

**From Monetary Union
to
Differentiated Integration
in Europe**

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Economic Policy in Europe

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Overview of the presentation

I/ The trap of the single currency

II/ The limits of the binary logic : either more integration or disintegration of Europe

III/ Towards a differentiated integration in the EU ?

I/ The trap of the single currency

- The EMU : incomplete and incoherent monetary system
- Far from protecting the country members (MC) from the crisis, the EMU exacerbated real exchange rate misalignments and imbalances among CM
- Disequilibria caused by structural heterogeneity among CM cannot be solved by wage deflation and austerity policies

I/ The trap of the single currency 2

- Limited impact of the Juncker Plan on investment and growth in the EU
- The eurozone growth regime is not sustainable in the long run
- Persistence of this growth regime explained by the interests of Northern CM and the European elites

II/ The limits of the binary logic : either more integration or disintegration of Europe

- Limits of the **return to the Nation States system** advocated by right-wing movements :
 - High economic and political cost of disintegration (e.g. the Brexit)
 - They stick to the neoliberal paradigm proposing policies which will not solve social problems
 - They underestimate the changes in the relationships between Nation States caused by globalisation

II/ The limits of the binary logic : either more integration or disintegration of Europe 2

- 3 reasons why a « more Europe » scenario is unrealistic today :
 - Polls show that a majority of citizens are in favor of a moratorium on the integration process
 - The State remains the dominant form of organizing European societies
 - The political, social and economic heterogeneity of country members

II/ The limits of the binary logic : either more integration or disintegration of Europe 3

- **We need to overcome this binary logic**
- The question is : how politics in CM can come to an agreement on how to proceed to solve the current European desdend ?
- A ternary scheme (see **Aglietta&Leron, 2017**, clearly and usefully exposed in **John Grahl** Euromemo working paper n°1) can be used for this purpose :
 - **Polity** : institutional setting : who rules, in wich manner ?
 - **Policies** : measures taken by those in charge
 - **Politics** : democratic debate about citizens' expectations

II/ The limits of the binary logic : either more integration or disintegration of Europe 4

- « policies » are implemented in the EU, but there are shortcomings regarding « polity » and « politics » => inability to develop the « political » base of European institutions (« polity »)
- 3 examples of these **shortcomings** :
 - Expansionist juridical order of the EU (widening range of action of the ECJ constraining CM policies)
 - Weakness of the European Parliament
 - Weakness (absence) of European political parties
- => **proposal** : launch accross CM a political process that would lead to a **convention** able to modify the « polity » of the EU

III/ Towards a differentiated integration in the EU ?

- **Differentiated integration (DI) = a third approach** between the return to a Nation States system and a deeper integration (Peter Wahl, 2016)
- DI based on the respect of plurality & diversity of CM
- DI = a mix of selective integration and disintegration, organized along principles such as decentralization, regionalization, and subsidiarity

III/ Towards a differentiated integration in the EU ? 2

- DI would put an end to the principle of unity at any price at the lowest common denominator
- DI would give the opportunity to break up with neoliberal policies and to allow CM to opt out from austerity policies and unfair competition policies
- DI is more realistic than it seems :
 - It already exists : Eurozone, Schengen agreement, Nato, Visegrad group, ...
 - Enhanced Cooperation Procedure (ECP) = embryonic form of DI

III/ Towards a differentiated integration in the EU ? 3

- What are the **prerequisites for a DI** to find enough support and be realistically feasible ?:
- - **P1)** its objects have to make sense/to be a growing concern/issue in political terms for each member states, and thus can emerge at the European level
All of this will **develop EU « politics »**
- - P2) the efforts/contributions of each country will for each scheme be in proportion of its relative wealth , allowing also for differences in maturity of the issues at stake ..and accounting for learning by doing processes

This is a key issue for EU polity

III/ Towards a differentiated integration in the EU ? 4

- With these prerequisites :
- P1 will ensure that the politics in CM will be interested by the schemes under view,
- P2 will ensure the **fairness** of the schemes seen at the EU level
- Consequently these schemes will have an **echo/impact on politics** at the EU level which will favour the containment of the juridiciarisation trend and open the way to reappraisal of EU policies...
-which is the objective and which makes such schemes realistic and feasible

III/ Towards a differentiated integration in the EU ? 5

- A major domain of action for developing DI is : **the ecological and social transition**
- Prerequisites P1 and P2 are key for a such a process to be successful
- The **bottom up process** is also crucial; it implies a major role given to social & citizen movements
- A pragmatic compromise based on a **European investment program**, could then lead to an increased EU budget, with fair contributions (P2), starting eventually by taxation (carbon tax, FTT) implemented by enhanced through ECP

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- The need to solve the problem of persistently misaligned European exchange rates raises the question of **reforming the exchange rate regime** (Mazier&Valdecentos, 2015).
- The development of the previous compromise could be consistent with :
- Multiple euros system
- Two monetary zones : North & South eurozones
- Bancor system

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- The DI scenario for social & ecological transition would also require **a change in the conduct of monetary policy** such as a move towards a **reorganization of the existing European system of central banks**, with more autonomy given to national central banks, to adapt monetary and finance policy to regional situations

Conclusion

- Unlocking politics at the EU level through a DI approach may take time and give way to a lot of wheeling and dealing in the name of fairness (P2);
- But it clearly shows how a cumulative path can be opened towards a “sustainable EU” (environmentally, socially and economically)