



CENTRE FOR STUDIES ON FEDERALISM

policy paper

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The institutional future of the European Union

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The **Policy Paper** series of the Centre for Studies on Federalism includes analyses and policy-oriented research in the field of national and supranational federalism. The papers aim to stimulate scholarly and political debate on topical issues by presenting original data, ideas and proposals.

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The institutional future of the European Union*

**Text and notes prepared by Prof. Antonio Padoa Schioppa for his hearing at the Commission on Constitutional Affairs (AFCO) of the European Parliament, on May 26 2015, in Brussels.*

*“If one does not know to which port one is sailing,
no wind is favourable”
(Seneca, Letters to Lucilius, Lxxi)*

The crisis is not behind us

After seven years, the economic crisis of the EU has not yet passed. The stabilisation and austerity policies (Fiscal Compact, ESM, Six Pack, Two Pack, Supranational Banking Supervision by the ECB) are all *necessary* and *effective*. But they have proved not sufficient.

A comparison between the fiscal, investment and monetary policies in the EU and the US shows a far better effectiveness of the latter on employment and growth.

The *Juncker Plan* must be considered an outcome of the EP elections of 2014 that, in a sense, were the first true “European” elections (since the elected EP representatives chose the Commission’s President and strongly influenced the Commission policies). A major shift in the “constitution”

of the EU has been achieved for a parliamentary federal framework, based on a double legitimisation from the citizens (through the election of a EP decisive for choosing the Commission's president) and from the member states (via the two Councils).

What is lacking: the Juncker Plan fails to provide sufficient resources for an effective set of policies to promote investing in European public goods that are generally not attractive to private investors, such as those relating to the environment, cultural heritage, alternative energy sources, new advanced technologies and basic research. Growth, life quality, and employment (especially for the younger generation) all urgently need huge public European investments in these policies.

The risks of war in Europe have grown significantly, after sixty years of peace. Wars menace the eastern and southern frontiers of the EU. A common defence is now a priority, as the Commission President Juncker himself recently acknowledged.

How to find such additional resources? Not by national budgets but by several alternative channels:

- the EU's own resources and a budget revision in 2015/2016 (see Monti Group proposals);
- Financial Transaction Tax revenue to be allocated to European investments, creating a specific Fund as a first step toward a Eurozone Fund or budget;
- the creation of a new Europe-wide Carbon tax – preferably with a corresponding decrease in national employment taxes;

- the transformation of the European Stability Mechanism into a European Monetary Fund to also form a basis for a future European Treasury;
- Investment project-bonds, guaranteed by the new own resources.

First urgent steps: it is necessary to exploit the Lisbon Treaty to the full: the Eurozone can no longer wait; significant progress is still possible within the Lisbon Treaty:

- * *Enhanced Cooperation* can be used not just for single items of legislation – as has happened so far – but to strengthen integration on crucial powers, from economic and fiscal policy to migration. This can be done through the Community method, by exploiting *the specific bridge-passerelle clause* to go straight to the ordinary legislative procedure, ensuring the democratic control by the EP (art. 333 TFEU): using this clause will be a decisive step toward an effective Eurozone fiscal and political Union. The new article 136 TFEU also gives opportunities inside the Eurozone that can also be exploited in combination with art. 333;
- * the *Permanent Structured Cooperation on defence* may play a major role in a common European defence that would cost less and protect Europe better, particularly in the dramatic present condition of the Mediterranean and Eastern Europe. *Security and common defence* will ensure both greater effectiveness and lower costs to the citizens.

What is needed in these two directions is a strong initiative and political will. The European institutions – mainly the European Parliament and the European Commission – can

provide the first, thus helping to spur the political will by the Eurozone Governments.

Nevertheless an effective Treaty revision is altogether necessary

The Four Presidents Report of December 2012 was vague in defining the “Political union”. But ECB President Mario Draghi recently declared the need for a new “institutional asset” of the EU, moving from “common rules” to “common institutions”.

The first part of this European legislature should be used to use all the instruments available within the Lisbon Treaty. At the end of the legislature – after the British referendum and the elections in France and Germany – there will be a window of opportunity for a Treaty Reform, also linked to the need to reinsert the Fiscal Compact into the EU legal framework. The Treaty reform should aim at fully achieving banking, fiscal, economic and political unions. This may be done through a *comprehensive Treaty reform* and simplification, or through *a few decisive amendments*, depending on the political conditions.

Four basic points for a European Political union

1. Effectiveness in the decision process of the EU.

This requires: **a)** making the Commission the true government of both the Eurozone and the EU, while maintaining the high political role of the European Council; **b)** eliminating without any exception, even if step by step, the veto power in both the European Council and the Council of Ministers. Where the treaties give the EU an exclusive or shared authority, only the qualified majority principle (as ruled by the Lisbon Treaty)

permits to decide in case of dissent, in compliance with the subsidiarity principle.

2. Democratic legitimacy and accountability of the EU decisions.

This requires giving the European Parliament full co-decision powers *in all legislative matters and in the main political choices of the EU*, bypassing the consultation procedure. A uniform electoral procedure (art. 223 TFEU) should be established.

