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Prerequisites for integration

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Introduction	2
Overall preconditions for integration	2
Common language	2
Common history	3
Common values	5
Common position against the outside world	7
European Union in the world economy	7
Summary of preconditions	8
The original concept of integration	9
Treaty of Rome	9
Werner Plan	9
Marjolin Report	9
MacDougall Report	9
Pre-federal integration	11
Small public sector federation	12
Large public sector federation	13
Alternative narratives	15
Europe as a free trade area	16
Europe of Nations	16
Europe of democracies	17
Multigrade Europe	18
Flexible cooperation	18
Europe as a federal state	19
The medium-run perspectives	19
Conclusions	21

Prerequisites for integration

Introduction

The 2008 financial crisis made clear those strains in the European integration model which were known well before, however, as long as the economies of the member states grew steadily, they were hidden at least they were not part of the everyday's discussions.

One of the main constructional failures of the European integration model is that the system allows accumulating huge external debts by the member states (as a result of huge inequalities in inter EU trade and current account) and in the same time there are no compensational mechanisms. This way the European Union splits into debtor and creditor countries with desperate debate among them which will not contribute to the further integration of Europe.

To address this problem this study goes back to the original imaginations about integration which were outlined in the Werner, Marjolin and finally in MacDougall Report during the 1970s. Financial (budgetary) prerequisites for a successful integration are detailed in the MacDougall Report for this reason we give a more detailed picture about it. As it is known, this report – initiated by the Commission – was carried out by an international team of economists led by Sir Donald MacDougall, a Scottish economist. This report using the examples of federal and unified states (for instance Federal Republic of Germany, USA, France, UK) studied the requirements for public finance in an integrating Europe.

Our study tries to show up the differences between the original ideas and how in the reality the integration was carried out and – outlining the contradictions and discrepancies – displays the possible alternative approaches which turned up in the debates of the last two decades.

Overall preconditions for integration:

We can follow the method of the MacDougall report which – to give guidelines for the integration of the European Community – studied the budget structure (income and expenditure) of existing unified and federal states (like for instance France or Germany).

However there are other things than a central budget that keep together unified or federal states. These are – for instance – identity which is based on common language, common history and values; the common interest in international affairs like foreign policy, defence, foreign trade and likes. In the following – before the role of a central budget – these kinds of prerequisites will be discussed.

Common language

In the European Union there are almost as many languages as countries, there is no “official” language or more exactly all the languages are official. From this comes, that citizens of different countries can hardly communicate with each other. According to a Eurobarometer special report titled “Europeans and their Languages”, which was carried out in 2012, the five most widely spoken foreign languages are English (38%), French (12%), German (11%), Spanish (7%) and Russian (5%). Since English is the most known it is the language of communication, the lingua franca. However the English knowledge is very different in the

individual countries. In the United Kingdom and Ireland this is the official language, it is well spoken in the Baltic countries, in the Netherlands and Austria and for historical reason in Malta and Cyprus. In these countries more than 70 per cent of the population speaks the English on communication level. The population of these countries – who, because their skills in English, can easily communicate with other country's citizens – amounts some 115 million, a little more than one-fifth of the Union's population. The English knowledge is low in the Mediterranean countries (Italy, Spain and Portugal) where 1/3 of the population speaks English at best, and in the sometimes socialist countries, (except the three Baltic states). In these countries, where the communication skill with citizens of other countries is low live some 210 million people two-fifth of the EU population. In all the other countries the language knowledge is on medium level (more or less, half of the population speaks English).

All in all, only a minority of the Union's population can take part in a European communication space. For this reason the knowledge about each other is rather poor as the Standard Eurobarometer shows. In a pool carried out in the Autumn of 2014 seventy percent of the respondents said that he/she is totally not informed about the European matters, which means that great majority of the European citizens do not know what is going on in the other countries. Unfortunately national or European media very often gives distorted (mostly negative) pictures about countries,¹ which does not help the mutual understanding which is indispensable for a united or federal Europe.

Summing up, the lack of a well-spoken common language is a substantial obstacle in the integration process. By the time being not too much happened to improve the language skills of the Europeans. English broadcasting with an uncomplicated language (understandable for those of medium level knowledge) were necessary for this purpose broadcasting not only news but all kind of information (political, cultural, sport, scientific etc.) about member states, and interesting enough to draw the attention of a wider audience. The Euronews does not fit very well to these goals.

Common history

The common history and its outcome, the historical memory plays decisive role in the cohesion of unified or federal states. The focal points of historical memories very often are connected to positive historical events like establishing the country, winning a crucial war or a revolution. However historical memory is connected to negative events, like occupation, repression, lost uprising against foreign forces and likes. Such focal points for a common memory were the "Great French Revolution" in the French history, the declaration of independence in the American and the victory in the Second World War for the Russians. In Italy, the unification of the country in the second half of the 19th century can serve as a basis for historical memory.

Historical memories may often differ from historical facts – frequently they are myths or legends – however whether facts or myths they give the glue to keep together a country. Unfortunately in the European history there are few – if any – historical events which could cause the same positive feeling for all European citizens and, for this reason, were able to be a basis for a European consciousness. European countries in the past thousand years waged numberless wars against each-other, and the battle which was victory for the one, was defeat for the other. Brits may commemorate the victory at Waterloo however Frenchman might be

¹ Good, or more exactly bad example how the German and Greek media portrayed the other country during the recent crisis.

not so much enthusiastic about it. The idea for a unified Europe just emerged from the intention to end these wars in continent.

In the last decade there were several attempts to analyse the “European memory” or “European consciousness by individual experts, foundations and also by the European Parliament. For instance Bodo von Borries of University of Hamburg back in the 1990s with his colleagues carried out a pilot study in nine countries (Russia, Hungary, Poland, Germany, Italy, France, United Kingdom, Norway and Sweden) asking altogether 900 young students (aged around 14) about their mental association referring to different historical events like middle ages, colonial history, French Revolution, responsibility for WWII, responsibility for Holocaust.² The outcome was that even distant historical events might have rather different implications in the different countries. For instance middle ages associate in Poland mostly with construction of magnificent cathedrals, but with conflicts between church and state in Germany. Colonial history associates in England mostly with discoveries, but with exploitation of foreign countries in France.

The German Körber-Stiftung in its EUSTORY series published a book with studies addressing the European historical consciousness.³ One of the studies, written by Jörn Rüsen a German historian, was about the nature of historical consciousness in Europe. He asserts that excluding the question of supranational identity from the ongoing process of integration would mean creating a purely artificial concept of Europe without “life and soul”. However a lively historical consciousness cannot be prescribed “from above” decided and implemented by European political institutions. An attempt to create historical consciousness by such a way is always doomed to fail if there is no correspondent element “from below”. Historical events on which European consciousness can be based may change over time. Such events might be the Reformation for Protestants or for citizens of a modern parliamentary democracy the declaration of human rights. Other examples for common consciousness might be the ancient origins of occidental rationality, the religious development, especially in Judaism and Christianity all which made the European culture different from other cultural areas of the world. Even the fact that Europe has become a communicative network of peoples, nations, states, regions and other communities might be part of a European identity.

