, Great Britain could balance its capital exports with corresponding exports of goods and services. Great Britain could finance the development of the country and, at the same time, of

<sup>19</sup> Felice, F. *L'economia sociale di mercato*, Rubbettino, Soveria Mannelli, 2008.

<sup>20</sup> Velo, D. *La crisi economica e l'alternativa europea*, Giuffrè Editore, Milano, 1976.

the more advanced countries and its colonies thanks to its economic supremacy, a direct consequence of the advance with which the country had started the first industrial revolution. Great Britain, balancing the financing offered with exports of goods and services, enjoyed a stable balance of its foreign accounts. These conditions of absolute economic and financial supremacy guaranteed the role of sterling as the pivot of the international monetary order. The seigniorage enjoyed by sterling at national and global level was widely accepted as a result of the English government's evolutionary role in the international order. In the same way, the City of London, with its ability to influence international capital movements, was in a position to make up for any fluctuations in the balance of Britain's external accounts. This role has become increasingly important over time in parallel with the weakening of the sterling.

Similar conditions applied to the United States and the dollar in the aftermath of the Second World War. In the post-war period, the United States enjoyed economic supremacy, a direct consequence of the anticipation with which the country had initiated the second industrial revolution. This allows the United States to balance exports of goods and services and financing to allied countries, without compromising the balance of its foreign accounts. In this historical phase, the U.S. GDP is more than half of the total world GDP; the gold reserves stored at Fort Knox represent almost all the gold reserves of all the Central Banks in the world. As a direct consequence of these strong points, the dollar could not but constitute the pivot of the international monetary order. The seigniorage enjoyed by the dollar at national and world level, as it had been for the sterling, could count on a wide consensus, as a consequence of the evolutionary role played by the United States in the international order.

Essentially identical are the weaknesses that cause the crisis of the order based on the sterling and the order based on the dollar in subsequent periods. The leading position of Great Britain is weakened by the development of other countries that start the first industrial revolution and begin to compete with Great Britain

on an economic and financial level. The leading position of the United States is reduced by the development of other countries that start the second industrial revolution, becoming competitors of the United States themselves<sup>21</sup>.

The year 1968 marks a historic turning point in the United States position in the international order. The dollar crisis marks the beginning of a process that will gradually establish a multipolar order<sup>22</sup>. This turn of events has a profound impact on Europe, as it undermines the framework of stability that had guaranteed the process of European unification. European currencies fluctuate, causing the re-emergence of obstacles to market integration. Industrial and commercial policies no longer find an agreed orientation, seeing their anchoring to U.S. policies reduced. The same defense guaranteed by NATO is being questioned as a direct consequence of the growing difficulties encountered by the United States in confirming their leading role in the world.

The framework of stability guaranteed by the United States is undermined, but not lost. A period of transition opens up during which the European Union must affirm its own growing autonomous capacity for government, at the same time without questioning its own model of statehood defined in the post-war period in the stable order guaranteed by the United States. Subsidiarity remains the cardinal constitutional principle of European unification. There is a growing need to increase centralism in order to affirm an autonomous European governing capacity. The process will accelerate with the Trump presidency, which affirms the America first principle and weakens the international leadership of the United States.

<sup>21</sup> Triffin, R. *Gold and the Dollar Crisis*, Yale University Press, New Haven, 1960.

<sup>22</sup> Movimento Europeo – Movimento Federalista Europeo. *L'Unione Economica e il problema della Moneta europea*, Franco Angeli, Milano, 1978.

### 2.3. The European Economic and Monetary Union: the constitutional dimension

The 1968 crisis called into question the very survival of the European unification process. The stability of the process had been guaranteed until then by the United States, thanks to their ability to guide the choices of European States. The monetary and economic crisis that erupted in 1968 demonstrated that the stability of the European unification process was not guaranteed by Europe but was the result of the international order centered on U.S. leadership.

The first reaction of European countries to this crisis was the attempt to find solutions at individual Member State level<sup>23</sup>. The worsening of the crisis has therefore placed at the center of the European debate the need to establish a European governing capacity, in order to guarantee the stability and development of European unification. The response to this need was the Werner Plan for the realization of the European Economic and Monetary Union. At the heart of the Werner Plan is the objective of creating a European currency, capable of joining the dollar as an internationally accepted reserve and payment currency and capable of unifying the European market. This objective clashed with the intransigent opposition of those who saw the crisis as a sign of the end of the European project and the need to enhance national currencies. The sovereignty that had no place as a result of the convergence guaranteed by the U.S. leadership emerges once again fueled by nostalgia for the past.

Sovereignist positions draw strength from two apparently incontrovertible objections, which derive from the culture of the past. Money has always been the prerogative of the Prince and has represented an instrument of centralization. The very nature of currency showed, therefore, for the sovereignists, the impossibility

<sup>23</sup> "It's every man for himself and God for all" was the concise interpretation given by the most convinced Europeanists of this disorientation, in the conviction that God wastes no time in resolving the failures of the European States. Albertini, M. *Tutti gli scritti*, Il Mulino, Bologna, vari anni.

of creating a European currency because there was no Prince in Europe, meaning a consolidated State with all the powers typical of statehood, and because in Europe there was no consensus for a centralization of power in the hands of European institutions. These objections slowed down the monetary unification, but will be overcome by the construction of a Monetary Union with innovative characteristics, corresponding to the European model which has been defined since the very beginning of the unification process. The problem to be solved, certainly not easily but still possible as facts will confirm later on, was to build a European Monetary Union consistent with the European model based on federalism and the social market economy. The problem could not be solved in economic terms as it was of a constitutional nature. The solution was the drafting of the Statute of the European Central Bank, which guaranteed its independence and established the cardinal principle to be pursued, that is monetary stability<sup>24</sup>.

The constitutional principle that has guided European construction is subsidiarity. A subsidiary constitutional order requires that currency must not be used to centralize power, reducing the autonomy of regions and local powers, of member States, of intermediate bodies. Monetary stability hinders the arbitrary shifting of resources by those who control the Central Bank. The principle of subsidiarity requires that the mechanisms of governance of the Central Bank prevent the abuse of power by those who control the Central Bank<sup>25</sup>.

This innovative approach required testing its feasibility under the conditions prevailing in the international order. These conditions lead back to the role of the United States. Europe after the crisis

<sup>24</sup> The Werner Plan was able to profit from the theses developed by Edmond Giscard d'Estaing, Robert Triffin and Jean Monnet. This indication was given to Dario Velo by Robert Triffin during a private conversation.

<sup>25</sup> Jozzo, A., Velo, D. "L'autonomia della Banca Centrale in Italia e in Europa", *Moneta e Credito*, 134/81.

of 1968 does not need to enhance its governing capabilities with a process of centralization, it can count on the ability of the United States to play a leading role.

Europe does not need to develop an autonomous defense and can privilege the protection of welfare, the principles of federalism and social market economy: subsidiarity, freedom, solidarity.

In order to fully evaluate the Monetary Union, it must be remembered that the original project was the Economic Monetary Union. Europe has only recently addressed the objective of Economic Union with the launch of the Recovery Plan. The reasons for this delay must be understood.

#### **2.4. A currency not subservient to the powers of the Prince**

Europe has faced a new problem: to provide itself with a currency that is not a power controlled by European institutions but that responds to constitutional rules.

The currency has traditionally been a power of the Prince; the central power has traditionally been able to use the issuance of currency as a fiscal tool to drain resources in its favor without resorting to a transparent fiscal regulation, decided in a democratic way. The fiscal use of the power to mint money generates inflation; inflation drains resources from the population with less bargaining power in favor of the central power. At international level, the use of a national currency as a means of payment and reserve drains resources from the Countries that use it in favor of the issuing Country, from weaker Countries in favor of stronger Countries able to have their currency accepted at international level. This power can be in the hands of a single Country or several Countries.

Europe has paid this tribute to the dollar in the post-war period, and received a series of economic, political and military benefits. Since the crisis of 1968, Europe has seen the benefits diminish

and the tax tribute resulting from the use of the dollar as a means of reserve and payment increase. This tribute is quantified by seigniorage<sup>26</sup>.

The creation of a currency not subservient to the power of the Prince within the framework of the process of European unification challenged the constituted powers; the role of the Prince was replaced by the constitutional rules elaborated in a democratic way. Tradition does not correspond to this solution. The Treasury has always controlled the Central Bank, using monetary policy as a source of financing public spending. Centralism has increased in a vicious circuit, parallel to the imbalance of accounts in order to maximize the drainage of resources in favor of governmental bodies and for the service of public debt. This is the origin of the conviction of the sovereignists for whom the autonomy of the European Central Bank gave to the managers of the bank a power which belonged to the State; a democratic government of currency on the basis of constitutional rules was not realistic for the sovereignists, faithful to the rules of the past.

The European currency conceived in this way could have the consensus of the Member Countries because it did not achieve a centralization of power at European level. It could be initially affirmed on the European domestic market, and then gradually spread internationally if the dollar crisis had further worsened. The European currency would then be used alongside the dollar, creating a problem of cooperation between the dollar and the euro to reduce the risk of destabilizing processes<sup>27</sup>.

Monetary Union has thus marked a fundamental stage in the evolution of the European federal model. This has been possible thanks to the role played by the United States in resolving

<sup>26</sup> Among economists there is a widespread romantic view of seigniorage, which brings back to medieval monetary mechanisms. In our country, it is Governor Visco's merit to have clarified, in the context of the Bank of Italy's balance sheet, how seigniorage is determined.

<sup>27</sup> Coordination between the ECB and the FED was initiated on the initiative of the Draghi presidency of the ECB.

problems that would otherwise have required greater centralization in the government of the European Union. This applies first and foremost to defense, which in this historical phase remains delegated, for the essentials, from Europe to the United States.

The Central Bank model that is being affirmed in Europe will be able to be the point of reference when in the future the World Federation will be born; the European model will then be able to be fully valid, as the world unification will overcome the need to have an army. There will still be a need for a police force that will monopolize the right to use force, but there will no longer be a need for an army. This is the order theorized by Kant, defined by the German philosopher perpetual peace.

The European Monetary Union has faced an innovation of historic significance, the creation of a currency that would conform to the values of European unification. It will not be possible to undo this achievement, even if a greater centralization in the government of the European Union becomes necessary.

## 2.5. The European model of Federal Central Bank

The observations made in the previous paragraphs must be clarified by analyzing in more detail the European model of a Federal Central Bank. The ECB was born at the end of a long journey; the ways in which it was created are significant. Monetary Union, as it is defined today, is a stage in a process that is not yet complete. Any institution is destined to undergo changes over time. This is certainly true in the case of the process of European unification, which conceived the various institutions that came into being as instrumental to the step the process itself was taking<sup>28</sup>. Consistent with the more general process of integration, the European Central Bank model can best be understood by referring to the way in

<sup>28</sup> Maillat, P. "Quelle organisation monétaire dans une Europe élargie à géométrie variable organisée", *The European Union Review*, 1/1996.



which monetary sovereignty was transferred from Member States to the unification process, more than can be described as a stable and clearly identified architecture.

The powers transferred to the European level have always been limited to the need to manage each single phase of the integration process, not to design, with solutions with a high degree of stability over time, the European Union. Member States at the time of giving up monetary sovereignty wanted to protect themselves from possible negative effects, protecting their own powers. In the monetary field, the only feasible solution to achieve this goal was the definition of a Statute of the ECB that would drastically limit its discretion, specifically limiting the possibility of draining resources from the citizens of Member States to the European authorities through the instrument of seigniorage<sup>29</sup>. At the same time, respect for the principle of subsidiarity required the prevention of direct financing of public institutions of the Member States by the ECB.

The ECB was recognized as an independent institution and at the same time limited in its activities by a strictly federal statute. Qualifying contents of the Statute, with constitutional validity, are the objective of defending the value of money and the prohibition of financing public authorities at all levels<sup>30</sup>. The ECB is organized in a federal manner and this requires the central bodies of the bank to seek the consensus of the national Central Banks belonging to the system through a process of consultation. This consultation is extended to national public authorities called upon to coordinate the government of the economy between the public authorities themselves and the bank. The European Commission has been precluded from intervening in the management of the ECB, making it directly or indirectly an instrument for increasing its own governance capabilities. Had this option been recognized, it would have caused the European monetary order to evolve towards forms tried and tested in the tradition of centralized

<sup>29</sup> Jozzo, A., Velo, D. "L'autonomia della Banca Centrale in Italia e in Europa", cit.

<sup>30</sup> Padoa-Schioppa, T. *La lunga via per l'euro*, Il Mulino, Bologna, 2004.

nation States. Instead, the obligation of the president of the ECB to present an annual report to the European Parliament to give an account of his work and, specifically, of his statutory commitments has been provided for. Within a State, the prevailing monetary theories conceive the citizens' acceptance of the currency issued by their State as a consequence of the authorities' ability to guarantee stable market governance. On the other hand, in the European experience, it is possible to see how citizens express their consent to the euro because the rules guarantee the good governance of the currency, limiting the discretion of the authorities both at the level of Member States and at community level.

These solutions have solved the problems that characterized Europe at the time of the new stage of its unification, constituted by the Monetary Union. If the European Union is to become more centralized in the future, these solutions will have to be tested.