3. Fiscal capacity in Europe (at least in the Eurozone).

The EP must acquire its own fiscal power in co-decision with the Council and (if and when a transfer of resources from national to European level is at stake, as with VAT or for common defence) in cooperation with the national Parliaments. A European Treasury Minister must be created, to be a member of the European Commission and chair of the Eurogroup.

Points 1 and 2 are consistent with the basic “constitutional” principles established in the Treaties (Single market, four freedoms; Subsidiarity; Solidarity/cohesion), and as such should in the future be established for every competence ruled by the Treaties that were accepted by all Member States. They respond to the need for a full popular accountability and to the need for effectiveness in the decisions to be taken by the EU. Both are currently applied where Qualified Majority and EP Co-decision are already established, in a truly federal asset. Every treaty has contained these rules, but many crucially important matters are still excluded. Point 3 is characteristic of all monetary unions worldwide.

Nevertheless, as some Member States are, for the foreseeable future, not willing to take such steps, it is essential that at least inside the Eurozone - in the short term

by Enhanced Cooperation, later with a few but significant institutional reforms on the points expressed above - those willing (and needing) to go further be allowed to proceed.

If so, one further point is to be established.

4. Double institutional architecture. A double institutional geometry should be adopted, as the Lisbon Treaty already provides for by the Commission and the Councils by Enhanced Cooperation; accordingly, when a group of Member States decides to embark on enhanced cooperation, the EP could discuss every topic in its plenary composition but give voting power only to the MEPs of the States involved. The idea of creating a third Chamber consisting of national MPs (as proposed by Th. Piketty and others) is to be rejected since it is both contradictory and ineffective. This EP is and must continue to be the only legitimate popular representative body in Europe, besides the equally fundamental representation of the member States by the two Councils. National MPs represent citizens at national level, not at European level. They must of course control the European choices of their Governments.

Art. 48 TEU also needs to be modified in order to cancel unanimity among the Governments and unanimity of the ratifications (it is to be remembered that the USA Constitution of 1787 required only nine positive votes among the 13 Colonies for approval, a rule that proved decisive). A super-qualified majority should suffice for future reforms.

How to get there, notwithstanding the rule of art. 48 TEU?

Several options are available. Extended Opting-out clauses or new forms of Associated membership could be applied; a new treaty to be ratified by a majority of Member States,

such as the Fiscal Compact; a transitory clause providing for ratification via a European referendum, providing that the new or reformed Treaty is considered ratified if approved by a majority of European voters, and will enter into force for those Member States where approved by a majority of voters. Those Member States not achieving approval from a majority could hold a new referendum within a year and/or negotiate a different status or specific opt-outs, before the new referendum.

The European Union, an outstanding but unfinished cathedral, has never been so close to succeeding and never so close to falling.

“To fail to attain the European Political Union means giving up on building the future history of mankind.” (Jürgen Habermas).

A few points deserving discussion

Subsidiarity

Subsidiarity is a two-way rule: not only bottom-up but also top-down, whenever necessary.

European defence

Peoples not able to defend themselves from war and from outside perils sooner or later lose their liberty.

Coordination and Government

A nine year old intergovernmental handling of the crisis shows that to govern is something different from coordinating.

UE and the Holy Spirit

If the Church decided as early as in 1179 that the two-thirds majority of cardinals is the right rule for a papal election,

the Holy Spirit blowing through them, why are European politicians so strongly in favour of the veto power? In two thousand years, human experience has not found another way to decide in common affairs submitted to a constituency than either sorting or counting the votes. Where unanimity is required, no true “unity” exists.

Plural identities

National identities are not incompatible with a European identity; the latter is in full compliance with the local, regional and world identities that are (or should be) alive in any individual.

European demos

A European demos already exists, as shown in several basic tendencies, partially different from those strong or prevailing in other democracies, USA included: the importance of the model of the social state, rejection of wars even as instruments leading to democracy, advanced policies for climate change, environment, alternative energies, sustainable growth, cosmopolitan ideals.

European (Eurozone) Political union

Not to be left to the next generation: it will be too late. The right moment (the kairòs, as the ancient Greeks said) to decide is now. And the EP can be the driving force.

CENTRE FOR STUDIES ON FEDERALISM

The **Centre for Studies on Federalism (CSF)** was established in November 2000 under the auspices of the Compagnia di San Paolo and the Universities of Turin, Pavia and Milan. It is presently a foundation.

The activities of the CSF are focused on interdisciplinary research, documentation and information on internal and supranational federalism, the developments of regional and continental integration (notably, of the European Union), the issues related to the world order and the democratization process of the international system.

The CSF promotes an annual **Lecture**, named after Altiero Spinelli, on topical European issues. The CSF publishes **Research** and **Policy Paper**, as well as its own “**Federalism**”, **The Federalist Debate** (also online), the **Bibliographical Bulletin on Federalism**, the online-journal **Perspectives on Federalism**, the **International Democracy Watch**.

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