For the request of the Committee on Culture and Education of the European Parliament a study was worked out on the European historical memory.⁴ The study, for a common memory – emphasizing the difficulties of transposing the often violent and war-ridden history of the past to European level – suggest three option: (1) accepting the diversities of historical memories in Europe, (2) to base on broadly defined topic as e.g. ‘European liberty’ or (3) to construct genuinely new European collective memory. In connection with the fact that the European Parliament defined National Socialism, particularly Holocaust and Stalinism as the main objects of the European historical memory the study underlines that basing the legitimacy of any political project primarily on negative foundation myth is daring per se, and historically the exception rather than the rule. In the concrete case of what we call ‘European

² Bodo von Borries: Exploring the Construction of Historical Meaning: Cross-Cultural Studies of Historical Consciousness Among Adolescents, University of Hamburg, Institute of the Didactics of Geography, History, Politics and „Sachunterricht“. URL: <http://www.waxmann.com/fileadmin/media/zusatztexte/postlethwaite/borries.pdf> (03.08.2015)

³ Sharon Macdonald (ed) (2000) Approaches to European Historical Consciousness - Reflections and Provocations, Eustory Series: Shaping European History, Vol 1. Hamburg: Körber-Stiftung.

⁴ Markus J. Prutsch: European Historical Memory: Policies, Challenges and Perspectives. Policy Department B: Structural and Cohesion Policies European Parliament

project' one can reasonably ask whether present day Europe and its values should be defined predominantly vis-à-vis past experiences of mass violence, genocide, or population displacement.

The European historical consciousness is very important in the integration process, at least so much as economic preconditions, and this is the reason why Jörn Rüsen suggests the developing of a “cultural currency”: events and topics which caused the same or similar positive feelings for all European citizens. Thinking on this proposal, such “cultural currency” might be the European achievements in fine arts, music and architecture, the technical achievements, for instance the inventions of well known European scientists, and nowadays the most advanced technology like Airbus, the high speed trains, the successes of the European Space Agency all which were based on European cooperation. For young people a system of international summer camps would help not only in language skills, but also to experience common adventures, to develop friendships (such system worked in the communist countries in the early 1950s).

All in all, instead of prescribing obligatory historical memories and identity by the European elite and consequently by the European institutions, it were more efficient letting the progress of a common consciousness develop from below, only to give the necessary framework for such possibility.

Common values

Values play an important role in the cohesion of a unified or federal state too. In the last two hundred years social scientists (e.g. Max Weber, Emile Durkheim, Talcott Parsons, Shalom H. Schwartz, Ronald Inglehart, Christian Welzel etc.) made a lot of effort to categorize values and trace the connections between them. However it can't be said that there had been developed some kind of unified theory rather we can find almost as many approaches as many studies.

In the practice of the European Union values turn up in two forms, first as the declarations of treaties as obligatory for the Union's citizens and second, as the part of the Eurobarometer surveys.

As regards the Treaties, at beginning there were no references to European values, however the High Contracting Parties were determined to lay down the foundations of an *ever-closer union* among the peoples of Europe. To reach this goal the first Treaty was economically and socially rather sensitive: it called for *balanced trade and fair competition*, and was determined to *reduce the existing differences* between the various regions.

Values deemed as European were introduced by the Solem Declaration of 1983. The Maastricht Treaty (1992) already codified the 1950 Rome Convention for Protection of Human Rights and Fundamental Freedoms. In December 2000 European leaders adopted a European version of human rights, the Charter of Fundamental Rights of the European Union, which constitutes organic part of the Lisbon treaty.

Eurobarometer studies clarify that people think of “European values” as they are told in the treaties. In one of the latest poll when asked to select among values deemed as European, the respondents gave priority to human rights, democracy and peace. It was followed by the rule of the law and solidarity with others. However these are universal values and do not necessarily serve as the cohesion force for a united Europe. When asked about their

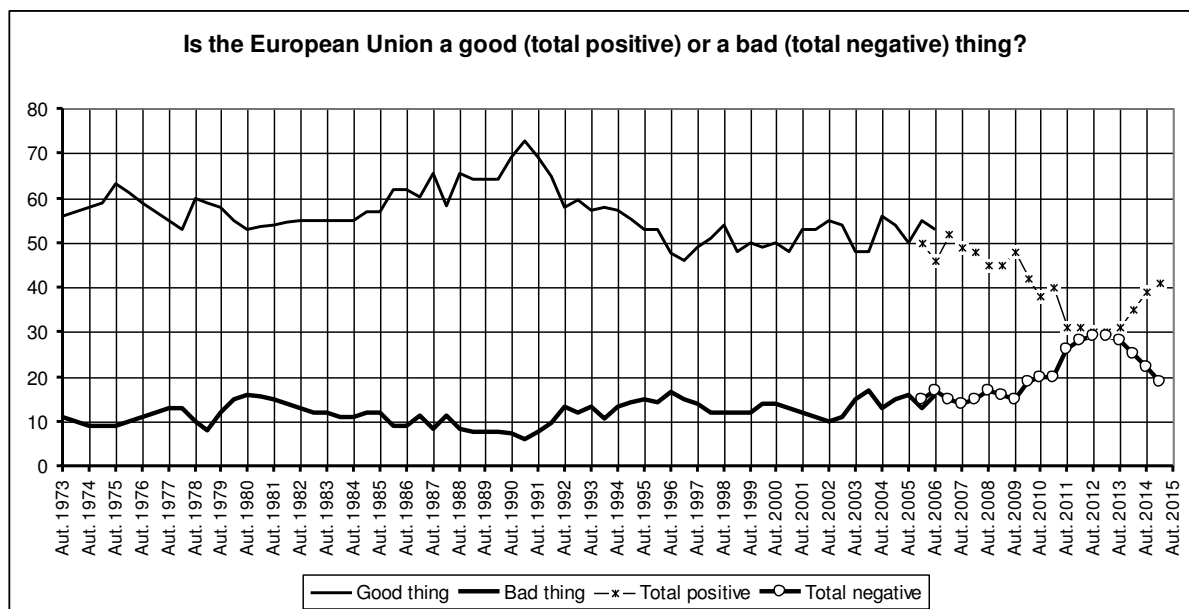
attachment ninety percent answered that they are very or fairly attached to their country and less than half said the same about the European Union. In the same time, a study addressing the European and national identity⁵ demonstrated that people can hold multiply identities the ties which bound them to their country (language, culture, ancestry, history) are different of those which connect them to the European Union (free movement, peace among member state, the economic power of the union etc.). It is interesting, that against all the known problems of the euro, great majority of the people – even the Greeks – want to keep it. That is – in line with the notion of its planners – the euro really became a component of the European identity. Another identity-forming element may be the common European technical and scientific achievements like the fast-train network, Airbus, the European Space Agency’s activity etc.

Values as “Europeans” can be really perceived when they are compared – for instance – to those of the United States. According to survey published by the American Pew Research Center⁶ Americans are more individualistic and are less supportive of a strong safety net than are the Europeans. The European social model, which was included in the Treaty of Rome but expelled by the Maastricht Treaty, is deemed to be one of the highest ranking European values.

Polls and studies prove that national identity can’t be replaced by some kind of “European” identity. A viable European construction can be established only if European leaders accept the double identity of the Europeans and try to strengthen those values which are appreciated by the European citizens (for instance the European social model).