### 3. The development of a multipolar international order

#### 3.1. The emergence of new actors in the international order

The beginning of the 21st century has seen the emergence of new powers in the international order, first and foremost China, India, Brazil and South Africa. Other countries, smaller in size, play a major role in both the economic and political arenas. These changes have their roots in the Twentieth Century, but only in the current Century have they determined a turning point of historic importance. This has inevitably led to profound changes in the traditional major players.

The U.S. leadership, already weakened by the crisis of the monetary system founded at Bretton Woods, has suffered the most conspicuous effects of this turning point. The dollar has progressively lost its importance as an international payment and reserve currency. Globalization, which was functional to large U.S. companies, lost strength in the face of protectionist tendencies developed in different forms by national policies of a Colbertist nature. This phenomenon has been particularly intense in the Chinese experience, achieving success beyond expectations. U.S. technological and scientific superiority has suffered from increasingly fierce competition from emerging powers. China has achieved the most important results, reaching a competitive capacity that has placed it ahead in many sectors. Markets where Western countries had a privileged position have seen increasing penetration by emerging countries; Chinese expansion in African and South American areas has been extremely significant.

U.S. leadership in the military field has been eroded, reaching unexpected points of weakness in strategic defense sectors. The United States and NATO have lost the certainty of being able to guarantee their own defense in the event of a nuclear attack.

In this context, the comfortable position of Europe, certain of being able to count on U.S. solidarity, has disappeared. Therefore, the awareness of the need to question its own model has grown, developing forms of centralization in order to guarantee an autonomous governmental capacity. Europe has found itself to be a component of a multipolar order, no longer a protected component of an international order in which U.S. leadership is central. This has not undermined the convergence between Europe and the United States, but is forcing a review of their respective responsibilities. Emblematic, in order to understand the extent of these changes, is the process of obsolescence of the traditional forms of military defense at the Atlantic level.

#### 3.2. The hypersonic and its impact on the defense of the United States and Europe

Future developments in the international order are a function of multiple variables. They depend on technological progress, the economic power of the major world powers, the governance of international relations, military capabilities and the strategies adopted for their use. The most rapid change that has occurred recently, affecting the variables mentioned, concerns the military sector and specifically the use of nuclear weapons.

In the period following World War II, the risk of nuclear conflict between the U.S. and USSR was limited by the balance of terror. Both contenders would have been destroyed by a direct conflict fought with nuclear weapons; this made possible only local wars, fought with conventional weapons. After the fall of the Berlin Wall and the collapse of the Soviet system, the U.S. high anti-missile technology represented the tipping point for the balance of power between the world's great powers, effectively reducing the

nuclear deterrence capabilities of the adversaries. The protection guaranteed by NATO to Europe was completely reliable as it did not expose U.S. territory to risk.

The development in recent years of the new hypersonic technology has radically changed the situation, as there is no anti-missile system capable of intercepting a hypersonic missile. The major world powers that have already developed and matured the new technology are able to evade the U.S. and NATO anti-missile capabilities; this is accelerating the timing of the global geostrategic shift in favor of these powers, currently consisting of China and Russia. All fixed and mobile military sites, on land and at sea, with major defense systems that were considered effective until the advent of new technology, are now to be considered vulnerable to hypersonic weapons. Hypersonic weapon defense capabilities have not yet been developed by the United States; this will take some time. This timeframe may allow countries at the forefront of military technology today to further renew their advantage. The hypersonic gives to the countries in possession of such weapons both deterrent and coercive power.

Few data are sufficient to grasp the magnitude of the change produced by hypersonic technology. With the use of hypersonic weapons, it is possible to cover enormous spaces in a very short time at a speed of 10 times the speed of sound, that is 12,500 km per hour. Such speeds were unimaginable before in the atmosphere due to the absence of specific materials resistant to high temperatures and aircraft engines capable of generating the necessary thrust.

The control of technology in the hypersonic field has been declared by Russia and China, as already mentioned; the United States are still in the phase of recovery of the evident technological gap, which has weakened the second American strategic offset based above all on the sophisticated anti-missile system that had characterized the great western deterrence in the last decades. More exposed are the allies of the United States, geographically closer to the Russian and Chinese territories, east and west of the United

States. Against this backdrop, the orientation in favor of prioritizing protection of U.S. interests that has most recently characterized the U.S. administration, America first, calls into question NATO's role.

The United States had already started in 2014 the studies for the third strategic offset but China and Russia have been faster in achieving technological maturity in the specific area, motivated by the desire to overcome the position of military strategic inferiority that compromised their position in the international order. The development of these military technologies currently involves the three powers mentioned, with the European Union in a marginal position.

As for Russia, President Putin recently stated that his country holds leadership in hypersonic weaponry. He also stated that he has countermeasures for hypersonic weapons. This allowed him to reiterate that Russia has achieved unprecedented levels of national security. During the Presidential Address to the Federal Assembly, President Putin said that by 2024, 76% of conventional military forces will be equipped with the new weaponry, while 88% of nuclear weaponry will be modernized by 2021. Avant-garde hypersonic-capable intercontinental missiles (HGV hypersonic glide vehicles) and Peresvet laser-based air defense and missile defense combat systems are already deployed. Sarmat super heavy intercontinental ballistic missiles capable of evading U.S. ABM defenses and carrying up to 24 HGV warheads will be operational by 2022. The number of combat aircraft equipped with Kinz HAL hypersonic missiles (2000 km - Mach 10) will increase as will the deployment of Kalibr cruise missiles on combat ships. The Tsircon / Zircon (1000 km, Mach 8-9) anti-ship hypersonic missile, invisible to radar, will enter service in the near future. Russia is now in the process of developing a more modern Poseidon (Tsunami Apocalypse Torpedo) large combat torpedo system

for submarines, capable of hitting coastal targets with thermonuclear armament (2 megatons), and the system called Burevestnik (Petrel), a nuclear-powered cruise missile<sup>31</sup>.

As far as China is concerned, the country has carried out the first tests on hypersonic weapons; the Jiageng 1 aircraft, developed by Xiamen University and capable of a speed of over Mach 5, was tested in the Gobi Desert. The aircraft required 10 years of study and design. Jiageng 1 adopted the wave rider design, similar to the ongoing U.S. Boeing X-51 project. In 2020, Peking University has already started testing the i-plan capable of speeds close to Mach 7.

As for the U.S., the Boeing project has already been mentioned. The Raytheon Company is developing new hypersonic missiles, with the hypersonic air-breathing weapon concept, in collaboration with Air Force and DARPA.

The European Union and the European countries with greater potential have made limited investments in hypersonic technological research and are in fact not present in this revolution that is radically modifying defense.

The development of hypersonic has had major effects on other areas of the military arsenal. The hypersonic has revitalized the nuclear-related arms race, previously slowed by the U.S. anti-missile system, which has now become insufficient to counter it. The speeds associated with hypersonics are stimulating the development of new weapon systems to counter the new threat. The reduced predictable reaction times will most likely require the extensive use of artificial intelligence, machine learning, and the cloud. Hypersonics are involving two new military domains, space and cyberspace, with high increased levels of complexity, making it more difficult for countries that are lagging today to catch up.

<sup>31</sup> Presidential Address to the Federal Assembly, 21/04/2021, en.kremlin.ru

It is foreseeable that on the combination of cyberwar, space war and hypersonic capabilities will be based the new strategic deterrence and the next levels of conflict in symmetrical contexts where countries with a resilient satellite observation capability will prevail and that will be able to develop the cyber field to take advantage of hypersonic capabilities.

Hypersonics are a major game changer in the multipolar world whose effects will manifest in the traditional military domains with major changes in military planning, doctrines and tactics for the U.S., China and Russia. For the remaining countries, the need for strategic repositioning will assert itself. For the European Union, in particular, the problem of making a long-term choice between three main alternatives will arise: renewing the traditional alliance with the United States on new bases; developing an autonomous European army; enhancing its own foreign policy as an instrument to limit the risks of conflict, in line with the model theorized by Tommaso Padoa-Schioppa<sup>32</sup>.

### 3.3. The economic paradigm in the multipolar order

The weakening of U.S. leadership has had an impact on the country's economic policies in both its international and domestic dimensions. Franklin Delano Roosevelt's New Deal had introduced a new public-private, State-market relationship. The traditional liberal model was replaced by neo-liberalism, with increasing centralization and greater ability to govern the economy. The federal enterprise, born with the Tennessee Valley Authority, had been the strategic translation of this shift. Ultimately, the Colbertist model returned, profoundly renewed, but again affirming the role of Government at the base of the economic order.

The Government's ability to direct fundamental economic choices is affirmed primarily within the United States. Roosevelt adopts the constitutional reforms necessary for this turnaround; the

<sup>32</sup> Padoa-Schioppa, T. *Europa forza gentile*, Il Mulino, Bologna, 2001.

reforms that have the greatest visibility are the reorganization of the FED and the birth of the SEC; other reforms gradually modify social policy, security, defense, health, the distribution of powers and responsibilities between Member States and the Federal Government<sup>33</sup>.

Victory in World War II gives the United States the responsibility of establishing a new international order. The economic strength of the United States allows the country to assume a role of good government of the western world and potentially of the whole world. International institutions that can overcome protectionism, finance development, and support economic and political cooperation are founded. The Marshall Plan supports European reconstruction, playing an evolutionary political role that supports the start of European unification.

As mentioned in the preceding pages, this order entered into crisis in 1968. A transitional period opens, between the year 1968 and the beginning of the twenty-first century. In this period, the ability of the United States to govern the economy both domestically and internationally gradually diminishes. This growing weakness is presented as an option in favor of a more advanced order based on globalization and liberism. The role that the State is no longer able to play is delegated to the market. A market without a State is destined to lead to market failure, which can no longer be defended by adequate public policies.

In this liquid space, each individual State can seek its own position with greater or lesser success depending on its size and development<sup>34</sup>. China achieves high levels of development and modern-

<sup>33</sup> Schonfield, A. *Il Capitalismo moderno. Mutamenti nei rapporti tra potere pubblico e privato*, ed. it. Kompass, Milano, 1967.

<sup>34</sup> Significant for understanding these phenomena are the works of U. Beck, who actually describes already ongoing phenomena as new trends. Beck, U., *La società cosmopolitica*, ed. it. Il Mulino, Bologna, 2003.

ization in a short period of time. The key to success is a coherent policy of Colbertism, carried out by privileging new technologies and research<sup>35</sup>.

In an initial phase, Colbertist policies support the development of countries that make this choice with greater capacity for good governance. This option is slowed down at the international level because no State can autonomously guarantee a stable alternative to the liberist order.

The 2007 crisis opened a new phase in the international order, the beginning of a multipolar order with its own economic paradigm. This paradigm is a government of the international economy based on participation among the countries that guide the definition of the new multipolar order. It is understandable how this new order can fuel reactions in countries that held a position of leadership and who are just one of the components of multilateralism in the new order, while maintaining a privileged position. For the European Union, multilateralism presents risks and opportunities. The risks derive from the fact of no longer being able to count on U.S. leadership which guaranteed stability and made centralization and autonomous European policies unnecessary at an international level to guarantee security, trade and supplies. The European Union had found itself, as we have already mentioned in the previous pages, in the condition of not being able to equip itself with an autonomous defense, foreign policy, energy policy, trade policy, health policy and other policies in strategic sectors.

<sup>35</sup> Colbertism, at the time of Louis XIV, was originally based on State-market relations. In China, a party-market relationship is theorized; in reality, the difference is only lexical as party and State in China tend to coincide. The lexical dissimilarity will become a harbinger of change when success will bring about constitutional changes in China. The first action of China's economic policy was the reduction of poverty within its borders, then the development of the national economy alongside the economies of the USA and the European Union. On this basis, China initiated an international belt and road economic strategy to influence the world financial order through the creation of logistically structured trade routes, financed using Chinese balance of payments assets. Chinese international infrastructure investments to implement the belt and road strategy are numerous and high-cost, concentrated mainly in Africa, Southeast Asia and Latin America.

In sectors requiring high investment in research and large enterprises, Europe has found itself increasingly exposed to international competition in a position of dependence. The strength of the European Union is Monetary Union. The euro safeguards the unity of the internal market, and at the international level it has established itself as the second reserve and payment currency alongside the dollar.

In the new multipolar order, the need emerges to strengthen the European capacity to govern the economy and renew relations with the other poles of the international order. This need sets in the short term the goal of Economic Union to complete Werner's original project, the Economic Monetary Union. In the medium to long term, this same requirement sets the objective of Political and Security Union. The European model based on federalism and the social market economy must find a new balance with a greater degree of centralization.

### 3.4. Reason of State versus Global Governance

The emergence of a multipolar order fueled the view that the world was in the process of moving beyond the possibility of any one State assuming leadership over the rest of the international community. The balance of power was interpreted as progress towards a shared order able to reduce the sovereignty of States in favor of a gradual process of World unification<sup>36</sup>.

