Campaign for a European Federal State
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Why We Need a European Federal State - 1

A European federal state starting from the six founder member states to save the euro and Europe's economy

Europeans need the European currency

Until now the European currency has protected the economies of the great continental European countries from the damages they would have incurred in terms of competitive devaluation, inflation and unemployment if they had kept their national currencies.

Without the European currency some European countries, starting from Italy, would already be in a state of bankruptcy similar to that in which Argentina found itself a few years ago when the fixed link between the peso and the dollar was broken.

For this reason, abandoning the prospect of economic and monetary union should be considered to be a very serious risk to be avoided and not an alternative to promote, with the return to the old national currencies, an illusory cycle of growth and development in Europe. The problem on the agenda for Euro-peans is how to guarantee a future for the European currency, not to abandon it to its fate.

Twenty-five economic policies do not make one European economic policy

Can a European currency survive for very long without being linked to a Euro-pean economic policy? The fact that economic, fiscal and budgetary decisions have remained in the hands of twenty-five national governments whilst monetary policy is virtually European means that the potential of the Euro can clearly not be fully expressed either in Europe, nor at the international level. Europeans therefore find themselves without the instruments needed to react to the economic crisis that engulfs them.

Furthermore, the failure of the "Lisbon Strategy" to relaunch the competitiveness of the European economy by 2010 and the non-compliance by the large Eurozone countries with the Growth and Stability Pact are not only the result of the absence of any constraint and penalty against the breaches of individual Eu-ropean countries, but above all of the failure of the drives towards the convergence of national policies which were behind the European economic miracle of the last century.

Today the contrast with the climate in which the European integration process was started could not be starker: in the Fifties, also thanks to American aid, the countries of Western Europe were able to triple, and in some cases even qua-druple and quintuple an annual national growth rate which, in the first half of the Twentieth Century, had remained around the 1% mark. Today the average annual growth rate in the fifteen countries of the Union has dropped again to less than 1% of GDP.

The supranationality of European monetary institutions is fictitious

As many historians have observed, the European Central Bank (ECB) is structurally closer to the American Federal Reserve System of 1913, overwhelmed by the crisis of 1929, than to the Federal Reserve System reformed in 1935 under the impetus of the US Federal Authority. Strictly speaking the ECB is not a central Bank, because it cannot ultimately guarantee the status of the European currency domestically and internationally in case of serious financial crises or in case of the sovereign decision of a few countries to renounce the Euro. But, an even more serious fact, it is inconceivable that it could become so outside of a federal institutional context.

It already happened that some regional monetary unions were created and died out over the course of a few decades. In the absence of a state framework capable of adjusting their institutions according to historical situations, the Latin Monetary Union, lasting from 1865 to 1927, and the Scandinavian one, inaugurated in 1873 and dissolved in 1924, had to succumb. It is no coincidence that these examples were very closely studied by the expert committees – among which the then Governor of the Bank of Italy Carlo Azeglio Ciampi - convened under the aegis of the Delors Commission. Likewise during the process of elaboration and ratification of the Maastricht Treaty, the frequent reference, by the European federalists and also by the high exponents of the political class and of the national institutions especially in Germany, to the need to frame the creation of the European currency within the process of founding the European federation, was no chance event.

European Monetary Union cannot be saved without a European federal state

The fate of the European currency and of the relaunch of the European economy depend therefore on the creation of a solid federal state core. Without a federal state equipped with full fiscal, budgetary and economic policy powers, re-quired to support the currency and to make it credible, it is inconceivable that European economic and monetary union can survive for very long.

But such a state, for obvious reasons, may be formed initially only by a limited group of member states of the European Union. More precisely by those countries in which there are favourable grounds (for historical reasons, for the longest and deepest participation of their citizens and of their economic and political system in the integration process) not only to transfer fiscal and budgetary sovereignty from the national to the European level, but also to solve the issue of sovereignty in military and foreign policy. Now, this consciousness is not only unable to develop quickly enough to save Europe from decline and marginalisation outside of the countries that have already adopted the Euro, but it cannot even be shared by all the countries of that area, precisely because there is not only the issue of the economic and monetary governance of a continental market at stake, but the choice between founding a new state or not. Therefore the framework in which the indispensable political process for saving the European currency and economy can be relaunched remains that of the six founder member states, that in which the historical task of laying the foundations for a European federation over the course of the first quarter century of the European integration process was started.