However, against all the problems the union has to face now, much more citizen thinks of the union as a good thing than a bad.

Chart 1



Source: Eurobarometers

⁵ Antonia M. Ruiz Jiménez, Jaroslaw Józef Górniak, Ankica Kusic, Paszkal Kiss, Maren Kandulla: European and National Identities in EU’s Old and New Member States: Ethnic, Civic, Instrumental and Symbolic Components. European Integration online Papers (EIoP) Vol. 8 (2004) N° 11; <http://eiop.or.at/eiop/texte/2004-011a.htm>

⁶ Pew Research Center. Survey report 2012 <http://www.pewglobal.org/2011/11/17/the-american-western-european-values-gap/> (13.08.2015)

Among other values the solidarity plays an important role in keeping together a family, a society or a country. People usually feel most solidarity with their families it follows the colleagues, the local countrymen and their nationals. For instance West Germans are ready to pay some €100 billion a year to East Germans which amounts to almost the whole yearly Union's budget (even if sometimes they murmur for it). However Germans are not ready to do the same for other countries like – for instance – Greece. Union's citizens were never asked to what extent they are ready to give their income to help others. The only exception is a Hungarian poll before the accession when 2/3 of the respondents said that to help the less developed other countries their income should reach the Union's average first, the remaining 1/3 answered that they are ready to sacrifice 1-2% of their income to help the less developed.

If the solidarity is limited to 1-2% of the income, and even less, as the latest bitter debates around the Union's 2014-2020 budget shows, integration ideas shall it take into account.

Common position against the outside world

In the case a unified or a federal state the position to the outside world is unambiguous – however different parties may conduct different courses, but the essential interest are the same. From this point of view the union's member states are very different. First of all in the more that one-thousand year history the different rulers and nations of Europe waged several hundred smaller or bigger wars against each-other, several dozens in each century. However Europeans as a whole had only several wars with non-Europeans for instance against Huns, Hungarians, Mongols, Islamic powers (reconquista, crusaders, Turks) the memory of which in some cases remained ere now (see for instance Austrian opposition to Turkish membership). Today the European Union as a whole has hardly any enemy outside Europe with whom there were any probability to wage a war. The Treaties were made in this spirit the main task of the union in military affairs is to participate in peace-keeping or conflict prevention missions and all in accordance with the principles of the United Nations (with the approval of Security Council). However most EU members in the same time are members of the NATO, where the American geopolitical interests divide the union's member states. This turned out in the case of the Balkan war, the Iraq war and latest in the case of the Ukrainian conflicts where the United Kingdom, Denmark, Poland, the Nordic and Baltic states represent hard line in close cooperation with the United States, while the others want a political agreement which takes the Russian interest much more into account. All in all the European Union is rather divided in foreign affairs and military questions which is a substantial obstacle to form a unified or a federal state.

European Union in the world economy

The leadership of the union continuously sets the goal to reach larger share in the world economy and the world trade, or at least to keep the present position. Famous or much more infamous the Council decision of 2000 when the goal was set “to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion” by 2010. Achieving this goal the Council aimed at – among similar other things – speeding up liberalisation in areas such as gas, electricity, postal services and transport and likes. As it is known by the given date (2010) Europe became the main crisis area of the world. The main reasons for setting unreal goals can be found in the misjudgement of the real situation whether inside or outside the Union. There are several facts with which the union leadership doesn't want to face. First, the Union's share in the world economy will decrease because the exports of the emerging economies grows much higher rate and it will continue until their level of development will reach that of the Europeans. The differences in growth rate is natural and

comes from the fact, that a less developed country can take over the technological achievements of the most developed once and by this way they can increase their productivity in a much higher rate. When they close up to the developed economies their rate will decrease, see the example for instance Japan. From this comes that on the long run the countries' ratio in the world economy will close to their weights in population. Before Asian countries began their catching up in the 1960s, the ratio of Europe and North America in the world trade was around 70%, and that of Asia was only 10%, now the same ratios are 45% and 40% respectively and the tendency continues. The EU28 weight in the world exports fall by some 7% in the last decade. Although this fast decrease to some extent can be attributed to the financial crisis and the austerity policies, it would be totally unreal to set the goal to improve this ratio – for instance by pressing down the wages.

The other lethal misconception that Europe can compete with the developing world on fields where wage costs is count. The productivity in the Asian countries is the same than in Europe or North America – not least because the multinational firms of these countries relocated their production. However wages are on the one-tenth or twentieth level. There are no such wage constrains that were able to mitigate this difference, the results – as it is – high unemployment and economic stagnation especially in those (south European) countries where light industries have traditionally a larger weight. Taking into account the differences in industrial structure among member states, the Union's foreign trade agreements are advantageous for countries of high technology as Germany and they are on the detriment for countries with more traditional industries.

From this comes that the Union's recent foreign trade policy has an uneven impact on member states' economy and there is no compensating mechanism.

The uneven external impacts without compensation are obstacles against integration too.

Summary of preconditions

Taking into account what have been told above it can be said on the one hand Europeans are attaching to their countries the basis for their consciousness is their belonging to their own country's language, history and values. On the other hand, even if to a considerably smaller measure they feel themselves "Europeans" too. This "European" character emerges especially when there is a comparison with countries in other continents especially when this other country is the United States. This means that Europeans have a double identity: strong feelings for their native country and a weaker affiliate with "Europe" as such. However, Europeans know they have to keep together to defend themselves against outside forces like globalisation or climate change and they are ready to do so. From this follows, that the double identity and the recognition of common interest might be a good basis to build an integration on them.

However, European political and business elite never asked Europeans what kind of Europe do they want, instead these elite force their liberal ideas on Europe which not only doesn't fit to the identity of the European citizens, but is against the economic realities and sometimes against the common sense.

But not only that kind of integration exists what the European elite suggests, there are different possibilities, different ways of European cooperation. In the following some of them will be displayed.

The original concept of integration

The **Treaty of Rome** established only a customs union with the final goal of an “ever closer union”. A decade later at Hague Summit in 1969 the leaders of the Community, appreciating the results the Community already had reached, decided on the finishing of the integration by creating an economic and monetary union. Pierre Werner, the Prime Minister Luxembourg was asked to set up an expert group to look into the various aspects of the realization by stages of economic and monetary union. Their findings were summarised in the so-called **Werner Plan in 1970**. The plan basically outlined a federal state with a system of central banks similar to the Federal Reserve in the United States, and a central budget, which will be sufficient to handle the disequilibrium between member states. For instance as regards the current account, the equilibrium within the Community would be realized in the same way as within a nation's frontiers that is by financial transfers – the Plan says. However the Plan did not give figures for the possible extent of a central budget. With its suggestions, the Werner Plan essentially outlined the template for a social democratic, Keynesian economic and monetary union.

However the Plan was shelved partly for the economic turmoil which followed the oil price explosion, partly because West Germany was against saying that the plan exerts insufficient constraints on national policies.