This happened at the European level; European States gradually lost sovereignty in favor of the unification process. As we have already mentioned, this transfer of sovereignty took place within the framework of an international order that guaranteed a privileged position to Europe, with delegation to the United States of the responsibilities that the European National States were losing and that Europe was not yet assuming, or at least in part. It is legitimate to ask whether the balance of power can be translated into

<sup>36</sup> Montani, G. (a cura di). *The Future of Europe and the Future of the Planet*, The Altiero Spinelli Institute for Federalist Studies, Ventotene, 2021.

an evolutionary Global Governance or whether this balance will repeat scenarios already experienced in the past, based on reason of State and conflict. The alternative cannot be resolved in normative terms, seeking radical solutions to impose advanced solutions to the international community. The problem is to understand in which aspects of the international order it is more realistic to affirm a Global Governance and in which sectors we will still see the logic of conflict, of interests or military, between sovereign States impose itself. To orient our thinking, it is possible to make the hypothesis, to be verified, that Global Governance is realistic in those aspects of the international order where there are no conflicts of interest or where there are no conflicts of interest in the majority of the superpowers capable of peacefully obtaining the adherence of the other States. An example should be given. It is in the general interest worldwide to reduce CO2 emissions caused by the use of fossil fuels for energy production. This objective does not correspond to the interest of some less developed countries. In Europe, this is the case of Poland, which depends more than other European States on the use of coal. In the recent past, Europe has hypothesized the increasing imposition of carbon taxes to support the green transition. Global Governance requires aid to countries that use fossil fuels, financing their reconversion. The distance between these alternatives grows when corresponding issues are considered on a global level.

The same considerations cannot apply in areas where the positions of the superpowers are heterogeneous and manageable only with the assertion by certain parties of their reason of State. Political initiative can help to expand the number of areas in which it is realistic to resolve through cooperation conflicts of interest otherwise destined to worsen at the international level. Traditionally, Europe has sought to assume this role. International institutions have been designed to play this role. Experience shows that the most realistic solutions can sustain progress; it is to be feared that abstract solutions can fuel failure and thus risk. History offers numerous examples of how pursuing overly ambitious goals can generate symmetrically contrary effects.

The inadequacy of existing international institutions can be overcome with initiatives conceived to better correspond to the multipolar order now being established. It is foreseeable that fundamentally two alternatives will be confronted.

The first alternative is the strengthening of existing institutions. This is the most straightforward solution since it is based on experience already acquired. Realistically, this solution can only be adopted on condition of understanding the reasons that have weakened existing institutions and taking initiatives capable of resolving these reasons.

A different alternative is the creation of alternative institutions at the initiative of one or more superpowers. New institutions could replace traditional international institutions gradually or could result in an evolution of the latter. The overarching issue supporting this scenario is the transition to a multipolar international order.

These alternative scenarios place States, primarily the emerging superpowers, in the position of opting for their own long-term positioning. This requirement applies to Europe to the utmost degree as a State in the making endowed with high powers that can be used in different ways<sup>37</sup>.

Europe can insert itself in the new international order by pursuing the objective of becoming a Europe-power. In order to understand the roots of this alternative, it is sufficient to remember that, before the two world wars, Europe was the area where the greatest power in the world was concentrated. Designing a Europe-power is not an abstract exercise. To become a power, Europe must arm itself on the same level as China, Russia and the United States. Becoming a power means inevitably developing centralism.

<sup>37</sup> Gozi, S. *Pour une Europe-puissance, souveraine et démocratique*, Université de Genève, 2021.

The alternative to Europe-power is the participation of the European Union in the emerging multilateralism with a role of promoting cooperation in order to affirm an agreed management of the problems that most of the actors of multilateralism have in common<sup>38</sup>. The creation of new international institutions capable of flanking and reinforcing existing international institutions could see Europe play a pioneering role. It will be up to the process that could thus begin to determine whether these new international institutions can lead to the overcoming of traditional international institutions or promote their re-foundation.

The objective of assuming the role of unifying force in the multipolar order would imply the organization of a defense of Europe in non-traditional forms. The defense of Europe could rely on political options capable of strengthening the network of alliances within which to promote global governance. An order capable of supporting the search for shared solutions to international problems cannot eliminate but can reduce the development of hegemonic impulses on the part of powers with greater bargaining power. The affirmation of Global Governance can be conceived as a process to be implemented gradually and destined, in the long run, to lead to a Global Government.

The start of this process can be constituted by the creation of Communities, on an international scale, in the sectors of health, the fight against various forms of pollution, and the development of clean energy. The history of the European unification process demonstrates the scope of the Communities as a gradual constituent process, with the transition from forms of governance to more advanced forms of government. The European experience can be replicated at the international level with solutions which are both renewed and respectful of the principles that have been successfully established.

<sup>38</sup> Einaudi, L. *Le cause economiche della guerra*, Capolago, 1944.

### 3.5. The expansion of conflicts of interest to areas previously considered to be of general interest to humanity

In the previous pages, it was assumed that among the powers that make up the multipolar order in the process of being established, both conflictual and collaborative relationships will be established. Traditionally, the areas over which the sovereignty of any State did not extend were considered to be of general interest, to be regulated according to an international norm and to be managed with the intervention of international institutions. The oceans, the poles, the space constituted the example of territories outside the sovereignty of any State. When the first explorers set foot in a hitherto unknown territory, they planted the flag of their country to take legitimate possession of it. The first man to set foot on the moon planted the U.S. flag but no one considered it a taking of possession. The space adventure was conceived as an adventure of mankind. This paradigm is shifting to the extent that domains without economic interest are taking on increasing economic interest. This fuels national ambitions to control those potential sources of advantage, whether economic, strategic, or political.

Economic exploitation of space is now part of the goals of some superpowers. The desire of a growing number of States, even medium-sized ones, to participate in the exploitation of this source of wealth is bound to spread.

These considerations suggest that the frontier dividing the interests of the superpowers between divergent and converging interests may be changing. The ongoing militarization of space raises fears of the extension of possible conflicts beyond the globe. The objective of identifying ever larger areas in which to assert the sovereignty of humanity, pursued by the theorists of international law, is called into question.

The world is experiencing a transitional phase, characterized by risks and new possibilities. Multilateralism can repeat the logic of the Treaties of Westphalia of 1648. Alternatively, it can accelerate

the process of integration at the international level, acting as heir to The Federalist of Hamilton, Jay and Madison of 1788. These dates, 1648 and 1788, indicate in themselves how the transition we are experiencing today has deep roots and is destined to develop over the long term. This must make us aware of the choices that are maturing, destined to affect our future in profound ways.

The acceleration of the processes underway is greater than expected. Its scope had not been foreseen. A brief synthesis of some of the processes underway is worthwhile to understand the impact of these changes on the international order.

### 3.6. The acceleration of transformations and the risks of marginalization of the European Union

The competition for the conquest of space began immediately after World War II and was already prevalently military in nature at the time of its inception. Scientific objectives contributed to consensus but were predominantly conceived as project enrichment. The Cold War provided essential justification for investment in space domination. A measure of the slow pace at which the space industry initially developed is the close descendants of the rocket that took man to the moon from the original V-2 design built by German industry at the end of the conflict. In fact, both projects were developed under the leadership of von Braun, who became a U.S. citizen after the war.

With the end of the Soviet regime and the entry of China, the space race has accelerated with a further increase in the military value of the competition for the domination of space. China has boosted technological and computer research, reaching leading positions. The only power that has privileged scientific research, putting military objectives in second place, has been the European Union; this positioning has been determined by the close alliance with the United States, which has allowed Europe a de facto division of tasks at the Atlantic level. A quantum leap in China's space policy occurred only in 2009. The date is worth capturing the very strong acceleration given by China to its space programs in the



following decade, considering the successes it is achieving today. In 2009, China established a structure for the development of technologies and personnel assigned to the domain of space, with the definition of defensive and offensive plans, and with the availability of an adequate budget. China began a process that made it self-sufficient in developing its own space policy. China has succeeded with the mission to Mars; it has launched the first satellite for the testing of tera-hertz technology, an unexplored frontier for the control of telecommunications based on artificial intelligence; it has started the construction of its first modular space station; it has planned to put into orbit satellite constellations to support autonomous satellite navigation in the automotive field, with higher precision than the analogous European and American systems, considered today insufficient for the uses in the autonomous driving of motor vehicles.

To confront China's aggressive space policies in 2018, the United States created a Space Force; the militarization of space has developed further. The European Union is allocating decreasing funds for space policy. The proposed budgets do not include the creation of facilities for the defense of and from space. This can be attributed to the fact that the European Union has not yet taken long term decisions on its own positioning while the adaptation to the evolution of international geopolitical balances requires long term choices to be taken now. This is a lesson confirmed by the experiences of the United States, Russia and China.

Space has the power to unite but it also has aspects that can divide, especially in times of strategic competition fueled by other components of the international order. Today, space is increasingly becoming an operational domain for military forces on par with other more traditional domains.

The domain of space has a fundamental value in strengthening in the multipolar order the powers capable of implementing an expansive space policy. Enabling technologies are at the heart of the military space strategy; a network of satellites already represents a fundamental force for some superpowers to ensure

their defense and offense capabilities. Anti-satellite systems have already become operational with both in-space deployments and ground-based anti-satellite missile capabilities.

In the military space competition, the leading positions are held by the United States and China.

Russia participates in this competition but is held back by a lack of adequate resources. As already analyzed in the previous pages, Russia has prioritized investment in hypersonics. Europe has a marginal position even though it has the technology to develop its own autonomous defense. The new space competition sees the deployment on opposite sides of U.S. technologies on one side and the same potential technological capabilities on the Chinese side.

A specific aspect must be considered right now, which will assume increasing importance in the future. Space, because of its size, poses a limit to handling capabilities from centers located on Earth. Electromagnetic pulses departing from Earth cannot be deployed in real time aboard artificial satellites, by spacecraft in remote spaces, by future bases on the Moon and even more so on Mars. The Earth-Mars distance is more than ten minutes faster at the speed of light; this transmission time makes electromagnetic signals inadequate for remote commands and this makes essential tools related to artificial intelligence, machine learning, clouds. This makes cyberspace a military domain of confrontation between the great powers as well as space tout-court.

These evolutions reduce the time available to the European Union to decide its own positioning in the multipolar order by choosing among all the options possible today. Time inexorably pushes Europe towards a follower position, or towards a strategy that is not homogeneous with respect to the other leading superpowers today.

### 3.7. The conditions favorable to the development of Global Governance with a unifying role for the European Union

In the previous pages, it has been assumed that Global Governance is realistic in aspects of the international order where there are no conflicts of interest between the superpowers, or between the majority of superpowers, capable of peacefully obtaining the adherence of other States.

The considerations made with reference to space policies suggest that it is not possible to identify, once and for all, the aspects of the international order where there are no conflicts of interest between the superpowers. Space, which in theory is the place where mankind can find its unity, can become the place where divisive strategies can be developed.

The subdivision of the components of the international order between aspects where there are risks of conflict and aspects where there are opportunities for integration must take into account the interdependence between these two areas, separable only in order to elaborate interpretative schemes but unified in reality.

This also applies to the role that the European Union can play in the international order. In the previous pages, two options have been hypothesized from which the Union can choose, in turn composed of a series of options of smaller scale. The two basic options have been defined as Europe-power and Europe with a unifying role in the multipolar order. The point of overlap between these two options is the need for the European Union to have bargaining power in order to play an effective role as a unifying initiative. A classic definition also used by political science, “unarmed prophet”, is valid to grasp the limits of a European initiative that is not supported by an adequate defense capacity.

These considerations introduce the theme of the European Economic Union as the current constitutional stage of European unification. The Economic Union can be qualified as a contribution

to the affirmation of a powerful Europe or as a contribution to the affirmation of a Europe with a unifying role. The Economic Union must be qualified in its objectives. It must be understood which Economic Union is realistic today, within the framework of the future positioning of the European Union.

## 4. European unification in an international order guaranteed by the United States and in an international order determined with the contribution of the European Union

### 4.1. Increasing centralization as a European response to the formation of a multipolar international order

In the previous pages, a transitional period has been identified from the beginning of the crisis of the bipolar order to the current beginning of the establishment of a new multipolar international order. This transitional period is not over; a new multipolar order is emerging but still coexists with important legacies of the previous bipolar order.

The European Union, in this transitional phase, is faced with an alternative: to continue the process of unification by substantially preserving the model of statehood forged in the phase of bipolarity or to face the revision of the European model by adapting it to the new international order. This alternative is combined with other alternatives that we have already considered; it is a set that is worth defining the change, with the different aspects with which the set itself is made concrete.

At the heart of the choice considered here, the change of the European model, is the degree of centralization which in the future must characterize the European government.

Monetary Union was born in a phase in which the Central Bank could be autonomous, monetary policy could respect the principle of subsidiarity, and the European government could not use the ECB to increase its power of government. The Statute of the ECB and the Maastricht Treaty were consequently conceived according to the principles of federalism and social market economy.

The relationship between the European Economic Union under discussion today and Monetary Union as defined today can be resolved by first analyzing the order in which they are placed.

The economic and monetary policies carried out by President Roosevelt in the United States in the 1930s were based on the centralizing turn that the United States were experiencing for domestic and international reasons.

The ECB is gradually losing autonomy because the multipolar order requires a strengthening of European government. The 2007 crisis and the crisis generated by the COVID-19 pandemic have accelerated this process.