After some years the idea turned up again. **At the start of 1974** the European Commission asked a group of experts once again to draw up a study on economic and monetary union implemented by 1980. **Robert Marjolin** former, Vice-president of the Commission in charge of economic and monetary affairs, was asked to lead the group. The Marjolin Report's suggestions were similar that of the Werner Plan but in some field it went further. The report emphasized that one of the problems which Europe must try to avoid is the creation of excessive tensions between countries with surpluses and those with deficits in their current balance of payments. It called for decreasing the income gaps between the richest and poorest regions which were one to five in that time in terms of per capita income or value added. Also, it suggested a community policy where large parts of the population have a feeling of belonging to a union. For this reason it kept necessary to increase the transfers stemming directly from the central budget for purposes like unemployment allowances, equalisation of regional imbalances and for similar social policy aims. These goals needed substantial **central resources** and the report referred to the German and American federal budget **which amounted some 16-18 per cent of the GDP**. Finally the study group suggested a central community bank or system of central banks responsible for the management of a monetary policy.

Very soon, in 1977, the Marjolin Report was followed by a newer study from a group of economists led by the Scottish economist, Sir **Donald MacDougall**. Since free trade in goods and services within the Community has been largely achieved, and on monetary union already had been written a lot, the group set the goal to examine the third main element in economic union the role of public finance, which was largely neglected earlier. Their research was based on studying public finance of unified and federal states and draw down conclusion for the integration forms of the European Union. There were nine countries chosen for this purpose, five existing federations (Federal Republic of Germany, U.S.A., Canada, Australia, Switzerland) and three unitary states (France, Italy and the U.K.)

The study group established that an economic and monetary integration leads to the progressive loss by states of their ability to control trade, exchange rates, and monetary and fiscal policy, therefore to make integration acceptable to all participants may require an explicit redistributive mechanism to divide the gains from integration in a politically acceptable way. Failure to attend to this matter may at the least result in a stagnation of the integration process, and at the worst result in secession and dissolution. The experience of unified and federal states shows that net flows of public finance in the range of 3-10% of regional product are common for both relatively rich and relatively poor regions. Public finance inflows more or less compensate balance of payments deficits.

The group made a calculation for the necessary redistribution and defined an indicator, the “redistribution power” to measure it. Redistributive power of interregional transfers would be 100% if the effect of such transfers was completely to equalise regional or state per capita average incomes. With this definition the redistributive power of the examined unified and federal states were around 40%. By contrast, the Community's finances achieve only a very small redistribution, its power was around 1% – as the report estimated.

Now, we can add that since then nothing has changed. With the nowadays data for EU 28, the redistribution power is shown in table 1. Actually only euro 30 billion is redistributed between the rich and poor countries⁷, while the income gap is around 2,3 for the groups as whole, but calculating with individual countries it is around 8 (between Bulgaria and Denmark, leaving Luxembourg out).

Table 1

Redistribution power of EU28 with the nowadays (2012) data
(Calculations are on exchange rate basis)

	Population, million	GDP before redistribution (b. euro)	GDP/cap before redistribution (euro)	GDP/cap after redistribution (euro)	GDP after redistribution (b. euro)	Change in GDP/cap (%)	Change in GDP (b. euro)
All countries	506	13 424	26 449	26 551	13 424		
Poor countries	174	2 490	14 328	14 498	2 520	101	30
Rich countries	332	10 934	32 953	32 864	10 905	100	-30
Rich/poor index	191	439	230	227	433		
Redistribution power in %				1,4			

Source: own calculation

To reach the 40% redistribution rate in the Union, which characterise the unified and federal states, would need the transfer of some 850 billion euro from rich to poor countries, which amounts 6,4% of the total GDP of the EU28 (data refer to the year of 2012). With this move the GDP per capita in the rich countries would decrease by some 8%, while in the case of poor countries there was an increase of 34%. The income gap of 2,3 would decrease to 1,6 and the improvements were especially strong in the case of the poorest countries. In practice the redistribution not necessarily decreases the per capita income of rich countries. Namely

⁷ For this calculation rich countries are: Belgium, Denmark, Germany, Ireland, France, Italy, Netherlands, Austria, Finland, Sweden, United Kingdom and Luxembourg. Poor countries: Bulgaria, Czech Republic, Estonia, Greece, Spain, Croatia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Romania, Slovenia and Slovakia.

such kind of redistributions can stimulate economic growth⁸. Calculating with a 2% GDP growth rate and a 10 years time period the indicated equalisation were realizable with a modest income increase even in the rich countries, while the less developed countries could enjoy a dynamic catching up course to the average.

Table 2.

40% redistribution for EU 28 with data of 2012

(Calculations are on exchange rate base)

	Population, million	GDP before redistribution (b. euro)	GDP/cap before redistribution (euro)	GDP/cap after redistribution (euro)	GDP after redistribution (b. euro)	Change in GDP/cap (%)	Change in GDP (b. euro)
All countries	506	13 424	26 449	26 551	13 424		
Poor countries	174	2 490	14 328	19 236	3 343	134	853
Rich countries	332	10 934	32 953	30 382	10 081	92	-853
Rich/poor index	191	439	230	158	302		
Redistribution power in %				40			

The issue of redistribution plays a very important role in the considerations of the MacDougall Report. Even it can be said that redistribution constitutes the backbone of the Report. The reasons why they suggest taking redistribution very seriously are the following:

- redistribution for reduction inequalities can be explicit political objective of the Community, the Report asserts that it is a unavoidable part of integration;
- redistribution helps to avoid an excessive level of general migration from the poorer areas to the richest;
- redistribution also helps in avoiding excessive migration of highly trained, manpower from poor countries;
- redistribution prevents the danger of increasing pressure from low wage countries for closing up their incomes to the wages in the richer member countries;
- finally redistribution can support the convergence in productivity levels.

Taking into account the possible level of redistribution the report envisages three grade of integration: pre federal integration, small public sector and large public sector federation. The report outlines the main features of the individual cases in the following way:

Pre-federal integration

Pre-federal integration is assumed to consist of completing the common market, e.g. by the elimination of non-tariff trade barriers, other distortions to trade and freer movement of capital and labour. There would also be some increased public sector activities partly or wholly in substitution for the member states, and further steps towards economic and monetary policy intervention - falling short, however, of monetary union.

⁸ Think of the Marshall plan. Between 1948 and 1952 US\$ 13 billion was given to west European countries, which amounted some 1 per cent of USA GDP. In the same period the economic growth in the USA was around 5%.

The Report suggests the following main directions in which the Community's expenditure might be changed during the pre-federal integration phase.

- (i) More Community participation than at present in regional policy aids (employment or investment incentives, public infrastructure, urban redevelopment).
- (ii) More Community participation than at present in labour market policies (including vocational training and other employment measures).
- (iii) A Community Unemployment Fund on the lines suggested in the Marjolin Report under which part of the contributions of individuals in work would be shown as being paid to the Community and part of the receipts of individuals out of work as coming from the Community.
- (iv) A limited budget equalisation scheme for extremely weak member states to bring their fiscal capacity up to, say, 65% of the Community average and so ensure that their welfare and public service standards are not too far below those of the main body of the Community.

The report says that general level of economic activity, the instruments would remain very largely in national hands, but to reach the goals outlined above, public expenditure at the Community level should rise to 2- 2,5% of the GDP.

Small public sector federation

The small public sector federation is considered by the report as the most feasible way of further integration. In this case the supply of social and welfare services (health, education, social security and welfare) would essentially remain at the national level, while the required equalisation of public service provision between members would be achieved by financial transfers between them which would be smaller than those in existing federations.

Social and welfare services would remain very limited not more than 1,5 to 2% of GDP. The largest component of it would be a general purpose equalisation mechanism making transfers to the weakest member states. There would also be specific expenditure on unemployment and perhaps some kinds of housing expenditure in the context of urban redevelopment programmes.

Economic services, which means the Community's involvement in structural and sectoral actions (agriculture, energy, public infrastructure, industrial, regional and labour market policies) would be extensive, but even so might not account for expenditure of more than 2 to 3% of GDP.

As regards '*general public services*', the Community's share of expenditure on public administration, law and order would remain quite small. The Community would, however, account for all foreign aid expenditure (0,7% of GDP) and defence (of 2,5 to 3% of GDP), and a sizeable part of all research expenditure (say ½ % of GDP).

With the tasks outlined above it would make possible a federation with central expenditure amounting to about 5-7% of GNP. This ceiling would be increased to 7,5-10% if defence expenditure became a federal responsibility.

It is important that the Report considered the monetary integration possible only if the integration reached the small public sector level, or with other words, the central budget reached 5-7% of the GDP.

Table 3

A comparison between the budgets of the Community (EC9) and the small public sector federation suggested by the MacDougall report

Expenditures by type	European Community	Central budget for small public sector federation	
	EC9 countries together (1970)	Min	Max
General Public Services	8,05	1,5	2,0
general administration	2,45	0,3	0,8
international relations	0,68	0,7	0,7
general research	0,97	0,5	0,5
Defece	2,82	2,5	3,0
other	1,13		
Social and Welfare Services	23,02	1,5	2,0
Economic Services	6,23	2,0	3,0
Other (including debt interest)	2,82		
Total without defence	37,3	5,0	7,0
Total with defence	40,12	7,5	10,0

Source: MacDougal Report

Large public sector federation

For the research group the full scale integration – at least in the foreseeable future – didn't look very feasible. For this reason its description remained in broad framework. What is important that in the case of a large public sector federation several of the major social and welfare expenditure functions would be in the hands of the federal government, so that it would have extensive direct contacts with individuals, by-passing the national level. Correspondingly, on the tax side, the large public sector federation implies a predominance of federal over state taxes. In existing federations like the United States, and the Federal Republic of Germany, federal public expenditure is around 20 to 25% of GNP. In the case of full integration the central budget of the union should close up to this level.

The MacDougal Report was the last one which addressed the integration within a Keynesian framework, arguing for a substantial decrease in inequalities and for this reason suggested a relatively large central budget. Both Marjolin and MacDougal reports hold that the redistribution is an indispensable element of integration.

However very soon the all these reports were forgotten. Europe had to face with the economic turmoil stemming from the oil price explosion, and its impacts: the high inflation and the economic downturn. The traditional Keynesian policies didn't work. Actually this was the period, in Europe when the former (post WWII) economic growth slowed down substantially (from 5 to 2 percent), although the latter was identical with historical trends, the change was a too big to accept it, and the perceived stagnation accompanied with the slow pace of enlargement and the feeling of lack of democracy generated a negative and apathetic attitudes to the European Community what was called "euroclerosis". The Frenchman, Jacques Delors, who was nominated in 1985 as president of the European Commission wanted to change this

mood, his answer for the crisis was: more integration. He initiated the completing of the single market, which was done by the Single European Act of 1986. With a group of experts (mainly with central bankers) Delors worked out a template for the European Monetary Union and for the introduction of the common currency, the euro. The conception of the Delors Group was published in 1989 under the title “Report on economic and monetary union in the European Community”. This report basically outlined the rules for a monetary union which then was enacted by the Maastricht Treaty in 1992.

Although the Report refers to problems the monetary integration may cause for countries in the periphery and says “if sufficient consideration were not given to regional imbalances, the economic union would be faced with grave economic and political risk” and even suggests investment programs to help to equalize production condition (for avoiding large-scale movement of labour) there is no suggestion for regular redistribution policies from the rich to the poor countries. Those considerations which were outlined in the MacDougall Report (especially in the field of redistribution) are entirely absent from the Delors report. Moreover the Delors Report (though realistically) stated that Community budget is likely to remain very small, thus there wouldn't be place for a central budget of 7-8% of the Community's GDP what the MacDougal report took as indispensable for a monetary integration. In the lack of a bigger central budget the main factor of adjustment could be the coordinated (and disciplined) national budgetary policy. All in all, the Delors Report, which was written already in the spirit of neoliberal ideas, substantially diverged from the original integration ideas and these conceptual differences became much more salient in the Maastricht Treaty.

The Delors Plan and the Maastricht Treaty that followed it provoked a great deal of scepticism and debates. Among the very first critics could be found Bernard Connolly, who as an official of the Commission was in charge just to prepare the introduction of the common currency. In 1995 he published a book with the title: “The Rotten Heart of Europe”. The book was about, the troubled circumstances and the contradicting interest within which the common currency was prepared. He foresaw the problems the common currency will create: “*My central thesis is that the ERM and the EMU are not only inefficient but also undemocratic: a danger not only to our wealth but to our freedom and ultimately, our peace.*” – wrote in his book. Two years later Milton Friedman the Nobel prize laureate economist said in an interview for the Wall Street Journal: “My considered opinion has long been that the loss outweighs the gain. The potential members of the EMU do not have sufficiently flexible wages and prices, or sufficiently mobile workers, or a sufficiently effective fiscal compensatory mechanism, to serve as a satisfactory substitute for flexible exchange rates. The likely result is that the euro will exacerbate political tensions by converting divergent shocks that could have been readily accommodated by exchange rate changes into divisive political issues. Political unity can pave the way for monetary unity. Monetary unity imposed under unfavourable conditions will prove a barrier to the achievement of political unity.”⁹ Most American economist concluded that Europe was not suitable for a monetary union because of the absence of significant fiscal transfer mechanisms, the sticky wages and because of the single monetary policy objective of price stability. As a result, member states could be expected to face substantial adjustment problems and these were likely to result in political conflict and instability Martin Feldstein asserted similarly that EMU would be an ‘economic liability’. The lack of labour mobility and wage flexibility as well as centralized fiscal policy,

⁹ Milton Friedman: Whither the EMU? Wall Street Journal 20. June, 1997.
<http://www.wsj.com/articles/SB866749958436469000>

EMU would increase cyclical unemployment. More ominously, it would aggravate tensions among the member states and especially between France and Germany.¹⁰

Among the European critics Wynne Godley emphasized the neoliberal underpinnings of EMU, which would destroy the European ‘social model’. “In contrast to the Werner Plan, the Maastricht design for EMU represented a ‘crude and extreme version of the view which for some time now has constituted Europe’s conventional wisdom (though not that of the US or Japan) that governments are unable, and therefore should not try, to achieve any of the traditional goals of economic policy, such as growth and full employment.” He wrote in his book.¹¹

John Grahl in a book published in 1997¹², characterised the situation in the following way: “The European single currency threatens to destroy the instruments of national fiscal and monetary policy that were a primary means of protection for workers in a capitalist economy. What socialists have long warned as being implicit in the constitution of the European Community, a bankers’ Europe, has now been literally realised. Monetary policy is in the hands of an independent central bank whose only aim is price stability. This arrangement has been adopted without democratic discussion or debate, with the assent of European social democracy over the objection from stray voices on the extreme right and left.”