The Economic Union is destined to be affected by this change. The Economic Union is called upon to begin to develop policies to ensure with greater autonomy the good governance of the European Union. This is the underlying reason why the ECB is supporting public spending with an updated interpretation of its responsibilities<sup>39</sup>.

This opens up the need to understand which aspects of the so far constructed European model are destined to endure and which new aspects are destined to develop. This analysis can be carried out with a normative approach<sup>40</sup> or with a historical approach<sup>41</sup>.

<sup>39</sup> It can be interpreted as corresponding to these trends that the leaders of the FED and the ECB have taken governing positions in their respective systems, both initiating tax reform.

<sup>40</sup> By this term here we mean "what the European Union should do".

<sup>41</sup> This term is used here to ask which modifications of the existing European model best correspond to the changes taking place at world level, without leading to its distortion.

The possibility, already mentioned in the preceding pages, that the European model will spread internationally should not be underestimated. A normative approach is essentially ideological in nature. A historical approach aims to identify the feasibility of an evolutionary process. While the updating of the European model may be necessary, its dismissal would be highly likely to undermine the consensus for the unification process, which has been based on that model from the outset.

A European defense based on a Europe-power implies centralization and undermines the basis of the European model, namely federalism and social market economy. A European defense that draws authority from a unifying role of the European Union implies less centralization and can consolidate the traditional European model.

#### **4.2. A European defense based on a Europe of power versus a European defense based on the international unifying role of the European Union**

The analysis developed in the preceding pages can make it possible to outline a possible initiative capable of resolving the problems that are coming to maturity. This is the teaching, in general terms not referring specifically to current defense problems, given by Jean Monnet during the unification process. A summary of the analysis developed above is useful for this purpose.

Throughout history, countries have experienced a process of centralization as a direct result of conflict or high risk of conflict.

The analysis carried out in the previous pages has shown that the United States and Europe today have limited defensive capabilities, as a result of the development by other powers of hypersonics, the militarization of space and the development of information technology for military purposes<sup>42</sup>.

<sup>42</sup> The US lag is not attributable to lack of capability but rather to relatively limited resources invested in innovative defense sectors.

This fact in itself leads to the presumption that the European Union is unlikely to be able to catch up in the field of defense so as to equip itself with an autonomous defense capability based on its own strength alone. The investment necessary to reach this objective would imply the abandonment of the European model based on federalism and on the social market economy, a dramatic reduction of welfare and of the average levels of private consumption. Such a development could hardly obtain the democratic consensus in time of peace; in time of war such a development would come too late to guarantee the defense, given the devastating power in a very short time of an attack to the European Union with the new technologies. The alternative can only be based on alliances. Alliances could become more effective by making the multipolar order more peaceful.

The traditional alliance on which the European Union has based its defense is NATO. Today, this alliance is being challenged by a Member Country that has radically changed its policy. Indeed, the design conceived by the United States at the end of the Second World War was a great alliance including Russia. This design has been overcome with the development of the Cold War.

A possible initiative, able to face the expiring problems, can be constituted by the resumption, in renewed forms, of the design elaborated by the American ruling class at the end of the Second World War and that derived from the alliance that had allowed the victory over Nazism. The current conditions allow to pursue a convergence between the USA, the EU and Russia in order to build a more peaceful international order. The hypothesis of new alliances is realistic. It must be verified in its feasibility with a historicized approach<sup>43</sup>.

One underlying assumption is relevant here. European defense based on alliances has a better chance of being established than

<sup>43</sup> On the issues related to the defense of Europe see Preziosa, P., Velo, D. *La difesa dell'Europa*, Cacucci Editore, Bari, 2019. The book is available in French, published by the Fondation Jean Monnet pour l'Europe and in English published by The Euro-Atlantic Union Review.

European defense based on a Europe of power. If this hypothesis is confirmed to be feasible, the need for a limited increase in centralization for defense reasons would follow.

### 4.3. The crucial points for the defense of Europe

At the moment, a common political vision of the interests to be defended, of the threats to be faced, of the structures and operational instruments to be employed, of the adequate resources to be employed, has not yet matured in Europe; the awareness of the European responsibility for the formation of a balanced multipolar order has not matured, even if steps forward have already been made in this direction.

As we have seen in the previous pages, it is unavoidable that the European Union does not have the capacity to autonomously face the great challenges on the carpet, with the current structure; a process of centralization, more or less extensive, is foreseeable but it is difficult to support the development of an autonomous defense capable of facing the risks that may emerge.

In the past decades, the debate on European defense has developed by taking for granted how defense should be structured. The supremacy of NATO at world level allowed to take for granted the validity of the choices made until then. The crucial problem was identified in the partial rebalancing of American and European military spending. Many analyses have addressed the economies of scale allowed by the transfer of military competencies from European States to the European Union. Instead, the possibility of radical reforms to build a new model of European defense has been underestimated. The U.S. historical experience teaches that defense can be organized in different ways, according to the domestic order and the international order. The defense model developed in the United States from the time of independence until the World Wars was based on the Federation/Member States dualism, translated into a dual model of the army. Federal

authorities were responsible for organizing leading defense sectors and a small intervention force, while Member States were responsible for organizing territorial forces.

Throughout the Nineteenth Century, the American federal authorities retained control of the fleet, the academies, and a small intervention force, while each Member State retained control of the large National Guard, which it could decide from time to time whether or not to supply to the Federation. This order stood the test of two conflicts with Mexico and Spain; the conflict with the natives was of an incomparable nature. This pattern was overcome only when the United States participated in the two world conflicts; it was the change in the international order that forced a military change in the United States<sup>44</sup>.

Such an institutional solution corresponds, from several points of view, to the conditions in force in the European Union. In the transitional phase we are living through, it is realistic to think that the national guard, appropriately structured, should be the competence of the European States while defense in sectors of strategic importance should be the competence of the European central authorities; the organization of a European intervention corps is part of this design.

The development of a European defense based on a policy of international alliances can be strengthened by anticipating some aspects that will characterize the future multipolar scenario, once the latter will be structured in a better defined and stable way.

A series of economic and trade agreements, the development of scientific research on the basis of worldwide cooperation, the financing of the conquest of space and other forms of cooperation in areas of general interest where the need for long-term investment is greatest, are examples of initiatives that can help to build growing solidarity at the international level. Developing the multipolar

<sup>44</sup> Preziosa, P., Velo, D. *La difesa dell'Europa*, cit.; Preziosa, P., "The International Order in the XXI Century", *The European Union Review*, 1/2021.

order in these ways reduces the risk of conflict because it can shift the use of resources from military defense to the development of solidarity. The ultimate outcome of this development can be peace; this is a long-term goal. As long as even one superpower has a superior force at its disposal, the risk remains that this force can be used to assert its own interests. A nodal point for the development of the defense of Europe based on a policy of international alliances is the search for forms of international solidarity for the management of the most important assets for the functioning and growth of the economies of the superpowers.

The strengthened cooperation conceived by Jean Monnet in order to get European integration off the ground and to develop, could be the solution to use in order to develop the activities that require the participation of more than one State, while waiting for the integration process to involve the whole globe in a democratic way<sup>45</sup>.

This hypothesis outlines a process that will be able to be more precisely defined as it develops.

#### 4.4. The role of NATO and the international order

NATO constitutes under current conditions the fundamental pillar of Europe's defense. As we have seen in the previous pages, the defense provided by NATO has weakened. Europe cannot remedy this weakening on its own. It is sufficient to recall that when NATO came into being, Turkey was a secular State with a secure membership in the Western world, China was a country oppressed by poverty, India was struggling for independence. Europe can influence the international order by contributing to an evolution in the direction of an increasingly less conflictual multipolar order, not disregarding its traditional relationship with the United States.

Already once Europe has planned an autonomous defense, with the EDC in 1950, as defined by the radical federalists in opposition

<sup>45</sup> Maillat, P., Velo, D. (eds). *L'Europe à géométrie variable*, L'Harmattan, Paris, 1994.

to the project elaborated by Monnet. This attempt failed due to the awareness of the vast majority of European States that only the United States could ensure their defense against the risks arising from Stalinist expansionism.

Today, as in the past, in the changed international order, but with Europe's dependence on U.S. defense remaining, the development of growing European autonomous defense capabilities cannot but be part of an overall strategy worked out with the collaboration of NATO as a Western force. This aspect is generally addressed in order to seek the necessary changes in the mechanisms of governance and role allocation within NATO. In other words, the current debate focuses on organizational aspects while underestimating the changes in the international order that impose possible reconfigurations of NATO.

The first option to be verified is a growing convergence between the USA, the EU and Russia, open to the rest of the world based on western culture.

The crisis is above all an opportunity for change if it is conceived in a positive sense; this is the correct approach to understand the evolution of history in the medium-long term, once possible contingent difficulties have been overcome.

## 5. From Monetary Union to Economic Monetary Union

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### 5.1. The federal order and centralism

The American Constitution, which came into being with independence at the end of the eighteenth century, constitutes a revolution in State systems; the innovations that preceded it were Constitutions under monarchical regimes.

With the American Constitution, the first federal order in the full sense of the term was born; the fact that it remains valid, albeit with significant changes, more than two centuries later is in itself testament to its modernity<sup>46</sup>.

The American Constitution has taken on the value of a reference federal order, replicable in every time and place with minor fine-tuning. In the post-war period, the German Constitution faithfully replicates the essential aspects of the U.S. Constitution. European unification takes up the precedent of the American federation as a goal to be achieved. It has already been recalled how Altiero Spinelli wrote the Ventotene Manifesto during his confinement in Ventotene, a program for the foundation of European unification based on the contents of *The Federalist*, which illustrates the constituent debate that took place in the United States for the drafting of the Federal Constitution.

The American Federal Constitution is the model consigned to history. Scholars reflect on this model, evaluating it as an anticipation of the Constitution that will one day be adopted by a future world federation<sup>47</sup>.

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<sup>46</sup> Bognetti, G. *Lo spirito del costituzionalismo americano*, Giappichelli, Torino, 1998.

<sup>47</sup> Paolini, E. *Altiero Spinelli. Appunti per una biografia*, Il Mulino, Bologna, 1988.

It has been underestimated how the U.S. Constitution could be drafted in federal terms as a result of the international order within which the United States developed. The United States did not need to organize a large army and this allowed for limited centralization. The Federal Constitution goes beyond traditional forms of decentralization; it has been able to establish itself because there was no need to form a centralized State along the lines of the European States of the time.

The War of Independence was won thanks to French intervention; Lafayette is credited with defeating the British in the decisive battle. The army led by Washington was limited in size and had minimal financial resources; it could never have defeated the British on its own. Having gained independence, the United States were able to take advantage of their insular isolation. The Monroe doctrine could thus be asserted and defended with a small military deployment; the United States resolved with Monroe not to participate in European wars on European territory and not to allow European wars to be fought on American territory.

This can be compared with the situation in Europe after the Second World War. Europe did not need to organize a European army because its defense was guaranteed by the United States. This allowed Europe to integrate without resorting to centralization. From the very beginning of the unification process, subsidiarity has been the cornerstone constitutional principle of the European Union<sup>48</sup>.

The European unification process was organized on a federal basis, in the widespread belief that this order also characterized the United States. The fact that the material constitution of the United States had in the meantime become increasingly characterized by a process of centralization was not taken into account. In the 1930s, the New Deal had brought about significant centralization to govern the domestic market and finance. The Second

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<sup>48</sup> Weiler, J., Wind, M. *European Constitutionalism beyond the State*, CUP, Cambridge, 2003.

World War had made it necessary to organize an army of adequate size to win the conflict and this required a very substantial increase in the federal budget. Post-war governance of the world market required a huge deployment of resources and a consequent centralization of power in the hands of the federal authorities.

The fact that centralization took place by amending the material Constitution more than the formal Constitution made the process less transparent. Academic culture has certainly underestimated this change. In order to design the European constitutional order in federal terms, reference has continued to be made to the original U.S. Constitution, underestimating the changes that have taken place and the reasons for these changes. Ultimately, the impact of the international order and its changes on the U.S. constitutional order was undervalued<sup>49</sup>.

In this process we find the roots of the issue of the transition from European Monetary Union to European Economic Monetary Union. Monetary Union was built according to a federal constitution, qualified by federalism and social market economy; Economic Monetary Union is now designed with the constraint of greater centralization. The first aspect that needs to be reconsidered is the autonomy of the European Central Bank.

## 5.2. Monetary Union and the autonomy of the Central Bank

The autonomy of the Central Bank is not an economic problem, or not only an economic problem. It is a constitutional problem, connected to the international order.

The European Central Bank was created with autonomy protected by rules of constitutional dimension, because in this way it became part of the European order, which also corresponded to the international order.

<sup>49</sup> Albertini, M. *Tutti gli Scritti*, cit.

This point deserves further consideration, since the script that we can outline for the development of the ECB is destined to evolve further and will probably also apply to other aspects of European unification. This commonality of developments points to an upstream cause that influences the various scripts. This underlying cause is the international order.

The definition of the characteristics of Monetary Union, and in this context the definition of the ECB's degree of autonomy, can be the key to interpreting the phase experienced by the European Union that is now being partially overcome. The analysis of the model initially adopted by the ECB does not constitute an exercise in historical culture; it is useful for understanding current problems<sup>50</sup>.