These examples above clearly show that there were vast and professional criticism in due time, however the Economic and Monetary Union was presented by the liberal European elite in terms of an idealized, teleological narrative of ‘ever closer union’ that obscured significant potential conflicts among the member states of the eurozone and the EU as a whole. The “project” was backed by powerful social forces (e.g. European Industrialists, central right and left political parties) and states (e.g. France, Germany), besides it was also supported by mainstream European economists who were strongly influenced (and financed) by the European Commission.

Alternative narratives

Opposite to the concept of a “ever closer union” alternative visions were developed since the inception of the Common Market but especially later, during the European Convention (which was convened to present a constitution for Europe) and also in the last decade especially since the vulnerability of the present European construction emerged after the financial turmoil beginning in 2008. The alternative proposals naturally occupy a very wide range along the scale of the possible solutions from a customs union to a federal state. Each version has a supportive camp however some of them are more popular than the others. In the followings the most known ideas will be summarised displaying the main characters of the different approaches beginning with the simplest version (free trade area) and finishing with the federal state.

Europe as a free trade area

¹⁰ Alan W Cafruny: European integration studies, European Monetary Union, and resilience of austerity in Europe: Post-mortem on a crisis foretold. *Competition & Change* 2015, Vol. 19(2) 161-177.

¹¹ Godley W (1992) Maastricht and all that. *London Review of Books*. 14 (8 October), 19.
<http://www.newyorker.com/news/john-cassidy/the-man-who-saw-through-the-euro>

¹² John Grahl: After Maastricht: a guide to European monetary union. Lawrence and Wishart Ltd., London, 1997
http://www.jstor.org/stable/40404708?seq=1#page_scan_tab_contents

There are movements, especially in the United Kingdom, which aim at transforming the Union into a free trade area, or as a last resort, to withdraw their country from the Union. The United Kingdom Independence Party's (UKIP) principal aim, for instance, is the withdrawal of the UK from the European Union.

The Campaign for an Independent Britain (CIB), a cross-party Eurosceptic campaign group, is in favour of free trade and cooperation between the nations of Europe, but is opposed to the creation of a federal or unitary European state which they believe to be unnecessary and will prove to be counter-productive. The model they recommend is based on the willing cooperation of each nation and its people in areas of policy where cooperation will be fruitful but not where it would be disadvantageous to their interest and development. They believe that lasting unity can only be achieved by the people of Europe, and not their elites, and that a failure to understand this can only lead to disaster.

However, not only Eurosceptics see the free trade agreement as a perspective. Even those in favour of more EU integration identify problems in the discrepancy between the economic and political conditions of integration. Professor Paul de Grauwe, an economic adviser to the Commission, thinks that without political union the euro zone cannot be sustained:

"A political union is the logical endpoint of a currency union. But if that political union fails to materialise, then in the long term the euro area cannot continue to exist. Now that nobody appears to want that political union, you can begin to wonder whether monetary union was such a good idea. I hardly dare predict that, in the longer term, the monetary union will collapse. Not next year, but on a time-frame of ten or twenty years. There is not a single monetary union which survived without political union. They have all collapsed. You invariably get big shocks. A monetary union becomes very fragile without a political framework. With the exception of a Don Quixote like Guy Verhofstadt, I see nobody who is pushing the case for a political union ... A large free trade zone remains the only feasible option for Europe. It's an illusion that we can realise a political union in Europe in the near future. Political unification has failed. But that is a big problem for the currency union. That is in danger."¹³

Europe of Nations – from De Gaulle to Jospin – the Fouchet Plan¹⁴

Charles de Gaulle, one from the great political generation of the WWII supported an intergovernmental core Europe. He outlined his vision in his famous speech at a press conference of 5 September 1960¹⁵. In his speech he criticised the federalist vision of Europe in order to defend his project of an intergovernmental political union. He stated: "Building Europe it is obviously something essential... However, what are the realities of Europe? What are the pillars on which it is possible to build? In truth, these are States that are, of course, very different from each other, each of which has his soul to himself, his story to himself, his tongue to himself, his misfortune, his glories, its ambitions to itself, but of the States that are the only entities that have the right to order and authority to act." His imaginations were outlined in the Fouchet Plan (Christian Fouchet was France's ambassador to Denmark) which was an attempt to control the EEC by developing an intergovernmental organisation of cooperation between the member states. De Gaulle feared a loss of French

¹³ Interview in De Morgen, Belgium, 18 March 2006

¹⁴ <http://penguincompaniontoeu.com/wp-content/uploads/2013/03/Teasdale-Fouchet-Plan-July-2013.pdf>
¹⁵ http://www.cvce.eu/obj/press_conference_held_by_charles_de_gaulle_5_september_1960-en-0993e4e3-896a-4c44-89c4-9de188c1d637.html

national influence in the European Communities, which at the time was becoming more and more supranational, so the Plan was an attempt to keep the balance of power in France's favor. Due to the success of the European Communities and the lack of enthusiasm of other states for this idea, the Fouchet Plan has been never implemented.

De Gaulle's ideas were raised again when the former prime minister of France, Lionel Jospin reacted to a speech of Joschka Fischer when the German foreign minister in the Humboldt University arguing for a federal Europe questioned the validity of the Peace of Westphalia and in the same time the justification of nation states.¹⁶ Lionel Jospin reacted sharply to Joschka Fischer's proposals. He said that the French people could never accept the status of a state like the German Lander or the states of the USA. "There are nations, strong, vibrant nations, for which identity is important, which constitute the wealth of our continent," he said.¹⁷

He suggested that a move towards a federation requires clarifying the respective competences of the Union and its states. According to him, this ought to be done in accordance with the principle of subsidiarity. At the same time, Jospin wanted to keep under national control all the policies that had already been conferred to the Community. This had meant keeping the status quo of the Maastricht- Amsterdam treaties, taking into account the Nice Treaty's provisions on enlargement. This kind of European "federation of nation states" had already been suggested earlier by the French Socialist and former European Commission chief, Jacques Delors, and later supported by Dr Johannes Rau, President of the Federal Republic of Germany, and the French Prime Minister Dominique de Villepin. As the latter stated in a speech also at the Humboldt University in Berlin¹⁸:

"We need to define a new relationship between Europe and the nations it is made up of. A federation of Nation States is the most appropriate way to advance. Yes, I am a partisan of a real European economic patriotism: it is not a question of hiding behind an outdated protectionism. It is a question of combining our strengths and uniting our efforts to go in the same direction and powerfully assert our interests in the world. European preference makes sense: it reminds us of our duties to each one of our citizens."

The French major trade union, the Confederation Generale du Travail (France) - CGT, also supported the idea of cooperation based on nation states. As they wrote in their contribution to the European Convention: "The nation state, even if weakened by globalization, remains the only arena for solidarity, the only guarantor of public services."