The currency has traditionally been an instrument of centralization controlled by government authorities. Monetary Union has created a currency without such characteristics. The Economic and Monetary Union that is now taking off could envisage the euro as an instrument of centralization.

## 5.3. The model initially adopted by the ECB

The model initially adopted for the ECB can best be understood by referring to the way in which monetary sovereignty was transferred from the Member States to the unification process. It is these ways that can now be called into question with the launch of Economic Union.

To describe the ECB as a stable and clearly identified architecture is in contradiction with its character as a process, which is more generally characteristic of European unification. The fundamental aspect that links the process of European unification as a whole and the process of monetary unification within it is the gradual

<sup>50</sup> Movimento Europeo – Movimento Federalista Europeo. *L'Unione Economica e il problema della Moneta europea*, cit.



transfer of powers. The association with the changing balance of power at international level makes up the overall picture of the interdependencies of the international/European/national levels.

The powers transferred to the European level have always been limited to the need to manage each individual stage of the integration process, not to support the evolution of unification with solutions with a high degree of stability over time. A possible modification of the ECB Statute today would not be a proof of its insufficiency, but on the contrary a proof of its ability to adapt to changes in the order within which it is placed.

When the Member States renounced monetary sovereignty, they wanted to protect themselves from possible negative effects by protecting their own interests. The solution that was adopted to achieve this goal was to establish a Statute for the ECB that would drastically limit its discretion, specifically by restricting the possibility of draining resources from the citizens of the Member States to the European authorities through the instrument of seigniorage<sup>51</sup>.

The evolution of the international monetary order exposes the euro to an increasing risk of financing seigniorage of other currencies as a result of its orthodox management. The profits made by the ECB have financed the Member States; this financing may increase the more the euro becomes established as a reserve and payment currency at world level.

The current development has turned the risks feared by the Member States of seeing resources drained to the European authorities into an opportunity to see resources flow to the Member States from the European authorities using the ECB's capacities.

<sup>51</sup> Jozzo, A., Velo, D. "L'autonomia della Banca Centrale in Italia e in Europa", cit.

The centralization of powers within the framework of the European Economic Monetary Union in the pipeline radically changes the possible consensus on the part of the Member States.

This development does not change the objective of good governance to which the ECB is bound. The change is to be found in the framework within which the ECB operates.

The possibility for the federal authorities to exercise control over the ECB has become an opportunity and no longer a risk for the Member States, if the principle that centralization is not to be understood as discretion is guaranteed. This objective implies democratic control over the activities of the ECB; the guarantee offered by the Treaties loses importance and the guarantee offered by democratic decision-making processes increases symmetrically.

This transition will take an appropriate amount of time. The role taken on by the ECB to support the Recovery Plan was able to assert itself in the face of the dramatic problems generated by the pandemic that broke out in 2019. If the interpretation proposed here proves to be correct, this role will be consolidated once the pandemic is over. This will require a new regulation of the management of the powers transferred between Member States - European institutions - ECB.

The constitutional reform that will inevitably be called into question will focus on democratic principles. The traditional solution assumed by European unification was to launch a process to be implemented gradually.

Under current conditions, it is realistic to assume a compromise between the autonomy of the ECB and the tendency towards centralization brought about by international disorder. It is the degree of international disorder that will determine the balance of this compromise.

However, the novelty of the federal characteristics of European monetary unification is bound to leave an indelible mark on contemporary history, even if centralization becomes necessary in the future under the pressure of international disorder.

European unification has been based from the beginning of the process on respect for the principles of federalism and the social market economy. Respect for these principles by the European Monetary Union meant that the ECB was born with a higher level of autonomy than that of any other central bank. The European federal model has shown how it is possible to neutralize money to a large extent as an instrument of economic policy. This lesson will remain, demonstrating the feasibility of a strictly Federal State model, where the international order allows it<sup>52</sup>.

#### 5.4. From Monetary Union to Economic Union

The Maastricht Treaty addressed the definition of the relationship between Monetary Union and Economic Union on the basis of the principle of subsidiarity. The possibility of founding a constitutional order with a limited level of centralization has allowed the parallel development of an orthodox monetary policy and a federal fiscal policy, with the constraint of balanced budgets at all levels.

The constraint of balanced budgets has also limited the possibility of borrowing beyond precisely defined limits. The high saving capacity of European economies has consequently translated into the export of capital. The primary beneficiary was the U.S. economic system. This benefit offset the reduction in the international role of the dollar, brought about by the spread of the euro. These aspects bring us back to the importance of the international order in determining the decision-making process developed by the European Union, as already mentioned in the previous pages.

<sup>52</sup> Artis, M., Nixon, F. (eds). *The Economics of the European Union*, Oxford University Press, Oxford, 2007.

The 2007 crisis and the subsequent crisis caused by the pandemic marked a turning point by calling into question the dictates of the Maastricht Treaty. This turning point was bound to fuel tensions within the European Union, pitting countries characterized to a greater extent by good governance, with an investment-oriented use of resources, against countries characterized to a greater extent by an unproductive consumption-oriented use of resources.

The tensions were of limited severity in the first phase, characterized by the need to remedy the effects of the crisis. The size of the interventions was relatively limited. The burden on the European budget financed by the Member States has been spread over a long period of time; the immediate benefits have been met with burdens deferred to the medium to long term.

Tensions are bound to rise once the emergency is over. It is to be expected that the alternative between two strategies that already emerged when Monetary Union was created will arise again: the rehabilitation of Countries characterized by inadequate use of resources as a precondition for the development of Economic Union, or the development of Economic Union as a strategy for supporting reforms in Countries characterized by inadequate forms of government. Between these two alternatives lie intermediate solutions, de facto compromises of varying designs<sup>53</sup>.

<sup>53</sup> Bini Smaghi, L., Padoa-Schioppa, T., Papadia, F. "The Transition to EMU in the Maastricht Treaty", *Essays in International Finance*, 194/1994.

## 6. The near future of the European Union

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### 6.1. The Recovery Plan: a step forward towards European Economic Monetary Union

On 29 May 2020, European Commission President Ursula von der Leyen presented the Recovery Plan. The document immediately generated a lively debate in view of its ratification and possible amendments. One aspect that emerged from the start of the debate was the interpretation of the plan as the start of Economic Union; less attention was given to the changes it implies for Monetary Union.

The plan, in its original structure, is based on three fundamental pillars. The debate initially focused on the first pillar, which provides for relatively traditional measures. The importance of the second pillar, which provides for extensive co-financing by the most dynamic components of the economy, was not immediately understood. The third pillar can be interpreted as intermediate between the first two mentioned above.

It is appropriate, for the development of the analysis proposed here, to summarize our interpretation of the three pillars into which the Recovery Plan is articulated.

### 6.2. The three pillars of the Recovery Plan

The first pillar of the Recovery Plan is aimed at supporting the development of Member Countries to overcome the recession produced by the pandemic. This intervention has an emergency character, and this has favored its acceptance. At the same time, this intervention can be seen as the start of a medium- to long-term policy aimed at tackling the weaknesses of the European economy; the crisis thus favored the start of Economic Union.

The solutions adopted to deal with the emergency provoked dialectical reactions, which were essentially convergent. On the other hand, the possibility of stabilizing these solutions and reinforcing them over time was greeted with criticism by several States.

A central aspect of this first pillar is the recognition of the vital role to be played by public investment.

The second pillar is aimed at supporting business investment by involving the market to co-finance projects. The role of private investment in key sectors and new technologies is essential for an early revival of the economy.

The second pillar builds on the successful experience of the Juncker Plan which, by offering a European guarantee, has mobilized private capital to support businesses, with a multiplier effect on investment compared to the resources made available by the European Commission.

The second pillar provides support for the development of value chains that are essential for strengthening European autonomy in strategic fields. This support is aimed at healthy, future-oriented companies that may be in difficulty in the short term as a result of the crisis.

The third pillar aims to build on the negative experiences of the current crisis in order to deal with similar risks should they recur<sup>54</sup>.

### 6.3. The historical precedent of the New Deal

In the aftermath of the presentation of the Recovery Plan, analysts immediately tried to understand how the burdens will be

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<sup>54</sup> An extensive analysis of the Recovery Plan is developed in Velo, D. "Un passo in avanti verso l'Unione Europea", *Libro Aperto*, 102/2020.

distributed, who will benefit from the transfers. One important aspect is the financial aspect represented by the debt that will be generated by the issue of bonds.

Less attention has been given to the constitutional implications of the Recovery Plan. An example will help to grasp the meaning of this point. The debt created by the manoeuvre will generate obligations to be covered by future European budgets, to a limited extent by the current budget under discussion. The burden of debt repayment will start to be borne by the budget from 2028 and end in 2058.

The establishment of a new order has been initiated, making explicit the values of this new order and postponing the legal and economic solutions to be defined gradually. The direction of travel is clear. Qualifying points of the activated process will have to be defined in the future.

In order to orientate the mind towards an understanding of the process within which the Recovery Plan is situated, a comparison between the European plan and Roosevelt's New Deal may be revealing. There are many differences between the two experiences, but the points of contact make it possible to grasp crucial aspects that will emerge over time.

The Recovery Plan incorporates some aspects of the U.S. New Deal. The objective pursued by Roosevelt was to reaffirm the liberal model by overcoming the liberalist deviations of the previous years, strengthening the governing capacity of the Federation, establishing a balanced relationship between public and private, between federal powers and Member States. An increase in the American federal budget and some constitutional reforms were strategic options<sup>55</sup>. The Recovery Plan aims to follow a similar path.

<sup>55</sup> Kindleberger, C.P. *The World in Depression. 1929-1939*, Allenlane, London, 1973.

One aspect needs to be considered. Roosevelt strengthened the U.S. Central Bank to such an extent that some, simplifying the analysis, acknowledge Roosevelt to have refounded the FED, so significant was the change. In the European field, the ECB, initially organized on the basis of the principle of subsidiarity, began to play a *de facto* economic policy role with the turnaround initiated by the Draghi presidency and reinforced by the Recovery Plan. This shift took the form of an amendment of the material Constitution; an amendment of the formal Constitution is likely to be the subject of a debate in the near future.

A general consideration is the degree of centralism generated by Roosevelt's New Deal. It is necessary to distinguish the New Deal from the years following its launch. The United States were dragged into the war by Japan and the Nazis. This led to the development of the U.S. military and consequently of the federal budget and debt. Only in this second phase there was a strong process of centralization.

In the European case, the Recovery Plan will not generate strong centralism; only the development of a European army, in a second phase, could have this effect. In the near future, it will be up to Europe to choose whether to organize a strong military defense with centralizing effects or a defense of Europe by enhancing foreign policy and alliance building.

A European defense on the basis of a dual organization, giving the Union competence over leading areas and an intervention force, is the organizational solution that can today make possible a move towards a defense capable of strengthening the Union and its ability to develop alliances.

The relationship between the U.S. New Deal, on the one hand, and the European Recovery Plan, on the other, can be understood by referring to the Tennessee Valley Authority that qualified the New Deal and to the second pillar of the Recovery Plan, which incorporates and develops the model of the Juncker Plan.

The essential contents of Roosevelt's neo-liberal model concretized with the Tennessee Valley Authority can be summarized as follows:

- the creation of a new form of authority, public but obliged to respect efficient economic management typical of the private sector; the authority thus designed by Roosevelt will evolve into the form of a federal enterprise;
- a state-market relationship in which it is up to the State to implement a development policy based on long-term investment and up to the market to ensure efficient use of resources;
- reform of public governance, with a reduction in the role of authorities unable to develop good governance.
- The Juncker Plan builds on this experience and introduces a number of innovations. Almost a century separates Juncker's initiative from Roosevelt's precedent; the passing time could not fail to impose appropriate changes.

The innovation initiated by the New Deal in the United States and in a new phase of evolution in the current European experience can be best understood in the historical context that enabled its success.

In the 1930s Roosevelt was faced with a dilemma very similar to the one that has characterized the European Union ever more clearly since the 2007 crisis. His aim was to boost development in order to overcome the depression in the United States, with particular severity for some Member States. The U.S. federal budget did not allow for the necessary investments to be financed; its increase met with opposition from Member States, jealous of their sovereignty. The strongest opposition came from the more developed Member States, disinclined to support solidarity policies.

A similar situation characterizes the European Union, primarily as a consequence of its Constitution. In order to avoid a process of

centralization that could have reduced the federal nature of the Union, a binding constraint on the increase of the Community budget was established from the beginning of the unification process. This is an obstacle that the Recovery Plan has come up against. The increase of the EU budget requires a constitutional procedure, which needs a long time, while the Recovery Plan aimed at the immediate adoption of anti-cyclical measures.

To overcome a similar limitation, Roosevelt devised the federal enterprise, as mentioned above. This experience was revolutionary by the fact that it overcame the traditional model of enterprise, whether private or public. The traditional concepts of enterprise and company cannot be used as a key to interpreting this new reality. The success of the Tennessee Valley Authority has been described by reconstructing the context in which it operated but not by attributing credit for this success to the characteristics of this new type of economic organization; this was because the traditional concepts developed by economists were not recognized as being inadequate.

The Juncker Plan was also greeted with skepticism, as it departed from the forms in which the State-market relationship has traditionally been organized. This skepticism cannot simply be traced back to a repetition of the skepticism that a century earlier had greeted the birth of the U.S. federal enterprise conceived by Roosevelt; a point of contact can certainly be identified in the difficulty of bringing the new into line with traditional interpretative schemes.

#### **6.4. A new form of subsidiarity: from the Juncker Plan to the second pillar of the Recovery Plan**

The key constitutional principle of the European unification process is subsidiarity. The Juncker Plan has expanded this principle from a vertical to a horizontal dimension, giving a very important role to private actors capable of expressing participation in the traditional functions of the institutions.

Horizontal subsidiarity had already been developed earlier without, however, assuming the importance attached to it by the

Juncker Plan. The Juncker Plan used horizontal subsidiarity to make European funding more effective. Horizontal subsidiarity generally refers to the role of the voluntary sector, the non-profit sector and the so-called civil society, which have taken over activities that have historically been the responsibility of the public sector. The Juncker Plan has enhanced the role of business and the banking-financial sector as components of horizontal subsidiarity, thus reshaping the public-private relationship.

The private economy has been given the opportunity to become part of the constitutional order in a new way, becoming an organic component of the political-institutional order<sup>56</sup>.

The similarities between the Juncker Plan and Roosevelt's New Deal are significant. The Tennessee Valley Authority led to the U.S. federal enterprise. The Juncker Plan laid the groundwork for the organization of the European federal enterprise.

It is no coincidence that the success of the Juncker Plan, which has gone beyond the most optimistic forecasts, has not been grasped in its novelty. It challenged traditional relationships to launch a new order.

The significance of U.S. federal enterprises, starting with the Tennessee Valley Authority, was easier to understand; one aspect in particular was grasped, the possibility for the public sector to take over private management techniques. The importance of federal enterprises goes beyond this aspect but the evidence of this aspect has stimulated consensus.

<sup>56</sup> Felice, F., *L'economia sociale di mercato*, cit.

## 7. Federalism versus centralism. A reform of the European model with new equilibriums between the two principles

### 7.1. A phase of transition

The end of the Twentieth Century and the beginning of the Twenty-First Century were characterized by a series of global crises. This disorder can be attributed to the transition between the end of one cycle and the beginning of a new one.

The old order had a precise character that translated into certain rules and a stable government of the international order; this order, which emerged from the Second World War, was based on the two main victorious countries, the United States and Russia. These two countries, in permanent conflict to assert two alternative models of society, mutually guaranteed the governance of their respective areas of influence.

New superpowers are appearing on the international scenario; it is understandable that tensions will accompany the attempt by countries that previously occupied a subordinate position to assert their new role on the world stage. The new order is in sight, but it will take a considerable time to complete the transition and firmly establish a new cycle supported by the necessary consensus. The transition may last longer if the formerly privileged countries will try to defend the old order, underestimating the forces underpinning the emergence of a new order. Such attempts are physiological and have been recorded many times throughout history. The sovereignist shift that has characterized the Trump presidency

can be seen in this context. The same applies to Russia's defensive military policy, which is costly in relation to the country's gross domestic product.

For the European Union, the transition imposes difficult choices. As mentioned in the preceding pages, the European Union has been able to develop a model of statehood based on social market economy with the help of the Atlantic Alliance.

The slow exit from the scene of the international order affirmed by the Second World War is forcing Europe to opt for one of the following alternatives:

- the re-founding of the alliance with the United States on the basis of an equal partnership;
- the transformation of the European Union into a superpower;
- the assumption of a unifying role at international level.

The choice between these alternatives cannot be conceived independently by Europe but clearly requires a coherent orientation of the countries involved.

On the basis of our analysis, the third alternative is the most realistic and capable of safeguarding the European model established during the unification process.

In the first phase, the transition pushed Europe to seek compromise solutions, capable of evolving towards all the alternatives mentioned above. Monetary Union was defined in such a way as to reconcile the protection of the European model, based on federalism and a social market economy, with the need to strengthen European governance of Europe.

As the transition draws to a close, Europe now has to make long-term choices.

## 7.2. Values as the compass of history

European unification has been able to rely on a compass that has guided the choices that have shaped the European model. This compass is made up of the values underlying the unification process; these values are federalism and the contents of social market economy: freedom, subsidiarity, solidarity.

The most serious difficulty facing the European Union today is the worldwide crisis of values, which can be traced back to the crisis of traditional ideologies. There is not yet a full awareness of how federalism and social market economy, the European model, can provide the basis for an alternative to the crisis of ideologies in the current phase.

Federalism is destined to be the basis of worldwide integration processes. It is therefore a fundamental value; only peace can make mankind aware of being one people, with local historical traditions rich in specificity. There can be no fraternity without peace. Peace is the alternative to centralism in its ideological dimension. Social market economy is the result of the evolution of traditional ideologies which, once they had achieved the goal for which they were born, had to face the issue of a new value system that would encompass and overcome them.

The difficulty of this process is obvious, both for those who support its definition and for those who have the simpler objective of understanding its ongoing evolution. This process is historical in scope and involves all cultural and moral forces worldwide. It is sufficient here to recall how this process is also reflected in a renewed role for religions<sup>57</sup>.

<sup>57</sup> Sorge, B., *Perché l'Europa ci salverà*, Edizioni Terra Santa, Milano, 2021.

### 7.3. The crisis of traditional ideologies. The values at the basis of the social and political order

The most commonly cited cause for explaining the current difficulty of ensuring good governance at all levels, from the local to the global level, is the crisis of traditional ideologies and their inability to form the basis of the new multipolar order, in its social, economic and political dimensions.

The crisis is more evident in the more developed countries, it is detectable but less serious in the developing countries, which are undergoing experiences that characterized the now developed countries at an earlier stage. The crisis cannot be blamed on particular factors in each case, but leads to a general interpretation.

The difficulty in ensuring good governance or simply the stability of government leads to a preference for centralism and the search for charismatic leaders capable of implementing centralism. This trend has been seized upon as an opportunity by the sovereignists to reintroduce solutions from the past.

The underlying problem is the exhaustion of the ideological base that legitimized power, which can be attributed to the achievement of the value objectives pursued. It is the success of traditional ideologies that determines their weakening. The objectives pursued originally had a revolutionary or highly innovative significance, depending on the context in which they were set.

Liberalism made it possible to overcome the political order based on the hereditary roles associated with the nobility. Socialism brought workers' rights. Democracy affirmed popular sovereignty. These great ideologies have changed the social, economic and political order; today they cannot mobilize energies comparable to those that enabled them to assert themselves.

The current problem is to understand the values that can today guarantee a vision of the necessary and possible progress of the political, social and economic order.

A new historical cycle can be opened if objectives are identified and solutions are found to achieve them, capable of responding to the problems that have become unavoidable. Human action demands to be supported by values that give meaning to commitment.

Faced with the crisis of ideologies, religions, in different ways but with a basic commonality, have taken it upon themselves to offer an alternative. This has fueled a secularization of the religions' message, which has taken over the earthly order so that it corresponds to the spiritual teaching.

This orientation of religions has favored the development of social market economy, the result of the encounter between the secular culture renewed by the Age of Enlightenment and Christianity. Social market economy is spreading from Europe to the rest of the world<sup>58</sup>.

In its turn, the unification of the United States brought federalism into contemporary history as a new form of statehood, not indebted to traditional ideologies.

In the post-war period, the federalist approach identified peace as the value on which federalism is based; the fundamental reference of this approach is Emmanuel Kant's perpetual peace. The tragedy of the Second World War made peace the overriding objective to be achieved; federalism represented the value capable of supporting integration processes.

Rathenau on the one hand, the theologians of the social doctrine of the Church and the Reformed Churches on the other hand, started at the beginning of the twentieth century a reflection, the first secular and the second Christian, independently of one

<sup>58</sup> Gil-Robles, J.M., Velo, D. (eds). *Economía social de mercado. El enlace entre Europa y América Latina*, Cacucci Editore, Bari, 2017.



another, on the values on which society could be based when overcoming the limits of traditional ideologies<sup>59</sup>. The confluence of these strands of thought fueled the development of social market economy.

The value of peace is essential in a divided world, but it will remain of fundamental importance even once unity is achieved.

Even once the World Federation is founded, there will remain a need to define the values on which to base the development of mankind.

In its secular dimension, social market economy has its roots in the Age of Enlightenment. In its Christian dimension, social market economy has its roots in Protestantism and in the new course of Catholicism at the beginning of the 20th century. Federalism has its roots in Kantian philosophy.

The history of European unification confirms this interpretation. Any progress in European unification has been possible thanks to the reconciliation of the secular approach advocated by France and the Christian approach advocated by Germany. Monnet, Mueller-Armack and Adenauer are the most prominent men who enabled this fusion of different traditions. Of course, all the leaders who contributed to the advancement of the process should not be forgotten.

The process of European unification was supported, with decisive effectiveness, by the U.S. federalists. At an early stage of the unification process, the progress made, starting with the ECSC, helped to gradually define the social market economy, historicizing it. At

<sup>59</sup> Rathenau, W. *L'economia nuova*, ed. it. Einaudi, Torino, 1976; Roepke, W., *Civitas Humana. I problemi fondamentali di una riforma sociale ed economica*, ed. it. Rizzoli, Milano, 1947.

a later stage, progress was made in the unification process on condition that it respected the social market economy and the values of federalism<sup>60</sup>.

This will become increasingly clear as the European unification process moves forward.

#### 7.4. Subsidiarity as a value

Federalism is the alternative to centralism. This is the primary foundation on which the analysis developed in this work is based.

In this context, subsidiarity identifies the measure of centralism and the historically feasible constitutional order antagonistic to centralism.

The greatest difficulty in developing unification processes is how to unify while respecting the traditions that communities have developed. This difficulty has already been experienced by the United States; when the Federation was founded, despite the commonality of language and origins, at the end of a war fought by all the States against a common oppressor, profound differences emerged between North and South, between State and State. Even greater difficulties were and still are faced on the old continent, where differences have been built up over millennia of history. The same will apply to future federations.

U.S. federalism tackled these obstacles by outlining a multilevel order that we now identify with the term vertical subsidiarity. A fundamental innovation in the European experience is a broader form of subsidiarity, not only vertical but also horizontal. This

<sup>60</sup> Hasse, R.H., Schneider, H., Weigelt, K. (eds). *Social Market Economy. History, Principles and Implementation*, Schoeningh, Paderborn, 2008; Nicholls, A.J., *Freedom with Responsibility. Social Market Economy in Germany. 1918-1963*, Clarendon Press, Oxford, 1994.

term identifies the participation of multiple actors in the implementation of tasks that were traditionally the responsibility of the public authorities, at all levels of vertical subsidiarity<sup>61</sup>.

Subsidiarity is the constitutional order which, more than any other, is able to take on board the demands progressively expressed by society and bring them to a synthesis. The Economic Union currently under discussion in Europe is likely to offer new opportunities to enrich horizontal subsidiarity, by developing new forms of public-private, society-institutional cooperation, citizen participation in decision-making processes, assertion of rights and assumption of responsibilities.

Subsidiarity has navigated the difficult transition from a centralized order to an order open to new forces. This transition will continue for a long time to come. As Machiavelli lucidly understood, the new order has lukewarm supporters, while the established order has convinced supporters in those who derive definite benefits from it. The traditional order guarantees results that legitimize it, albeit to a declining degree. A new order must obtain this legitimization as a condition for establishing itself. The breaking point between these opposing forces is the crisis brought about by the failure of the existing order and the need to give confidence to the new order because it alone can aspire to success. In the process of European unification, this breaking point was represented by the euro. What happened at European level is bound to set an example for other continents and for the world as a whole.

In the European Union, economic governance will become innovative gradually; the process will initially hinge on the development of fiscal federalism. This term traditionally refers to the allocation of fiscal power to the various levels of a Federal State; this definition captures only one aspect of fiscal federalism, vertical

<sup>61</sup> Pernice, I. "Multilevel Constitutionalism and the Treaty of Amsterdam: European Constitution Making Revisited", *Common Market Law Review*, 36/99.

subsidiarity. Fiscal federalism also has another dimension, horizontal subsidiarity. This second dimension will be of fundamental importance in the future European experience<sup>62</sup>.

Subsidiarity is a point of overlap between federalism and social market economy. In the European Union, the development of a new model of economic governance will encounter greater difficulties if the objective pursued is essentially the increase of the EU budget. This solution derives from the traditional view of public spending, the distribution of resources between central and regional institutions. Under current conditions, national institutions are stronger than federal ones, so the development of the federal budget will be limited for many years to come. In the United States, the federal budget was similar in size in the 1930s to that of the European Union today. The U.S. federal budget only increased dramatically with the Second World War. It is the unanimous hope that this is not the solution to increase the European Union budget.

The alternative route is to find new forms of economic governance. The question is what solutions are now ready to allow the European Union to move forward<sup>63</sup>.

There are tools that can be used to make this process a reality, first and foremost new European Communities, making innovative use of the experience gained during the unification process. A very important instrument is the creation of federal enterprises.

<sup>62</sup> Musgrave, R. *The Theory of Public Finance*, McGraw-Hill, New York, 1958; Molle, W. "Cohesion and Fiscal Federalism: the European Experience", *The European Union Review*, 2/1997.