Europe of democracies

Based on the concept of cooperation among sovereign nation states, seven members of the European Convention among them MEP Jens-Peter Bonde the leader the Europe of Democracies and Diversities Group of the European Parliament and UK Conservative MP David Heathcoat-Amory proposed an "Alternative Report" to the Constitution.¹⁹ According their suggestion the European Union (EU) should not have a constitution. Instead, Europe should be organised on an inter-parliamentary basis by means of a Treaty on European

¹⁶ http://www.jeanmonnetprogram.org/archive/papers/00/joschka_fischer_en.rtf

¹⁷ <https://euobserver.com/news/2449>

¹⁸ French Prime Minister Dominique de Villepin, speech at Humboldt University, Berlin, 18 January 2006

¹⁹ <http://www.brugesgroup.com/Plan-B-For-Europe.pdf>

Cooperation. This would create a Europe of Democracies (ED) in place of the existing EU. In this construction laws would be valid only if they have been passed by national parliaments. A national parliament would have a veto on any issue it deems important. Every national parliament should elect its own member of the Commission, and national parliaments would have the power to dismiss their Commissioner. The President of the Commission would be elected by the national parliaments. These ideas were supported by various movements across the EU, such as the European Alliance of EU critical Movements (TEAM) and the Danish JuniBevægelsen Mod Union.

Multigrade europe

Multigrade Europe is the idea that the EU can be organised according to different grades of integration. In such a structure, called among others "concentric circles", the geographical core countries integrate deeper than the outer regions. Another name for this construction is 'two-gear' or 'multi-grade integration'. The idea of the different grade of integration turned up first after the Maastricht Treaty when the Danish rejection indicated the limits of integration that is acceptable for citizens.

The German Christian Democrats initially launched the idea of a core group of EU members consisting of the founding EU countries, Germany, France, Italy and the Benelux to promote closer integration. This idea was brought forward repeatedly (as a German or French initiative) whenever the ratification of treaties faced difficulties.²²

The existing treaties already allow a group of member states to proceed with further integration, e.g. through enhanced cooperation. In case of such multigrade integration it can be taken for granted that France and Germany would be at its core. The more sceptic nations, such as the UK, could take part in some policies and opt out of others.

Yet many, especially from the new member states, oppose such concepts as they fear being downgraded to "second class" travellers.

Flexible cooperation

There are several ideas for a more flexible system of cooperation. One was developed by the Danish June Movement, proposing that EU decisions should be allowed more flexibility among different members ("variable geometry" or "Olympic circles"). Another proposal, called "Europe a la carte", suggests a construction in which Member States may pick and choose the laws and policies that suit them, thus ensuring diversity and a real choice for the people when it comes to experiencing the 'four freedoms of movement'.

A similar concept was developed by Bruno S. Frey and Reiner Eichenberger from the University of Zurich. They proposed Flexible Overlapping Competing Jurisdictions (FOCJ) which would be based on propositions in accordance with the economic theory of federalism. According to the authors, it is a mistaken concept that Europe should be an integrated and homogenised entity. The essence of Europe is its diversity, given that its strength lies in its wide variety of ideas, cultures and policies. Integration should serve to foster this diversity, whereby even cooperation is flexible for optimal benefits.²⁰

Considering the difficulties and the problems with the ratification of the Constitution, Charles Grant, the director of the London based think tank Centre for European Reform, also

²⁰ http://www.bsfrey.ch/articles/436_05.pdf

suggested some kind of "variable geometry", according to which not every country need take part in every policy, but allows for some to cooperate more closely. He pointed to the fact that such cooperation already exists in the frames of the euro and the Schengen zones. Those countries which want more political union can use the provisions in the current treaties to foster integration among them. Since future member states may thus also stay out of some policy areas, variable geometry could thus make enlargement less threatening to the EU's political leaders and electorates.

Europe as a federal state

In his Humboldt University speech, Joschka Fischer argued for a European federal state, for a common foreign and defence policy, and for more democratic political life. He suggested a bicameral parliamentary system in which one chamber would be for elected members, who are also members of their national parliaments, while the second chamber made of Member States representatives would resemble the US Senate.

The European federation, or a 'United States of Europe', is supported by many political groups, academics, business organisations and others, including the Union of European Federalists (UEF) and the German philosopher and sociologist Jürgen Habermas, who worked out concrete suggestions for the constitution of a federal state.

The medium-run perspectives

In the previous chapter it was displayed that there are different kind of constructions for political and economic constructions which were flexible enough to fit to the diversity of Europe. However the European political and business elite rejects any possible alternative construction, they are attached to the straitjacket of the Maastricht Treaty. All their initiatives that were put forward since the outbreak of financial crisis, and there were many²¹, were around the fulfilment of the Maastricht criteria and the stabilisation of the banking sphere, but without a more significant community budget and without a genuine central bank function as lender of the last resort.

Even the latest initiative the “five president’s” proposal for “Completing Europe’s Economic and Monetary Union”, which sets the goal to finish the European integration by 2025 remains within the Maastricht framework with all its backwardness.

The Report²² proposes further progress in integration reaching a “union” in three fields: economic, financial and fiscal and these unions are supplemented by a “political union”, a progress on democratic accountability.

Economic union basically means stronger coordination of economic policies. The surveillance of fiscal policies (see the European Semester and the different “packs”) will be supplemented by *Competitiveness Authorities* whose task would be first of all to control whether wages are evolving in line with productivity. An another facility, the *Macroeconomic Imbalance Procedure*, which was created at the height of the crisis and is

²¹ Competitiveness Pact, Euro plus Pact, Sixpack, Two-Pack, Fiscal Compact, European Semester, Annual Growth Survey, National Reform Programme, European Financial Stability Facility, European Stability Mechanism, Single Supervisory Mechanism, Bank Recovery and Resolution Directive, Deposit Guarantee Scheme Directive, Single Resolution Mechanism, Single Resolution Fund, European Deposit Insurance Scheme (probably the list is not complete).

²² http://ec.europa.eu/priorities/economic-monetary-union/docs/5-presidents-report_en.pdf

part of the European Semester, will be used not just to detect imbalances but also to encourage structural reforms, and monitor reform implementation. The suggested reforms, for instance in the field of unemployment are the efficient labour market policies, in the case of pension funds the increase of the retirement age parallel to the life expectancy.

As regard **financial union** since the 2012 Four Presidents' report there was some progress through the single supervisory mechanism (it granted the ECB a supervisory role) and the single resolution mechanism, where the problems of the failing banks is solved from a common budget financed by the banking sphere itself avoiding to place the burden on the taxpayers. It will be supplemented with a *European Deposit Insurance Scheme* to increase the resilience against future crises and *Capital Market Union* deepening the integration of bond and equity markets and by this way diversifying the sources of finance for companies and strengthen private sector risk sharing.

In fiscal fields the current governance framework will be strengthened through the creation of an advisory *European Fiscal Board*. It would provide a public and independent assessment, at European level, of how budgets - and their execution - perform against the economic objectives and recommendations set out in the EU fiscal governance framework.

The “**political union**” is understood as greater democratic accountability, legitimacy and institutional strengthening. In practice this means the strengthening of parliamentary oversight on economic processes and a closer cooperation with national parliaments.