<sup>63</sup> Bainbridge, M., Whiman, P. (eds). *Fiscal Federalism and European Economic Integration*, Routledge, London, 2004; Brumila, A., Buti, M., Franco, D. *The Stability and Growth Pact. The Architecture of Fiscal Policy in EMU*, Palgrave, London, 2001.

## 7.5. The role of federal enterprises in the governance of the European economy

In the 1930s Roosevelt founded the Tennessee Valley Authority which led to the establishment of federal enterprises. As analyzed in the previous pages, the New Deal has many points of contact with the experience that the European Union is going through today.

The European Union has already started a process that can lead to the formation of federal enterprises. The Juncker Plan is based on a new public-private relationship. The creation of federal enterprises could be the development of the Juncker Plan, the success of which testifies to the feasibility of this solution.

An emerging difference between the U.S. experience and the European experience should be underlined. The Juncker Plan has activated a new institutional set-up involving businesses, the banking and financial system, and public authorities: this integration has achieved a new form of horizontal subsidiarity. The experience being developed in the European Union is characterized by a more advanced value content than the U.S. model; this is bound to influence the federal enterprises that will be organized.

The model of statehood that has been established with the development of the unification process is the context in which European federal enterprises are destined to fit in, as the Juncker Plan already suggests with its concrete example.

The project – first of Theodore and then of Franklin Delano Roosevelt – has, with relative continuity, affirmed a new neo-liberal order, an alternative to neo-capitalism and liberism. Juncker's project is part of the formation of a new federal order based on social market economy and specifically on subsidiarity.

The qualifying aspect of the Juncker Plan is the construction of an institutional set-up in line with and more advanced than the neo-liberal model of the New Deal. The latter already envisaged

public intervention to govern the market where necessary. The Juncker Plan involves several actors with different capacities to guide processes, contribute to achievements, and affect economic and social development.

The turnaround represented by the Juncker Plan was undoubtedly brought about by the 2007 crisis, which showed that the private sector alone cannot guarantee stability and development. The crisis of liberism and globalization followed.

The development of European federal enterprises will depend on the emergence of problems that they can help to solve.

One example is the energy sector. In the energy sector the United States have relied on the private sector, the so-called 7 sisters. The European Union will have to face up to the green energy and hydrogen revolution. Federal enterprises can be the democratic instrument for dealing with this historic change; the energy revolution has a foreign policy dimension for Europe that cannot be delegated to the market but requires public direction.

## 7.6. Federal enterprises in the European Constitution

European unification constitutes a laboratory for the definition of a new type of statehood, with a sufficient degree of unity to respond to the problems of Member States, respectful of the diversity rooted in a millennial history, open to the world with which it cannot but cooperate.

The European model exists but is not precisely defined because it is still in the making. This model of statehood is all the more clearly recognizable when compared with other experiences. This model has been more clearly defined in core Europe and is destined to evolve by incorporating the experiences of all Member States.

The development from Monetary Union to Economic Union requires the reinforcement of market governance by institutions and the development of large companies, of sufficient size to confront global competitors and to sustain long-term investment.

In line with the way in which European statehood has developed, which has not followed consolidated paths already defined by previous experiences, so also the European federal enterprise is expected to be structured in innovative ways.

The emergence of federal enterprises can be implemented through merger processes. Similar objectives can be pursued through stable cooperation, which at company level respects the logic of enhanced cooperation valid at EU level. The same can be said for the emergence of federal enterprises as a nucleus capable of guiding stable cooperation with a series of satellite enterprises.

The federal enterprise thus conceived implies the hypothesis of a Federal European State system, widely articulated. It is destined to come into conflict with large groups organized in a centralistic manner and thus able to influence the market by forcing the fatally fluid controls of the European authorities. A European centralism capable of governing the market effectively and thus able to coexist with large business groups with high bargaining power is not necessarily desirable.

Some questions must be addressed in order to guide thinking, should we aspire to govern the phenomenon:

- what public intervention, of a financial and strategically oriented nature, is necessary and possible to support the development of European federal enterprises;
- which international constraints must be respected and which constraints must be modified;

- in which sectors federal enterprises are destined to assume strategic value for the entire economic system, so as to make intervention by public authorities necessary and possible.

## 8. The role of new European communities

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### 8.1. The role of the European Communities in the history of European unification

The process of European unification has developed from its birth to the present day according to a logic of gradual constitutional progress. Every time the unification process has come up against an obstacle, constituted by a problem capable of blocking its development, the Monnet method has allowed progress by founding a Community that would allow its solution.

New Communities have always been characterized by the same value: ability to solve the expiring problem, rootedness in the unification process, stability of the adopted solution.

European Communities of fundamental importance have been the ECSC, the EURATOM, the EEC, the Monetary Union. Compared to these successes, the radical alternative, supported primarily by Altiero Spinelli, has always been the attempt to complete unification in its entirety. This approach has served to indicate the goal to be achieved, not necessarily the path capable of reaching the goal itself. This approach can be seen as an alternative to the Monnet method, always focused on the path able to approach the ultimate goal; in reality the two logics are complementary.

In the current historical moment, the two options are compared once again. Historical experience is important to understand the role that new Communities could play, guaranteeing the advancement of the unification process. Crucial to this end is the identification of the expiring problems which, if resolved, would allow the unification process to move forward.

It is essential to understand the profound difference between the historical communities that have enabled the development of the unification process and the Authorities created more recently on the initiative of the Community.

These Authorities can be interpreted as decentralized and specialized offices of the European Commission. The constitutional dimension is not particularly important. The financing of these authorities is guaranteed by transfers from the European Commission, generally of limited amount.

The role of the historical communities was completely different. They represented fundamental advances in European unification. Their constitutional scope has affected their operation and strengthened their effectiveness. In financial terms, the historical Communities were able to rely on a budget capable of development; the EURATOM Statute affirmed a principle of fundamental importance: the possibility for EURATOM to issue bonds.

In the present conditions, the unification process can be strengthened by Communities that resume the original design of the historical achievements. The model of the Authorities developed in more recent years is less far-reaching.

It is not only up to the will to define the new European Communities; it is up to the analysis to identify the crucial problems which, in order to be solved, require the foundation of new Communities, paving the way for evolutionary processes.

Organizing new European Communities has several implications. The operating rules will define the extent to which they will be able to maintain continuity with the European model that has been implemented to date, or support the development of forms of centralization.

## 8.2. The European Community of Health

The Recovery Plan was able to obtain the consensus of the Member Countries of the European Union because it was a response to the crisis of the Covid-19 pandemic.

A similar broad consensus cannot be taken for granted for the Economic Union project, which implies a centralization of power at European level. To overcome this obstacle, it is possible to create European Communities with competencies related to specific aspects, with the participation of not necessarily all Member Countries, recognizing the possibility of the remaining Countries joining at a later date. This is, *de facto*, the option at the basis of the formation of the Eurozone.

In general terms, this is the solution adopted, *mutatis mutandis*, for the Communities created in the past; the recent definition of the possibility of achieving structured cooperation has reinforced this possible strategy.

A new European Community could be represented by the European Health Community. Our experience with the Covid-19 pandemic suggests the importance of such a project. The pandemic accelerated a series of changes that were already underway, at the level of the international order and at the level of a new “industrial revolution”.

Europe is affected by these ongoing changes, which have developed on other continents in which it cannot fail to participate by contributing its own capabilities and initiative. Today, Europe is lagging behind these changes, but it has the possibility of making up lost ground provided it develops a long-term strategic choice.

The first objective to this end is to unify a series of capabilities. Case in point: the vaccine against Covid-19 marketed as Pfizer and developed in a laboratory located in Germany, was produced by a U.S. multinational company. From the scientific point of view, Europe can claim worldwide points of excellence, but from

the production point of view, in many fields European capacities are fragmented. As a result, weaknesses can undermine points of excellence. The pharmaceutical field is one of the sectors in which the creation of European federal enterprises can be an optimal solution to achieve a public-private relationship.

The joint purchase of vaccines to cope with the pandemic has avoided competition between Member Countries in an attempt to give priority to the treatment of their own citizens. This competition, had it occurred, would have weakened European Countries as a whole, reducing their bargaining power. Competition among European Countries would have weakened the position of the less developed ones, to the advantage of the richer Member Countries, leading to a fracture with wider negative effects.

The creation of a “Vaccine Union” has allowed the European Union to defend its citizens in the face of the sovereign option adopted by the United States and Great Britain; accelerating vaccinations has proved essential to decrease the spread of the pandemic and make possible economic recovery.

The so-called Vaccine Union was possible because it was essential to guarantee the very lives of citizens. The creation of a European Community of Health is a broader project, which implies a legal status of constitutional scope and a budget not necessarily consistent with the views of some Member States.

Two alternatives open up. The attribution to the European Union of specific health competencies, of general interest, financed by the European budget; it will be up to the European Commission to provide for the organization of services capable of effectively implementing the new competencies. This alternative requires the unanimous support of all Member Countries. In this sense, the proposal to establish a European Union of Health as a Community Authority should be interpreted; this proposal derives from the Recovery Plan and does not deviate from the Authorities implemented by the Commission in recent years as mentioned in the previous pages.

The second alternative is the organization of a European Community of Health, on the model of the historical Communities, with the initial adhesion of favorable Member States. The Community will have to foresee the possibility of using debt, within pre-established limits, to finance its activity. The characteristics of the pharmaceutical industry at an international level mean that the creation of federal, public-private companies must be part of the powers granted to the European Community of Health.

The two alternatives have different constitutional scope. They imply different but not necessarily conflicting systems of health care governance.

The European Union's current system of health governance is inspired by the principle of subsidiarity. It provides that Member States are responsible for the organization of their own health-care systems, with the option of developing decentralization at the local level – in the Italian case at regional level.

The Union can play a supporting, coordinating or complementary role. Where there is a common interest in developing initiatives at the European level, the Union has increasingly carried out coordination and completion actions in the absence of adequate national initiatives. European initiatives in the health field have thus concerned health mobility, the right to receive health care in the event of temporary stay in all Member Countries, the establishment of European networks for areas of care for which it is important to develop European excellence. The Union has taken charge of a number of rare diseases that, since they affect a small number of patients, require intervention on a European scale. The European scale is necessary to achieve a sufficiently large dimension to promote the development of expertise and scientific research. In the field of scientific research, the Union has already supported the creation of a joint undertaking for research on innovative medicines. A supervisory activity is carried out by the EMA, which is the most important Community achievement.

The Union has developed the open method of coordination, which pursues the objective of developing coordination among those States that voluntarily agree to elaborate their own health policies, pursuing the homogenization of national legislations.

The experience of the Covid-19 pandemic highlighted the limitations of these solutions. The fragmentation of health governance has made Europe vulnerable. Recognition of a specific role for the Union in health emerged as a necessary objective to address serious health threats. The management of health emergencies with a continental dimension requires the strengthening of the Community institutional level, as it is more effective; this is the logic of subsidiarity. The same applies to other aspects of health, which require unified initiatives at the European level. The current system has mainly implemented subsidiarity at the national-regional-local level, in different ways in different countries, but reducing the role of the European level; a renewed approach to subsidiarity in the health field must rebalance all institutional levels, strengthening the European level in particular.

This approach introduces the international level. Subsidiarity must extend to the global level, as a number of health issues have this dimension.

The Covid-19 pandemic has highlighted the limitations of the worldwide health organization. The European initiative is not an alternative to the international institutions, but can complement their activity when it has proven to be lacking. This multi-polar strategy includes the possibility for countries that are not members of the European Union to become part of the European health initiatives; should the European Community of Health be created they could be recognized as full members of the Community. This possibility applies primarily to the large Western countries, the United States and Russia.

An innovative hypothesis could be the hypothesis that the creation of the European Community of Health could lead to the Eurozone, initiating a process of growth of the Eurozone itself, in

order to anticipate achievements that would be premature for the European Union as a whole. This is a path already experienced by Europe for the launch of the Monetary Union. This possibility implies a regulation of the government of the Eurozone.

### 8.3. The European Energy Community

The very beginning of the European unification process was marked by the creation of two European Communities in the energy sector, the ECSC and EURATOM, both on the initiative of Jean Monnet.

Monnet is credited with having made a fundamental contribution to the development of nuclear power plants for the production of electricity. He actually believed that nuclear power plants were a first step. The knowledge and technologies needed to develop energy production using uranium would have allowed the development of knowledge and technologies and operational capabilities essential to achieve the controlled fusion of hydrogen. We owe to Monnet the initiation of the project to create power plants to generate electricity using controlled fusion of hydrogen; Monnet was aware that he would not see the conclusion of the project, which he predicted would take nearly a century to reach the finish line; experience has confirmed this prediction. At the time this writing is composed, the prototype power plant based on this revolutionary technology at Cadarache is in an advanced stage of construction; the development of the research center at Cadarache stems from the Jet project initiated in the late 1970s

and the subsequent ITER project initiated in 2006. Overall, research on energy production with controlled hydrogen fusion has already exceeded half a century<sup>64</sup>.

Controlled hydrogen fusion has the potential to make the use of fossil minerals and uranium to produce energy obsolete. It can form the heart of an environmentally friendly policy; it requires a transformation of all energy-using tools and energy distribution channels.