As can be seen the newest proposal contains nothing new, what actually suggests is identical with the old rules coming from the Maastricht Treaty and the neoliberal way of thinking. Although it speaks about “union” those requirements for a union which were outlined in the Werner, Marjolin and MacDougall reports and what they kept as indispensable for a “genuine” union cannot be found in the text. There is nothing about transfers to help the less developed regions in their catching up, nothing about the future of the accumulated debt and almost nothing about the trade and current account imbalances (only, that surplus countries should carry out adequate reforms, but nothing is obligatory). The suggested cure for every problem is the disciplined budget and the inner devaluation by strong control on wages. Democracy means that national and European representatives (MPs and MEPs) can discuss more intensively the reports of the Commission but without any possibility to initiate laws or change the union's leadership.

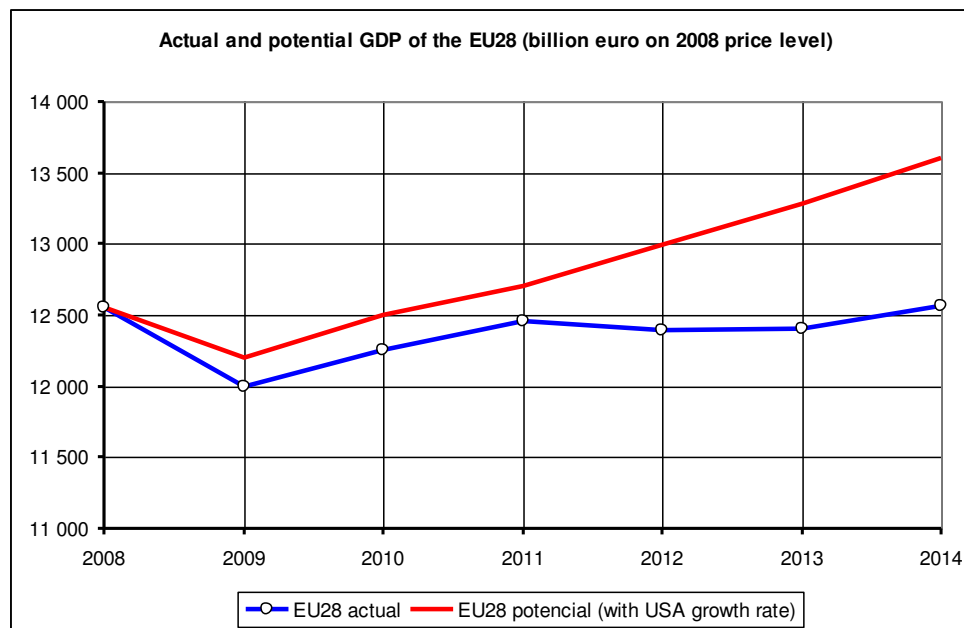
The results will be without fail the continuation of the economic, political and social crisis of the union. The austerity policy, which continues, already has caused a tremendous loss to member states. On union level (with a comparison of the growth rate of the USA) the loss in GDP can be estimated to €1000 billion in 2014 (Chart 2). and the accumulated loss up to the present is around €3000 billion, twenty five times larger than the union's yearly budget.

The European Union, against its name, develops not into a union, but an empire, as the previous Commission President, Manuel Barroso said several years ago.²³ An empire, by definition, is a centre of power that extends dominion over populations that are distinct culturally and ethnically from the culture/ethnicity of the centre. This definition almost totally fits to the European Union: the population is diverse ethnically, culturally and linguistically. However history teaches us, empires can be stable until they provide improving life for their

²³ <https://www.youtube.com/watch?v=c2Ralocq9uE>

population. If not (see the case – for instance – the Soviet Union and its satellites) the empire will fall apart.

Chart 2



Conclusions

What is clear from the discussion above that the nowadays direction of the European Union doesn't lead to an integration, but much more to power concentration which is much closer to an empire than to a federal state. The proclaimed democracy is only formal, in practice democratically elected bodies, like national parliaments or the only half democratic European Parliament is unable to change the political course of the Union's leadership. The latest initiative the "five president" report or more precisely declaration about the completing Europe's Economic and Monetary Union by 2025 once again strengthens the wrong direction in which the union has been developing since the Maastricht Treaty. Undemocratic, centralised structures can last for long when the power concentration is accompanied by robust improvement in living conditions however a dictatorship with a stagnating economy is exposed to increasing centrifugal forces and finally dissolves. From history there are plenty of examples but we should not go too far into the past the excellent example is the dissolution of the communist empire in East Europe. With full confidence it can be forecasted that if the nowadays political course of the union doesn't change the strains between member states will increase to the point when the union falls into parts.

It must be emphasized that originally there were very different ideas about integration in comparison with what was realized in the Maastricht Treaty. The plans in the 1970s beginning from the Werner Plan to the MacDougall Report were based on the practice of genuine unified states and federations and outlined an integration path which emphasized the social responsibility of central governments in real integrations. One of main elements of the planned integration was the intention to decrease the income inequalities between regions and to compensate imbalances in the current accounts of member states. This required a suitable central budget and financial transfers from the surplus to the deficit countries. If integration in the last decades had gone in this direction the nowadays union should not face serious indebtedness problems.

A realistic approach for integration should not leave out the specialities of the individual countries, the differences in values, history, identity, foreign relations and naturally in economic circumstances. East Europeans from their communist past know that the centrally prescribed values (in that case the “communist type man” or the love for the Soviet-union) never work. In the case of the union integration should be built on what is common in the member states, but we also have to realise that the more countries belong to the union the fewer common interest will be found. (Sometimes it was clear that deepening the integration and in the same time enlarging the union contradicts each other.) If rich countries do not want to finance a “genuine” integration with suitable transfers to less developed regions (see the estimations in the MacDougall Report) because such kind of solidarity lacks among member states, the possible road of integration can be found in a much more loose framework like De Gaulle’s vision about Europe of Nations or the Swiss type flexible cooperation.

In the case if the union’s political and economic elite doesn’t want to give up the “genuine union” concept and in the same time doesn’t want to finance a real integration (e.g. they attach to the max 1% budget), the minimum preconditions for a workable cooperation are:

- to solve the indebtedness problem as the economists at the German Government suggest;²⁴
- with a special clearing agreement keep the current accounts in balance;²⁵
- control on capital flow;
- end the austerity policy, give up the 3% deficit and 60% government debt, but governments are permitted to borrow only from residents;
- give much more significance and support to local (regional) economic activities to ensure high level of employment.²⁶

Naturally there might be other ideas, for instance to divide the eurozone into parts, or a scheme to leave the euro for national currency and later join again, or others. The only condition for a viable integration is that ideas must be built on reality and not on idealistic imaginations like the communists did.

²⁴ The German Council of Economic Experts (advisers for the German government) proposed a European collective redemption fund, which would mutualise the debt in the eurozone above 60%, combined with a bold debt reduction scheme for those countries, which are not on life support from the European Financial Stability Facility.

²⁵ An International Clearing Union was suggested by John Maynard Keynes in 1944 at Breton Woods. It would be a global bank whose job would be to regulate trade between nations.

²⁶ See: Colin Hines: Localisation – a Global Manifesto. Earthscan, UK 2000