The implications in terms of industrial policy are such that controlled hydrogen fusion can be placed as one of the key components of the new industrial revolution. Information technology makes it possible to control the operation of tools; energy moves these same tools.

There is still a not-so-short time frame to achieve large-scale energy production using controlled hydrogen fusion. A mix of energy sources will be needed for a long time; hydrogen production at this stage will require integration with other energy sources. In order to produce hydrogen, energy is required, which can be supplied using fossil materials or renewable sources.

At international level the terminology for the different modes of hydrogen production is well established:

- clean hydrogen, produced with energy provided by renewable sources;
- fossil based hydrogen;

<sup>64</sup> ITER is a project developed on a global scale in which the European Union plays a leading role. Currently the prototype reactor is under construction to generate stable fusion reactions of a plasma of hydrogen isotopes, magnetically confined in a Tokamak type reactor. The fusion reactions are analogous to those that occur on the Sun; light hydrogen nuclei combine to form heavier nuclei, generating large amounts of heat. After ITER, two additional phases are planned. In 2050 DEMO will be the first reactor to produce high amounts of electricity. This will be followed by PROTO, which will inaugurate the commercial production of electricity from controlled hydrogen fusion.



- fossil based hydrogen with carbon capture;
- low carbon hydrogen;
- hydrogen-derived synthetic fuels.

The first clean hydrogen technology is fully part of the green revolution. The other types shift world pollution from places of consumption to places of production. These technologies also have some advantages and can contribute, to a lesser extent, to the green revolution. The need to develop green energy production in a shorter time frame, without waiting for the production of energy from controlled hydrogen fusion in large-scale power plants, has motivated a growing commitment by the European Union since the beginning of the 21st century<sup>65</sup>. A first overview of the measures adopted allows us to grasp the profound difference that separates the most recent measures from the model followed by EURATOM since its formation.

In 2006, the European Commission prepared the Green Paper on a European Strategy for Sustainable, Competitive and Secure Energy. The document outlines the position that will characterize the Commission in the following years. The main points are:

- the delegation to the Member States of the implementation of the European strategy;
- each Member State is granted the freedom to choose its own energy mix;
- the Commission is recognized a role of coordination of national policies.

<sup>65</sup> See the document outlining the European policy for hydrogen in the coming years: European Commission, "Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A Hydrogen Strategy for a Climate-neutral Europe", Brussels, 08/07/2020.

The combined effect of these guidelines is the limited ability to ensure implementation of the European strategy, which takes on the nature of a statement of principles and values.

EURATOM had a completely different character, endowed with powers and competencies capable of implementing the European energy policy entrusted to it in an effective and timely manner.

The Treaty of Lisbon in 2007 establishes that energy is one of the areas in which the Union and Member States have shared competence. Each State can *de facto* slow down or cause the Union's initiatives to fail. The objectives pursued become broader but the Union's ability to govern is not correspondingly strengthened.

The difference from the EURATOM model, which provided a balance between objectives pursued and the transfer of powers, should still be emphasized. In 2015, the Paris Agreement is ratified and the European Commission approves the European Energy Union, which is responsible for implementing a resilient policy and an ambitious climate policy. In the face of increasingly ambitious goals, European energy policy continues to be weak, not surpassing the limits of early initiatives in the early years of the new millennium.

In 2018, the Commission defines the governance of the Energy Union. Central role is maintained by Member States, which will have to develop national energy and climate plans, lasting ten years.

The distance of these measures from the approach that had ensured the success of EURATOM is getting deeper and deeper. European energy policy in the 1950s had assumed responsibility for a transfer of powers to ensure the ability to implement the choices made; current energy policy gives Member States decisive powers.

With the Recovery Plan, the European Commission assumes a role of industrial planning, promoting partnerships and the development of supply chains. More than 1,500 small and medium-sized or artisan companies are involved.

EURATOM, for similar purposes, had organized 7 companies of general interest on the model of the U.S. federal companies, of public-private nature, able to contribute to the realization of European policies.

The European Union has made its own objectives of great importance, but has not put into practice an adequate governance structure. The institutional structure is fragile. The risk of deadlines not being met is high. There is the possibility that the traditional energy order will be abandoned, without building a new order.

The organization of a European Energy Community may represent the solution to this crisis, guaranteeing the implementation of European policies. Ultimately, the enlargement of EURATOM's competencies and its strengthening may be an appropriate solution.

The central problem is the need to ensure a high and rapid development of renewable energy sources, which can be used to produce clean hydrogen with a consequent abandonment of fossil fuels. This objective is unrealistic if it is pursued through national policies<sup>66</sup>.

A high level of development of renewable energy sources is more realistic when conceived as an international project. It is worth recalling the project presented by German Chancellor Angela

<sup>66</sup> A problem that has recently arisen in Italy is representative in this regard. Italy is a country which is rich in natural beauty that feeds a vital economic sector: tourism. The project to install a park of wind turbines has met with firm opposition from environmentalists and the authorities responsible for the protection of cultural heritage and landscape. This problem is destined to spread in most European countries, with a relatively small territory and full of places worthy of protection.

Merkel that envisaged collaboration between Europe and Africa to take advantage of African climate resources and European capacity to offer expertise and financing for the development of Africa.

In extreme synthesis, the plan foresees the production of energy by exploiting sunlight with plants located in desert areas. The energy produced in this way could be used to produce clean hydrogen, transferable with relative ease. In return, Europe would be committed to financing development, with projects that are consistent with the characteristics of the individual African countries involved, within the framework of a stable relationship between the European Union and the African Union.

A number of observations can help clarify the conditions required to implement a project conceived in this way:

- the European Union must equip itself with operational capacity. This capacity is currently concentrated in the production of atomic energy thanks to EURATOM;
- European companies active in the energy sector should join forces to contribute to such a challenging project. They could participate in the creation of European federal enterprises for the production of hydrogen on an international level;
- a project of this magnitude cannot be achieved without the superpower nations already operating in Africa. Their participation in the project launched by Europe would increase security and stability.

The European Energy Community thus conceived would be destined to take on a role in European foreign policy, promoting cooperation and the construction of an international order based on the value of peace. War is the consequence of political failures; a good policy is the basis on which peace can be built.

#### 8.4. The European Community for the Environment

In synergy with the creation of a European Energy Community, a European Environmental Community can be created. The two Communities could jointly form a larger European Energy and Environment Community.

There is now widespread awareness of the need to reduce all forms of pollution. This awareness is fueled by the increasingly evident climate change.

The task of the European Community for the Environment could consist in a first phase in supporting measures able to reduce the production of new pollution; the next step could be the launch of measures able to reduce existing pollution. This applies primarily to air pollution produced by CO<sub>2</sub>.

The technical possibilities for absorbing CO<sub>2</sub> alongside natural forms of absorption are well known. The difficulty in developing plants capable of absorbing carbon dioxide is first and foremost that such plants will be able to produce welfare benefits internationally and therefore require international funding. A European Community for the Environment can activate a process that leads to the creation of a global governance to protect a general interest of humanity. It is necessary to verify, first of all at a technological level, the hypothesis that the reduction of existing air pollution could be less costly than the reduction of newly produced pollution; if this possibility were feasible, it would be easier to design a transitional period able to obtain a widespread consensus.

This approach can be applied to several forms of pollution, with the necessary adjustments depending on the form of pollution considered.

An effective environmental policy requires measures capable of achieving widespread consensus among States and citizens. Measures relating to the organization of the territory, the design of cities and the use of land are important in this sense. The way to

guarantee an effective environmental policy is bound to develop in the presence of an authority responsible for the problem that spreads confidence in the adoption of the measures that society can devise. The citizen commitment and participation increase if there is the possibility of dialogue with a responsible authority, which can make their own and implement the solutions that emerged in the dialogue itself.

#### 8.5. The European Community for Security

The development of information technology has been used to attack public and private systems. This has been done by private experts, motivated in many cases by the desire to profit by blackmailing the affected subjects. The success of these incursions has motivated some countries to develop advanced technologies, also used for military purposes.

The European Union has already created a Security Authority, with powers and resources that appear inadequate. The creation of a European Community for Security with the characteristics of the historical European Communities would have as first objective the reduction of the risks of conflict. The project can pivot on the capacities already existing in Member States that have developed information technology more than others; the existing knowledge in the European Union is insufficient and needs to be strengthened with high investments, sustainable only at a European scale.

This objective does not complete the tasks that the European Security Community could perform. The Community's objective could be both to develop technological capabilities and to help conclude agreements and treaties at the broadest level. To build a peaceful multipolar order, Europe can develop an initiative based on its ability to unify. This capacity has a greater chance of asserting itself in the security field rather than in the military field in the strict sense, where Europe has an almost marginal role in the current conditions.

The multipolar order that is currently taking shape is based on some emerging areas. This process of emergence differs from area to area, but the trend may not be dissimilar. These areas are China, India, South America, Africa and the Pacific countries. Alongside them are three superpower nations, today powerful but in relative decline: The United States, the European Union and Russia.

In order to make the multipolar order more peaceful, progress can be made by integrating the three major Western countries: The United States, the European Union and Russia.

The problem, simple and difficult to achieve, is to identify a process that allows the integration of these three countries. The choice is difficult for the United States, undisputed world leader in recent history. The choice is easier for Europe which has the responsibility of the initiative.

The European Communities of health, energy, environment and security could be instruments to develop convergence among the three countries, building an order open to the rest of the world.

A strategic choice is destined to be the creation of an Economic Union between the United States, the European Union and Russia. A single market requires monetary stability and therefore in perspective a Monetary Union between dollar, euro and ruble. This new order can evolve and reach a world dimension.

This conception would make the European Security Community *de facto* an instrument to affirm a foreign policy of the Eurozone, while waiting for the remaining European countries to give up their sovereignist ambitions. It is on this field that the alternative between centralism and federalism is played out for Europe, for the affirmation of a policy based on values.

The game is open, it must be played with decision and foresight; not playing this game means accepting defeat from the start.

The Foundation was created in 1978 by Jean Monnet, designer and president of the first European Community (coal and steel) and the first honorary citizen of Europe. He entrusted all his archives to the Foundation. An independent institution serving the public interest, a non-partisan and a non-militant structure, the Foundation receives support from the State of Vaud, the Swiss Confederation (FDFA, EAER) and the City of Lausanne. It operates out of the Dorigny Farm, located in the heart of the campus of the University of Lausanne, its main partner.

Today the Foundation houses and exhibits many other private archives, notably those of Robert Marjolin and the European papers of Robert Schuman and Jacques Delors, as well as iconographic and audio-visual documents. It includes a specialized library and a European documentation center. The Foundation collects testimony from key actors and witnesses as a part of its filmed interview program. It thus provides users, and especially researchers, with a coherent corpus of documentary resources on the origins and development of European construction and on Switzerland-Europe relations. Every year, the Foundation awards its Henri Rieben Scholarship to several advanced PhD students.

Thanks to the internationally recognized importance of these collections and to the collaboration between Jean Monnet and Professor Henri Rieben, who chaired the Foundation until 2005, the Foundation has become a European intellectual crossroads and an essential venue for meetings, debates, and reflection about major current European issues. It regularly organizes conferences, European dialogues, and international symposia, forming partnerships with prestigious institutions. It periodically awards its Gold Medal to prominent political figures who have worked for the common interest of Europeans; among the laureates are José Manuel Barroso, Emilio Colombo, Mario Draghi, Valéry Giscard d'Estaing, Jean-Claude Juncker, Helmut Kohl, Romano Prodi, Helmut Schmidt, Martin Schulz, Javier Solana, and Herman Van Rompuy. The Foundation also welcomes many visitors and researchers, who are given assistance in their work, in addition to contributing to the training of students. Thanks to support from the State of Vaud, the Foundation created a new activity in 2016, a "think tank" made up of a group of experts, currently working on societal issues 4.0.

An editorial mission supplements the range of the Foundation's activities. The Red Books Collection, which was created by Henri Rieben in 1957, has been co-published with *Economica* since 2007 and now comprises 218 titles. A new series of shorter publications available in open access, the Debates and Documents Collection, was launched in 2014. These publications tend to highlight the Foundation's documentary collections, its public events, or the expertise of its members and partners.

Every year, the General Assembly of the Council of the Foundation - consisting of about 550 members from all walks of life - is held, as well as the Scientific Committee. Pat Cox, former president of the European Parliament and the European Movement International, has been the president of the Foundation since 1st January 2015. His predecessors are José María Gil-Robles (2009-2014), former president of the European Parliament and the European Movement International; Bronisław Geremek (2006-2008), member of the European Parliament and former minister of Foreign Affairs of Poland; and Henri Rieben (1978-2005), professor at the University of Lausanne. Since 2012, the director of the Foundation has been Gilles Grin, doctor in international relations and lecturer at the University of Lausanne.

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The Recovery Plan requires a full understanding of the outcomes of the process. The crucial aspects on which the attention must be focused from now on, in order to orient the process according to the final objective, limiting the risk of taking short term decisions, are essentially three: what characteristics will the European Economic Union assume; what relations will be established between the European Economic Union and the European Monetary Union; what rules will govern the European Economic Monetary Union and how the governance of the European Economic Monetary Union itself will be organized.

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